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Benin · Botswana · Burkina Faso · Burundi

Cameroon · Cape Verde · Central African Republic · Chad · Comoros · Congo

Democratic Republic of Congo · Cote D'Ivoire · Djibouti

Egypt · Equatorial Guinea · Eritrea · Ethiopia

Gabon · The Gambia · Ghana · Guinea · Guinea-Bissau

Kenya

Lesotho · Liberia · Libya

Madagascar · Malawi · Mali · Mauritania · Mauritius · Morocco · Mozambique

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<td>GNF</td>
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<td>HIPC</td>
<td>Heavily Indebted Poor Country</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IRS</td>
<td>Internally Registered Stock</td>
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<td>JPY</td>
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<td>JSE</td>
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<td>LLDC</td>
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<td>LSL</td>
<td>Lesotho Loti</td>
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<td>LYD</td>
<td>Libyan Dinar</td>
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<td>MAD</td>
<td>Moroccan Dirham</td>
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<tr>
<td>MDB</td>
<td>Multilateral Development Bank</td>
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<td>MDRI</td>
<td>Multilateral Debt Relief Initiative</td>
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<td>MGA</td>
<td>Malagasy Ariary</td>
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<td>MRO</td>
<td>Mauritanian Ouguiya</td>
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<td>MUR</td>
<td>Mauritian Rupee</td>
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<tr>
<td>MWK</td>
<td>Malawian Kwacha</td>
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<tr>
<td>MZM</td>
<td>Mozambique Metical</td>
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<td>NGN</td>
<td>Nigerian Naira</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>NSX</td>
<td>Namibian Stock Exchange</td>
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<td>OHADA</td>
<td>L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires</td>
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<tr>
<td>OTC</td>
<td>Over-The-Counter</td>
</tr>
<tr>
<td>PRGF</td>
<td>Poverty Reduction and Growth Facility</td>
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<tr>
<td>TB</td>
<td>Treasury Bill</td>
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<td>TBC</td>
<td>Titulos do Banco Central</td>
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<td>TCMF</td>
<td>Titulos Consolidatos de Mobilisation Financiera</td>
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<td>TZS</td>
<td>Tanzanian Shilling</td>
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<td>NDF</td>
<td>Non-Deliverable Forward</td>
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<td>RMC</td>
<td>Regional Member Country</td>
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<td>SAFEX</td>
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<td>Seychelles Rupee</td>
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<td>SDD</td>
<td>Sudanese Dinar</td>
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<td>SDR</td>
<td>Special Drawing Right</td>
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<td>SIDS</td>
<td>Small Island Developing State</td>
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<td>SGI</td>
<td>Sociétés de Gestion et d'intermédiation</td>
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<td>SGVB</td>
<td>Société de Gestion de la Bourse des Valeurs</td>
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<td>SLL</td>
<td>Sierra Leonean Leone</td>
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<td>STD</td>
<td>Sao Tome &amp; Principe Dobra</td>
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<td>SVT</td>
<td>Spécialistes en Valeur de Trésor</td>
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<td>SZL</td>
<td>Swaziland Lilangeni</td>
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<tr>
<td>TND</td>
<td>Tunisian Dinar</td>
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<td>UEMOA</td>
<td>Union Économique et Monétaire Ouest Africaine</td>
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<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UGX</td>
<td>Uganda Shilling</td>
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<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>USE</td>
<td>Uganda Stock Exchange</td>
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<td>WAEMU</td>
<td>West African Economic and Monetary Union</td>
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<tr>
<td>WAMU</td>
<td>West African Monetary Union</td>
</tr>
<tr>
<td>XAF</td>
<td>CFA Franc (Central African Region)</td>
</tr>
<tr>
<td>XOF</td>
<td>CFA Franc (West African Region)</td>
</tr>
<tr>
<td>ZWD</td>
<td>Zimbabwe Dollar</td>
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<tr>
<td>ZMK</td>
<td>Zambian Kwacha</td>
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Introduction

This Guidebook presents the state and profile of fixed income markets in Africa, providing coverage on all 53 countries in the Continent as of the first quarter of 2007. By this time, comprehensive economic data were generally available up to the end of 2006 for all countries.

In this overview, we present the economic rationale for fixed income markets, survey the existence of such markets in Africa, assess their state of development and finally, determine the framework that needs to be in place in these African capital markets in order to strengthen them and bring them on par with other developed markets in the world.

While the Guidebook’s coverage is focused predominantly on African Fixed Income Markets, it also addresses other related markets like the stock market, foreign exchange market and, where applicable, the derivatives markets.

I. FIXED INCOME INSTRUMENTS AND MARKETS

Fixed income instruments are debt securities that constitute a contractual obligation on the part of the borrower/issuer to make fixed payments of principal and/or interest to the lender/investor. In financial markets, fixed income instruments are traded either in the money market or bond market. The money market is the market for short-term instruments with a maturity of less than one year. Bond market instruments are fixed income instruments with maturities exceeding one year. Both Money Market and Bond Market instruments may be issued by supranational institutions, governments and their agencies as well as by private sector firms.

a. The Money Market

The most common money market instruments include securities such as Treasury Bills, Commercial Paper, Bankers Acceptances, and Repurchase Agreements (Repos).

The Money Market is an important segment of the financial market. Its main role is to allow participants in financial markets to adjust their short-term liquidity positions quickly. Participants with surplus funds are able to enhance their income by lending these funds for short periods, while institutions short of funds are able to borrow to manage deficits. A well-developed money market reduces liquidity risks for bondholders by providing immediate access to the cash market. It also facilitates the emergence of a sovereign yield curve as money market benchmarks potentially lead to the development of the long-term yield curve.

b. The Bond Market

The bond market is the market for trading long-dated fixed income securities. In well-developed capital markets, maturities of bonds generally range from one year to 30 years, going as far as 50 years and Perpetual Bonds.

The conventional bond instrument has a fixed coupon payable on every interest payment date while the principal repayment is made at maturity. However, there are numerous variations on the plain vanilla bond. Some of these include Floating Rate Notes (FRNs), Index-linked Bonds, Callable Bonds and Convertible Bonds. The Financial and Economic Importance of Bond Markets is based on the advantages that active bond markets bring to financial markets and, indeed, the economy as a whole.

At the macro-economic level, local fixed income markets play a critical role, as they perform important economic functions, including, but not limited to the following:

- Mobilizing stable, long-term financing for productive investments;
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• Facilitating efficient resource allocation, by providing market-determined interest rates that reflect the true cost of capital;
• Complementing the equity market as an alternative source of long-term finance for productive investment;
• Broadening the financial system and enhancing the realization of the greater function of the financial sector as a whole;
• Serving as an important market instrument that augments the effectiveness of monetary policies;
• Enabling the Government to engage in better public debt management and also, decreasing their overall foreign currency exposure;
• Laying the building blocks for the creation of Fixed Income Derivatives Markets, thus providing the markets with risk management vehicles.

Furthermore, fixed income market instruments, from a micro perspective, are attractive to borrowers and investors for the following reasons:
• In comparison to equity markets, fixed income securities are considered less risky due to a debt instrument’s priority position over an equity security in a period of liquidation.
• Bonds are indispensable to meeting the investment needs of households, given their relative certainty of income generated from regular cash flows. They also increase the chances of mobilizing savings;
• Debt financing is advantageous to borrowers as it creates an interest tax shield, due to the tax deductibility of interest payments;
• Fixed income markets enable borrowers to fix their cost of funding over the life of the instrument, because of the fixed-coupon nature of straight bonds or by swapping their floating debt into a fixed one.

The attractiveness of any fixed income security to an investor is, however, driven by the following characteristics of such instruments:
(a) Security or credit risk;
(b) Liquidity: the ease at which these securities can be traded with minimal price risk, which is determined by factors such as the instrument’s issue size, the number of market-makers and changes in the issuers ratings;
(c) Expected return/yield: influenced by macro-economic factors, risks of holding the bond till maturity, structure of the security, etc.

II. FIXED INCOME MARKETS IN AFRICA

A review of Fixed Income Markets in Africa shows a great disparity in levels of development. Indeed, the vast majority of the African countries have rudimentary fixed income markets, with debt instruments usually of very short tenors.

Government bonds do exist in the majority of African countries, in comparison with Corporate Bonds and Derivative Securities.

The table below depicts this information, highlighting the debt instruments available in the 53 African nations under study, and their extent of utilisation.

The data presented in the table above demonstrates how African countries favour issuance of treasury bills. For example, 74% of African countries issue T-bills,

<table>
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<th>Type of Fixed Income Instrument</th>
<th>Number of African Countries Issuing</th>
<th>No of Issuers as % of total</th>
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<td>Treasury Bills</td>
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<td>74</td>
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<td>Government Bonds</td>
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<td>Municipal Bonds</td>
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<td>Corporate/Parastatal</td>
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<td>Derivatives</td>
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Distribution of fixed income securities in African capital markets
while only 49% issue the longer-dated government securities.

III. DERIVATIVE MARKETS

Derivative markets are markets for trading instruments whose values are derived from underlying assets. The most popular plain vanilla derivatives are futures, options and swaps.

Derivative instruments can be used either as investment vehicles or for risk management purposes. Options, Futures, and Swaps enable market participants to reduce the price and interest rate risk associated with exchange rates, stocks, bonds, and commodities. For example, a crude oil futures or option contract enables an oil producer to hedge against fluctuations in prices and, hence, protect against the risk of losses.

Following at least two decades of market liberalization and reform, the vast majority of African countries have eliminated price controls in favour of free markets. Such liberalization has exposed domestic economies to price risk associated with commodities, interest rates and exchange rate fluctuations. The establishment of Stock Exchanges, while surely accruing enormous benefits, have also increased the risks associated with tradable financial assets that have significant wealth effect implications. The absence of derivatives markets makes it difficult for participants to hedge these risks.

With the exception of South Africa, Derivative Markets are mainly focused on foreign exchange derivative contracts. This should not be the case, as participants in African financial markets are exposed to the same types of market risks faced by their counterparts in more advanced emerging markets. Some reasons for the lack of markets for derivative products include the following:

1. The underdevelopment or, sometimes, the absence of markets for the underlying instruments;
2. The underdevelopment, by international financial market standards, of the money markets and pricing benchmarks;
3. Lack of liquidity in the underlying assets;
4. The dearth in expertise and knowledge in the utilization and pricing of these underlying instruments;
5. Absence of enabling legal frameworks to allow for efficient operations. For example, some securities laws do not recognize derivatives as securities and legal prohibitions against short-selling exist in nearly all African markets.

As is the case with fixed income markets, derivative market activity can only be promoted with a carefully planned strategy to remove the constraints and deficiencies in the development of the markets for the underlying securities. In addition, such planning should include putting in place appropriate legal frameworks and training of market participants.

IV. KEY ISSUES FOR IMPLEMENTING A SUCCESSFUL BOND MARKET IN AFRICA

The role and importance of the Bond Market in economic growth and development is well documented in the economic and financial literature and from empirical evidence in developed and developing countries. A combination of factors fuels the development of efficient bond markets: a sound macroeconomic framework, in which the bond market provides interaction between suitable issuers of securities and willing investors in an environment of competent intermediaries, effective infrastructure, and good flow of information facilitating this interaction. Building a well-functioning bond market requires attention to all these issues as discussed below.

Macroeconomic Stability

A sound and sustainable macroeconomic framework is a prerequisite for the adequate development of debt capital markets. To attract private long term capital, fiscal and monetary disciplines, as well as control of inflation are of essence. Until recently, many African countries continued to experience high rates of inflation. This phenomenon, coupled with adverse socio-economic environments, makes investors...
in many countries favor short-term money market instruments.

**Issuer base**
The government is usually the prime issuer in a bond market. The existence of a Government yield curve provides several benefits: first, it serves as a reference for the pricing of non-government issues like corporations, local authorities, financial institutions, infrastructure projects; second, it has a decisive impact on the efficient conduct of monetary policy and affects the degree to which other segments of the financial market (forward and futures markets and other hedging instruments) can be developed to facilitate risk management functions. A planned debt issuance program will establish benchmark securities consistently across the maturity spectrum and enable sufficient planning and an orderly rebalancing of portfolios by portfolio managers. Other issuers like supranationals could also complement government issuance program.

**Investor base**
An efficient bond market also needs a diversified investor base, involving local and foreign participants with a pool of investable funds. Typical institutional investors comprise of pension funds, insurance companies, assets management firms. These investors have long term liabilities that need assets to match asset and liability strategies. Care should be taken to ensure that instrument limited mandates or restrictive investment legislation do not curtail their full participation in all segments of bond markets.

**Intermediaries**
Bond markets also need financial intermediaries and inter-dealer broker network to support the market, promote liquidity in the secondary market and develop instruments that satisfy the needs of both issuers and investors. The Government should also promote a primary dealer system with adequate capitalization. Dealing capacity also requires well-capitalized dealers to underwrite bond issues and to deal in the secondary market. This should be augmented with appropriate dealer financing mechanisms such as repurchase agreements. An efficient fixed income market also relies on strong skills at the level of issuers, dealers and traders. Financial expertise in Africa has been lacking in this regard.

**Infrastructure and Information**
Adequate infrastructure, such as legal and regulatory framework, market-wide trading and settlement systems and securities depositories, is equally important. The legal and regulatory framework will facilitate the development and strengthening of the market as well as provide investor's protection.

**Ratings**
Debt markets fail to function adequately in an environment in which credit risk cannot be assessed. A complete credit rating framework should be implemented.

**Public awareness**
Investor education and awareness is needed to create a market for debt instruments. This can be done through technical assistance, capacity building and financial training to Central Banks, Financial Institutions and other relevant organizations responsible for capital market oversight and operations.

V. **CONCLUSION**
The compilation of this Guidebook was very rewarding but challenging. It required several logistic compromises, including settling for partially complete statistical/economic data in some cases.

As a Multinational Development Bank, the African Development Bank has been actively supporting the development of bond markets in the region through various means including loans especially for reforms of financial sector, technical assistance to governments and regulators, and bond issuance in various African currencies.

While the recent thrust placed on developing bond markets in the region is very encouraging, the process
is somewhat challenging. It requires time, patience and a great deal of support from the governments and institutions involved in the process. All stakeholders must work together to achieve this, because the strengthening of local bond markets is about assisting the development of a vibrant private sector that creates growth, jobs and opportunities, and thus ultimately reduces poverty in Africa.

The Bank stands ready to partner with our member countries and the private sector to further develop domestic bond markets in the region. We will pursue our efforts to increase the awareness of African capital markets in the rest of the world, and it is our hope that this Guidebook, as a first of its kind in Africa, will benefit all incumbent and potential participants in the African Fixed Income Markets.

Thierry De Longuemar
Vice President, Finance

Stefan Nalletamby
Group Treasurer
The African Development Bank wishes to thank the following individuals and financial institutions for their contribution to country information in the production of the “African Fixed Income Guidebook”. Information for the Guidebook has also been compiled from a variety of additional sources, including all the central banks of the continent, and we acknowledge making use of economic and financial reports from the listed organizations and sources.

We would like to express our sincere appreciation and acknowledgement to the Bank’s management and staff for their input in varying capacities. We are grateful to the AFDB’s Country Economists, Operations and Finance Experts for their advice and reviews in putting this book together. In particular, we wish to thank the dedicated team, the African Capital Markets Guidebook Working Group in the Treasury Department, Lydie Boka Mene, Yusuf Hassan, Yaw Kuffour, Samuel Mivedor, Hassatou N’Sele and Adaobi Osakwe, who put in a great deal of effort to ensure the successful completion of this guidebook.

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- Economics Intelligence Unit (EIU)
COUNTRY GUIDES
Algeria

2006 At a Glance

<table>
<thead>
<tr>
<th>Category</th>
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<tbody>
<tr>
<td>Population (mn)</td>
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<td>Currency</td>
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<td>External Debt/GDP (%)</td>
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<td>CPI Inflation (annual %)</td>
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<td>Exports of goods and services (% of GDP)</td>
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<td>Gross Official Reserves (In US$ Bn)</td>
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<tr>
<td>Gross Official Reserves (In months of imports)</td>
<td>36.9</td>
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<td>UNDP HDI RANKING</td>
<td>102</td>
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Source: AIDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

The Algerian financial sector, dominated by its banking component, comprises 28 lending institutions of which 21 are banks. Regulation and legislation of the banking sector is primarily the responsibility of the central bank, the Bank of Algeria (BoA). The Banking Commission is in charge of supervising the banking sector, and the Monetary and Credit Board regulates non-bank lending institutions.

Monetary policy is conducted by the central bank. The BoA focuses on three equally-weighted priorities as its objectives: domestic stability, external stability, and orderly development of the national economy.

Bank and Non-Bank Financial Sector

The ownership structure of the Algerian banking sector is as follows: 15 banks are privately-owned and 6 are state-owned. Despite this private-to-public-ownership distribution ratio and the ongoing privatization efforts, state-owned banks hold 83.4% of the banking sector’s assets, while privately-owned banks hold 9.4% (with the remaining 7.2% being held by other financial institutions). The Government has, however, committed itself to undertake a partial privatization initiative that opens up Algeria’s banking sector to foreign investors. In this framework, Citigroup and BNP Paribas have been short-listed for the privatization bid of Credit Populaire d’Algérie.

Following the liberalization of the insurance sector in 1995, insurance companies generally account for approximately 3% of total financial system assets. As in the banking sector, the state controls most of the insurance market. In addition to state-owned insurance firms, there are 6 private insurance firms, 2 mutual insurance firms, and 1 state-owned reinsurance firm. Non-life insurance accounted for 99% of total insurance premiums. Life insurance is yet to be regulated. The insurance sector is overseen by the Directorate of Insurance in the Ministry of Finance.

Capital Markets

The Algerian Stock market was established in May 1993 by Legislative Decree No. 93-10. It is managed
by the Société de Gestion de la Bourse des Valeurs (SGBV) and is supervised by the Stock Exchange and Surveillance Commission. Two companies are currently listed on the Exchange, trading on which is virtually non-existent, despite the independent authority of the Surveillance Commission to develop the market, including the licensing of brokers and the creation of a central depository.

The bond market is regulated by the Commission d'Organisation et de Surveillance des Opérations de Bourse (COSOB), which sets the operating rules of the Stock Exchange. The regulatory framework was put in place by COSOB in the early '90s and is regularly updated. The role of the COSOB is supervisory in nature. It focuses on the protection of public savings invested in securities, market surveillance, and transparency. Any entity planning to raise funds through the Stock Exchange needs to comply with the regulations of the Algerian “Code de Commerce”.

Primary and secondary market transactions are conducted by 13 authorized Spécialistes en Valeur de Trésor (SVT). As of 2005, corporate bond issuance represented about 33% of the total Algerian bond market.

2. Fixed Income Markets

Government Securities
In October 1995, the Algerian Treasury created a primary market for government securities. The local commercial banks and insurance companies were authorized to participate in this market. The first operations were launched through monthly auctions under the supervision of the BoA. The securities issued were short-term bills and long-term treasury bonds. SVT’s are the primary dealers. Unlike corporate bonds, government bonds are not listed on the Algerian Stock Exchange.

Domestic debt instruments mainly include treasury bills and bonds (82% of outstanding government debt) issued with maturities ranging from 3- to 6-months (Bons du Trésor Cessibles), while bonds (Bons du Trésor Assimilables) are issued with maturities of 1, 2, 3, 5, 7, 10, and 15 years maturities. Other government-issued instruments are Caisse Nationale des Retraites (CNR) bonds and Caisse Nationale d'Assurance Sociale (CNAS) bonds. Issuance of these securities, organized regularly by the Treasury, is done through Dutch auctions. The current size of the Treasury market is USD 4.2 bn.

Non-Central Government Issuance

Until 2003, Sonatrach, the national oil company, used to be the only corporate issuer in the domestic bond market. Since then, nine corporate bonds have been issued by seven public companies. In 2004, several other state-owned enterprises issued debt. Among these were Air Algérie (close to DZD 30 bn issued with coupons ranging between 2.3% and 6% for maturities between 1 and 6 years), Sonélégaz (DZD 10 bn issued in May 2005, paying a coupon of 3.5% for 7-year maturity), and Algérie Telecom (two tranches totaling DZD 6.5 bn, with a coupon of 2.75% for 2-year and 3% for 3-year maturity). Most of these issues have been managed by either Banque Nationale d'Algérie or Banque Extérieure d’Algérie.

In January 2006, Cevital, a family-owned agro-food group, became the first private company to access the domestic bond market, raising DZD 90 bn (two tranches paying a coupon of 3.75% for 5-year maturity and 4% for 6-year maturity).
Some Recent Algerian Corporate Bond Offerings (2005 to date)

<table>
<thead>
<tr>
<th>Company</th>
<th>Tranche</th>
<th>Tenor (yrs)</th>
<th>Amount</th>
<th>Coupon (%)</th>
<th>Yield (%)</th>
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<tbody>
<tr>
<td>SRH</td>
<td>1</td>
<td>3</td>
<td>19.5</td>
<td>4</td>
<td>3.72</td>
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<tr>
<td></td>
<td>2</td>
<td>5</td>
<td>16</td>
<td>4.5</td>
<td>4.16</td>
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<tr>
<td>SONATRACH</td>
<td>5</td>
<td>70</td>
<td>4</td>
<td>2.99</td>
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<tr>
<td>Air Algérie</td>
<td>1</td>
<td>2.5</td>
<td>25</td>
<td>3</td>
<td>2.07</td>
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<tr>
<td></td>
<td>2</td>
<td>5</td>
<td>37</td>
<td>3.75</td>
<td>2.36</td>
</tr>
<tr>
<td>Algérie Telecom Spa</td>
<td>1</td>
<td>2</td>
<td>47</td>
<td>2.75</td>
<td>2.79</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>3</td>
<td>44</td>
<td>3</td>
<td>3.09</td>
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<tr>
<td>ENAFOR</td>
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<td>5</td>
<td>57</td>
<td>3</td>
<td>2.98</td>
</tr>
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<td>2</td>
<td>6</td>
<td>55</td>
<td>3.5</td>
<td>3.48</td>
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<tr>
<td>Cevital</td>
<td>1</td>
<td>5</td>
<td>41</td>
<td>3.75</td>
<td>3.67</td>
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<td></td>
<td>2</td>
<td>6</td>
<td>29</td>
<td>4</td>
<td>3.8</td>
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<tr>
<td>Sonelgaz</td>
<td>1</td>
<td>9</td>
<td>84.5</td>
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<td>79.5</td>
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<tr>
<td>ALC</td>
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<td>36</td>
<td>3.85</td>
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<td>4</td>
<td>4</td>
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<tr>
<td>Algérie Telecom Spa</td>
<td>5</td>
<td>282</td>
<td>4 –Year 1</td>
<td>4.81</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td>4 – Year 2</td>
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<td>4.5 – Year 3</td>
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<td>4.5 – Year 4</td>
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<td></td>
<td></td>
<td></td>
<td>7.9 – Year 5</td>
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<td></td>
</tr>
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</table>

Secondary Market
A secondary market for government securities was created in March 1998, when ten SVTs were authorized to conduct transactions in the primary and secondary markets. Secondary market trading of corporate bonds is carried out over-the-counter. Secondary market liquidity is relatively low.

Clearing and Settlement
In 2004, Algérie Clearing, a joint stock company, was officially established as the central depository for all securities in Algeria. Algérie Clearing monitors a computerized settlement and delivery system. The day count is 360 for treasury bills and 365 for bonds. Settlement is T+2.

3. Foreign Exchange
Officially, the Algerian Dinar (DZD) exchange rate follows a managed floating regime, based on a composite of currencies, believed to be based on Algerian Direction of Trade (DOT). Historically, it reached a high at DZD 57.7 / 1 USD in 2002, but weakened to DZD 77.40
Algeria – 1 USD in 2003. However, the DZD has since been steadily appreciating. As at end-2006, it reached DZD 70.11 / 1 USD. The DZD is not fully convertible.

4. Participation of Foreign Investors and Issuers

Only domestic financial institutions (banks and insurance companies) are allowed to bid for government debt instruments. By regulation, the bond market is not accessible to foreign investors.

5. Investment Taxation

Income from government securities is subject to a 10% withholding tax. For treasury bills, the 10% flat tax is withheld on maturity date while for coupon-paying bonds the tax is paid on the date of the coupon payment. Five-year government bonds and held-to-maturity corporate bonds are tax-exempt.

6. Key Contacts

- Banque Centrale d’Algérie
  38, Avenue Franklin Roosevelt, Villa Jolie Algiers, Algeria
  Tel: +213-21-692222
  Fax: +213-21-692200
  E-mail: ba@bank-of-algeria.dz
  Web: www.bank-of-algeria.dz

- Commision d’Organisation et de Surveillance des Operations de Bourse (COSOB)
  17 Campagne CHKIKEN, 16045, Bal d’Hydra, Alger, Algeria
  Tel: +213-21-591015
  Fax: +213-21-591019
  E-mail : contact@cosob.org
  Web: www.cosob.com.dz

- Bourse d’Alger, Algiers Stock Exchange
  27, Bd Colonel Amirouche, Algeria
  Tel: +213-21-429686
  Fax: +213-21-429685
1. Overview of Financial System

Angola’s financial system has recently undergone a series of reforms to liberalize and privatize the previously state-controlled financial system. The World Bank and the IMF have played a major role in introducing financial sector reforms through the Financial Institutions Modernization project (1992 to 2002), when the banking and insurance sectors were liberalized and new regulatory and supervisory systems were put in place.

The Central Bank of Angola, previously one of two major Angolan banks, had its name changed to Banco Nacional de Angola (BNA) after independence in 1975, and inherited the responsibilities of a central bank, bank of issue and commercial bank, the only legal holder of foreign currency, and responsible for all foreign transactions under Organic Law 69/76. Further reforms restricted BNA’s role solely to monetary policy, issuing bank, banker of the Government and reserve bank, effectively transforming the BNA into a pure central bank.

The central bank’s main objective is to ensure that the value of the national currency is sustained. Additionally, it has authority to supervise financial institutions, control their liquidity and solvency, and maintain their deposit accounts under terms and conditions that the Board of Directors may decide.

Bank and Non-Bank Financial Sector

Prior to liberalization, the banking sector comprised two state-owned banks. The sector has since expanded to include 13 commercial banks, two of which are Portuguese-owned. A new legislation proposed for the sector is expected to increase the scope of the banks’ financial activities and considerably enhance the sector’s attraction to foreign investors.

The stock of credit to the economy from the banking system moved from Kwanza 149,738.4 mn in December 2005, to Kwanza 203,257.9 mn in June 2006, an increase of 35.74% or USD 675.24 mn. The considerable increase of the credit to the economy can be explained by (i) the new dynamism...
that liberalization has created in the sector, and (ii) emerging confidence of the banking institutions in the broader economy.

The insurance sector has also received extensive assistance from the World Bank. A new insurance agency, the AAA Financial Services, was created in 2003. The state-owned ENSA was restructured into three firms in the same year; a holding company, an insurance company (SARL), and a reinsurance firm (Ango-Re). The insurance system is supervised by the Insurance Supervision Institute, which is located in the Ministry of Finance.

Angola is now viewed as a prime emerging African market on the continent, resulting in heightened interest from foreign banks aiming to enter the Angolan markets. Several Portuguese and South African banks are opening new branches in Angola. As of June 2005, total assets of the banking sector reached USD 4.6 bn (USD 3 bn in deposits), up from USD 3.5 bn in 2004.

Capital Markets
There is presently no stock exchange in Angola. However, a Financial Markets Law has been passed which envisages the early establishment of the Angolan Stock Exchange (Bolsa de Valores). The exchange, once it has opened, is expected to generate about USD 1 bn in tax revenue per year and would commence with an initial offering of ten companies with a combined market capitalization around USD 5.5 bn. When operational, foreign and local investors will have equal access to the listed shares.

2. Fixed Income Markets

Government Securities
The central bank has developed a market for short-term bonds, called Titulos do Banco Central (TBC), with maturities ranging from 91 to 182 days. It has also developed a market for long-term bonds (Obrigacoes do Tesour) that have a maturity range from 1 to 7.5 years. In December 2002, to effectively influence money supply and finance the budget deficit, the Government of Angola approved the issuance of the TBC by the Ministry of Finance. It earmarked USD 1 bn for bonds to pay its debt to private local companies, some of which have been able to sell the bonds directly to local banks or use them as collateral for credit. The size of TBC issues range between AOA 100,000 and AOA 50 mn and are issued weekly.

The nominal yields on the short-maturity TBCs declined during the first semester of 2005, from 46.44% in December of 2004 to 32.03% in June 2005.

Secondary Market
Most of the government bonds are bought and held by local banks in Angola, and as a result it has hindered the development of an active secondary bond market.

3. Foreign Exchange
The Angolan Kwanza (AOA) is a managed floating currency. Since September 1990, the AOA has experienced a series of foreign exchange policy changes, including devaluation in 1996 and the fixing of the official rate to the USD. Since June 1998, the AOA official exchange rate has followed a crawling peg regime with a rate determined on a weekly basis, without pre-commitment to any specifically announced path.

In 2003, the central bank implemented an exchange rate stabilization program using foreign exchange reserves to buy Kwanza out of circulation. Since then, the Kwanza has been remarkably stable, averaging AOA 83.72 / 1 USD in 2004 and AOA 87.1 / 1 USD in 2005. For most of 2006, the currency traded within a narrow range of AOA 83.39 / 1 USD and AOA 80.36 / 1 USD. This is largely due to the government’s policy of intervention aided by the recent surge in export earnings as a result of high oil prices.

The foreign exchange market is driven largely by the inter-bank market whose participants are the banks and the central bank. The central bank publishes a daily reference rate, for accounting and statistical purposes, computed as a weighted average rate of the rates dealt with by the banks during the day. Banks are authorized to deal among themselves and
with their customers at freely negotiated rates. The central bank nominates currency dealers who are authorized to buy and sell foreign currency.

4. Participation of Foreign Investors and Issuers

Capital and money market transactions, capital repatriation and personal capital movements are subject to strict controls. Very often, these transactions require approval and/or licensing by the central bank.

It is, however, envisioned that the creation of a stock exchange in the near future will grant foreign investors equal access to listed securities.

Currently, dividends earned in Angola can only be remitted abroad by foreign investors if the amount of investment in the Angolan host company exceeds USD 250,000.

5. Investment Taxation

Capital gains and personal income tax rates are 35% and 15%, respectively.

6. Key Contacts

- Banco Nacional de Angola
  151, Av. 4 de Fevereiro, No. 151, Luanda, Angola
  Tel: +244-222-399125
  Fax: +244-222-390579, 394986
  Web: www.bna.ao
1. Overview of Financial System

Benin is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- The Conference of Heads of State, which decides on the accession of new members.
- The Council of Ministers, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.
- The UEMOA Commission, as delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.

- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d'Appui à la Réglementation des Mutuelles d'Epargne et de Crédit) Law, which regulates micro-finance activities in all WAEMU countries.

Benin is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the
domestic and foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.

Bank and Non-Bank Financial Sector
As of December 2006, there were 93 banks and 22 financial institutions operating in the UEMOA zone, with 12 banks and two financial institutions located in Benin. The total balance sheets of the financial system in Benin amounted to XOF 724 bn at the end of 2005, with the banks accounting for more than 99%, representing 34% of GDP. The resources of banks and financial institutions amount to XOF 650 bn, including XOF 61 bn as net equity capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in UEMOA. In fact, eight groups (including Société Générale, BNP Paribas, Crédit Lyonnais, Citibank, Bank of Africa, Ecobank, and Financial B.C.) dominate the UEMOA banking system with relatively wide national networks.

The insurance sector in Benin is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaounde (Republic of Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d’Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA), whereas the Council of Ministers is its highest body. The total portfolio of the UEMOA CIMA zone is dominated by the sector of non-life insurance. Compared to GDP of 2005, the turnover of the insurance sector in Benin represents 0.9%, well below the average ratio in Africa of 4.8%. At the end of 2005, five life insurance and five non-life insurance companies were operating in the country, with a total turnover of XOF 20 bn; life insurance products represented 20% and vehicle insurance 60% of the turnover.

The micro-finance sector in Benin has more than 85 micro-finance programmes or networks, represented by over 600 retail micro-finance institutions including savings and loan associations or credit unions.

Capital Markets
The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d’Intermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGIs were registered in the Union with three located in Benin. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM, and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company. At the end of December 2006, the capitalization of the equity market was XOF 2067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. Bank of Africa Benin (BOAB) is the sole company of Benin listed on the stock exchange as at December 2006.

2. Fixed Income Markets
The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.
The Government has used treasury bills and bonds to fund its deficit. As of December 2006, the Government has XOF 25.4 bn outstanding in treasury bills. As at the end of 2006, the Government has no outstanding bonds on the stock exchange but the Government is planning to tap the market in the first quarter of 2007 for XOF 40 bn with CAA-Benin, at 6% fixed rate and reaching maturity at 2012.

**Non-Central Government Issuance**
By December 2006, the Bank of Africa Benin is the sole corporate from Benin to have listed a bond on the stock exchange. In addition, as of December 2006, Société Béninoise des Eaux et Electricité (SBEE), from Benin, has privately placed the biggest and longest corporate bond XOF 22.76 bn for 7 years. The CREPMF requires that corporate bonds be guaranteed before they can be listed. This might be one of the reasons why corporate has been reluctant to fund through the debt market.

**Secondary Market**
As a consequence of the buy-and-hold attitude of most investors, the secondary market in fixed-income securities in the UEMOA zone is fairly illiquid.

**Clearing and Settlement**
Securities trades on the BRVM are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). The DC/BR has its headquarters in Abidjan and offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

### Outstanding BOAD Bonds

<table>
<thead>
<tr>
<th>Title</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOAD 6.25% 1999-2009</td>
<td>20.12</td>
<td>1999</td>
<td>Annual</td>
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<td>BOAD 6.30% 1999-2007</td>
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<tr>
<td>BOAD 5% 2005-2013</td>
<td>18.60</td>
<td>2005</td>
<td>Annual</td>
<td>28-Dec-13</td>
</tr>
<tr>
<td>BOAD 4.5% 2005-2011</td>
<td>6,404</td>
<td>2005</td>
<td>Annual</td>
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</tr>
</tbody>
</table>

### Non Government Debt Issuance

<table>
<thead>
<tr>
<th>Title</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
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</thead>
<tbody>
<tr>
<td>Listed Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOA-BENIN 6.60% 2001-2008</td>
<td>5.00</td>
<td>2001</td>
<td>Annual</td>
<td>30-Oct-08</td>
</tr>
<tr>
<td>Private Placement Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBEE 6.85% 2005-2012</td>
<td>22.76</td>
<td>2005</td>
<td>Semi-annual</td>
<td>14-Apr-12</td>
</tr>
</tbody>
</table>

3. **Foreign Exchange**
The CFA Franc (XOF) is not traded on the foreign exchange markets but is fully convertible into the Euro, with the convertibility guaranteed by the French treasury through a special operations account at the Banque de France. This arrangement effectively
offers practically unlimited overdraft facilities and allows the CFA states to avoid short-run balance of payments constraints. In return, the BCEAO is required to deposit 65% of its foreign exchange reserves at the central bank of France. Buying and selling rates of Euro are fixed at XOF 655.957/1 EUR, and the rates of other currencies are determined on the basis of the Euro rate on the foreign exchange market. Payments and transfers of capital within the UEMOA zone and France are unrestricted as are current account transactions. The main restrictions concern the outflow of capital to countries outside the WAEMU, which is subject to verification based on the submission of supporting documentation.

4. Derivatives

The derivative market is in its infancy. Foreign exchange forwards exist with moderate liquidity and tenors extending up to 3-6 months.

5. Participation of Foreign Investors and Issuers

The banking sector has a high level of foreign ownership, particularly by French financial institutions. Foreign investors can purchase securities listed on BRVM. For instance, an international non-governmental organization, Shelter Afrique, based in Nairobi (Kenya), has issued bonds and listed them on the BRVM.

6. Investment Taxation

Government securities are tax-exempt as opposed to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenu des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12-18% for income from any other security.

7. Key Contacts

- Banque Centrale des Etats de l’Afrique de l’Ouest
  Avenue Jean Paul I, Cotonou, Benin
  Tel: +229-2131-2466,
  Fax: +229-2131-2465
  Web: www.bceao.int

- Bourse Régionale des Valeurs Mobilières
  18, Avenue Joseph Anoma, Rue des Banques, Abidjan, Côte d’Ivoire
  Tel: +225-2032-6685
  Fax: +225-2032-4777
  E-mail: brvm@brvm.org
  Web: www.brvm.org

<table>
<thead>
<tr>
<th>Non CFA Domiciled Issuers</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SHELTER-Afrique 6.25% 2003-2010</td>
<td>3.50</td>
<td>2003</td>
<td>Semi-annual</td>
<td>20-Feb-10</td>
</tr>
<tr>
<td>Private Placement Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SHELTER-Afrique 6% 2004-2009</td>
<td>2.50</td>
<td>2004</td>
<td>Semi-annual</td>
<td>26-Nov-09</td>
</tr>
</tbody>
</table>
1. Overview of Financial System

The Bank of Botswana (BOB) was established as the central bank in 1975 after the country decided to leave the Rand monetary area, and the Botswana Pula (BWP) was launched in 1976 to replace the South African Rand as the national currency. The Bank of Botswana supervises credit institutions and is responsible for maintaining monetary stability, promoting a stable and sound financial system, and ensuring public confidence in the national currency. It acts as the adviser of the government on economic and financial issues. The objective of the monetary policy is to achieve and maintain low and sustainable inflation rates. The BOB chiefly uses open market operations to influence interest rates and liquidity. Historically, the financial sector in Botswana has been dominated by commercial banks, which have played a major role in contributing towards the development of the economy. However, funds raised on the domestic bond market now constitute almost 47% of total bank lending, compared to 0% in the mid-1990s.

Bank and Non-bank Financial Sector

In carrying out its mission of supervision of credit institutions, the BOB enacts management rules and sets prudential standards. There are five commercial banks currently operating in the country, in addition to two merchant banks, controlling assets of BWP 29.2 bn (BWP 17.7 bn in 2005).

The rapid growth of the domestic fund management industry has led to the introduction in 2006 of legislation to establish a regulatory authority for non-bank financial institutions. The non-bank financial sector is active, with over 100 private pension funds and 32 insurance companies. The insurance sector is regulated by the Registrar of Insurance, operating under the Ministry of Finance and Development Planning.

Private pension funds have been rapidly growing in recent years and the size of their assets is comparable to those of commercial banks. As of December 2006, total pension funds assets amounted to BWP 29.01...
bn (BWP 23.2 bn in 2005). This growth has led to a significant increase in excess liquidity in the domestic financial system which is regularly absorbed by the central bank through its open market operations. Approximately 67% of pension funds assets are invested in equities, 24% in bonds (11% in domestic bonds and 13% in offshore bonds). Pension funds are one of the major participants in the fixed-income market and can invest 70% of their assets offshore.

**Capital Markets**

The sector is supervised by the BSE Committee in conjunction with the Ministry of Finance’s Banking and Capital Markets Unit.

The legal framework of Botswana’s capital markets is largely defined by the Botswana Stock Exchange (BSE) Act, which incorporates compliance with the Companies Act. The BSE was established in 1989 and began formal operations in 1995. It is responsible for regulating and operating the equity and fixed-income markets and has sole jurisdiction in approving securities for listing on the exchange. There are a variety of market indices, and the most widely followed is the Domestic Companies Index (DCI) which tracks movements in share prices on the BSE using a weighted average of all domestic companies listed on the exchange. The market capitalization stood at BWP 592 bn in April 2007, with the domestic sector market capitalization of BWP 30 bn (USD 5 bn) and a foreign sector market capitalization of BWP 562 bn (USD 94 bn). In effect, Anglo (a South African conglomerate) accounts for BWP 486 bn (USD 81 bn).

A total of 19 domestic companies and 12 foreign companies are listed on the BSE together with two government bonds, seven quasi-government bonds and 20 corporate bond issues. Since 1997, the BSE has allowed dual listing with other stock exchanges and, at the end of 2006, 12 foreign companies had dual listing. Market participants in both the primary and secondary market include domestic and foreign companies, commercial banks, corporates, parastatals and institutional investors (pension funds, insurance companies and mutual funds). The local non-bank investor base (asset management, life and general insurance companies) is deep and diversified.

Three registered brokerage companies are operating on the BSE and all commercial and merchant banks in Botswana are primary dealers.

The Government is committed to fashioning Botswana into a financial services hub. Significant progress has been made in Botswana’s capital market resulting from the implementation of a financial sector development strategy. However, further growth and improvements in efficiency of the capital market are needed to support the national diversification objective, as well as to enable domestic savers and foreign investors to participate in the envisaged privatization of parastatals.

2. **Fixed Income Markets**

At the end of 2006, the nominal value of listed bonds listed on BSE was BWP 4.0 bn, compared to BWP 3.8 bn in 2005.

**Government Securities**

There is a primary dealership system in government bonds for both the primary and secondary market. Government debt instruments consist of Bank of Botswana Certificates (BOBC) and government bonds. While BOBCs are used for open market operations, the government bonds have been launched to help develop the domestic capital markets by adding to the choice of available financial instruments and establishing a relatively risk-free yield curve to serve as a benchmark for other bond issues.

Government securities are sold by multiple price auctions with successful bidders (bids above the established minimum bid price) required to pay their respective bid prices. Following are the main features of the securities.

- **Bank of Botswana Certificates** have maturities of 14-, 91- and 364-days. They are highly liquid, with total issuance of BWP 3.76 bn for the 14-day, BWP 8.34 bn for 91-day and BWP 3.86 bn for the
The substantial increase in BOBCs issuance before 2006 (more than 200% growth since 2005) reflected the absence of alternative domestic short-term money market instruments. In order to stimulate the development of new alternative instruments and considering the level of development of the Botswana financial market, the authorities decided to restrict, effective March 2006, the purchase and holding of BOBCs to commercial banks.

**Government bonds** currently in issue consist of originally 5-year (BW002) and 12-year (BW003) bonds with a total par value of BWP 1.75 bn, that are due to mature on 1 March 2008 and 31 October 2015 respectively. The 2-year bond (BW001) matured in 2005 and was not replaced. Government bonds are auctioned and traded on a yield-to-maturity basis and can be bought and sold through the BSE primary dealers. However, it is an illiquid market as investors are typically buy-and-hold types. The Bank of Botswana invests in some of these issues to help promote the liquidity of the market.

**Non-Central Government Issuance**

In a bid to raise funding to meet budget deficit, in addition to further developing the domestic capital markets, the Government set up a Debt Participation Capital Fund (DPCF) as a special purpose vehicle to securitize a portfolio of government loans to parastatals. In the absence of frequent sovereign benchmark issues, in 2004, the DPCF issued bonds with maturities at 3-, 6-, 9-, 12-, 15-, 18- and 21-year tenors to provide quasi-sovereign benchmarks for pricing corporate issues which are all listed on the BSE.

**DPCF Issuance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Participation Capital Funding</th>
<th>Maturity</th>
<th>Offer Size BWP million</th>
<th>Coupon (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>DPCF 001</td>
<td>June 2007</td>
<td>170</td>
<td>10.34%</td>
</tr>
<tr>
<td>2004</td>
<td>DPCF 002</td>
<td>June 2010</td>
<td>195</td>
<td>10.17%</td>
</tr>
<tr>
<td>2004</td>
<td>DPCF 003</td>
<td>June 2013</td>
<td>225</td>
<td>10.31%</td>
</tr>
<tr>
<td>2004</td>
<td>DPCF 004</td>
<td>June 2016</td>
<td>220</td>
<td>10.45%</td>
</tr>
<tr>
<td>2004</td>
<td>DPCF 005</td>
<td>June 2019</td>
<td>100</td>
<td>10.60%</td>
</tr>
<tr>
<td>2004</td>
<td>DPCF 006</td>
<td>June 2022</td>
<td>55</td>
<td>10.75%</td>
</tr>
<tr>
<td>2004</td>
<td>DPCF 007</td>
<td>June 2025</td>
<td>35</td>
<td>10.90%</td>
</tr>
</tbody>
</table>

The issuance activity of private sector borrowers, dominated by financial institutions, has been heavy in the last two years, prior to which there were very few debt issues. Commercial banks have been able to launch convertible bonds and account for the proceeds as capital required for reserves, and also to raise long-term resources, thereby allowing them to offer longer-term lending products.

The main private sector issuers include international banks and a handful of corporates such as Kgalagadi Breweries and Piermont Group Botswana. Public sector issuers include Botswana Telecom, Botswana Development Corporation and Botswana Building Society. The following table presents the outstanding corporate bond issues.
Secondary Market
While the increased number of brokers is a sign of heightened market activity, there continues to be an absence of significant secondary market trading. This may reflect the costs associated with such trading, including both brokerage and listing fees. Some issuers have even elected not to list their issues to reduce issuance expenses. Most institutional investors have a buy-to-hold culture resulting from the lack of supply in new investments issues.

Clearing and Settlement
There is no central depository and, while there is a book-entry system, it is manual with no interface with electronic trading or clearing/settlement systems. Trading on the exchange is conducted by open-outcry, and settlement is on T+3. The BSE is working with the Government towards the creation of a Central Securities Depository and, once operational, to embark on the launching of an electronic trading platform.

3. Foreign Exchange
The Botswana Pula (BWP) is fully convertible as foreign exchange controls were abolished in 1999, to allow full repatriation of all capital, profits and income freely, subject to foreign currency reserves being available. The BWP is pegged to a basket of currencies and operates under a crawling-band exchange rate regime against the IMF Special Drawing Rights (SDR) and the South African Rand. The introduction of the crawling-band exchange mechanism was intended to allow an automatic nominal adjustment of the exchange rate to maintain a real effective exchange rate stability and avoid the need for the discrete devaluations of the past (the last devaluation occurred in 2005). The intervention band around the central parity was widened in May 2005 from +/- 0.125% to +/- 0.5%. The spot market is liquid. The main cross is BWP/USD. However, the BWP is also quoted against GBP, EUR and ZAR.

4. Derivatives
Derivatives activity mainly consists of over-the-counter foreign exchange forwards and currency swaps. Both
forwards and currency swaps markets are liquid, with tenors up to 3-months and 6-months respectively. Currency swaps are mostly against the USD but can be against any of the major international currencies.

5. Participation of Foreign Investors and Issuers

Only Botswana-registered companies and resident individuals are allowed to invest in treasury bills. However, there are no restrictions on foreign holdings of government bonds. The 2-year BW001 issued in 2003 proved quite attractive to international investors, although the May 2005 devaluation which occurred shortly before its maturity had an adverse impact on the confidence of foreign investors. Since then, foreign holdings of the remaining two government bonds have been negligible.

A Europula bond market has been developing since 2005 after the first international issues in BWP were made by supranational issuers such as the EIB, the AfDB and KfW. These issues have helped meet increasing international investor demand for debt in higher-yielding currencies.

<table>
<thead>
<tr>
<th>Europula Market</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
<td><strong>Date</strong></td>
</tr>
<tr>
<td>EIB</td>
<td>2005</td>
</tr>
<tr>
<td>AfDB</td>
<td>2006</td>
</tr>
<tr>
<td>KfW</td>
<td>2006</td>
</tr>
<tr>
<td>EIB</td>
<td>2007</td>
</tr>
</tbody>
</table>

6. Investment Taxation

There is a 15% withholding tax on dividend income and interest for non-residents, and a 25% capital gains tax. Securities issued by domestic public companies are exempt from capital gains tax. Botswana has double taxation treaties with France, Mauritius, Russia, South Africa, Seychelles, Sweden and the United Kingdom.

7. Key Contacts

- **Bank of Botswana**
  1863 Khama Crescent, Gaborone, Botswana
  Tel: +267-360600
  Fax: +267-372 984/301100
  Web: www.bankofbotswana.bw

- **Botswana Stock Exchange**
  Unit 11, Millennium Office Park, Kgale Mews, Gaborone, Botswana
  Tel: +267-3180201, Fax: +267-3180175
  Web: www.bse.co.bw
1. Overview of Financial System

Burkina Faso is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank of West African States (BCEAO). The UEMOA financial markets are administered through the following institutions:

- The Conference of Heads of State, which decides on the accession of new members.
- The Council of Ministers, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.
- The UEMOA Commission, as delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.
- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit) Law, which regulates micro-finance activities in all WAEMU countries.

Burkina Faso is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the domestic and foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.
Bank and Non-Bank Financial Sector
As of December 2006, there were 93 banks and 22 financial institutions operating in the UEMOA zone, with 11 banks and five financial institutions located in Burkina Faso. The total balance sheets of the financial system in Burkina Faso, amounted to XOF 733 bn at the end of 2005, with the banks accounting for more than 96%, representing close to 27% of the country’s GDP. The resources of banks and financial institutions amount to XOF 651 bn, including XOF 73 bn as net equity capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in UEMOA. In fact, eight groups (including Société Générale, BNP Paribas, Credit Lyonnais, Citibank, Bank of Africa, Ecobank, and Financial B.C.) dominate the UEMOA banking system with relatively wide national networks.

The insurance sector in Burkina Faso is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaoundé (Republic of Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d’Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA), whereas the Council of Ministers is its highest body. The total portfolio of the UEMOA CIMA zone is dominated by the sector of non-life insurance. Compared to GDP of 2005, the turnover of the insurance sector in Burkina Faso represents 0.7%, well below the average ratio in Africa of 4.8%. At the end of 2005, three life insurance and five non-life insurance companies were operating in the country, with a total turnover of XOF 19.5 bn.

The micro-finance sector in Burkina Faso plays an important role in the economy. As of December 2006, more than 600,000 persons have benefited from the service of eight main micro-finance networks. The credit to the economy from these networks is around XOF 31.5 bn.

Capital Markets
The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d’Intermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGIs were registered in the Union. As of the same date, there was only one SGI (SBIF) in Burkina Faso that is licensed to trade on the BRVM. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM, and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company. At the end of December 2006, the capitalization of the equity market was XOF 2,067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. As at December 2006, there is no company from Burkina Faso trading on the stock exchange.

2. Fixed Income Markets
The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.
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<td>2005</td>
<td>Annual</td>
<td>28-Dec-13</td>
</tr>
</tbody>
</table>

### Government Treasury Bond

<table>
<thead>
<tr>
<th>Title</th>
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<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRESOR PUBLIC DU BF 7% 2003-2007</td>
<td>25.00</td>
<td>2003</td>
<td>Annual</td>
<td>17-Mar-07</td>
</tr>
</tbody>
</table>

### Non-Central Government Issuance

By December 2006, three companies, all in the telecommunication sector, have raised financial resources on the public debt market. However, only two of the outstanding bonds are listed on the stock exchange. The CREPMF requires that corporate bonds be guaranteed before they can be listed. This requirement can explain the limited use of the capital market by corporate in the UEMOA zone in general and in Burkina Faso in particular.

<table>
<thead>
<tr>
<th>Title</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CELTEL BURKINA FASO 7.15% 2003-2009</td>
<td>3.00</td>
<td>2003</td>
<td>Annual</td>
<td>22-Aug-09</td>
</tr>
<tr>
<td>ONATEL 6.65% 2006-2011</td>
<td>16.00</td>
<td>2005</td>
<td>Annual</td>
<td>6-Jun-11</td>
</tr>
<tr>
<td>Private Placement Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TELECEL FASO 7.25% 2004-2009</td>
<td>7.00</td>
<td>2004</td>
<td>Annual</td>
<td>12-Jul-09</td>
</tr>
</tbody>
</table>

### Secondary Market

As a consequence of the buy-and-hold attitude of most investors, the secondary market in fixed-income securities in the UEMOA zone is fairly illiquid.

### Clearing and Settlement

Securities trades on the BRVM are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). The DC/BR has its headquarters in Abidjan and offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

### Government Securities

The Government of Burkina Faso has used treasury bills and bonds to fund it deficit. As of December 2006, the Government has XOF 20.5 bn outstanding in treasury bills and XOF 8.3 billion outstanding on a bond issued in Mars 2003.
3. Foreign Exchange

The CAF Franc (XOF) is not traded on the foreign exchange markets but is fully convertible into the Euro, with the convertibility guaranteed by the French treasury through a special operations account at the central bank of France. This arrangement effectively offers practically unlimited overdraft facilities and allows the CFA states to avoid short-run balance of payments constraints. In return, the BCEAO is required to deposit 65% of its foreign exchange reserves at the Banque de France. Buying and selling rates of Euro are fixed at XOF 655.957 / 1 Euro, and the rates of other currencies are determined on the basis of the Euro rate on the foreign exchange market. Payments and transfers of capital within the UEMOA zone and France are unrestricted as are current account transactions. The main restrictions concern the outflow of capital to countries outside the WAEMU, which is subject to verification based on the submission of supporting documentation.

4. Investment Taxation

Government securities are tax exempt as opposed to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenue des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12%-18% for income from any other security.

5. Derivatives

The derivative market is in its infancy. Foreign exchange forwards exist with moderate liquidity and tenors extending up to 3-6 months.

6. Key Contacts

- Banque Centrale des Etats de l’Afrique de l’Ouest (BCEAO)
  Mailing Address: BP 356, Ouagadougou, Burkina Faso
  Other Address: Avenue Bassawarga, Ouagadougou, Burkina Faso
  Tel: +226-5030-6015, Fax: +226-5031-0122
  E-mail: rdf.bceao@cenatin.bf, Web: www.bceao.int

- Bourse Régionale des Valeurs Mobilières
  Mailing Address: BP 3802, Abidjan 01, Côte d’Ivoire
  Other Address: 18, Avenue Joseph Anoma, Rue des Banques, Abidjan, Côte d’Ivoire
  Tel: +225-2032-6685, Fax: +225-203 2-4777
  E-mail: brvm@brvm.org, Web: www.brvm.org

7. Participation of Foreign Investors and Issuers

The banking sector has a high level of foreign ownership, particularly by French financial institutions. Foreign investors can purchase securities listed on BRVM. For instance, an international non-governmental organization, Shelter Afrique, based in Nairobi (Kenya), has issued bonds and listed them on the BRVM.

<table>
<thead>
<tr>
<th>Non CFA Domiciled Issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td>Listed Bonds</td>
</tr>
<tr>
<td>SHELTER-Afrique 6.25% 2003-2010</td>
</tr>
<tr>
<td>Private Placement Bonds</td>
</tr>
<tr>
<td>SHELTER-Afrique 6% 2004-2009</td>
</tr>
</tbody>
</table>
1. Overview of Financial System

The Banque de la République du Burundi (BRB) is the central bank and supervises the banking sector. In recent years, BRB has taken steps towards enforcing prudential requirements in the financial system.

Bank and Non-Bank Financial Sector

As of January 2007, the banking sector comprised of seven commercial banks. The Credit Bank of Bujumbura and the Commercial Bank of Burundi are the two largest banks and are majority-owned by the State.

The insurance sector is regulated by the Insurance Regulation and Control Agency which falls under the Ministry of Finance. There are private or partially state-owned insurance companies operating in the country.

Capital Markets

There are no stock or bond markets in Burundi. Capital is raised from commercial banks.

2. Fixed Income Markets

Government Securities

The BRB issues 91-day treasury bills. No government bonds are issued.

Non-Central Government Issuance

There are no corporate issues in the fixed income market.

3. Foreign Exchange

The Burundi Franc is pegged to the value of a composite of currencies, consisting of Burundi’s major trading partners. The central bank is committed to pursuing the liberalisation of the exchange system. In late 2004, the central bank abolished the mandatory nature of its auction reference price for commercial transactions.

The determination of the official exchange rate was also changed, from the weekly auction to the daily average of market rates. The surrender requirement (50% on coffee, tea, and cotton exports) was abolished in March 2005.
4. Participation of Foreign Investors and Issuers

As there is no active debt market; nor is there participation of foreign investors and issuers.

5. Key Contacts

- Banque de la République du Burundi
  BP 705, Bujumbura, Burundi
  Tel: +257-222-5142
  Fax: +257-222-2318
### Cameroon

#### 2006 At a Glance

<table>
<thead>
<tr>
<th>Population (mn)</th>
<th>16.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth (annual %)</td>
<td>1.7</td>
</tr>
<tr>
<td>Official Language (s)</td>
<td>French/English</td>
</tr>
<tr>
<td>Currency</td>
<td>CFA Franc (XAF)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>18.0</td>
</tr>
<tr>
<td>GDP Growth (annual %)</td>
<td>3.5</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>1,085</td>
</tr>
<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>18.0</td>
</tr>
<tr>
<td>External Debt (US$ mn)</td>
<td>0.6</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>3.2</td>
</tr>
<tr>
<td>CPI Inflation (annual %)</td>
<td>3.0</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>22.5</td>
</tr>
<tr>
<td>Gross Official Reserves (US$ bn)</td>
<td>1.3</td>
</tr>
<tr>
<td>Gross Official Reserves (in months of imports)</td>
<td>4.8</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>144</td>
</tr>
</tbody>
</table>

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

<table>
<thead>
<tr>
<th>Sovereign Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long Term</strong></td>
</tr>
<tr>
<td>Fitch</td>
</tr>
<tr>
<td>S&amp;P</td>
</tr>
</tbody>
</table>

### 1. Overview of Financial System

Cameroon is a member of the Central African Economic and Monetary Community (Communauté Économique et Monétaire de l’Afrique Centrale - CEMAC), which is composed of six member countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon. The CEMAC is composed of the following four institutions:

1. **Central African Economic Union (Union Économique de l’Afrique Centrale –UEAC-)**
2. **Central African Monetary Union ( Union Monétaire de l’Afrique Centrale- UMAC-)**
3. **Community Parliament**
4. **CEMAC court of justice**

The UMAC, headquartered in Yaoundé, is responsible for the monetary policy of its member countries. It also involved, with the UEAC, in the coordination of economic policy to ensure consistency between national budget policies and the common monetary policy. The UMAC is administered through:

- The Conference of Heads of States, created through the Agreement establishing the CEMAC, the supreme authority of the UMAC;
- The Council of Ministers;
- The central bank, Bank of Central African States (Banque des Etats de l’Afrique Centrale -BEAC-), the common independent central bank;
- The Banking Commission, (Commission Bancaire de l’Afrique Centrale (COBAC), harmonises and controls banking activities;
- The stock market, Bourse des valeurs mobilières. The BEAC was established in 1972, the successor to the Banque Centrale de l’Afrique Equatoriale et du Cameroon (established in 1955). It formulates and implements the monetary policy of its member countries, and also preserves the stability of the common currency the CFA Franc (Franc de la Coopération Financière en Afrique Centrale), which is pegged to the Euro. The French treasury guarantees the convertibility, though not the exchange rate, of the CFA Franc. BEAC uses both reserve requirements
and the discount window to implement its policy. The financing of the economy of the CEMAC region has increased by 9.2% from XAF 1,850 billion in 2005 to 2,019 billion in 2006. The target inflation rate for the region has been set at a maximum of 3%.

There are 29 banks operating in the CEMAC region (Cameroon: 10; Central African Republic: 3; Chad: 5; Congo: 4; Equatorial Guinea: 2; Gabon: 5), with total assets of XAF 659 billion as of February 2007.

**Bank and Non-Bank Financial Sector**

The financial sector comprises 10 commercial banks, 11 non-banking financial establishments, some 652 micro-finance institutions and an increasing number of foreign exchange bureaux. The banks operate within the regulatory framework of the central bank’s Banking Commission: the COBAC that has laid out stringent prudential rules. Despite the current excess liquidity of the banking system, granting of credit, excluding bad loans, is far below the minimum annual increase of 30% needed to satisfy the country’s financing requirements. The financing deficit of the economy stems from the narrowness of the market and the high proportion of bad debts as well as the difficulties banks have had to realize guarantees, and cause the enforcement of court decisions in litigation cases. Banking activity is also marked by a high level of conservatism.

The COBAC survey of 2000 identified the existence of 652 micro-finance institutions in the country. At the time, the micro-finance sector represented about 7% of the potential market and it granted credits representing 4.3% of total loans made by the banking sector. These figures have increased considerably in recent years (the present number is estimated at more than 1,000), though accurate statistics are not available.

The insurance sector is regulated and supervised by a regional body, the Interprofessional Committee of the Insurance Market (Conférence Internationale des Marchés d’Assurances-CIMA) established on July 10, 1992 in Yaounde (Republic of Cameroon) and includes the following countries: Benin, Burkina, Cameroon, Central Africa, the Comoros, Ivory Coast, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on February 15, 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA) whereas the Council of Ministers is the supreme body. Since the reform of insurance laws in 1998, CIMA has revoked the licenses of four insurance companies, privatized one state-owned insurance company and liquidated the only reinsurance company in Cameroon. Despite a recent strong growth in the life insurance segment, the insurance industry in Cameroon is dominated by non-life insurance sector.

**Capital Markets**

The capital markets sector is still in its infancy. The main regulator is the Financial Markets Committee (Commission des Marchés Financiers-CMF), which is a regional body that was legally established in 1999 and whose objectives are to protect investors’ savings and monitor the financial markets of the XAF zone. CMF has sole authority to approve securities for listing on the exchange.

As is the case for the CFA West Africa zone which has a common stock exchange (the Bourse Régionale des Valeurs Mobilières - BRVM), the Central African Region also sought to establish a common stock exchange. However, initial plans were temporarily shelved, as no agreement could be reached between the member countries regarding a host country. Cameroon decided to create its own exchange, the Douala Stock Exchange (DSX), whilst a separate stock exchange was established in Gabon, the Central African Stock Exchange (BVMAC). The Douala Stock Exchange, was inaugurated in April 2003, and only two bonds are listed so far.

2. **Fixed Income Markets**

**Government Securities**

Cameroon does not issue treasury bills. However, in 2007 the authorities established the legal framework for issuing both treasury bills and treasury bonds.
The existing zero-coupon bonds are restructured parastatal and government debt originating from the restructuring of the banking sector in 1995/1996, whereby the government converted debt from parastatal entities into bonds with tenors over 30 years. In March 2005, the first ever parastatal note programme was issued by the Douala Municipality, for a total of XAF 15 bn (USD 30 mn). The first tranche was a 5-year municipal bond at 8.25% fixed rate of XAF 7 bn (USD 13 mn).

4. Investment Taxation
There is a withholding tax of 16.5%. Cameroon has tax treaties with Canada, France, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon.

5. Key Contacts
• Banques des Etats de l’Afrique Centrale (BEAC)
  Mailing Address: BP 83, Yaoundé, Cameroon
  Other Address: Avenue Vogt,
  Yaoundé, Cameroon
  Tel: +237 2223-0511/3390
  Fax: +237 2223-3380
  E-mail: beac@beac.int, beacyde@beac.int
  Web: www.beac.int

• Commission Bancaire de l’Afrique Centrale (COBAC)
  Mailing Address: BP 1917, Yaoundé, Cameroon
  Other Address: Avenue Vogt, Immeuble de la BEAC, Yaoundé, Cameroon
  Tel: +237 2223-4060/4030
  Fax: +237 2223-3329

• Douala Stock Exchange (DSX)
  Mailing Address: BP 442, Douala, Yaoundé
  Other address: 1450 Blvd. de la Liberté, Douala, Yaoundé
  Tel: +237 3343-8583
  Fax: +237 3343-8584
  E-mail: dsx@douala.stock-exchange.com
  Web: www.douala.stock-exchange.com

3. Foreign Exchange
The CFA Franc is the common currency of 14 countries located in West Africa (WAMU) and Central Africa (CEMAC), and has a fixed parity with the Euro at XAF 655.957 / 1 EUR. The French treasury guarantees the convertibility and stability of the XAF. Payments and transfers of capital within the CEMAC region and current account transactions with all countries are unrestricted. However, restrictions on transactions of capital accounts apply for outflows to countries outside the CEMAC.
1. Overview of Financial System

Banking and Insurance

The central bank of Cape Verde, Banco de Cabo Verde (BCV), is responsible for the supervision of the financial sector, the setting of interest rates, and price stability (the primary policy objective). A law, passed in May 2002 eliminated budget deficit financing by the central bank.

The financial sector of Cape Verde has a sound and healthy banking sector, comprising 5 commercial banks: Banco Commercial do Atlantico (BCA), Caixa Economica de Cabo Verde (both privatized in 1999-2000), Banco Cabo-verdiano de Negocios, and 2 new offshore banks namely Cape Verde-Montepio Geral Cabo Verde and Banco Portugues de Negocios. The strength of the banking sector is evident in their lending operations, which have seen an impressive improvement of the ratio of non-performing loans, down from 30% in 1997 to 6.3% as of end-2005.

There are 2 insurance companies in the Cape Verde. There is also a savings institution, Fundo de Solidariedade Nacional (FSN), which channels public investment while the Instituto Caboverdiano de Solidariedade is responsible for international aid.

Capital Markets

A stock market, Bolsa de Valores de Cabo Verde (BVC) was established in 1999. Activities began with the trading of 44 Treasury bonds in December, 2005. As at early 2007, 3 stocks were listed on the exchange namely Commercial do Atlantic (BCA), Caixa Economica de Cabo Verde, and a tobacco company. In addition, as part of a privatisation initiative, there are government plans for floating shares of Empresa Nacional de Combustiveis (Enacol), a trader of oil and by-products, Empresa Nacional de Productos Farmaceuticos (Empofrac), and Inpharma.
Cape Verde has a relatively active treasury bond market, comprising of government bonds with maturities extending up to 2014. No corporate debt exists in the market.

2. Fixed Income Markets

Government Securities
Treasury bonds are issued by the government of Cape Verde. Outstanding government bonds amounted to CVE 20.5 bn (USD 245 bn) at year end 2006. Securities are cleared through an electronic securities clearing and settlement platform.

Corporate Issuers
Plans are in place for corporate bonds issuance by the end of 2007. These securities will be listed on the Stock Exchange.

3. Foreign Exchange
The Cape Verde Escudo is pegged to the Euro. The parity is EUR 1 = CVE 110.2651. Current account transactions, investment in securities and foreign lending and borrowing pertaining to current transactions have been liberalized. However, foreign investors have important guarantees such as privately managed foreign currency accounts that can be credited only in foreign currency from abroad or from other foreign accounts in Cape Verde.

4. Key Contacts
- Banco de Cabo Verde
  Mailing Address: CP 101, Praia, Cape Verde
  Other Address: Av. Amilcar Cabral, 117 Praia, Cape Verde
  Tel: +238-261-5526/5530
  Fax: +238-261-1914/4447
  E-mail: drs@bcv.cv
  Web: www.bcv.cv
1. Overview of Financial System

The Central African Republic (CAR) is a member of the Central African Economic and Monetary Community (Communauté Économique et Monétaire de l’Afrique Centrale-CEMAC), which is composed of six member countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon.

The CEMAC is composed of the following four institutions:

1. Central African Economic Union (Union Économique de l’Afrique Centrale –UEAC–)
2. Central African Monetary Union (Union Monétaire de l’Afrique Centrale- UMAC–)
3. Community Parliament
4. CEMAC court of justice

The UMAC, headquartered in Yaoundé, is responsible for the monetary policy of its member countries. It also involved, with the UEAC, in the coordination of economic policy to ensure consistency between national budget policies and the common monetary policy. The UMAC is administered through:

- The Conference of Heads of States, created through the Agreement establishing the CEMAC, the supreme authority of the UMAC;
- The Council of Ministers;
- The central bank, Bank of Central African States (Banque des États de l’Afrique Centrale- BEAC–), the common independent central bank;
- The Banking Commission, (Commission Bancaire de l’Afrique Centrale (COBAC), harmonises and controls banking activities;
- The stock market, Bourse des valeurs mobilières.

The BEAC was established in 1972, successor to the Banque Centrale de l’Afrique Equatoriale et du Cameroun (established in 1955). It formulates and implements the monetary policy of its member countries, and also preserves the stability of the common currency the CFA Franc (Franc de la Coopération Financière en Afrique Centrale), which is pegged to the Euro. The French treasury guarantees the convertibility, though not the exchange rate, of the CFA Franc. BEAC uses both reserve requirements and the discount window to implement its policy.
The financing of the economy of the CEMAC region has increased by 9.2% from XAF 1,850 billion in 2005 to 2,019 billion in 2006. The target inflation rate for the region has been set at a maximum of 3%. There are 29 banks operating in the CEMAC region (Cameroon: 10; Central African Republic: 3; Chad: 5; Congo: 4; Equatorial Guinea: 2; Gabon: 5), with total assets of XAF 659 billion as of February 2007.

Bank and Non-Bank Financial Sector
The banking system is weakened by the accumulation of arrears and a huge amount of bad debts. Three banks are operating in the market with severely limited capacity to mobilize savings and extend medium to long-term loans. The CAR authorities are planning to reform the legal and judicial system in order to strengthen the banking system, improve access to credit, reinforce debt recovery and ensure that banking services are not too expensive.

The insurance sector is regulated and supervised by a regional body, the Interprofessional Committee of the Insurance Market (Conférence Internationale des Marchés d'Assurances-CIMA) established on July 10, 1992 in Yaounde (Republic of Cameroon) and includes the following countries: Benin, Burkina, Cameroon, Central Africa, the Comoros, Ivory Coast, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on February 15, 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA) whereas the Council of Ministers is the supreme body.

Capital Markets
As is the case in the CFA West Africa zone which has a common stock exchange (Bourse Régionale des Valeurs Mobilières-BRVM), the Central African Region also sought to establish a common stock exchange. However, plans for these were temporarily shelved, as agreement could not be reached between the member countries regarding a host country. Cameroon decided to create its own exchange, the Douala Stock Exchange (DSX), whilst a separate stock exchange was established in Gabon, the Central African Stock Exchange (BVMAC).

The legal framework of the region’s capital market is defined by the Act 03/01-CEMAC-CE of December 2001. Under this framework, the Financial Markets Supervisory Council, Commission de Surveillance du Marché Financier de l’Afrique Centrale (COSUMAF) is the only entity allowed to approve the listing of securities on the BVMAC. Two companies, SFA Gabon and BGFI Bourse have been authorized to act as brokers for the BVMAC.

2. Foreign Exchange
The CFA Franc is the common currency of 14 countries located in West Africa (WAMU) and Central Africa (CEMAC), and has a fixed parity with the Euro of XAF 655.957,1 EUR. The French treasury guarantees the convertibility and stability of the XAF. Payments and transfers of capital within the CEMAC region and current account transactions with all countries are unrestricted. However, restrictions on transactions of capital accounts apply for outflows to countries outside the CEMAC.

![CFA Per Unit of USD (Year End)](chart)

Source: Bloomberg

3. Key Contacts
- Banque des Etats de l’Afrique Centrale (BEAC)
  BP 851, Bangui, Central African Republic
  Tel: +236-61-4000, Fax: +236-61-1995
  E-mail: beacbgf@beac.int
  Web: www.beac.int
1. Overview of Financial System

Chad is a member of the Central African Economic and Monetary Community (Communauté Économique et Monétaire de l’Afrique Centrale-CEMAC), which is composed of six member countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon. The CEMAC is composed of the following four institutions:

1. Central African Economic Union (Union Économique de l’Afrique Centrale –UEAC-)
2. Central African Monetary Union ( Union Monétaire de l’Afrique Centrale- UMAC-)
3. Community Parliament
4. CEMAC court of justice

The UMAC, headquartered in Yaoundé, is responsible for the monetary policy of its member countries. It also involved, with the UEAC, in the coordination of economic policy to ensure consistency between national budget policies and the common monetary policy. The UMAC is administered through:

- The Conference of Heads of States, created through the Agreement establishing the CEMAC, the supreme authority of the UMAC;
- The Council of Ministers;
- The central bank, Bank of Central African States (Banque des Etats de l’Afrique Centrale -BEAC-), the common independent central bank;
- The Banking Commission, (Commission Bancaire de l’Afrique Centrale (COBAC), harmonises and controls banking activities;
- The stock market, Bourse des valeurs mobilières.

The BEAC was established in 1972, the successor to the Banque Centrale de l’Afrique Equatoriale et du Cameroon (established in 1955). It formulates and implements the monetary policy of its member countries, and also preserves the stability of the common currency of the member states, the CFA Franc, which is pegged to the Euro. The French treasury guarantees the convertibility, but not the exchange rate, of the CFA Franc (Franc de la Coopération Financière). BEAC uses both reserve requirements and the discount window to implement its policy. The financing of the economy of the CEMAC region has increased by 9.2% from XAF 1,850 billion in 2005 to 2,019 billion in 2006. The target inflation rate for the region has been set at a maximum of 3%.
There are 29 banks operating in the CEMAC region (Cameroon: 10; Central African Republic: 3; Chad: 5; Congo: 4; Equatorial Guinea: 2; Gabon: 5), with total assets of XAF 659 billion as of February 2007.

**Bank and Non-Bank Financial Sector**

Banking activity is supervised by the COBAC. Privatization of the banking sector was completed in 1999. Five commercial banks are operating in the country, and all major banks have undergone internal reforms to reduce the volume of non-performing loans and improve lending practices. The weaknesses in the financial system are a constraint to savings mobilization, investment financing and access to credit. Banks are unwilling to extend medium to long-term loans. Microfinance plays a marginal role in the financial system. The objective of the government is to strengthen both the financial sector and microfinance. The insurance sector is regulated and supervised by a regional body, the Interprofessional Committee of the Insurance Market, (Conférence Internationale des Marchés d’Assurances-CIMA) which has jurisdiction over insurance companies for the whole CFA Franc zone. It was established on July 10, 1992 in Yaounde (Republic of Cameroon) and includes the following countries: Benin, Burkina, Cameroon, Central Africa, the Comoros, Ivory Coast, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on February 15, 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA) whereas the Council of Ministers is the supreme body.

**Capital Markets**

As is the case in the CFA West Africa zone which has a common stock exchange (Bourse Régionale des Valeurs Mobilières-BRVM), the Central African Region also sought to establish a common stock exchange. However, plans for these were temporarily shelved, as agreement could not be reached between the member countries regarding a host country. Cameroon decided to create its own exchange, the Douala Stock Exchange (DSX), whilst a separate stock exchange was established in Gabon, the Central African Stock Exchange (BVMAC). The legal framework of the region's capital markets is defined by Act n° 03/01-CEMAC-CE 03 of 8 December 2001. Under the provisions of the Act, the Financial Markets Surveillance Committee (Commission de Surveillance du Marché Financier de l’Afrique Centrale-COSUMAF) has sole jurisdiction for approving securities for listing on the BVMAC, and is the agency responsible for administering securities laws in the BVMAC member countries. Two companies, SFA Gabon and BGFI Bourse have been authorized to act as brokers for the BVMAC, however operations have not started yet.

**2. Foreign Exchange**

The CFA Franc is the common currency of 14 countries located in West Africa (WAMU) and Central Africa (CEMAC), and has a fixed parity with the Euro at XAF 655.957 / 1 EUR. The French treasury guarantees the convertibility and stability of the XAF. Payments and transfers of capital within the CEMAC region and current account transactions with all countries are unrestricted. However, restrictions on transactions of capital accounts apply for outflows to countries outside the CEMAC.

**CFA Per Unit of USD (Year End)**

![CFA Per Unit of USD (Year End)](chart)

**Source:** Bloomberg

**3. Key Contacts**

- **Banque des Etats de l’Afrique Centrale (BEAC)**
  BP 50, N’Djaména, Chad
  Tel: +235-52-5014, Fax: +235-52-4487
  E-mail: beacndj@beac.int
  Web: www.beac.int
Comoros – 33

2006 At a Glance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (mn)</td>
<td>0.82</td>
</tr>
<tr>
<td>Population Growth (annual %)</td>
<td>2.6</td>
</tr>
<tr>
<td>Official Language (s)</td>
<td>French/Arabic</td>
</tr>
<tr>
<td>Currency</td>
<td>Comorian Franc (KMF)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>1.2</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>491</td>
</tr>
<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>1</td>
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<tr>
<td>External Debt (US$ mn)</td>
<td>300</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>68.3</td>
</tr>
<tr>
<td>CPI Inflation (annual %)</td>
<td>3.8</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>10.5</td>
</tr>
<tr>
<td>Gross official reserves (US$ bn)</td>
<td>0.09</td>
</tr>
<tr>
<td>Gross official reserves (in months of imports)</td>
<td>11.2</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>132</td>
</tr>
</tbody>
</table>

Source: AIDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

The financial system of the country is small and concentrated in the banking sector, comprising Banque des Comoros (the central bank), 1 commercial bank (Banque pour l’Industrie et le Commerce des Comores) and 1 development bank (Banque de Développement des Comores). The government has stated that it intends to increase competition in the banking sector. Exim Bank Tanzania plans to open a subsidiary while a Kuwaiti investor has shown a keen interest in opening a Merchant Bank in Comoros. Neither of these two banks is yet operational. Another commercial bank, the Banque de la Reunion, was licensed in 2002 to operate in Comoros, but it has yet to start operations. Micro-finance institutions generally account for about 20% of lending in the banking sector. The Central Bank of the Comoros regulates and supervises the entire financial sector. Comoros has a small insurance sector but no capital markets.

2. Foreign Exchange

The Comorian Franc (KMF) is pegged to the Euro at KMF 491.96775 / 1 EUR. Exchange rates are officially quoted on the basis of the fixed rate of the Comorian Franc for the Euro and the Paris exchange rate for other currencies. The Comoros has an arrangement with the French treasury through an Operations Account. With the exception of transactions relating to gold, the country’s exchange control measures do not apply to France or to other countries whose banks of issue are linked to the French Treasury by an Operations Account (i.e. WAEMU and CEMAC). Forward cover against exchange rate risk is authorized by the central bank and is provided to traders for up to three months by a commercial bank that is authorized to conduct such transactions.

3. Key Contacts

- Banque Centrale de Comores
  B.P. 405, Moroni, Comoros
  Tel: +269-73-0243, 72-1002
  Fax: +269-73-0349
  E-mail: bcc@snpt.km

KMF Per Unit of USD (Year End)

Source: Bloomberg

KMF Per Unit of USD (Year End)

2000 2001 2002 2003 2004 2005 2006

Source: Bloomberg
1. Overview of Financial System

Congo is a member of the Central African Economic and Monetary Community (Communauté Economique et Monétaire de l’Afrique Centrale-CEMAC), which is composed of six member countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon. The CEMAC is composed of the following four institutions:

2. Central African Monetary Union ( Union Monétaire de l’Afrique Centrale- UMAC-)
3. Community Parliament
4. CEMAC court of justice

The UMAC, headquartered in Yaoundé, is responsible for the monetary policy of its member countries. It also involved, with the UEAC, in the coordination of economic policy to ensure consistency between national budget policies and the common monetary policy. The UMAC is administered through:

- The Conference of Heads of States, created through the Agreement establishing the CEMAC, the supreme authority of the UMAC;
- The Council of Ministers;
- The central bank, Bank of Central African States (Banque des Etats de l’Afrique Centrale -BEAC-), the common independent central bank;
- The Banking Commission, (Commission Bancaire de l’Afrique Centrale (COBAC), harmonises and controls banking activities;
- The stock market, Bourse des valeurs mobilières.

The BEAC was established in 1972, the successor to the Banque Centrale de l’Afrique Equatoriale et du Cameroon (established in 1955).

It formulates and implements the monetary policy of its member countries, and also preserves the stability of the common currency of the member states, the CFA Franc (Franc de la Cooperation Financiere en Afrique Centrale), which is pegged to the Euro. The French treasury guarantees the convertibility (though not the exchange rate) of the CFA Franc. BEAC uses both reserve requirements and the discount window to implement its policy.

The financing of the economy of the CEMAC region has increased by 9.2% from XAF 1,850 billion in 2005.
to 2,019 billion in 2006. The target inflation rate for the region has been set at a maximum of 3%.

There are 29 banks operating in the CEMAC region (Cameroon: 10; Central African Republic: 3; Chad: 5; Congo: 4; Equatorial Guinea: 2; Gabon: 5), with total assets of XAF 659 billion as of February 2007.

Bank and Non-Bank Financial Sector
Banking activity is supervised by the Commission Bancaire de l’Afrique Centrale (COBAC), the regional banking commission for CEMAC countries. There are four banks operating in Congo. The microfinance sector comprises about 49 microfinance institutions which meet the needs of a growing number of micro-enterprises.

The insurance sector, like the banking sector, is regulated and supervised by a regional body, the Interprofessional Committee of the Insurance Market (Conférence Internationale des Marchés d’Assurances-CIMA) which has jurisdiction over insurance companies for the whole CFA Franc zone. It was established on July 10, 1992 in Yaounde (Republic of Cameroon) and includes the following countries: Benin, Burkina, Cameroon, Central Africa, the Comoros, Ivory Coast, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on February 15, 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA) whereas the Council of Ministers is the supreme body.

Capital Markets
As in the case of the CFA West Africa zone which has a common stock exchange (Bourse Régionale des Valeurs Mobilières-BRVM), the Central African Region also sought to establish a common stock exchange. However, plans for these were temporarily shelved, as agreement could not be reached between the member countries on a host country. Cameroon decided to create its own exchange, the Douala Stock Exchange (DSX), whilst a separate stock exchange was established in Gabon, the Central African Stock Exchange (BVMAC).

The legal framework of the region’s capital markets is defined by Act n° 03/01-CEMAC-CE 03 of 8 December 2001. Under the provisions of the Act, the Financial Markets Surveillance Committee (Commission de Surveillance du Marché Financier de l’Afrique Centrale-COSUMAF) has sole jurisdiction in approving securities for listing on the BVMAC. It is the agency responsible for administering securities laws in the BVMAC member countries. Two companies, SFA Gabon and BGFI Bourse have been authorized to act as brokers for the BVMAC.

2. Foreign Exchange
The CFA Franc is the common currency of 14 countries located in West Africa (WAMU) and Central Africa (CEMAC), and has a fixed parity with the Euro at XAF 655.957 / 1 EUR. The French treasury guarantees the convertibility and stability of the XAF. Payments and transfers of capital within the CEMAC region and current account transactions with all countries are unrestricted. However, restrictions on transactions of capital accounts apply for outflows to countries outside the CEMAC.

3. Key Contacts
- Banque des Etats de l’Afrique Centrale (BEAC)
  B.P. 126, Brazzavile, Congo
  Tel: +242-281-1073
  Fax: +242-281-1094
  E-mail: beacbzv@beac.int
  Web: www.beac.int
1. Overview of Financial System

Côte d’Ivoire is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- The Conference of Heads of State, which decides on the accession of new members.
- The Council of Ministers, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.
- The UEMOA Commission, as delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.

- Micro-finance institutions are governed by a separate law, the PARMCE (Projet d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit) Law, which regulates micro-finance activities in all WAEMU countries.

Côte d’Ivoire is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Sahara Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the
domestic and foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.

Bank and Non-Bank Financial Sector
As of December 2006, there were 93 banks and 22 financial institutions operating in the UEMOA zone, with 16 banks and two financial institutions located in Côte d'Ivoire. The total balance sheets of the financial system in Côte d'Ivoire, amounted to XOF 2001 bn at the end of 2005, with the banks accounting for 98%, representing 26% of the country's GDP. Despite the difficult social-political situation, Côte d'Ivoire still accounts for the biggest portion (30%) of the UEMOA financial system. The resources of banks and financial institutions amount to XOF 1,883 bn, including XOF 233 bn as net equity capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in UEMOA. In fact, eight groups (including Société Générale, BNP Paribas, Crédit Lyonnais, Citibank, Bank of Africa, Ecobank, and Financial B.C.) dominate the UEMOA banking system with relatively wide national networks.

The insurance sector in Côte d'Ivoire is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaounde (Republic of Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d'Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA), whereas the Council of Ministers is its highest body. The total portfolio of the UEMOA CIMA zone is dominated by the sector of non-life insurance. Compared to GDP of 2005, the turnover of the insurance sector in Ivory Coast represents 1.51%, well below the average ratio in Africa of 4.8%. At the end of 2005, 10 life insurance and 20 non-life insurance companies were operating in the country, with a total turnover of XOF 130 bn; life insurance products represented 39% and vehicle insurance 24% of the turnover.

Capital Markets
The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d'Intermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGIs were registered in the Union with nine located in Côte d'Ivoire. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM, and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company. At the end of December 2006, the capitalization of the equity market was XOF 2067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. Out of the 40 companies that are listed on the Exchange in December 2006, all but four were Ivorian institutions.

2. Fixed Income Markets
The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.
Government Securities
The Ivorian Government has in the past mainly funded itself by borrowing from the central bank. In 2006, however, the Government opted for the bond market to fund its deficit. Out of the total amount of outstanding public bonds listed on the BRVM by the end of 2006, Côte d’Ivoire accounts for XOF 170 bn, representing 42% of total bond market capitalization and 65.4% of all outstanding government bonds in the market. Compared to the country’s GDP at the same period, sovereign bonds has a ratio of 3%. Institutional investors were the main buyers, representing over 80% of the total allocation, with more than half of the bond holders originating from the sub-region.

Non-Central Government Issuance
The CREPMF requires that corporate bonds be guaranteed before they can be listed. This might be one of the reasons why most of the corporate issues are privately placed and remain unlisted. Overall, the use of the debt capital market by Ivorian corporate is rather limited.

Secondary Market
As a consequence of the buy-and-hold attitude of most investors, the secondary market in fixed-income securities in the UEMOA zone is fairly illiquid.
### Clearing and Settlement

Securities trades on the BRVM are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). The DC/BR has its headquarters in Abidjan and offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

### XOF per unit of USD (Year End)

<table>
<thead>
<tr>
<th>Year</th>
<th>XOF per USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>600.00</td>
</tr>
<tr>
<td>2001</td>
<td>580.00</td>
</tr>
<tr>
<td>2002</td>
<td>560.00</td>
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<tr>
<td>2003</td>
<td>540.00</td>
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<td>2004</td>
<td>520.00</td>
</tr>
<tr>
<td>2005</td>
<td>500.00</td>
</tr>
<tr>
<td>2006</td>
<td>480.00</td>
</tr>
</tbody>
</table>

*Source: Bloomberg*

### 4. Derivatives

The derivative market is in its infancy. Foreign exchange forwards exist with moderate liquidity and tenors extending up to 3-6 months.

### 5. Participation of Foreign Investors and Issuers

The banking sector has a high level of foreign ownership, particularly by French financial institutions. Foreign investors can purchase securities listed on BRVM. For instance, an international non-governmental organization, Shelter Afrique, based in Nairobi (Kenya), has issued bonds and listed them on the BRVM.

<table>
<thead>
<tr>
<th>Non CFA Domiciled Issuers</th>
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</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td>Listed Bonds</td>
</tr>
<tr>
<td>SHELTER Afrique 6.25% 2003-2010</td>
</tr>
<tr>
<td>Private Placement Bonds</td>
</tr>
<tr>
<td>SHELTER Afrique 6% 2004-2009</td>
</tr>
</tbody>
</table>
6. Investment Taxation

Government securities are tax-exempt as oppose to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenue des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12-18% for income from any other security.

7. Key Contacts

- **Banque Centrale des Etats de l'Afrique de l'Ouest**
  - **Mailing Address:** 01 BP 1769, Abidjan, Côte d'Ivoire
  - **Other Address:** Angle Boulevard Botreau-Roussel/Avenue Delafosse, Plateau 01, Abidjan, Côte d'Ivoire
  - **Tel:** +225-2020-8500
  - **Fax:** +225-2022-2852
  - **Web:** www.bceao.int

- **Bourse Régionale des Valeurs Mobilières**
  - **Mailing Address:** BP 3802, Abidjan 01, Côte d'Ivoire
  - **Other Address:** 18, Avenue Joseph Anoma/Rue des Banques, Abidjan, Côte d'Ivoire
  - **Tel:** +225-2032-6685
  - **Fax:** +225-2032-4777
  - **E-mail:** brvm@brvm.org
  - **Web:** www.brvm.org
1. Overview of Financial System

The central bank of the Democratic Republic of Congo (DRC), the Banque Centrale du Congo (BCC) was established in 1960. It supervises the financial system and acts as the financial and fiscal agent of the Government, providing advice on economic and monetary management issues. One of the primary objectives of the BCC is to maintain price stability. It formulates and implements the monetary policy through open markets operations, reserve requirements and the discount rate.

Recent developments include new banking laws granting independence to the central bank.

Bank and Non-Bank Financial Sector

Years of civil war have disrupted and marginalized financial operations in the DRC, and the process of establishing a viable financial system has just begun. The banking sector forms the largest part of the financial system of the country. In 2006, the banking sector was comprised of 13 commercial banks (of which only 11 were operating), two micro-finance institutions and a network of credit unions. All the banks are privately-owned. Most banks now comply with prudential regulations or meet capital-adequacy requirements, but capitalization remains relatively low as more than 85% of the money supply is held outside the banking system. The total assets of commercial banks as of December 2006 were USD 830 mn, representing some 3% of the economy.

Capital Markets

The capital market mainly consists of government securities. There is no corporate issuance.

2. Fixed Income Markets

Government Securities

The BCC issues treasury bills, Billets de Trésorerie (BTR), with 7-day, 14-day and 28-day maturities to absorb excess liquidity. They are sold through primary
dealers who are essentially banks. They are issued weekly, and freely tradable through the banking system. The rates are set by the BCC based on the year-to-date inflation levels plus a premium. The day-count basis convention used for BTRs is actual / 365.

A total amount of CDF 351 bn (USD 702 mn) was issued in 2006.

Secondary Market
BTRs are marketable securities and could theoretically be traded over-the-counter by commercial banks, but investors typically hold them to maturity. In effect, their short tenors and high yield, compared to inflation, make BTRs an interesting instrument to hold until maturity.

Clearing and Settlement
Each bank holds a securities account with the central bank and a special clearing and settlement session is organized every Wednesday to pay the BTRs presented on collection by banks and to issue new ones for purchases presented by banks.

3. Foreign Exchange
A new currency, the Congolese Franc (CDF), was introduced in 1998. The currency had to be gradually devalued following a 500% hyperinflation in 1999 and a sharp decline of exports. A new floating exchange rate system was established in May 2001 to respond to the increasing difference between the official exchange rate and the black market one, 44% in 1998 to 545% in 2001. Following gains in lowering the inflation rate, the Congolese Franc has found some stability in recent years. There are no restrictions on current account transactions.

4. Participation of Foreign Investors and Issuers
Foreign investors can purchase treasury bills.

5. Investment Taxation
Taxes are not levied on treasury bills.

6. Key Contacts
- Banque Centrale du Congo
  
  **Mailing Address**: B.P. 2697, Kinshasa,
  Democratic Republic of Congo
  
  **Other Address**: Boulevard Colonel Tshashi
  563, Kinshasa, Democratic Republic of Congo
  
  **Tel**: +243-122-0704
  **Fax**: +243-880-5152
  **E-mail**: cabgouv@bcc.cd
  **Web**: www.bcc.cd
1. Overview of Financial System

The financial system of Djibouti consists primarily of a small banking sector. The financial sector is supervised and regulated by the Banque Centrale de Djibouti, the central bank. Djibouti is a member of the regional Free Trade Area of the Common Market for Eastern and Southern Africa (COMESA).

Bank and Non-Bank Financial Sector

The banking sector is comprised of 3 commercial banks (two of which are owned by French banks) and the Commercial Bank of Ethiopia, providing deposits and international transactions services to Ethiopian customers engaged in imports/exports, given that Djibouti provides port facilities for Ethiopia. In addition, the Development Fund for Djibouti (FDD), established in 2001, is mandated to extend loans for rural and tourist development, but it is not fully operational. As of end-2005, the two French-owned banks, namely the Banque pour le Commerce et l’Industrie-Mer Rouge (51% owned by Banque Nationale de Paris) and the Banque Indosuez-Mer Rouge (owned by Groupe Indosuez of France), together accounted for almost 95% of deposits and a credit-extension share of more than 85%.

The pension system is based on a pay-as-you-go system that was created by the French administration before Djibouti’s independence, and is comprised of the following three pension funds: the Caisse Nationale de Retraite for civil servants, the Organisme de Protection Sociale for private sector employees and public enterprises, and the Caisse Militaire de Retraite for military personnel.
2. Foreign Exchange

Djibouti has followed a Currency Board FX regime for more than three decades. Accordingly, the full issue of the Djibouti Franc is covered by foreign exchange reserves. The Djibouti Franc is pegged to the US dollar, the intervention currency, at DJF 177.721 / 1 USD. Djibouti has no foreign exchange restrictions. There are no limitations on converting or transferring funds, or on the inflow and outflow of cash.

3. Key Contacts

- Banque Centrale de Djibouti
  Mailing Address: B.P. 2118, Djibouti
  Other Address: Avenue St. Laurent du Var, Djibouti
  Tel: +253-35-2751
  Fax: +253-35-6288
  E-mail: bndj@intnet.dj
  Web: www.banque-centrale.dj

### DJF Per Unit of EUR (Year End)

![Chart showing the value of Djibouti Franc (DJF) per unit of EUR from 2000 to 2006.](image-url)

Source: Bloomberg
2006 At a Glance

<table>
<thead>
<tr>
<th>Population (mn)</th>
<th>75.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth (annual %)</td>
<td>1.9</td>
</tr>
<tr>
<td>Official Language</td>
<td>Arabic</td>
</tr>
<tr>
<td>Currency</td>
<td>Egyptian Pound (EGP)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>107.7</td>
</tr>
<tr>
<td>GDP Growth (annual %)</td>
<td>6.8</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>1,428</td>
</tr>
<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>5,376</td>
</tr>
<tr>
<td>External Debt (US$ mn)</td>
<td>31,300</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>29.2</td>
</tr>
<tr>
<td>CPI Inflation (annual %)</td>
<td>4.1</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>31.3</td>
</tr>
<tr>
<td>Gross Official Reserves (US$ bn)</td>
<td>22.5</td>
</tr>
<tr>
<td>Gross Official Reserves (in months of imports)</td>
<td>8.9</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>111</td>
</tr>
</tbody>
</table>

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of the Financial System

The total assets of the Egyptian financial sector are estimated at LE 990 bn at end of the fiscal year 2005/06, representing about 230% of GDP. At 14.6%, the average annual compound growth rate of financial system assets during the period 2001-2005 has been significantly above the year-on-year growth rate of GDP. Starting in 2004, the Government of Egypt embarked on a broad reform of the financial sector, to be implemented over the period 2004-2008.

The reform programme was designed along four main pillars: (i) introducing a comprehensive and transparent Monetary Policy Framework; (ii) improving the functioning of the Foreign Exchange Market; (iii) implementing a Banking Sector Reform; and (iv) strengthening the Non-Bank Financial Sector.

The Central Bank of Egypt (CBE) is moving towards a policy of inflation targeting. The ability of the central bank to run an independent monetary policy is therefore important if it is to keep inflation down. Accordingly, a new Central Bank and Banking Sector Law was passed in June 2003 granting the central bank enhanced autonomy and the legal framework for conducting monetary policy based on inflation targeting. The framework for monetary policy was enhanced in 2005 as the CBE established a monetary policy committee. In contrast with the system of a single Supervisor, the regulatory function and supervisory structure of the financial system comprise different supervisory agencies, namely: the CBE for the banking sector; the Egyptian Insurance Supervisory Authority (EISA) for the insurance sector and private pensions; the Capital Market Authority (CMA) for the capital market; and the Mortgage Finance Authority (MFA) for the mortgage industry. The CBE which reports directly to the Office of the President, while the other two regulatory bodies report to the Ministry of Investment.

Bank and Non-Bank, Financial Sector

The central bank has regulatory authority over banks
operating in Egypt; it also acts as the exclusive note issuer and has responsibility for the conduct of monetary policy. The banking sector dominates the financial sector, accounting for over 80% of the sector’s total assets. As of 31 December 2006, the banking sector had total deposits of EGP 569 bn with a loan to deposit ratio of 57%. It comprises 43 licensed banks, down from 57 in 2004. The sector will further consolidate as, in conformity with the new Banking Law, the CBE has significantly increased the minimum capital requirements for banks from EGP 100 mn to EGP 500 mn for domestic banks, and from USD 15 mn to USD 50 mn for branches of foreign banks. The objective of the CBE is to further reduce the number of operating banks to 34 by the end of 2007. Following the privatization of the Bank of Alexandria (one of the main measures of the on-going reform of the financial sector), three state-owned commercial banks - the National Bank of Egypt (NBE), Banque Misr (BM), and Banque du Caire (BdC) - account for about 48% of total deposits. In the near future, as part of the banking sector reform, Banque du Caire and Banque Misr are planned to be merged, thereby creating the country’s largest banking institution, at par with the National Bank of Egypt by assets, but well ahead in terms of number of branches.

The Insurance sector is regulated and supervised by the Egyptian Insurance Supervisory Authority (EISA). EISA has the authority to license and delicense insurance undertakings, the approval of directors and senior management of insurance companies, and the supervision of their activities. Foreign investors can acquire 100% of the shares of an Egyptian insurance company. The Egyptian insurance industry is still small and its contribution to the financial sector and the economy is well below its potential, given the size of the Egyptian economy and its level of development. For instance, the total assets of the insurance industry as at end of June 2005 were EGP 20 bn, representing only 3.9% of GDP. While there are 20 insurance companies in Egypt, the sector is dominated by three state-owned insurance companies: Misr Insurance Company, Al Chark Insurance Company and the National Insurance Company, which together control over 75% of the insurance business, while the state-owned Egyptian Reinsurance Company is the only company providing reinsurance services.

Egypt has both mandatory and supplementary pension programmes. The mandatory programme has two pension systems managing five defined benefit schemes. The supplementary system or private pension funds are supervised by EISA. As of June 30 2005, there were 618 private pension funds with reserves equivalent to EGP 14.5 bn, with 95% of their assets invested in government bonds (67.4%) and bank deposits (27.6%).

**Capital Markets**

The Alexandria stock exchange was established in 1883 while the Cairo stock exchange was established in 1903. The two exchanges merged later to form the Cairo and Alexandria Stock Exchanges (CASE). The Capital Market Law No. 95 of 1992 established the Capital Market Authority (CMA) as an autonomous regulatory agency and provides for the free entry of foreign financial services companies. As of 31 December 2006, the market capitalization was USD 93.6 bn with 595 companies listed. The stock market offers a variety of products including equities (common and preferred stocks) and certificates on the CASE 30 and GDR (Global Depository Receipt) that allow Egyptian companies to access international markets. The performance of the stock exchange is tracked by two main indices:

- **CASE 30 Price Index**, which includes the top-30 companies in terms of liquidity and activity. It was launched on January 2, 1998 with a base value of 1000 points and was valued at around 7000 by end of the year 2006; and
- **Dow Jones CASE Egypt Titans 20 Index**, introduced in April 2006; it represents blue-chip stocks traded on the CASE which are selected based on rankings by float-adjusted market capitalization, sales/revenue and net profit. The foreign investors’ share of the market has
been growing steadily since the inclusion of Egypt in the Morgan Stanley Capital International (MSCI) emerging market and world indices in 2001.

The Government of Egypt has estimated that a total of 5.3 million housing units will need to be constructed between 2005 and 2017, of which an estimated 3.7 million units for low-income households. The development of a market-based residential mortgage finance sector is necessary to shift the burden of housing finance from the government budget to the financial markets. An enabling environment has been created by the establishment in July 2004 of a new Mortgage Finance Authority (MFA) which has a mandate to regulate and supervise the mortgage market, along with the establishment of an Egyptian Liquidity Facility (ELF). The latter will serve as a market-based mechanism for extending mortgage refinancing loans of medium-term duration to eligible residential mortgage lenders in the primary market. Furthermore, a Guarantee and Subsidy Fund (GSF) is being established, pursuant to the provisions of the Mortgage Law, as a market-oriented and financially sustainable institution for administering housing subsidies to the poorer sections of the population.

Micro-finance programmes have existed in Egypt since the mid-1960s. Most micro-lending services are delivered through governmental and non-governmental organizations. The demand is largely unmet. It is estimated that the country’s micro-finance industry currently reaches only about 5% of the more than two million potential borrowers.

2. Fixed Income Markets

The Capital Markets Authority (CMA) is the regulatory body responsible for approving the issuance of securities. The first bond issued by the government of Egypt was in May 1995. A Primary Dealers System of debt management introduced by the Government in July 2004 authorizes a number of financial institutions, including banks and bond dealers, registered with the Ministry of Finance (13 to date), to underwrite primary issues of government securities and actively trade them in the secondary market through sale, purchase and re-purchase agreements of the securities. This system has fostered the establishment of a proper yield curve reflecting actual supply and demand for government debt. There are no limitations on the participation of foreign investors in Egyptian bond markets. The debt segment of the capital market has a market capitalization of EGP 52 bn (end of year 2005) which constitutes 10% of GDP, with a total of 58 outstanding issues, composed of 35 government bonds and 23 corporate bonds.

Government Securities

The Central Bank of Egypt started issuing T-bills in 1991. The continued increase in the Government’s funding needs (infrastructure spending, budget deficits) has led to a rapid growth in the domestic bond market. In January 2006, total outstanding T-bills amounted to almost EGP 125 bn, 20% of GDP, of which 364-day T-bills accounted for 80%. The Government also issues and lists bonds on the Cairo Stock Exchange, maturing between three and twenty years, with either fixed or floating rate coupons. The 2025 T-bond (EGP 1 bn issued in 2005 and currently yielding around 11.5%) remains the longest tenor in the market. In 2001, the first Egyptian sovereign bond issue denominated in a foreign currency was launched for an amount of USD 1.5 bn. The Central Bank auctions T-bills/bonds on behalf of the Ministry of Finance and the results are approved by the Ministry and announced on Reuters’ page CBEY. T-bills have three types of auctions: Thursdays for 364-day, Sundays for 91-day, and Mondays for 182-day bills. All T-bills are settled on the following Thursday.
Non-Central Government Issuance
Outstanding corporate bonds account for less than 20% of the market size. The current market capitalization of corporate bonds is EGP 4,350 bn. A list of outstanding corporate bonds is provided in the next table, as at 31 March 2007.

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Issue Date-Maturity</th>
<th>Amount (EGP)</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sraight Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egyptian Company for Mobile Services</td>
<td>October 1999-2007</td>
<td>340,000,000</td>
<td>12.25%</td>
</tr>
<tr>
<td>Orascom Holding Hotels</td>
<td>November 2000-2007</td>
<td>100,000,000</td>
<td>13.00%</td>
</tr>
<tr>
<td>Egyptian Cement Company (1st Tranche)</td>
<td>November 2004-2011</td>
<td>500,000,000</td>
<td>11.75%</td>
</tr>
<tr>
<td>Telecom Egypt (1st Tranche)</td>
<td>February 2005-2010</td>
<td>1,000,000,000</td>
<td>10.95%</td>
</tr>
<tr>
<td>Orascom Construction Industries (1st Tranche)</td>
<td>June 2005 - December 2011</td>
<td>243,750,000</td>
<td>11.75%</td>
</tr>
<tr>
<td>Floating Rate Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egyptian Arab Land Bank</td>
<td>March 1999-2009</td>
<td>150,000,000</td>
<td>DR less 1.5%</td>
</tr>
<tr>
<td>Egyptian Cement Company (2nd Tranche)</td>
<td>July 2004-2011</td>
<td>460,000,000</td>
<td>LIBOR + 1.5%</td>
</tr>
<tr>
<td>Telecom Egypt (Second Tranche)</td>
<td>February 2005-2010</td>
<td>1,000,000,000</td>
<td>DR + 0.7%</td>
</tr>
<tr>
<td>Orascom Construction Industries (2nd Tranche)</td>
<td>June 2005 - December 2011</td>
<td>243,750,000</td>
<td>DR + 1.5%</td>
</tr>
<tr>
<td>Orascom Construction Industries (3rd Tranche)</td>
<td>June 2005 - December 2011</td>
<td>840,937,500</td>
<td>LIBOR + 1.5%</td>
</tr>
<tr>
<td>Securitization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contact</td>
<td>January 2006 - Dec 2010</td>
<td>86,1000,000</td>
<td>11%</td>
</tr>
<tr>
<td>Egyptian Arab Land Bank</td>
<td>June 2006 - June 2013</td>
<td>500,000,000</td>
<td>DR + 0.5%</td>
</tr>
</tbody>
</table>

Clearing and Settlement
All clearing is done through Misr for Clearing, Settlement and Central Depository (MCSD), established in October 1996. Government securities are settled T+1 and corporate bonds at T+3. Day count basis for the bond market is 365 days.

3. Foreign Exchange
As part of the ongoing financial sector reform, the peg exchange system has been abolished and a foreign exchange inter-bank market has been officially launched in December 2004. After more than a decade of nominal linkage to the USD, the Central Bank of Egypt ended the Egyptian Pound’s peg to the USD and introduced a new exchange rate regime in January 2003. This allowed the Egyptian Pound to float outside its former official trading band of +/- 3% around an average official rate of EGP 4.51 / 1 USD. An inter-bank FX market was introduced in January 2005. Accordingly, the Central Bank buys and sells FX daily at the average exchange rate set by banks in the previous trading day. The spread between the Central Bank’s buying and selling rates is about 0.5%. Offshore banks can place Egyptian deposits with local banks. Over the years 2005 and 2006, the foreign-exchange spot market interbank average daily volumes are around USD 200-300 mn, up from USD 65 mn. Buying and selling of Egyptian Pounds from and to local banks (forwards and outrights) is permitted for current account transactions.
4. Derivatives

The derivative market is limited and transaction-specific. There is a swap and forward market but it is fairly illiquid. It is mainly based on opportunistic quotation that does not exceed maturities of three years. Foreign exchange forwards and swaps can only be transacted on the back of a commercial transaction. There is no foreign exchange option market and the interest rate swap market is virtually non-existent, with no established inter-bank money market pricing reference.

5. Investment Taxation

There is no tax on interest earned from government bonds or Treasury bills. Publicly listed bonds’ coupons and capital gains are tax exempt. Issuers are also exempt from paying stamp duties.

6. Key Contacts

- **Capital Market Authority**
  
  *Mailing Address:* P.O. Box 618, Cairo, Egypt
  *Other Address:* 20 Emad Eldin St., Cairo, Egypt
  *Tel:* +20-2-574-1000/3333
  *Fax:* +20-2-579-4176
  *E-mail:* cmaegypt@idsc.gov.eg
  *Web:* www.cma.gov.eg

- **Cairo and Alexandria Stock Exchange**
  
  *Mailing Address:* P.O. Box 358, Mohamed Farid, Cairo, Egypt
  *Other Address:* 4A, El Sherifen Street, Cairo, 11513-Egypt
  *Tel:* +20-2-392-8698
  *Fax:* +20-2-392-4214
  *E-mail:* mshawky@egyptse.com
  *Web:* www.egyptse.com

- **Central Bank of Egypt**
  
  *31 Kasr El Nil Street, Cairo, Egypt*
  *Tel:* +20-2-393-1514
  *Fax:* +20-2-392-6361
  *E-mail:* research@cbe.org.eg
  *Web:* www.cbe.org.eg

[Graph: EGP per unit of USD (Year End)]

Source: Bloomberg
1. Overview of Financial System

Equatorial Guinea is a member of the Central African Economic and Monetary Community (Communauté Économique et Monétaire de l’Afrique Centrale - CEMAC), which is composed of six member countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon. The CEMAC is composed of the following four institutions:

1. Central African Economic Union (Union Économique de l’Afrique Centrale – UEAC-)
2. Central African Monetary Union (Union Monétaire de l’Afrique Centrale- UMAC-)
3. Community Parliament
4. CEMAC court of justice

The UMAC, headquartered in Yaoundé, is responsible for the monetary policy of its member countries. It also involved, with the UEAC, in the coordination of economic policy to ensure consistency between national budget policies and the common monetary policy. The UMAC is administered through:

- The Conference of Heads of States, created through the Agreement establishing the CEMAC, the supreme authority of the UMAC;
- The Council of Ministers;
- The central bank, Bank of Central African States (Banque des États de l’Afrique Centrale - BEAC-), the common independent central bank;
- The Banking Commission, (Commission Bancaire de l’Afrique Centrale (COBAC), harmonises and controls banking activities;
- The stock market, Bourse des valeurs mobilières.

The BEAC was established in 1972, the successor to the Banque Centrale de l’Afrique Équatoriale et du Cameroun (established in 1955). It formulates and implements the monetary policy of its member countries, and also preserves the stability of the common currency of the member states, the CFA Franc (franc de la Coopération Financière en Afrique Centrale), which is pegged to the Euro. The French treasury guarantees the convertibility (though not the exchange rate) of the CFA Franc. BEAC uses both reserve requirements and the discount window to implement its policy.

The financing of the economy of the CEMAC region has increased by 9.2% from XAF 1,850 billion
in 2005 to 2,019 billion in 2006. The target inflation rate for the region has been set at a maximum of 3%.

There are 29 banks operating in the CEMAC region (Cameroon: 10; Central African Republic: 3; Chad: 5; Congo: 4; Equatorial Guinea: 2; Gabon: 5), with total assets of XAF 659 billion as of February 2007.

Bank and Non-Bank Financial Sector
The banking sector consists of three main banks, all of which are primarily foreign-owned. A fourth bank had its license approved in 2004 and began operations in 2005. Banking activity is supervised by the COBAC.

The insurance sector is regulated and supervised by a regional body, the Interprofessional Committee of the Insurance Market (Conférence Internationale des Marchés d’Assurances-CIMA). It was established on July 10, 1992 in Yaounde (Republic of Cameroon) and includes the following countries: Benin, Burkina, Cameroon, Central Africa, the Comoros, Ivory Coast, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on February 15, 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA) whereas the Council of Ministers is the supreme body.

Capital Markets
As with the CFA West Africa zone which has a common stock exchange, the Bourse Régionale des Valeurs Mobilières (BRVM), the Central African Region sought to have a common stock exchange. However, plans for these were temporarily shelved, as an agreement between the member countries on a host country could not be reached. Cameroon decided to create its own exchange (Douala Stock Exchange- DSX-), whilst a separate stock exchange was established in Gabon (Central African Stock Exchange - BVMAC-) The legal framework of the region's capital markets is defined by Act n° 03/01-EMAC-CE 03 of 8 December 2001. Under the provisions of the Act, the Financial Markets Surveillance Committee (Commission de Surveillance du Marché Financier de l’Afrique Centrale-COSUMAF) has sole jurisdiction in approving securities for listing on the BVMAC. It is the agency responsible for administering securities laws in the BVMAC member countries. Two companies, SFA Gabon and BGFi Bourse have been authorized to act as brokers for the BVMAC.

2. Foreign Exchange
The CFA Franc is the common currency of 14 countries located in West Africa (WAMU) and Central Africa (CEMAC), and has a fixed parity with the Euro at XAF 655.957 / 1 EUR. The French treasury guarantees the convertibility and stability of the XAF. Payments and transfers of capital within the CEMAC region and current account transactions with all countries are unrestricted. However, restrictions on transactions of capital accounts apply for outflows to countries outside the CEMAC.

3. Key Contacts
- Banco de los Estados de Africa Central (BEAC)
  Apartado 501, Malabo, Equatorial Guinea
  Tel: +240-09-2010/11
  Fax: +240-09-2006
  E-mail: beacmal@beac.int
  Web: www.beac.int
Eritrea

2006 At a Glance

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (mn)</td>
<td>4.56</td>
</tr>
<tr>
<td>Population Growth (annual %)</td>
<td>3.5</td>
</tr>
<tr>
<td>Official Language</td>
<td>Tigrinya</td>
</tr>
<tr>
<td>Currency</td>
<td>Nakfa (ERN)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>1.085</td>
</tr>
<tr>
<td>GDP Growth (annual %)</td>
<td>1.5</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>238</td>
</tr>
<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>11</td>
</tr>
<tr>
<td>External Debt (US$ mn)</td>
<td>600</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>57.7</td>
</tr>
<tr>
<td>CPI Inflation (annual %)</td>
<td>10.9</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>6.8</td>
</tr>
<tr>
<td>Gross Official Reserves (in months of imports)</td>
<td>0.6</td>
</tr>
<tr>
<td>Gross Official Reserves (in $bn)</td>
<td>0.024</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>157</td>
</tr>
</tbody>
</table>

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

The financial system of the country consists of the National Bank of Eritrea (NBE) which is the central bank, the Commercial Bank of Eritrea, the Housing and Commerce Bank of Eritrea (HCBE), the Agricultural and Industrial Bank of Eritrea, the Eritrean Investment and Development Bank, and the National Insurance Corporation of Eritrea. The banks are all majority-owned by the government, while 60% of the National Insurance Corporation of Eritrea (NICE) was sold in 2004 to Eritrean investors as part of a privatisation initiative. Created in 1991, NICE has 57% of its business in the auto-insurance sub-sector. While the Commercial Bank of Eritrea has correspondent banking relations with many international banks, no foreign financial institutions operate in Eritrea.

2. Fixed Income Markets

Government Securities
Treasury bills are issued by the central bank although there is no organized capital market.

3. Foreign Exchange Market

The Eritrean Nakfa (ERN) is a managed floating currency. A dual exchange rate system exists in the country and there is a substantial difference between the official and parallel market rates. Official transactions and other priority needs are conducted in the official market, while the vast majority of private transactions, including bona fide current transactions, are channeled through the parallel market.

4. Key Contacts

- National Bank of Eritrea
  Mailing Address: P.O. Box 849, Asmara, Eritrea
  Square, Asmara, Eritrea
  Tel: +291-1-123033/123036
  Fax: +291-1-122091
  E-mail: tekieb@eol.com.ER

Source: Bloomberg
1. Overview of Financial System

The National Bank of Ethiopia (NBE), the central bank of the country, was established in 1963, through the Monetary and Banking Proclamation 206, as an autonomous and legal entity. Prior to this proclamation, the bank carried out both commercial and central banking activities. The NBE is responsible for formulating monetary policy and supervising the entire financial system.

Bank and Non-Bank Financial Sector

The financial sector left behind by the socialist-oriented government comprised only three banks: The National Bank of Ethiopia, the Commercial Bank of Ethiopia (CBE) and the Agricultural and Industrial Development Bank.

The Monetary and Banking Proclamation No. 83/1994 and the Licensing and Supervision of Banking Business No. 84/1994 laid down the legal basis for investment in the banking sector. It is only since 1994, when the central bank was established, that the Government has permitted activities and services of private banks and insurance companies. These services are strictly limited to domestic entities as foreign firms are prohibited from investing in the banking and insurance sectors. The presence of private banks and insurance firms in the financial sector has grown and, by end 2006, there were nine private banks and two smaller state-owned banks operating alongside the CBE. The state-owned CBE has a market share of more than 70% of the commercial bank system.

Following the change in the political environment in 1991, new laws were proclaimed for the insurance sector, and private insurance companies were allowed to operate again, resulting in the creation of nine fully operational private insurance companies.

Capital Markets

Ethiopia does not have a stock exchange. The Government issues treasury bills for its money market operations.
2. Fixed Income Markets

Government Securities
The National Bank of Ethiopia (NBE) issues treasury bills in the primary market in Ethiopia. The maturities are 91-, 182- and 364-days. The 9-day bill market is the largest issue. The stock of outstanding treasury bills was ETB 6.4 bn at the end of June 2005. Of the total outstanding bills, the majority was held by banks and the balance by non-bank financial institutions.

3. Foreign Exchange
The Ethiopian Birr (ETB) is a managed floating currency. Before May 1993, the Birr was pegged to the US Dollar and from May 1993 to July 1995 there was a dual exchange rate system, the official and auction rates. The rates have now been unified and a marginal rate rule determined through weekly auctions has been set up. All transactions in foreign exchange must be carried out through authorised dealers under the control of the National Bank of Ethiopia. All payments abroad require licenses issued by the Controller of Exchange. Furthermore, exports are licensed by the Controller to ensure the surrender of foreign exchange proceeds, and shipments require permits issued by that office.

4. Participation of Foreign Investors and Issuers
Foreign firms are prohibited from investing in the capital markets, the banking and the insurance sectors.

5. Investment Taxation
Any remittance made by a foreign investor from the proceeds of the sale or transfer of shares or assets upon the liquidation or winding up of an enterprise, is exempted from the payment of tax.

6. Key Contacts
- National Bank of Ethiopia,
  P.O. Box 5550, Addis Ababa, Ethiopia
  Tel: +251-01-517430
  Fax: +251-1-514588
  E-mail: nbe.excd@ethionet.et
  Web: www.nbe.gov.et
1. Overview of Financial System

Gabon is a member of the Central African Economic and Monetary Community (Communauté Économique et Monétaire de l’Afrique Centrale - CEMAC), which is composed of six member countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon. The CEMAC is composed of the following four institutions:

1. Central African Economic Union (Union Économique de l’Afrique Centrale – UEAC-)
2. Central African Monetary Union ( Union Monétaire de l’Afrique Centrale- UMAC-)
3. Community Parliament
4. CEMAC court of justice

The UMAC, headquartered in Yaoundé, is responsible for the monetary policy of its member countries. It also involved, with the UEAC, in the coordination of economic policy to ensure consistency between national budget policies and the common monetary policy. The UMAC is administered through:

- The Conference of Heads of States, created through the Agreement establishing the CEMAC, the supreme authority of the UMAC;
- The Council of Ministers;
- The central bank, Bank of Central African States (Banque des Etats de l’Afrique Centrale - BEAC-), the common independent central bank;
- The Banking Commission, (Commission Bancaire de l’Afrique Centrale (COBAC), harmonises and controls banking activities;
- The stock market, Bourse des valeurs mobilières.

The BEAC was established in 1972, the successor to the Banque Centrale de l’Afrique Equatoriale et du Cameroun (established in 1955). It formulates and implements the monetary policy of its member countries, and also preserves the stability of the common currency of the member states, the CFA Franc (franc de la Coopération Financière en Afrique Centrale), which is pegged to the Euro. The French treasury guarantees the convertibility (not the exchange rate) of the CFA Franc. BEAC uses both reserve requirements and the discount window to implement its policy. The financing of the economy of the CEMAC region has increased by 9.2% from XAF
1,850 billion in 2005 to 2,019 billion in 2006. The target inflation rate for the region has been set at a maximum of 3%.

There are 29 banks operating in the CEMAC region ( Cameroon: 10; Central African Republic: 3; Chad: 5; Congo: 4; Equatorial Guinea: 2 ; Gabon: 5), with total assets of XAF 659 billion as of February 2007.

**Bank and Non-Bank Financial Sector**

A total of six banks operate in the country, together with six finance companies, two securities firm and more than 20 micro-finance institutions. Banking activity is supervised by the COBAC. Gabon's banking sector accounts for 90% of total financial sector assets, and is dominated by three banks controlling 75% of the market.

The insurance sector is regulated and supervised by a regional body, the Interprofessional Committee of the Insurance Market (Conférence Internationale des Marchés d'Assurances-CIMA). It was established on July 10, 1992 in Yaounde (Republic of Cameroon) and includes the following countries: Benin, Burkina, Cameroon, Central Africa, the Comoros, Ivory Coast, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on February 15, 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA) whereas the Council of Ministers is the supreme body.

The insurance industry represents a very small part of the financial sector and has a low penetration rate. Similarly, micro-finance institutions have a small outreach.

**Capital Markets**

As is the case in the CFA West Africa zone which has a common stock exchange (Bourse Régionale des Valeurs Mobilières-BRVM), the Central African Region also sought to establish a common stock exchange. However, plans for these were temporarily shelved, as agreement could not be reached between the member countries on a host country. Cameroon decided to create its own exchange, the Douala Stock Exchange (DSX), whilst a separate stock exchange was established in Gabon, the Central African Stock Exchange (BVMAC).

The legal framework of the region's capital markets is defined by Act n° 03/01-EMAC-CE 03 of 8 December 2001. Under the provisions of the Act, the Financial Markets Surveillance Committee (Commission de Surveillance du Marché Financier de l'Afrique Centrale-COSUMAF) has sole jurisdiction for approving securities for listing on the BVMAC. It plays a regulatory and supervisory role to protect investors and ensure that the market operates properly. Two companies, SFA Gabon and BGFI Bourse have been authorized to act as brokers for the BVMAC. However operations have not yet started on the stock exchange.

**2. Foreign Exchange**

The CFA Franc is the common currency of 14 countries located in West Africa (WAMU) and Central Africa (CEMAC), and has a fixed parity with the Euro at XAF 655.957 / 1 EUR. The French treasury guarantees the convertibility and stability of the XAF. Payments and transfers of capital within the CEMAC region and current account transactions with all countries are unrestricted. However, restrictions on transactions of capital accounts apply for outflows to countries outside the CEMAC.
3. Key Contacts

- **Banque des Etats de l’Afrique Centrale (BEAC)**
  
  **Mailing Address:** B.P. 112, Libreville, Gabon
  
  **Other Address:** Boulevard de l’Indépendance, Libreville, Gabon
  
  Tel: +241-176-0206
  
  Fax: +241-174-4563
  
  E-mail: beaclbv@beac.int
  
  Web: www.beac.int

- **Bourse des Valeurs Mobilières de l’Afrique Centrale (BVMAC), Place de l’Indépendence**
  
  B.P. 2165, Libreville, Gabon
  
  Web: www.bvm-ac.com

- **Commission de Surveillance du Marché Financier de l’Afrique Centrale (COSUMAF)**
  
  **B.P. 1724, Libreville, Gabon**
  
  Tel: +241-747591
  
  Fax: +241-747588
  
  E-mail: infocosumaf@cosumaf.org
  
  Web: www.cosumaf.org
1. Overview of Financial System

The financial system comprises the central bank, banks, insurance companies, foreign exchange bureaus, village savings and credit associations, credit companies, a post office savings bank, and a number of savings and credit groups. The Central Bank of the Gambia (CBG) was established in 1971 and its role is to maintain price and exchange rates stability, underpinned by a sound and stable financial system. It monitors, regulates and supervises the commercial banks, and since 1997 also the insurance companies. The CBG plans and executes operations in the money market to ensure that interest rates are in line with its policies. It uses open market operations, interest rates, reserve requirements, and the discount and rediscount window to conduct its monetary policy. The objective of the open market operations is to absorb the excess liquidity, achieve positive real interest rates and contribute to price stability.

The Gambia has recently made efforts to regulate financial transactions and to reduce money laundering, passing the Money Laundering Bill in June 2003. The new law requires financial institutions in The Gambia to follow stricter reporting practices that are considered beneficial to increasing foreign institutions’ interest and confidence in investing in the country.

Bank and Non-Bank Financial Sector

The banking industry dominates the Gambian financial system and comprises eight banks, including an Islamic development bank. The banking sector as a whole is healthy. The insurance sector in The Gambia is small in terms of assets. As of December 2006, 11 insurance companies were operating in the country, with eight focusing on non-life insurance. Micro-finance is becoming more prevalent, with about 20 micro-finance institutions operating in the country. Recently, two commercial banks have entered the micro-finance industry. The CBG has put in place prudential guidelines based on the principles of reducing barriers to the entry of new non-bank financial institutions in the sector, regulating the service providers through
licensing, financial reporting and accountability, and making the mobilization of savings mandatory.

Capital Markets
The capital markets only consist of government securities. The CBG issues government securities on behalf of the Government. There is no stock exchange although a few local equities are traded over-the-counter. The Trust Bank of Gambia for example is listed on the Ghana Stock Exchange.

2. Fixed Income Markets

Government Securities
The main securities trades are treasury bills, central bank bills and treasury bonds.

• Treasury bills are primarily used to conduct open market operations. They are issued with maturities of 91-days, 182-days and 364-days. They are issued on a weekly basis (Wednesday) or as may be determined by the CBG, which publishes a tentative issuance calendar.

• Treasury bonds (Gambian Government Stock) are normally issued every three years for 3-year maturity (although the last one which matured in May 2005 was not re-issued).

Since 2002, a weekly auction of treasury and central bank bills has replaced the fortnightly auction system. The central bank determines which bids to accept at a meeting held after the closing time for receipt of bids. It will sell the bills through multiple-price auctions where successful competitive bidders are awarded treasury bills at a yield that equals the price bid they submit, and those with non-competitive bids are awarded the securities at the weighted average clearing price.

Secondary Market
There are six approved primary dealers in government bills auctions. The secondary trading of treasury bills is undertaken on a small scale.

Clearing and Settlement
Treasury bills and central bank bills are issued using a manual book-entry system with settlement on T+3.

3. Foreign Exchange
The Gambian Dalasi (GMD) is a free-floating currency. The central bank intervenes by buying and selling foreign exchange in order, inter alia, to stabilize the exchange rate and achieve the desired level of international reserves to anchor the domestic currency. Revaluations to the USD are done on a weekly basis. Some restrictions exist on capital accounts.

4. Investment Taxation
There are no withholding taxes for either residents or non-residents. Treasury bills are not taxable; however, there is a 3% fee for rediscounting them before maturity. Tax treaties exist with Norway, Sweden, Taiwan and the United Kingdom.

5. Key Contacts

• The Central Bank of the Gambia
No. 1/2 Ecowas Avenue, Banjul, The Gambia
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E-mail: info@cbg.gm
Web: http://www.gambank.gm

[Graph showing GMD per unit of USD (Year End) from 2000 to 2006]
2006 At a Glance

<table>
<thead>
<tr>
<th>Population (mn)</th>
<th>22.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth (annual %)</td>
<td>2</td>
</tr>
<tr>
<td>Official Language</td>
<td>English</td>
</tr>
<tr>
<td>Currency</td>
<td>Cedi (GHC)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>12.24</td>
</tr>
<tr>
<td>GDP Growth (annual %)</td>
<td>6.1</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>543</td>
</tr>
<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>156</td>
</tr>
<tr>
<td>External Debt (US$ mn)</td>
<td>9,200</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>75.4</td>
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<tr>
<td>CPI Inflation (annual %)</td>
<td>10.9</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>39.4</td>
</tr>
<tr>
<td>Gross Official Reserves (US$ bn)</td>
<td>1.91</td>
</tr>
<tr>
<td>Gross Official Reserves (in months of imports)</td>
<td>4.5</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>136</td>
</tr>
</tbody>
</table>

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

The Bank of Ghana (BoG), the nation’s central bank, was formally established by the Bank of Ghana Ordinance No. 34 on 4 March 1957, just two days before the declaration of political independence. The bank has full autonomy over monetary policy. In addition to the other main functions of a central bank, the Bank of Ghana’s Monetary Policy Committee (MPC), established in 2002, is responsible for setting monetary policy. The overriding goal of monetary policy in Ghana is price stability. Within the Bank of Ghana’s monetary management framework, there exist three basic targets: the ultimate or final target (inflation), the intermediate target (money supply) and the operating target (reserve money).

Over the past seven years, the Government has been implementing a series of positive economic reforms. This period has been well supported by stronger foreign exchange inflows from buoyant cocoa and gold exports, increased remittances from expatriates (50% of GDP) and heightened donor support that has resulted in external debt relief. The BoG has been pivotal in the move to maintain a stable macro-economic environment, a noticeable impact in the economy being the reducing rate of inflation. The rate of inflation had fallen, from 40% in 2005 to 10% at the end of 2006, with an ongoing target to achieve single-digit inflation by 2007. As a result of these economic reforms, Ghana has increasingly been cited by the international community as one of the best and most conducive sub-Saharan African countries (not including South Africa) to conduct business in.

Bank and Non-Bank Financial Sector

Ghana’s financial system is dominated by the banking sector, with 20 commercial banks and only one merchant bank. Five of the 20 banks are foreign-owned. In addition, there are also three state-owned development banks and over 100 rural banks serving the micro-finance sector.

The banking sector is highly concentrated, with the largest state-owned commercial bank, Ghana
Commercial Bank (GCB), and three foreign-owned commercial banks jointly accounting for over 60% of all banking assets and deposits. The BoG supervises both banks and non-bank financial institutions. In light of recently improved macro-economic conditions, there has been a good extension of banking system credit to economic operators: bank credit to public and private institutions increased by 37.6% in the 12 months to January 2007. The financial sector has also continued to deepen its operations. February 2003 saw the introduction of the Universal Banking Business License (UBBL) that is to engender more competition in the banking industry. Under this licensing law, banks must have a minimum net worth of GHC 70 bn (USD 8 mn), excluding statutory reserves. New banks are also expected to have paid-up capital of GHC 70 bn (USD 8 mn).

The insurance sector in Ghana is comprised of two life insurance companies, (including one state-owned company), three general insurance companies (one state-owned), 11 private life and general insurers, and two re-insurance companies. Life insurance accounts for less than 10% of premiums. The insurance sector is supervised by the National Insurance Commission.

**Capital Markets**
Capital markets are developing quickly in Ghana and are centred on the Ghana Stock Exchange (GSE) which started operations in 1990. As of March 2007, the GSE had some 32 listed companies, with a market capitalisation of approximately GHC 112 trillion (USD 12 bn). The GSE sets the rules and regulations for companies and other entities seeking to be publicly listed on the GSE. The GSE is governed by a Council (Board of Directors) with representation from licensed dealing members, listed companies, banks, insurance companies and other eminent and competent persons of the Ghanaian finance and public service sectors.

The bond market is nascent, and there has been a recent impetus on the part of the BoG and Ministry of Finance and Economic Planning (MoFEP) to change this, by promoting its development. The government is the main issuer of debt securities. As of December 2006, total outstanding government bonds stood at GFC 2,400 bn (USD 260 mn).

Bonds listed on the local exchange comprise of longer-dated government securities (maturities of two years and above) and a few corporate bonds (including issues under HFC Bank shelf registration programme and Standard Chartered Bank MTN Programme).

The legal framework of the capital markets is defined by the Securities Industry Law of 1993 (amended in 2000) and the Securities and Exchange Commission (SEC) Regulations (2003). The SEC acts as the primary regulator of capital market activities in Ghana. The GSE has its own separate regulations that govern admissions to listing securities on the stock exchange. The GSE has signed Memoranda of Understanding with the Kenyan Stock Exchange and the Nigerian Stock Exchange for cross-border listing of securities quoted on their markets.

### 2. Fixed Income Markets

#### Government Securities
Weekly auctions are held by the Bank of Ghana on Fridays for the sale of BoG treasury bills and bonds to 17 primary dealers, known as Government Securities Dealers. There is no set issuance calendar for the longer-term treasury bonds. Issuance of treasury bills is via a multiple price auction while treasury bonds are issued via a uniform price auction.

The following BoG securities are issued in the debt market:
- treasury bills (91-, 182-day)
- 1-year note
- 2-year fixed rate
- 2-year floating rate
- 3-year fixed rate
- 3-year floating rate
- 5-year fixed rate (Since 2007)

The market has been very illiquid, with major activity occurring in money market instruments. The 2-year
floating rate note has an interest rate that is tied to the 91-day T-bill rate, while the 3-year floating note has an interest rate as a spread over the 182-day T-bill rate. These notes are an offspring of the Government of Ghana Index-Linked Bonds (GGILBs) that were introduced in 2001 as part of the aim to convert short-term liabilities into longer-term obligations. The GGILBs are being phased out by the new 2- and 3-year fixed and floating rate notes.

The 5-year bond was issued for the first time in early 2007, and is the government’s longest dated security. This issuance is part of the Government’s plan to extend the government yield curve to provide longer-dated securities in the market.

With reduced inflation, interest rates on treasury securities are now following suit, coming down significantly to match inflation expectations. There has also been a significant decline in yields on 2- and 3-year bonds since the BoG cut its prime rate by 200 basis points to 12.5 percent at the end of 2006.

The table below gives details of the outstanding corporate securities in the bond market.

**CORPORATE BONDS**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Issue Year</th>
<th>Industry</th>
<th>Amount (mn)</th>
<th>Tenor</th>
<th>Coupon (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank of Ghana</td>
<td>2006</td>
<td>Banking</td>
<td>GHC 100,000</td>
<td>10</td>
<td>14%</td>
</tr>
<tr>
<td>Standard Chartered Bank Ghana</td>
<td>2005</td>
<td>Banking</td>
<td>GHC 35,000</td>
<td>3</td>
<td>TB +2.00%</td>
</tr>
<tr>
<td>Standard Chartered Bank Ghana</td>
<td>2005</td>
<td>Banking</td>
<td>GHC 91,500</td>
<td>Undated</td>
<td>TB +3.00%</td>
</tr>
<tr>
<td>Home Finance Company Ltd. (Tranche H)</td>
<td>2004</td>
<td>Mortgage Finance</td>
<td>USD 2.50</td>
<td>5</td>
<td>5.00</td>
</tr>
</tbody>
</table>

**Secondary Market**

Secondary market trading of government securities used to take place only over-the-counter through a network of primary dealers. However, in 2006, the Government, aware of the shortcomings of an illiquid bond market, listed all outstanding 2- and 3-year BoG bonds on the GSE, both floating- and fixed-rate issues. The new 5-year bond was also listed on the Exchange, all in a bid to enhance the secondary trading of these bonds, to ensure liquidity. This has been viewed as a
positive development in the market, especially since the aim of the Government is to provide benchmark securities for corporate issuers, and promote a deepening of the market. The listing would also provide enhanced access for investors to bid for securities, rather than submitting a bid through a licensed dealer. Workshops and seminars have been held by authorities geared towards equipping all authorized primary dealers and Licensed Dealing Members of the Exchange with bond market fundamental such as bond pricing, issuance dynamics and trading.

**Clearing and Settlement**

Clearing and settlement is still largely done by manual processes although steps are being taken by the Government to introduce a Real Time Gross Settlement (RTGS) system. A central depository system has been implemented for government securities and will soon be extended to cover all securities listed on the Ghana Stock Exchange after an appropriate enabling law is passed. Settlement of government securities is at T+1 and through central bank clearing. GSE-listed stocks are settled manually at T+3.

**3. Foreign Exchange**

The Ghanaian Cedi (GHC) is an independent, free-floating currency. There is occasional central bank intervention in the event of excessive volatility. In December 2006, the capital account was partially liberalized as a result of the passing of the new Foreign Exchange Bill. The approval of the central bank is no longer required to repatriate funds out of the country, although it still needs to be notified of such actions. Furthermore, foreigners and non-residents are now allowed to hold foreign exchange accounts in Ghana.

The GHC has been on a depreciating trend for the past few years. It has, however, maintained a degree of stability since 2004, around GHC 9200 / USD 1, due to the positive impact of the Government’s fiscal discipline and increased inflows of foreign exchange remittances from Ghanaians abroad and NGOs, which have been in excess of USD 4 bn.

In 2006, the BoG announced that it would re-denominate the Cedi by July 2007, and replace it with a new Ghana Cedi that will be valued at 10,000 old Cedis = 1 new GHC.

**4. Derivatives**

Ghana does not have a fixed income derivatives market. Enhanced liquidity in the foreign exchange market could lead to a growth in foreign exchange derivative instruments in the near term.

In October 2006, the African Development Bank (AfDB) became the first supranational borrower to issue a bond denominated in Ghanaian Cedis. This two-year bond, worth USD 45 mn (equivalent of GHC 414.9 bn) linked to the Ghanaian Cedi, was hugely successful. On the back of strong foreign investor demand, the AfDB was able to upsize the issue by 50%. This transaction brought significant visibility to the positive developments in the Ghanaian market and economy as a whole.

The AfDB is also in the process of issuing cedi denominated bonds in the local market, which would be able to provide long-term local currency financing to support development projects through direct project lending or lines of credits to financial institutions. Such a transaction simultaneously aims to deepen the bond market in Ghana.
5. Participation of Foreign Investors and Issuers

Current regulations allow foreigners to invest in securities listed on the Ghana Stock Exchange without exchange control restrictions.

In December 2006, the new Foreign Exchange Act 2006 (Act 723) came into effect, allowing non-residents and foreign investors to bid for securities issued by the Government of Ghana. Foreign investors and non-residents are allowed to invest in capital market instruments of a tenor of three years and above. To facilitate this, non-residents are also allowed to maintain foreign currency accounts with local banks, which can be credited with transfers in foreign currency from abroad or other foreign currency accounts. This development resulted in a strong foreign investor participation level in the BoGs new 5-year bond issue in January 2007.

6. Investment Taxation

A withholding tax rate of 10% is applicable to interest income. Dividends are subject to a withholding and final tax of 10%. A temporary exemption on capital gains on securities listed on the Ghana Stock Exchange is also in force, which is expected to last until 2010. Ghana has double tax treaties with the United Kingdom, France, South Africa and Italy. Other tax obligations include: corporate tax at 25%, tax on dividends at 7.5%, capital gains tax at 10% and VAT at 15% (not levied on non-Ghanaian investors).

Venture capital companies receive a 5-year tax holiday. Financial institutions investing in venture capital subsidiaries may deduct 100% of their equity investment from their taxable income for the year of investment.

7. Key Contacts

- Bank of Ghana
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  GP 2674, Accra, Ghana
  Tel: +233-21-666174-6/666361-5/ 666902-8/666921-5
  Fax: +233-21-662996
  E-mail: bogsecretary@bog.gov.gh
  Web: www.bog.gov.gh

- Ghana Stock Exchange
  *Mailing Address*: P.O. Box 1849, Accra, Ghana
  *Other Address*: 4th Floor, Cedi House, Accra, Ghana
  Tel: +233-21-669908/14/35, 664715
  Fax: +233-21-669913
  E-mail: info@gse.com.gh
  Web: www.gse.com.gh

- Securities and Exchange Commission
  *Mailing Address*: Private Mail Bag, Ministries Post Office, Accra, Ghana
  *Other Address*: 1st Floor, State Enterprises Commercial Building, Accra, Ghana
  Tel: +233-21-669019, 7010476
  Fax: + 233-21-7010477, 669588
  E-mail: info@secghan.org
  Web: www.secghana.org

- Ghana National Insurance Commission
  Insurance Place, Independence Avenue, Accra, Ghana
  Office, Accra, Ghana
  *Postal Address*: Box CT 3456, Accra
  Tel: +233-21-238300-1
  Fax: + 233-21-237248
  E-mail: admin@nicgh.org
  Web: www.nicgh.org
Guinea

2006 At a Glance

Population (mn) 9.6
Population Growth (annual %) 2.1
Official Language French
Currency Guinean Franc (GNF)
GDP (Current US$ bn) 3.0
GDP Growth (annual %) 5.0
GDP Per Capita (US$) 313
FDI, net inflows (US$ mn) (2005) 102
External Debt (US$ mn) 3,200
External Debt/GDP (%) 105.6
CPI Inflation (annual %) 25
Exports of goods and services (% of GDP) 30.6
Gross Official Reserves (US $ bn) 0.1
Gross Official Reserves (in months of imports) 1.4
UNDP HDI RANKING 160

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

Bank and Non-Bank Financial Sector

The financial system in Guinea is dominated by the banking sector. In December 2006, seven commercial banks were operating in the country. Banking services are largely concentrated in the capital, Conakry. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in Guinea. The Central Bank of Guinea supervises the banking sector.

The micro-finance sector in Guinea has been growing rapidly and at present five institutions are operating in the country. The sector is led by Crédit Rural de Guinée and Crédit Mutuel de Guinée, both created by the Government with assistance from the European Union and the French Agency for Development. The sector is regulated by the Central Bank of Guinea.

Four insurance companies comprise the insurance sector in Guinea.

Guinea is a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa.

The main objective of the monetary policy as defined and implemented by CBG, is to ensure price stability and safeguard the domestic and foreign value of the Guinean Franc (GNF).

2. Fixed Income Markets

Government Securities

The money market consists of treasury bills of 28- to 182-days, offered through an auction mechanism. The Government has mainly used these instruments to finance its deficit which has been increasing over the past years. In the past, the Government has also issued long-term bonds.
Non-Central Government Issuance
There have been no corporate issuances in the Guinea debt market. Commercial banks are the main source of financing for private entities.

3. Foreign Exchange
The Guinean Franc (GNF) is a free-floating currency. The exchange rate is determined by the inter-bank FX market. The GNF was stable at around GNF 1,910 / 1 USD until early 2004, after which it depreciated to GNF 5,546 / 1 USD by the end of 2006. All initial capital investments and earnings generated can be converted and repatriated, but only 50% of Guinean capital can be converted or transferred. The Government states that there are no foreign exchange controls that affect trade.

5. Investment Taxation
Foreign and local investors are treated equally, in accordance with the tax laws in effect.

6. Key Contacts
- Banque Centrale de la République de Guinée
  Mailing Address: BP 692, Conakry, Guinea
  Other Address: Boulevard du Commerce, Commune de Kaloum, Conakry, Guinea
  Tel: +224-412651
  Fax: +224-414898
  Web: www.bcrg.gov.gn

4. Participation of Foreign Investors and Issuers
The banking sector has a high level of foreign ownership, particularly by French financial institutions. Guinea’s Investment Code of 1987 guarantees the right of foreign investors to undertake any economic activity in accordance with current laws and regulations.
1. Overview of Financial System

Guinea Bissau is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- **The Conference of Heads of State**, which decides on the accession of new members.
- **The Council of Ministers**, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.
- **The UEMOA Commission**, as delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- **The Central Bank of West African States (BCEAO)** is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.

- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit) Law, which regulates microfinance activities in all WAEMU countries.

Guinea-Bissau is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the domestic and foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.

### Bank and Non-Bank Financial Sector

As of December 2006, 93 banks and 22 financial institutions were operating in the UEMOA zone, with three banks located in Guinea-Bissau. The total...
balance sheets of the financial system in Guinea-Bissau amounted to XOF 23.3 bn at the end of 2005 and is the smallest system in the Union. The resources of banks and financial institutions amount to XOF 20.8 bn, including XOF 4.4 bn as net equity capital. In June 2006, the regional bank Ecobank had obtained the approval to open a branch in Guinea-Bissau.

The insurance sector in Guinea-Bissau is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaounde (Republic of Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d’Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA), whereas the Council of Ministers is its highest body.

Capital Markets
The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d’Intermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGIs were registered in the Union, of which not one is in Guinea Bissau. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company. At the end of December 2006, the capitalization of the equity market was XOF 2067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. As at December 2006, there is no company from Guinea-Bissau trading on the stock exchange.

2. Fixed Income Markets
The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.

<table>
<thead>
<tr>
<th>Outstanding BOAD Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td><strong>Listed Bonds</strong></td>
</tr>
<tr>
<td>BOAD 6.25% 1999-2009</td>
</tr>
<tr>
<td>BOAD 6.30% 1999-2007</td>
</tr>
<tr>
<td>BOAD 5.85% 2001-2008</td>
</tr>
<tr>
<td>BOAD 5.35%, 2004-2011</td>
</tr>
<tr>
<td>BOAD 5% 2005-2013</td>
</tr>
</tbody>
</table>

**Government Securities**
As of December 2006, the Government of Guinea-Bissau has XOF 6.7 bn outstanding in treasury bills, and no bond outstanding.
Non-Central Government Issuance
As of December 2006, there is no outstanding corporate bond on the stock exchange from Guinea-Bissau. In this post-conflict country, the banking sector is the only source of funds for the private sector.

Secondary Market
As a consequence of the buy-and-hold attitude of most investors, the secondary market in fixed-income securities in the UEMOA zone is fairly illiquid.

Clearing and Settlement
Securities trades on the BRVM are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). The DC/BR has its headquarters in Abidjan and offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

3. Foreign Exchange
The CFA Franc (XOF) is not traded on the foreign exchange markets but is fully convertible into the Euro, with the convertibility guaranteed by the French treasury through a special operations account at the Banque de France. This arrangement effectively offers practically unlimited overdraft facilities and allows the CFA states to avoid short-run balance of payments constraints. In return, the BCEAO is required to deposit 65% of its foreign exchange reserves at the central bank of France. Buying and selling rates of Euro are fixed at XOF 655.957 / 1 EUR, and the rates of other currencies are determined on the basis of the Euro rate on the foreign exchange market. Payments and transfers of capital within the UEMOA zone and France are unrestricted as are current account transactions. The main restrictions concern the outflow of capital to countries outside the WAEMU, which is subject to verification based on the submission of supporting documentation.

4. Participation of Foreign Investors and Issuers
Foreign investors can purchase securities listed on BRVM.

5. Investment Taxation
Government securities are tax-exempt as opposed to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenue des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12-18% for income from any other security.

6. Key Contacts
- Banco Centra dos Estados da África Ocidental (BCEAO)
  Mailing Address: BP 38, Bissau, Guinea-Bissau
  Other Address: Avenue Amilcar Cabral, 124 Bissau, Guinea-Bissau
  Tel: +245-21-5548, Fax: +245-20-1305
  Web: www.bceao.int
- Bourse Régionale des Valeurs Mobilières
  Mailing Address: BP 3802, Abidjan 01, Côte d’Ivoire
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  Tel: +225-2032-6685, Fax: +225-2032-4777
  E-mail: brvm@brvm.org
  Web: www.brvm.org
1. Overview of the Financial System

The banking system of the country is regulated and supervised by the Central Bank of Kenya (CBK). The primary objective of the CBK is to achieve and maintain price stability, with an inflation target of 5 per cent, excluding food and fuel. Money supply is managed by targeting reserve money through open-market operations, discount-window operations, reserve requirements and foreign exchange operations. The Capital Markets Authority (CMA), which comes under the Capital Markets Authority Act, regulates the capital markets. While the CMA has the jurisdiction of being the primary regulator of the Kenyan capital market, the Nairobi Stock Exchange, with its own set of listing regulations, is responsible for approving the listing of new issues. The Office of the Commissioner of Insurance is the regulatory authority of the insurance sector. A new law was passed in 2006 which is expected to modify the regulation of the insurance industry.

Bank and Non-Bank Financial Sector

There are 44 banks, 5 of which control 70% of the banking sector's total assets. There are 15 microfinance institutions, 1 non-bank financial institution, 2 building societies, and 2 mortgage-finance companies. Reforms were introduced in 2003 to improve governance in the banking industry, by enabling the central bank to access information on banks' interest and other charges. In 2004, the government introduced a comprehensive Financial Sector Reform Strategy that calls for changes to the Banking Act, including the transfer of operational and licensing powers from the Minister of Finance to the Central Bank. The government influences the sector through state-owned banks, including the large, state-controlled Kenya Commercial Bank and the National Bank of Kenya. Kenya has some 40 insurance companies, providing both life- and general insurance services.

Capital Markets

The Nairobi Stock Exchange (NSE), established in 1954, lists 54 companies and, as of 10 January 2007, had a total market capitalization of KES 841 bn. Companies listed on the NSE include shares and bonds of both local and multinational corporate
entities. As of the end of 2006, Kenya’s leading indicator of its stock market performance, the NSE 20 Share Index, reached 5,646, compared with 3,973 at the end of 2005, representing a growth of 42.12% in one year. NSE’s market capitalization also went up from KES 462.52 bn (end-2005) to KES 791.58 bn (end-2006), or an increase of 71.15%.

Bonds currently listed in the NSE constitute longer-dated government securities with maturities of two years and above, and several corporate bonds.

2. Fixed Income Markets

Government Securities
The government securities market consists of (i) treasury bills of 91-day, 182-day, and 364-day maturities, and (ii) treasury bonds with maturities ranging from 2 to 15 years. The size of the government bond market (bills and bonds, excluding Repos), as of end-2006, was KES 96.7 bn in treasury bills and KES 238.0 bn in treasury bonds. Approximately 48.4% of the treasury bills and treasury bonds were held by commercial banks and 12.3% by insurance companies. Auctions are held on a weekly and monthly basis for treasury bills and bonds, respectively. Kenya employs a multiple price system with both competitive and non-competitive bids accepted in all auctions. The non-competitive price is established as a weighted average of all accepted competitive bids. The government remains the only public sector issuer.

Non-Central Government Issuance
The corporate bond market in Kenya is small and its market size, as of March 2007, was USD 50 mn.

OUTSTANDING CORPORATE BOND ISSUES IN KENYA (As of end-2006)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Amount Offered¹</th>
<th>Industry</th>
<th>Issue Year</th>
<th>Tenor</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celtel Kenya (FMO Guaranteed)</td>
<td>4,500</td>
<td>Telecom</td>
<td>2005</td>
<td>4</td>
<td>TBL² + 1.25%</td>
</tr>
<tr>
<td>Athi River Mining</td>
<td>800</td>
<td>Mining</td>
<td>2005</td>
<td>5</td>
<td>TBL + 1.25%</td>
</tr>
<tr>
<td>PTA Bank</td>
<td>800</td>
<td>MDB</td>
<td>2005</td>
<td>7</td>
<td>TBL + 1.00%</td>
</tr>
<tr>
<td>Faulu Kenya Limited</td>
<td>500</td>
<td>NGO</td>
<td>2005</td>
<td>5</td>
<td>TBL + 0.50%</td>
</tr>
<tr>
<td>East African Development bank</td>
<td>800</td>
<td>MDB</td>
<td>2004</td>
<td>7</td>
<td>7.50%</td>
</tr>
<tr>
<td>Mabati Rolling Mills</td>
<td>1,000</td>
<td>Steel</td>
<td>2002</td>
<td>5</td>
<td>TBL + 1.25%</td>
</tr>
</tbody>
</table>

1. Data in KES million
2. Treasury Bill rate

Source: Central Bank of Kenya
Secondary Market
Some 48.4% of treasury bonds are held by Kenyan commercial banks, which also tend to be active traders in the secondary markets. While Kenya benefits from a diverse non-bank investor base that frequently invests in primary market corporate issues, non-government securities are rarely traded in the secondary markets.

The Kenyan Government securities market is considered relatively liquid.

Clearing and Settlement
Since the first quarter of 2005, a central depository system has been operational. Settlement is on T+5 and the Kenyan debt securities are on an actual /364 for Government bonds while the T/Bills are on actual/365 day-count convention.

3. Foreign Exchange
The Kenyan Shilling (KES) is a managed floating currency. Foreign exchange controls were relaxed in 1995 and foreigners are able to repatriate all income, capital and profits freely. The central bank maintains a minimal intervention approach in the foreign exchange market and when it intervenes, it does so only for smoothing out disorderly trading activity. The KES has been on an appreciating trend since 2004. As of end-2006, it closed at KES 69.60 / 1 USD.

4. Derivatives
The derivatives market is in the early stages of development and is driven mainly by over-the-counter solutions in flexible tenors. Currency and interest-rate-hedging products are available from leading banks, which offer an increasing blend of structured solutions for corporate and institutional investors. Forward exchange services (including cross-currency forward trades) are available from overnight to 12-month tenors. Foreign exchange options are also available.

5. Investment Taxation
The rate for withholding tax in Kenya stands at 15% while the tax rate for bearer securities is 25%. Government securities are exempt from withholding tax. Kenya has double-taxation agreements in force with Canada, Denmark, Germany, India, Norway, Sweden, the United Kingdom and Zambia.

6. Participation of Foreign Investors and Issuers
Foreign investors are permitted to participate in both debt and equity issues. As of March 2007, 50% of the treasury bonds were held by Kenyan commercial banks. The balance was held between pension funds, insurance companies, broker dealers and private investors.
7. Key Contacts

- **Capital Markets Authority**
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  Fax: +254-20-228254
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  Web: www.cma.or.ke

- **Central Bank of Kenya**
  Haile Selassie Avenue, P.O. Box 60000-0200, Nairobi, Kenya
  Tel: +254-20-2861000/2860000
  Fax: +254-20-340192
  E-mail: info@centralbank.go.ke
  Web: www.centralbank.go.ke

- **Nairobi Stock Exchange**
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  Fax: +254-20-224200
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  Web: www.nse.co.ke
1. Overview of Financial System

The Central Bank of Lesotho, (CBL), known until 1982 as the Lesotho Monetary Authority, is charged with the principal objective to achieve and maintain price stability in the financial system. Lesotho is a member of the Common Monetary Area (CMA) through a trilateral Agreement between South Africa, Swaziland and recently Namibia. The CMA replaced the Rand Monetary Area in 1986, accommodating changes in the position of Swaziland. While South Africa effectively formulates the monetary policy for the entire region, each member has its own central bank, is responsible for its own monetary policy, and controls its financial institutions. However, management of the Rand currency and the gold and foreign exchange reserves of the Rand area remains the sole responsibility of South Africa. The Central Bank of Lesotho Act of 2000 conferred a considerable degree of autonomy to the CBL. Monetary developments have reflected those in South Africa. The discount rate has remained steady since August 2004, market yields on treasury bills have moved downward, influenced by the fall in the government borrowing requirement, and interest rate spreads relative to South Africa have narrowed.

Lesotho’s debt indicators have improved markedly. With the strengthening of its fiscal position, the Government reduced the stock of outstanding treasury bills from 17% of GDP in 2002/03 to 8% in 2005. Lesotho’s external public debt as a share of GDP has also been steadily declining.

Bank and Non-Bank Financial Sector

The commercial banking sector is dominated by Lesotho Bank and the South African-owned Standard Bank (which acquired Barclays Bank’s interests in Lesotho). The Lesotho Building Finance Corporation merged with Lesotho Bank in April 1993 to facilitate an increased scale of domestic mortgage lending. The CBL regulates all financial institutions in the nation; it established the Financial Institutions Supervision Technical Committee (FISTC), comprising of the
governor and other senior management, in order to develop and consistently review its programme to establish an efficient financial system.

Capital Markets
The CMA agreement provides Lesotho's banking institutions with access to the South African capital market. Public and private sector institutions of Lesotho, which are subject to relevant financial laws and policies applicable to counterparts, have the full right to access the South African capital market. There is no stock exchange in Lesotho, as companies are able to list on the Johannesburg Stock Exchange. There is also no formal debt market for the issuance of treasury bonds, as the Government only issues treasury bills for its monetary operations.

2. Fixed Income Markets

Government Securities
In 1992, the Central Bank of Lesotho introduced an English Auction System (EAS) for issuance of treasury bills to the public. A monthly auction was introduced in 2001 to drain excess liquidity from the highly liquid banking sector. It is aimed at encouraging local banks to invest their excess reserves in the country to build up foreign reserves. The Dutch Auction System is currently being proposed as a replacement of the EAS as it was often difficult for first-time investors to relate the price of the security to the rate of interest that would accrue on their investment (i.e. purchasing at a discount). Market-determined interest rates on treasury bills are set at a level slightly higher than similar instruments in South Africa. The CBL strives to educate and sensitize the general public about its operations in the capital markets.

3. Foreign Exchange
In 1980, the Lesotho Monetary Authority (now the Central Bank of Lesotho) began issuing the Loti (LSL) as the national currency. The South African Rand serves as legal tender in all countries of the Common Monetary Area (CMA), except for Swaziland. Each member state has the right to issue its own currency which serves as legal tender in the issuing country only.

Under the CMA agreement, the LSL is pegged at par to the South African Rand. There are no exchange controls between members of the CMA. Exchange controls for external transactions are similar to those in the Republic of South Africa. However, these controls and regulations are implemented by the CBL.

4. Participation of Foreign Investors and Issuers
There is no participation of foreign investors in government treasury offerings.

5. Investment Taxation
Dividends payable to non-resident shareholders are subject to a withholding tax of 25% and are charged to the non-resident shareholders.

6. Key Contacts
- Central Bank of Lesotho
  Mailing Address: P.O. Box 1184, MASERU 100, Kingdom of Lesotho
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  Fax: +266-22310051/22310679
  E-mail: cbl@centralbank.org.ls
  Web: www.centralbank.org.ls

[Graph of LSL Per Unit of USD (Year End)]

Source: Bloomberg
1. Overview of Financial System

As the internal strife in Liberia which crippled the growth of its financial system is over, the banking sector is beginning to revive. The formal financial sector is centered on banking, of which 5 banks are mostly majority-owned by foreign companies. The Central Bank of Liberia (which replaced the National of Liberia in 1999) regulates and supervises the banking sector. Its key objectives include the safety and soundness of the Liberian banking system and the adoption and implementation of strategies for distressed banks resolution.

The only local bank, the Liberian Bank for Development and Investment (LBDI), is state owned. Foreign banks comprise the following: Ecobank Liberia Limited (a West African regional bank based in Togo with branches throughout West Africa), First International Bank Liberia Limited, Global Bank Liberia Limited, and International Bank (Liberia).

The central bank is now working on plans and fresh initiatives to address the banking sector's non-performing loans. This is approached via efforts to restructure under-capitalized banks. Furthermore, in 2006, authorities have signaled that there will be no licenses issued to new banks until the non-performing loans problem is worked on. Good progress has already been made in this regard, as the ratio of non-performing loans to total advances has been estimated to have come down from 62% in 2003 to 18.4% of total advances in 2005.

In view of the asset quality situation, an additional weakness in the Liberian banking system is that 80% of the revenues of banks are generated predominantly from “fees” rather than “interest income”.

The challenges to the Central Bank of Liberia also includes the weakness of the depositor confidence in the banking system as 80% of the money supply is held outside the banks and 50% of public cash is held in US dollars.

2. Foreign Exchange

The Liberian dollar (LRD) is a freely floating currency. However, the USD is also a legal tender in Liberia and is used alongside the Liberian dollar. But, the two
currencies are held for different purposes. While the Liberian dollar is held for small purchases, especially in the rural areas, and is used by the Government for payment of civil servants’ salaries, the US dollar is the medium of exchange in trade and financial transactions. Except in 2004 when it strengthened to LRD 47.00/1USD, the LRD exchange rate versus the USD generally held around LRD 60/1USD. In the first quarter of 2007, it has however weakened to LRD 61.50/1 USD. The Liberian dollar’s depreciation in recent years is attributed to the rebound in imports of goods and services.

3. Key Contacts
- Central Bank of Liberia
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  Fax: +231-226-114
  Web: www.cbl.org.lr

LBD per unit of USD (Year End.)

Source: Bloomberg
### Libya

#### 2006 At a Glance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (mn)</td>
<td>6.0</td>
</tr>
<tr>
<td>Population Growth (annual %)</td>
<td>1.9</td>
</tr>
<tr>
<td>Official Language</td>
<td>Arabic</td>
</tr>
<tr>
<td>Currency</td>
<td>Libyan Dinar (LYD)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>50.36</td>
</tr>
<tr>
<td>GDP Growth (annual %)</td>
<td>5.0</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>8,438</td>
</tr>
<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>261</td>
</tr>
<tr>
<td>External Debt (US$ mn)</td>
<td>5,600</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>11.1</td>
</tr>
<tr>
<td>CPI Inflation (annual %)</td>
<td>3.4</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>83.1</td>
</tr>
<tr>
<td>Gross Official reserves (bn US$)</td>
<td>47.15</td>
</tr>
<tr>
<td>Gross Official reserves (In months of imports)</td>
<td>43.8</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>64</td>
</tr>
</tbody>
</table>

*Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division*

### 1. Overview of Financial System

The country has 9 major financial institutions, namely the Central Bank of Libya, Libyan Arab Foreign Bank (LAFB), National Commercial Bank, Republic Bank, the Sahara Bank, Agriculture Bank, Umma Bank, Savings and Real Estate Investment Bank, and Unity Bank. The Central Bank of Libya supervises the banking system, and regulates credit and interest.

**Bank and Non-Bank Financial Sector**

Bahrain-based Arab Banking Corporation (ABC), an offshore bank, has the Central Bank of Libya as one of its major shareholders and an overseas arm (LAFB) to handle international banking activity. Foreign investment is performed by the Libyan Arab Foreign Investment Company (LAFICO), with 90% of its foreign holdings of USD 7 bn based in Europe while its subsidiary, the Libyan Arab African Investment Company (LAAICO), was set up for investment in African projects. Since 1970, the Libyan financial sector has been dominated by highly centralized and state-controlled bank ownership. However, the government has recently introduced laws enabling more financial liberalization and banking privatization, albeit in a cautious fashion. To date, this initiative has been very slow to take effect. The foreign banks that have opened representative offices in Libya include the Arab Banking Corporation (ABC), Bank Valetta of Malta, and Suez Bank of Egypt.

### 2. Fixed Income Markets

There is no securities market in Libya. However, in recent years, Libya has been promoting ambitious plans to create and develop a capital market. In addition, since 2005, the establishment of a Libyan Stock Exchange has been under discussion.

### 3. Foreign Exchange

The Libyan Dinar (LYD) underwent two major devaluations, in January 2002 (51%) and in June 2003 (15%). Since 2003, the LYD has been pegged to the IMF’s Special Drawing Rights (SDR), a basket of currencies consisting of USD, EUR, JPY and GBP.
The peg is LYD 2.80 / 1 SDR, allowing maximum margins of +/- 7.5% around the peg rate. The LYD has been generally stable within a range of LYD 1.22 – 1.42 / 1 SDR.

The central bank uses its considerable foreign exchange reserves to ensure exchange rate stability versus the USD. Commercial banks are allowed to sell foreign currencies at the official rate for transactions related to imports of essential goods or medical treatment abroad, but fees are levied on outward foreign exchange transfers. The LYD is extremely illiquid. In order to conduct FX transactions, presentation of commercial papers and/or the purpose or the source of funds will have to be provided.

4. Key Contacts

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  - Web: www.cbl.gov.ly

![LYD Per Unit of USD (Year End)](image-url)

*Source: Bloomberg*
1. Overview of Financial System
The central bank of Madagascar, Banque Centrale de Madagascar (BCM), was established in 1973 and replaced the Institut d’Emission Malgache. Although it is an independent institution, it extends statutory loans to the Government (10% of the previous fiscal year tax revenue). The BCM is the banker of the Government and its advisor on all issues pertaining to banking laws and regulations. It supervises the banking industry and acts as the lender of last resort to banks. It is responsible for ensuring the smooth functioning of the financial system and setting the Madagascan monetary policy.

The overriding objective of the Madagascan central bank is to control inflation and keep the currency stable externally. In implementing the monetary policy and stabilizing prices, BCM uses reserve requirements, open market operations, interest rates and bank liquidity to both manage the monetary base (operating target), and the M3 monetary base (intermediate operating target).

Reforms have been implemented in recent years to liberalize and enhance the efficiency of the financial system, through the privatization of state-owned banks, the independence of the BCM, and the creation of an inter-bank currency market in 1994. In addition to these reforms, measures were taken to enhance the regulation and supervision of banking activities, namely: Law No. 95-030 of 22 February 1996 on the activities and control of credit establishments, and Law No.96-020 of 4 September 1996 to regulate the activities and organization of Savings and Loans institutions, the creation of the Bank and Financial Supervision Commission, and the introduction of prudential standards.

Bank and Non-Bank Financial Sector
Madagascar’s financial system is dominated by the banking sector, which underwent a series of reforms in the 1990s. There are eight commercial banks operating in the country, with the four largest banks (89% market share), each controlling more than 15% of the market. Their lending is, however, largely limited to large companies. There are also savings and loans...
institutions and some micro-finance institutions, but the latter’s share in financing the economy is quite small (MGA 44.8 bn as of December 2006).

Three insurance firms operate in the country. They are liquid and are supervised by the Ministry of Finance and Economy.

Capital Markets
Madagascar is currently considering developing its capital markets, which for the time being mainly consists of government securities. There are no corporate issuances.

2. Fixed Income Markets
Government Securities
A Dutch Treasury Bill Auction system was set up in 1997. Since 2006, the Madagascan Treasury now sets a maximum rate and indicates the total amount to be raised on the day of the auction to the central bank. Offers made below the maximum rate are all satisfied at their initial bidding rate. The central bank issues auction-based treasury bills (Bons du Trésor par Adjudication-BTA) using four maturity buckets: 4-weeks, 12-weeks, 24-weeks, and 52-weeks. As of December 2006, the outstanding BTA amount was MGA 728.7 bn. Non-bank financial institutions are the largest investors in treasury bills, followed by banks (35%) and insurance firms (5%). Foreign investors can only purchase government securities if they are residents and hold a local currency bank account.

Secondary market
The volume of transactions executed in the secondary market was MGA 161.6 bn (2006). It is dominated by transactions made by brokers and non-bank institutions.

3. Foreign Exchange
In January 2005, the Malagasy Ariary (MGA) replaced the Malagasy Franc as the official currency. The exchange rate is an independent freely-floating currency and its value is determined through the FX interbank market, created in 1994. Only the Euro and the US dollar are quoted in the official interbank market. The central bank intervenes to limit major exchange rate fluctuations and to ensure that the foreign currency reserve targets are maintained. In 1998, the Government lifted all restrictions on current account-related payments. Most capital movements with other nations require government authorization, including outward direct investment by residents, but inward direct investment may be freely conducted within Madagascar without authorization or investment approval.

4. Investment Taxation
There is a 15% capital gains tax levied on treasury bills transactions.

5. Key Contacts
- La Banque Centrale de Madagascar
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  Antananarivo (101), Madagascar
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  Web: www.banque-centrale.mg
1. Overview of Financial System

Bank and Non-Bank Financial Sector
The financial system in Malawi is dominated by the banking sector, which consists of 10 commercial banks and the Reserve Bank of Malawi, the country’s Central Bank. New banking institutions have begun to enter the market, including numerous specialized banks catering to specific industries. All banks and insurance companies, as well as the Malawi Stock Exchange, are regulated and supervised by the Reserve Bank of Malawi. Non-bank financial institutions in Malawi are represented by 10 local insurance companies, 1 foreign insurance company and 1 reinsurance company. 8 of the insurers are non-life insurance companies.

Capital Markets
The Malawi Stock Exchange has been in existence since 1994, but equity trading had not started until November 1996 when it first listed the National Insurance Company Limited. Prior to this first listing, the major activities being undertaken were the provision of a facility for secondary market trading in Government of Malawi’s capital market securities, namely Treasury Bills and Local Registered Stocks. The Malawi Stock Exchange operates under the Capital Market Development Act of 1990 and the Companies Act of 1984.

2. Fixed Income Markets

Government Securities
The Reserve Bank of Malawi acts as an agent of the Malawi Government in the issuance of Treasury bills with maturities of 91, 182 and 273 days. Reserve Bank of Malawi bills are also auctioned to the general public. The day count basis convention for Treasury securities is actual / 365.
Non-Central Government Issuance
There have been no corporate bond issues in the market.

Secondary Market
Stockbrokers Malawi Limited is the institution established to operate an OTC facility for buying and selling of Treasury securities in the secondary market.

3. Foreign Exchange
The Malawi Kwacha (MWK) is a managed floating currency. There has been a steady depreciation of the Kwacha in the past six years, declining from MWK 59.40 / 1 USD in August 2001 to KWK 139.34 / 1 USD at the end of 2006, predominantly as a result of poor performance of the tobacco exports. Foreign exchange controls still exist, consequently foreign investors are required to declare all capital imports so as to support their application, to the Reserve bank of Malawi, for future repatriation of profits and dividends.

4. Investment Taxation
A withholding tax of 15% is levied on income from dividend and interest.

5. Key Contacts
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  E-mail: mse@mse-mw.com
  Web: www.mse.co.mw

- Reserve Bank of Malawi
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  Fax: +265-1-772752/265, 774289
  E-mail: webmaster@rbm.mw
  Web: www.rbm.mw

![MWK Per Unit of USD (Year End)](source:Bloomberg)
1. Overview of Financial System

Mali is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- The Conference of Heads of State, which decides on the accession of new members.
- The Council of Ministers, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.
- The UEMOA Commission, as delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.

- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit) Law, which regulates micro-finance activities in all WAEMU countries.

Mali is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the domestic and foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.
Bank and Non-Bank Financial Sector
As of December 2006, there were 93 banks and 22 financial institutions operating in the UEMOA zone, with 12 banks, including an active housing finance bank (Banque de l'Habitat du Mali) and four financial institutions located in Mali. The total balance sheets of the financial system in Mali amounted to XOF 949 bn at the end of 2005, with banks accounting for more than 98%, representing 36% of the country's GDP. In the Union, the financial sector of Mali is the third in size after the Ivorian and Senegalese markets; it represents 14% of the total balance sheets of the UEMOA financial system. The resources of banks and financial institutions amount to XOF 826 bn, including XOF 90 billion as net equity capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in UEMOA. In fact, eight groups (including Société Générale, BNP Paribas, Credit Lyonnais, Citibank, Bank of Africa, Ecobank, and Financial B.C.) dominate the UEMOA banking system with relatively wide national networks.

The insurance sector in Mali is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaoundé (Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d'Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA) whereas the Council of Ministers is its highest body. The total portfolio of the UEMOA CIMA zone is dominated by the sector of non-life insurance. Compared to GDP of 2005, the turnover of the insurance sector in Mali represents 0.5%, well below the average ratio in Africa of 4.8%. At the end of 2005, one life insurance and five non-life insurance companies were operating in the country with a total turnover of XOF 15 bn; life insurance products represented 10% and vehicle insurance 36% of the turnover.

Mali’s financial system includes a growing microfinance industry comprised of more than 300 institutions serving rural communities.

Capital Markets
The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d'Intermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGIs were registered in the Union. SGI Mali, the sole brokerage company in Mali as of December 2006, provides brokerage services for the BRVM. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company. At the end of December 2006, the capitalization of the equity market was XOF 2,067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. As of December 2006, none of the listed companies originates from Mali.

2. Fixed Income Markets
The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.
Government Securities
The Government has used treasury bills to fund its deficit and is yet to issue a bond on the BRVM since 1998. However, as of December 2006, the Government has no outstanding treasury bills, which contrasts with 2005 when the Government was very active in the treasury bill market, issuing a total amount of XOF 85 bn.

Non-Central Government Issuance
The CREPMF requires that corporate bonds be guaranteed before they can be listed on the BRVM. This requirement can explained the limited amount of resources raised by corporate through public debt issuances, in EMOA in general and in Mali in particular. At the end of the year 2006, there is only one outstanding corporate bond from Mali.

Secondary Market
As a consequence of the buy-and-hold attitude of most investors, the secondary market in fixed-income securities in the UEMOA zone is fairly illiquid.

Clearing and Settlement
Securities trades on the BRVM are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). The DC/BR has its headquarters in Abidjan and offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

3. Foreign Exchange
The CFA Franc (XOF) is not traded on the foreign exchange markets but is fully convertible into the Euro, with the convertibility guaranteed by the French treasury through a special operations account at the Banque de France. This arrangement effectively offers practically unlimited overdraft facilities and allows the CFA states to avoid short-run balance
of payments constraints. In return, the BCEAO is required to deposit 65% of its foreign exchange reserves at the central bank of France. Buying and selling rates of Euro are fixed at XOF 655.957/1 EUR, and the rates of other currencies are determined on the basis of the Euro rate on the foreign exchange market. Payments and transfers of capital within the UEMOA zone and France are unrestricted as are current account transactions. The main restrictions concern the outflow of capital to countries outside the WAEMU, which is subject to verification based on the submission of supporting documentation.

4. Derivatives

The derivative market is in its infancy. Foreign exchange forwards exist with moderate liquidity and tenors extending up to 3-6 months.

6. Investment Taxation

Government securities are tax-exempt as opposed to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenue des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12-18% for income from any other security.

7. Key Contacts

- Banque Centrale des Etats de l’Afrique de l’Ouest (BCEAO)
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  Other Address: Avenue Moussa Travele, Bamako, Mali
  Tel: +223-22254/223756/223757
  Fax: +223-224786
  Web: www.bceao.int

- Bourse Régionale des Valeurs Mobilières
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  Tel: +225-2032-6685
  Fax: +225-2032-4777
  E-mail: brvm@brvm.org
  Web: www.brvm.org

5. Participation of Foreign Investors and Issuers

The banking sector has a high level of foreign ownership, particularly by French financial institutions. Foreign investors can purchase securities listed on BRVM. For instance, an international non-governmental organization, Shelter Afrique, based in Nairobi (Kenya), has issued bonds and listed them on the BRVM.

<table>
<thead>
<tr>
<th>Non CFA Domiciled Issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td>Listed Bonds</td>
</tr>
<tr>
<td>SHELTER-Afrique 6.25% 2003-2010</td>
</tr>
<tr>
<td>Private Placement Bonds</td>
</tr>
<tr>
<td>SHELTER-Afrique 6% 2004-2009</td>
</tr>
</tbody>
</table>
1. Overview of Financial System

Bank and Non-Bank Financial Sector

The financial sector in Mauritania comprises the Central Bank of Mauritania (Banque Centrale de Mauritanie-BCM), ten commercial banks, eight insurance firms, two financial institutions specialized in agriculture and fisheries, 67 micro-finance institutions authorized at the present time, as well as a leasing company. The BCM was established in 1973 by law no. 73-113 as a legal and financially autonomous public entity. The monetary policy of the BCM aims at maintaining a low and stable inflation rate. This policy is implemented through trading of treasury bills (TB) in maturities ranging from 2-8 weeks. Clearly, BCM interventions in the market are geared to managing treasury liquidity rather than financing the budget deficit. As of December 2006, Mauritania’s banking sector dominates the financial system, with 88% of the sector’s assets held by commercial banks. At the same time, bank loans and deposits represent less than 20% of GDP. In terms of size, the Générale de Banque de Mauritanie (GBM) is the largest bank, considering the total balance sheet, and controls nearly 25% of bank assets and 25% of deposits. GBM is followed by Banque Mauritanienne pour le Commerce International (BMCI) which has nearly 25% of bank assets and 25% of deposits. The third bank, Banque Nationale de Mauritanie (BNM) represents 19% of deposits and credits. The other banks, considering the total balance sheet, and controls nearly 25% of bank assets and 25% of deposits. The third bank, Banque Nationale de Mauritanie (BNM) represents 19% of deposits and credits, with the rest being shared among the other banks. At the end of 2006, the Government’s holdings in the banking sector are limited to 50% equity position in Chinguetti Bank.

The insurance sector was reformed in the 1990s, when the government liberalized the sector. It plays a limited role within the Mauritian financial sector. As of December 2006, seven insurance companies operate in the sector and they are in competition with Nationale d’Assurance et de Réassurance (NASR), the state-owned insurance firm.
2. Fixed Income Markets
   
   **Government Securities**
   There is a money market that consists of treasury bills of 8- to 24-weeks, offered through an auction mechanism.

   **Non-Central Government Issuance**
   There have been no corporate issuances in the Mauritanian debt market.

3. Foreign Exchange
   
   The Mauritanian Ouguiya (MRO) is a managed floating currency. Since May 2003, the Ouguiya has experienced big swings, between MRO 253 and MRO 280 per USD. Mauritania has a free exchange regime. In practice, the transfer of capital is handled by banks. Since the sector was liberalized, banks do not need authorization from the central bank to transfer funds abroad.

4. Participation of Foreign Investors and Issuers
   
   Mauritania’s economy has become quite liberalized and is very conducive to foreign investments, specifically in the financial and banking sector.

5. Investment Taxation
   
   Domestic and foreign investors are treated equally.

6. Key Contacts
   
   - **Banque Centrale de Mauritanie**
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     Fax: +222-252759
     E-mail: info@bcm.mr
     Web: www.bcm.mr
Mauritius

2006 At a Glance

<table>
<thead>
<tr>
<th>Population (mn)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Population Growth (annual %)</td>
<td>0.9</td>
</tr>
<tr>
<td>Official Language (s)</td>
<td>English/French</td>
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<tr>
<td>Currency</td>
<td>Mauritius Rupee (MUR)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>6.4</td>
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<td>GDP Growth (annual %)</td>
<td>3.9</td>
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<tr>
<td>GDP Per Capita (US$)</td>
<td>5,115</td>
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<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>24</td>
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<tr>
<td>External Debt (US$ mn)</td>
<td>900</td>
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<tr>
<td>External Debt/GDP (%)</td>
<td>14</td>
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<tr>
<td>CPI Inflation (annual %)</td>
<td>8.9</td>
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<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>61.8</td>
</tr>
<tr>
<td>Gross Official Reserves (US$ bn)</td>
<td>1.4</td>
</tr>
<tr>
<td>Gross Official Reserves (in months of imports)</td>
<td>5.0</td>
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<tr>
<td>UNDP HDI RANKING</td>
<td>63</td>
</tr>
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</table>

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

Sovereign Ratings

<table>
<thead>
<tr>
<th>Long Term</th>
<th>Local Currency</th>
<th>Foreign Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody's</td>
<td>Baa1</td>
<td>Baa2</td>
</tr>
</tbody>
</table>

1. Overview of the financial system

The Bank of Mauritius (BAM) was established in September 1967 as the central bank of the country. BAM is responsible for the formulation and execution of monetary policy consistent with stable price conditions. In its conduct of monetary policy, of which the aim is to maintain price stability, M2 money supply is the intermediate target of monetary policy. Apart from formulating and conducting monetary policy, the main functions of the central bank are the following: issuer of currency, banker to the Government and to banks, provider of an efficient payment, settlement and clearing system, management of the public debt, management of foreign exchange reserves, regulator and supervisor of banks, and adviser to the Government on financial matters. The financial sector plays a meaningful role in facilitating Mauritius’ economic development by contributing about 19% of GDP over the past year.

Bank and Non-Bank Financial Sector

The Bank of Mauritius regulates and supervises the Banking industry. There are currently 19 registered banks and 13 registered non-bank deposit-taking institutions operating in Mauritius, with some 173 branches. The banking industry is very developed and efficient but witnesses a considerable degree of concentration of ownership. Total assets of commercial banks as at 30 June 2006 amounted to MUR. 491 bn, which represents an increase of 17.7% over the previous year. Total deposits stood at MUR. 344 bn, including MUR. 208 bn held in foreign currencies. The two largest banks in Mauritius, Mauritius Commercial Bank and State Bank of Mauritius, control approximately 70% of all banking assets.

Insurance regulation and supervision is entrusted to the Financial Services Commission (FSC). Some 22 insurance companies operate in the country. Life insurance has been favoured by generous tax incentives and has also benefited from the growth of...
pension business and housing finance. The sector of non-life insurance is also well organized. Investment in overseas assets is limited to 25% of total assets, except for foreign life insurance companies and general insurance business which are not allowed to invest in overseas assets. The insurance sector is highly concentrated: the three largest groups, SICOM (State Insurance Company of Mauritius), Swan/Anglo-Mauritius and BAI (British American Insurance), represent around two-thirds of total industry assets, with SICOM being a state-owned company. Despite the high level of concentration, the insurance industry appears to be competitive, operating with high efficiency and reasonable profitability.

Mauritius has a balanced and well-managed multi-pillar pension system. In addition to several public components, such as the Basic Retirement Pension, the National Pensions Fund, the National Savings Fund, and the Civil Service Pension Scheme, there are over 1,000 funded occupational pension schemes that play an increasingly important part in the whole system.

Capital Markets
The Mauritius Stock Exchange (SEM) was established in 1989 under the Stock Exchange Act of 1988. The exchange is regulated by the Financial Services Commission. A new Securities Act was passed in 2005 but has yet to become effective. The exchange was recently promoted from the status of “corresponding exchange” to that of Affiliated Securities Market within the Fédération Internationale des Bourses de Valeurs (FIBV). Some 42 companies, with a market capitalisation of USD 3.7 bn, are listed on the SEM and 52 companies, with a market capitalisation of USD 1.5 bn, are listed on the Development and Enterprise Market (DEM). The latter was established in August 2006 to replace the over-the-counter market. Twelve active brokerage companies operate in the market.

The trading of treasury bills on the SEM market was introduced in December 2003, a first step in a process aimed at setting up an active secondary market for government instruments. The market was opened to foreign investors after the lifting of exchange controls in 1994.

2. Fixed income market
Government Securities
A Primary Dealer System was established in March 2002. There are six primary dealers: five banks and one broker. Foreigners can participate in the market through approved primary dealers or brokers.

Government securities mainly comprise treasury bills, treasury notes, government bonds, and development loans stocks.
• Treasury bills are issued in maturities of 91 (MUR 15 bn in 2006), 182 (MUR 18 bn) and 364 days (MUR 19 bn).
• Treasury notes have tenors of 2 (MUR 3.3 bn in 2006), 3 (MUR 2.7 bn) and 4 years (MUR 3.2 bn).
• Government bonds are issued with a 5 year maturity. MUR 3 bn worth were issued in 2006.
• Development loan stock is issued with longer maturities (up to 15 years). MUR 3.3 bn worth were issued in 2006.

Securities of the Government of Mauritius are currently available to the public either through direct bidding on the primary market or by direct purchase. Direct purchases are made through any of the six primary dealers operating under the Primary Dealer System for Mauritius, implemented in February 2002. Primary dealers are committed to provide continuous two-way pricing for these securities.
Non-Central Government Issuance
Corporate bonds are listed on the SEM. They are traded on both the SEM and the OTC board in Mauritius. However, new issuances have been limited and trading is very low, partly because a few years ago the Government reversed its tax policy on interest payments. As of December 2006, there is no outstanding corporate bond in the market.

Secondary Market
Apart from the SEM and OTC markets, secondary trading also takes place on the Bank of Mauritius’ secondary market cell, a portfolio of treasury bills which is occasionally used in the secondary market to allow market participants to adjust their liquidity between the weekly primary T-bill auctions.

Clearing and Settlement
Electronic share clearing and settlement was introduced in 1997, and a Centralised Depository System was established in 1998; it allows delivery versus payment on a T+5 day rotating basis. The establishment of a clearinghouse, through the Bank of Mauritius, provides for a guarantee fund, which incorporates measures for securities and fund settlement failure. The SEM in collaboration with international advisers, has also drafted new listing and reporting rules to ensure greater transparency for investors.

An Automated Trading System (SEMATS) was launched on 29th June 2001. It is a state-of-the-art electronic trading system built on third-generation technology. SEMATS put an end to traditional trading patterns which had typified the SEM since its inception. Trading in securities is conducted through dedicated trading workstations located at brokerage firms and linked by communication lines to the SEM trading engine.

3. Foreign Exchange
The Mauritian Rupee is fully convertible. The Exchange Control Act was suspended in July 1994, and there are no restrictions on both current and capital accounts. Since then, both the current and capital accounts of the Balance of Payment are fully convertible. The Central Bank intervenes to smoothen-out short-term volatility.

Only fully-licensed dealers can trade in the foreign exchange markets. There are five licensed foreign exchange dealers and three licenced foreign exchange bureaux.

4. Derivatives
The derivative market is in its infancy. Foreign Exchange forwards exist with moderate liquidity and tenors extending up to 12 months.
5. Investment Taxation

There is no capital gains tax and no withholding tax on dividends from companies whose shares are listed on the official stock exchange. A 15% withholding tax exists for bond market investors. Non-residents are subject to income tax. However, interest income can be subject to double taxation agreements. Since the Exchange Control Act was suspended in 1994, there are no longer restrictions on the repatriation of capital, profits or dividends.

6. Key Contacts

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  Web: www.semdex.co
1. Overview of Financial System

Morocco has a relatively well-developed financial system and has been implementing reforms to liberalize the system. There are 17 commercial banks, 44 financing companies including 5 government-owned specialized financial institutions, 30 credit agencies, 17 insurance companies, and 12 leasing companies. The Moroccan financial system has a stock exchange, the Casablanca Stock Exchange (CSE), with a modern infrastructure. It is regulated by the “Le Conseil Déontologique des Valeurs Mobilières”, while the Association Professionelle des Sociétés de Bourse formulates the rules and procedures for trading. There are also 2 offshore banks and 11 microfinance institutions in Tangier. The Ministry of Finance approves the licenses of commercial banks after assent by the Credit Institutions Committee. Bank al-Maghrib, the central bank, supervises credit institutions, while the CSE is the stock market watchdog; the insurance sector is supervised by the Ministry of Finance.

Bank and Non-Bank Financial Sector

Most commercial banks are partially owned by European firms. By law, commercial banks and financial institutions must be at least 51% Moroccan-owned. The specialized banks are all state-owned and they control approximately 43% of the banking sector’s assets. An important non-bank financial institution is the public CDG-Caisse des Dépôts et de Gestion (Deposit and Management Fund), which accounts for over 6% of the financial sector. This Fund manages the assets of various institutions in the country, such as the National Social Security Fund and the National Savings Bank. Given its status as a Fund rather than a bank, the CDG is not supervised by any government agency, but is audited by the National Audit Office.

The insurance market has expanded rapidly since the late nineties with premiums of about 3% of GDP, well below the 8% world average. The assets of the insurance companies represent about 17% of GDP. As is the case in most developing economies, the sector is mainly engaged in non-life activities, although life insurance is growing rapidly with the development of policy issuance through associations between banks and insurance.
Capital Market
The capital market of Morocco is centred on the Casablanca Stock Exchange (CSE), which was founded in 1929 and is among the three oldest exchanges in Africa. In recent years, the CSE has benefited from the modernization of its infrastructure: an electronic quotation system has been introduced, as well as settlement through a central depository and clearing house, and new market guarantees. Furthermore, conditions for the listing of shares and the security of transactions were strengthened. The CSE listings include 65 corporations and 67 bonds. The CSE is served by 14 brokerage firms, namely: Attijari Intermediation, BMCE-Capital, BMCI Bourse, CFG Marches, Credit Du Maroc, Eurobourse, Finergy, ICF Al Wasit, Maroc Service Intermediation, Safabourse, Sogebourse, Upline Securities, Wafa Bourse, and APSB. These brokerage firms provide the following key services: execution of securities transactions, discretionary portfolio management, customer advisory services, placement of securities issued by corporate entities, etc.

2. Fixed Income Markets
Government Securities
Morocco’s debt market was introduced in the mid-nineties and is relatively young, compared to the country’s stock market. It is, however, developing quite impressively. Treasury bills and treasury bonds are auctioned weekly with 13-, 26-, and 52-week maturities, while the T-bonds are issued with maturities of 2, 5, 10, 15, 20, and 30 years. In the fourth quarter of 2006, the outstanding stock of public issues amounted to MAD 257 bn, representing around 55% of GDP. Public sector bond issuance accounts approximately for 95% of total outstanding debt. The distribution of Government securities’ holdings, as at the end of 2006, was as follows: Local banks held 28% of total debt while insurance companies and mutual funds held 27% and 23%, respectively. Caisse de Depot et de Gestion (Deposit and Fund Management Fund) accounted for over 11%.

Non-Central Government Issuance
Corporate securities are issued in the Moroccan fixed income market, but the non-government securities account for less than 5% of total debt outstanding at MAD 10.7 bn in the fourth quarter of 2006, mainly consisting of Commercial Paper predominantly issued by non-financial companies, Certificates of Deposits issued by local municipalities and "Bills of Financing Companies" which are issued by leasing companies.

Secondary Market
The Moroccan debt's secondary market is relatively liquid and operationally efficient. Trading volume is also improving at MAD 4,500 due to an active Repo market. The Moroccan debt market is quite developed as it exhibits an incremental setting of maturity buckets and a yield curve that extends up to 30 years.

3. Foreign Exchange
The Moroccan Dirham (MAD) is pegged to the value of an undisclosed basket of currencies, reflecting the currencies of key trading partners. The Euro and the USD, with weights of almost 75% and 20% respectively, are the main components. Since 2001, the MAD has been on an appreciating trend, up from MAD 11.95 / 1 USD in May 2001 to MAD 8.44 / 1 USD at the end of 2006.
The central bank intervenes in the market to keep rates within a band around the central rate. When conducting FX transactions with their customers, Moroccan banks may not exceed the rate limits set by the central bank. There is a levy tax of 0.2% on local banks FX transactions with customers. Morocco liberalised its current account transactions in 1993 in adherence with Article VIII of the IMF Articles of Agreement.

4. Derivatives
Forward exchange contracts and cross-currency forwards are available for commercial and financial operations for periods up to 12 months. Commercial banks are allowed to transact FX options as a hedge against exchange rate risk. Currently, however, only EUR or USD European options with a maximum maturity of one year are allowed. For hedging against interest rate risk, resident borrowers are allowed to contract the following: (i) Forward Rate Agreements (FRAs) with a maximum tenor of 6x12 maximum\(^1\), (ii) Swaps of up to a maturity of 2 years, and (iii) Caps.

5. Participation of Foreign Investors and Issuers
Mutual funds, local banks and insurance companies are the principal investors of the public sector bond issuance, which represents around 95% of the total debt market. In addition, Morocco’s CSE is considered as one of the few regional bourses where foreign investors face no restrictions, although foreign participation accounts for only about 10% of total market capitalization of over MAD 252 bn in 2005.

In February 2005, Morocco became the first country in the Middle East and North Africa Region to allow a supranational bond issue in its domestic market. The IFC issued a MAD 1 bn 7-year bond, paying a fixed coupon of 4.54%. Controls are in place regarding sale and purchase by non-residents of bonds and other debt securities, with similar controls in place for collective investment securities and money market instruments.

6. Clearing and Settlement
In 1997, the provisions of Law no. 35-96 established Maroclear, a central securities depository. Its key functions include those of custodian of securities, delivery and payment system of securities. The day count convention used for Treasury securities is actual / 360.

7. Investment Taxation
Interest, royalties, income and service fees are subject to corporate income tax at the rate of 36%. Dividends received by corporate shareholders from taxable entities incorporated in Morocco are not taxable. This exemption does not apply, however, to income from foreign investment, which is taxed after deducting foreign withholding taxes.

8. Key Contacts
- **Bourse de Casablanca**
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  Web: www.casablanca-bourse.com
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  E-mail: earchid@cdvm.gov.ma
  Web: www.cdvm.gov.ma

\(^1\) 6-month forward on a 12-month loan.
2006 At a Glance

<table>
<thead>
<tr>
<th>Population (mn)</th>
<th>20.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth (annual %)</td>
<td>1.8</td>
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<tr>
<td>Official Language</td>
<td>Portuguese</td>
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<tr>
<td>Currency</td>
<td>Metical (MZN)</td>
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<tr>
<td>GDP (Current US$ bn)</td>
<td>7.21</td>
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<tr>
<td>GDP Growth (annual %)</td>
<td>7.2</td>
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<tr>
<td>GDP Per Capita (US$)</td>
<td>358</td>
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<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>108</td>
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<tr>
<td>External Debt (US$ mn)</td>
<td>4,500</td>
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<tr>
<td>External Debt/GDP (%)</td>
<td>61</td>
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<tr>
<td>CPI Inflation (annual %)</td>
<td>12.7</td>
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<td>Exports of goods and services (% of GDP)</td>
<td>37.5</td>
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<td>Gross Official Reserves (US $ bn)</td>
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<td>Impor Cover (months)</td>
<td>4.2</td>
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<tr>
<td>UNDP HDI RANKING</td>
<td>168</td>
</tr>
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</table>

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of the Financial System

The central bank, Banco de Moçambique (BDM), has independence in controlling money supply, inflation targeting and supervision of banks amongst other functions. Monetary policy has been successful in reducing inflation since 2005.

Bank and Non-Bank Financial Sector

As at the end of 2006, there were nine commercial banks and they account for 90% of the system’s total assets. This number has significantly increased from 1992 when the liberalisation of the banking sector occurred. Before this time, Banco Standard Totta de Moçambique (BSTM) was the country’s only private bank. These nine banks are all foreign-owned. Portuguese-owned Banco Internacional de Moçambique (BIM), accounts for 44% of total banking assets and owns 42% of total banking system branches. The Government aims to privatise further by selling its stake in BIM. Other financial institutions include one investment bank, three leasing companies, five credit and savings co-operatives and a number of micro-finance institutions.

The insurance and pension sectors are small. Even with the recent privatisation efforts, the insurance market remains dominated by the state-owned insurer, which provides all types of insurance and reinsurance. The Ministry of Finance regulates the insurance sector.

Capital Markets

The Bolsa de Valores de Moçambique (BVM), is the stock exchange, which opened in Maputo in 1999. There is one stock listed on the BVM, Cervejas de Moçambique, majority-owned by a foreign company. Trading on the exchange is conducted mainly by commercial banks. The BVM is a very small and illiquid stock market.
2. Fixed Income Markets

Government Securities

Government bonds have been in existence since 1999. In the first phase, the bonds will be reimbursed in three years at varied interest rates and also adjusted to the re-discount rate of the central bank. Longer-term and floating-rate bonds are also available, with coupons linked to prevailing rates for treasury bills.

Treasury bills have maturities of 91-, 182- and 364-days, as displayed in the graph below. The following government and corporate bonds are listed on the exchange.

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Stock Admitted to quotation</th>
<th>Volume</th>
<th>Amount (MZM billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesouro-2001/I – 1ª Série</td>
<td>2,338,000</td>
<td>176,720</td>
<td>17,672</td>
</tr>
<tr>
<td>Tesouro-2002 – 2ª Série</td>
<td>1,000,000</td>
<td>2,925</td>
<td>0,293</td>
</tr>
<tr>
<td>Tesouro-2004</td>
<td>2,500,000</td>
<td>50</td>
<td>0,005</td>
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<tr>
<td>Tesouro-2005 – 1ª Série</td>
<td>4,960,000</td>
<td>1,049,175</td>
<td>104,918</td>
</tr>
<tr>
<td>Tesouro-2005 – 2ª Série</td>
<td>300,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tesouro-2005 – 3ª Série</td>
<td>16,673,180</td>
<td>108,430</td>
<td>10,843</td>
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<tr>
<td>BIM 2003</td>
<td>650,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BIM 2003 Subordinadas</td>
<td>850,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td>TDM 2004</td>
<td>1,250,000</td>
<td>750</td>
<td>0,064</td>
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<tr>
<td>Cimentos de Moçambique/2004</td>
<td>1,983,333</td>
<td>222,850</td>
<td>17,828</td>
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<tr>
<td>MCEL 2005</td>
<td>3,360,000</td>
<td>10,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

3. Foreign Exchange

The Mozambican Metical (MZM) is an independent, freely floating currency. Access to foreign exchange is greatly liberalized by the passage in 1996 of a new Exchange Control Regulation Law. Foreign exchange retention accounts are permitted for 100% of foreign exchange earnings, without formal justification. Investment registration and repatriation application procedures must be adhered to in order to repay foreign loans and repatriate invested capital, profits, and dividends in excess of USD 5,000. Debt servicing requires an approval letter from the central bank at the time of the loan.

The Mozambican Metical was redenominated in July 2006, taking three zeros off the existing currency value versus the U.S. dollar. The Mozambican “New Metical” (MZN) is MZM/1,000.

The MZM has been on a depreciating trend since December 2004, reaching MZM 26,170/1 USD at the end of December 2006. As at the end of the first quarter of 2007, the currency stood at MZN 26.479 /1 USD.

4. Investment Taxation

The following taxes are applicable to investment income: corporate capital gains tax rate of 32%, withholding tax dividends of 20%, withholding tax interest of 20%, and personal capital gains tax of 32%.
5. **Key contacts**

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  Tel: +258-1-318000/9
  
  Fax: +258-1-323712
  
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Namibia

2006 At a Glance

| Population (mn) | 2.0 |
| Population Growth (annual %) | 1.0 |
| Official Language | English |
| Currency | Namibian Dollar (NAD) |
| GDP (Current US$ bn) | 6.2 |
| GDP Growth (annual %) | 4.8 |
| GDP Per Capita (US$) | 3,045 |
| FDI, net inflows (US$ mn) (2005) | 349 |
| External Debit (US$ mn) | 1,600 |
| External Debt/GDP (%) | 24.9 |
| CPI Inflation (annual %) | 5.0 |
| Exports of goods and services (% of GDP) | 48.9 |
| Gross official Reserves (In months of imports) | 2.1 |
| Gross Official Reserves (US$ bn) | 0.44 |
| UNDP HDI RANKING | 125 |

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

The Common Monetary Area (CMA) replaced the Rand Monetary Area in 1986, accommodating changes in the position of Swaziland. The CMA comprises South Africa, Namibia, Swaziland and Lesotho. While South Africa effectively formulates the monetary policy for the region, each member has its own Central Bank, is responsible for its own monetary policy, and controls its financial institutions. The South African Rand serves as legal tender in all countries of the area, except for Swaziland. Each member state has the right to issue its own currency which serves as legal tender in the issuing country only. All the national currencies are pegged to the Rand. Public and private sector institutions, subject to relevant financial laws and policies applicable to counterparts, have the right to access the South African capital market. The CMA provides for free flow of capital within the area.

Bank and Non-Bank Financial Sector

Namibia’s financial sector is closely tied to South Africa and is one of the most sophisticated and well established financial systems in Africa. The banking sector is very active and mature, with four commercial banks as at end-2006, all characterized by varying degrees of foreign ownership. The two largest banks are owned by South African banks, while the remaining two include a Swiss-owned bank and one that is jointly owned by Namibian and South African firms. There is one investment bank and four specialised banks including Agribank, Nampost Savings Bank and Development Bank of Namibia. The combined assets of commercial banks are approximately USD 4 bn (June 2005). The banking sector is regulated by the Bank of Namibia, the Central Bank. Namibia is in the early stages of developing the legislation to establish a two-tiered banking system.

As of December 2006, the Namibian insurance sector consisted of 28 insurance companies and two re-insurers. The market for non-banking financial institutions (NBFI) is regulated by the Namibia Financial Institutions Supervisory Authority (NAMFISA) which was created in 2001. The NBFI is
made up of some 500 pension funds, a number of asset management and unit trust management companies, several specialised lending institutions, and a large number of micro-lending institutions. Most of these institutions are private, with strong ownership links to South Africa.

Capital Markets
The Namibian capital market is also closely linked to South Africa. The Namibian Stock Exchange (NSX), which opened in 1992, has 28 listed companies, across various sectors including financial, mining, industrial retail and fishing. The majority are South African companies that are cross-listed on the Johannesburg Stock Exchange. The NSX is regulated by the Stock Exchange Association and the Executive Committee of the NSX. This is the custodian of the licence to operate the stock exchange. It is made up of 43 associate members (banks, listed companies, investment institutions, etc) and each year the members elect an Executive Committee of nine members plus one outsider, to oversee the activities of the exchange. The NSX is regulated by the Stock Exchanges Act of 1985 (amended in 1992) and overseen by the Registrar of Financial Institutions.

2 Fixed Income Markets
Government Securities
The Bank of Namibia issues treasury bills and Internally Registered Stock (IRS) by open tender. Unlike treasury bills, IRS are capital market instruments issued for maturities exceeding 12 months. The Republic of Namibia has also issued government bonds maturing in 2007, 2010, 2015 and 2024. Government papers take up a large proportion, some 85%, in the long-term securities market in Namibia. This has come about as a result of a long-standing government policy to fund its deficit in the local market as a way of facilitating the development of the local financial markets. The first Namibian bonds were issued in 1992 with maturities not exceeding six years.

By 1998, 13 IRS with various maturities had been issued, but the secondary market remained limited. The Government decided in 1998 to consolidate the bonds in issue into three categories (GC02, GC05 and GC10 maturing in 2002, 2005 and 2010 respectively) in order to lengthen their maturity structure, enhance their liquidity and create local benchmark instruments. The amount outstanding in government IRS has been increasing steadily since the first stock was issued in 1992. IRS increased from NAD 50 mn in 1992 to NAD 4.1 bn in June 2004.

![Namibian Government Bond Yield Curve (March 2007)](As of March 2007)
Non-Central Government Issuance

Government policy to provide guarantees on papers issued by state-owned entities has had some success, albeit not massive, and at least three quasi-state entities/parastatals have issued notes in the local market. The amount issued in non-government bonds has been growing steadily from 1996, with a sharp increase recorded in 2003 at NAD 700 mn from approximately NAD 140 mn the previous year. Another increase was recorded in 2004 to reach a level of about NAD 750 mn. The non-government paper issues are by far dominated by the Road Fund Administrator which accounts for more than 50% of the entire issue in this category.

Bonds in the non-government markets are issued through intermediaries such as stockbrokers and/or issued directly by the parastatals, banks or companies themselves. Settlement and custodian arrangements are agreed upon by parties and are mostly made through settlement agents as appointed by contracting parties.

The private sector has also issued some bonds in the market. The first corporate bond to be listed on the Exchange was by Standard Bank Namibia in 2000. The bond was worth NAD 150 mn and is due to mature on 20 November 2011.

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Issue Date</th>
<th>Maturity</th>
<th>Coupon</th>
<th>Coupon Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Fund Administration</td>
<td>Feb 2003</td>
<td>Nov 2010</td>
<td>15%</td>
<td>15 Jan &amp; 15 Jul</td>
</tr>
<tr>
<td>Standard Bank Namibia</td>
<td>Nov 2000</td>
<td>Nov 2011</td>
<td>12%</td>
<td>21 May &amp; 21 Nov</td>
</tr>
<tr>
<td>Bank Windhoek</td>
<td>Feb 2004</td>
<td>Feb 2014</td>
<td>11%</td>
<td>4 Feb &amp; 4 Aug</td>
</tr>
</tbody>
</table>

Secondary Market

IRS are listed on the NSX where secondary market trading can take place. Interested participants can buy and/or sell bonds on the NSX through qualified and registered stockbrokers. Trading in government stock can also take place over-the-counter (OTC), that is, legal trading outside the formal market such as the NSX. Secondary trading activities on the NSX have been increasing in recent years, and currently represent some 10% of bonds outstanding.

Clearing and Settlement

Treasury bills are issued in a Book Entry System in which detailed records of ownership are electronically registered. Settlements by commercial banks are done through the CRISP system (an electronic payment system) or clearance vouchers. For institutions and individuals, settlement can be made in the form of clearance vouchers or bank cheques.

3. Foreign Exchange

Namibia is part of the CMA with South Africa, Swaziland and Lesotho. The Namibian Dollar (NAD) is pegged at par with the South African Rand. The South African Rand is legal tender in the country. Namibia follows the exchange rate policy determined by the South African Reserve Bank. Within the CMA, all member countries apply the same exchange control regulations. Non-resident capital flows are generally unrestricted. Capital, profits and dividends can be repatriated. Exchange control limitations apply to resident capital flows. Foreign exchange earnings by Namibian enterprises have to be brought into the CMA within six months.

The Namibian dollar is convertible regionally only into the South African Rand, while it is not convertible internationally. There are virtually no restrictions on the current account, neither are there any restrictions on capital from non-residents for equity investments. Private individuals are allowed to invest up to NAD 750,000 outside the CMA. Transfer by local companies outside the CMA for bona fide long-term investments in specific projects, or for expansion of existing projects owned and/or controlled by Namibian residents, are considered on their own merits.

Historically, the NAD has been on a depreciating trend, but saw some appreciation between December
2001 and the first quarter of 2005, from NAD 12.27 / 1 USD to NAD 5.65 – 6 / 1 USD respectively. It has since weakened slightly and has been trading around NAD 7 per USD since December 2006.

4. Participation of Foreign Investors and Issuers

Non resident capital flows are generally unrestricted.

5. Key Contacts

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![NAD Per Unit of USD (Year End)](source:Bloomberg)
1. Overview of Financial System

Niger is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- **The Conference of Heads of State**, which decides on the accession of new members.
- **The Council of Ministers**, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA franc.
- **The UEMOA Commission**, delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- **The Central Bank of West African States (BCEAO)** is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.

- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit) Law, which regulates micro-finance activities in all WAEMU countries.

Niger is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the domestic and foreign value of the CAF Franc through appropriate coverage of currency issue by foreign exchange reserves.
Bank and Non-Bank Financial Sector

As of December 2006, there were 93 banks and 22 financial institutions operating in the UEMOA zone, with 10 banks and two financial institutions located in Niger. The total balance sheets of the financial system in Niger amounted to XOF 235 bn at the end of 2005 with banks accounting for more than 99%, representing 15% of the GDP. The resources of banks and financial institutions amount to XOF 213 bn, including XOF 25 bn as net equity capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in UEMOA.

The insurance sector in Niger is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaounde (Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d’Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA), whereas the Council of Ministers is its highest body. The total portfolio of the UEMOA CIMA zone is dominated by the sector of non-life insurance. Compared to GDP of 2005, the turnover of the insurance sector in Niger represents 0.7%, well below the average ratio in Africa of 4.8%. At the end of 2005, five companies were operating in the country with a total turnover of XOF 11 bn; life insurance products represented 10% and vehicle insurance 45% of the turnover.

Niger’s financial system includes a growing microfinance industry comprised of over 160 institutions.

Capital Markets

The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d’Intermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGI s were registered in the Union. SGI Niger, the sole brokerage company in Niger as of December 2006, provides brokerage services for the BRVM. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company. At the end of December 2006, the capitalization of the equity market was XOF 2,067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. As of December 2006, Bank of Africa Niger is the sole company from Niger listed and traded on the stock exchange.
2. Fixed Income Markets

The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.

<table>
<thead>
<tr>
<th>Title</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOAD 6.25% 1999-2009</td>
<td>20.12</td>
<td>1999</td>
<td>Annual</td>
<td>1-Feb-09</td>
</tr>
<tr>
<td>BOAD 6.30% 1999-2007</td>
<td>17.05</td>
<td>2000</td>
<td>Annual</td>
<td>27-Oct-07</td>
</tr>
<tr>
<td>BOAD 5.85% 2001-2008</td>
<td>11.95</td>
<td>2003</td>
<td>Annual</td>
<td>4-Jan-08</td>
</tr>
<tr>
<td>BOAD 5.35% 2004-2011</td>
<td>22.70</td>
<td>2005</td>
<td>Annual</td>
<td>5-Nov-11</td>
</tr>
<tr>
<td>BOAD 5% 2005-2013</td>
<td>18.60</td>
<td>2005</td>
<td>Annual</td>
<td>28-Dec-13</td>
</tr>
<tr>
<td>BOAD 4.5% 2005-2011</td>
<td>6,404</td>
<td>2005</td>
<td>Annual</td>
<td>28-Dec-11</td>
</tr>
</tbody>
</table>

Government Securities

The Government of Niger has used treasury bills to fund its deficit and is yet to issue a bond on the stock exchange since the BRVM started operating in 1998. As of December 2006, the Government has XOF 15 bn outstanding in treasury bills.

Non-Central Government Issuance

As at December 2006, there is no outstanding bond from a corporate from Niger on the BRVM.

Secondary Market

As a consequence of the buy-and-hold attitude of most investors in the zone, the secondary market in fixed-income securities in the UEMOA zone is fairly illiquid.

Clearing and Settlement

Securities trades on the BRVM are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). DC/BR has its headquarters in Abidjan and offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

3. Foreign Exchange

The CAF Franc (XOF) is not traded on the foreign exchange markets but is fully convertible into the Euro, with the convertibility guaranteed by the French treasury through a special operations account at the Banque de France. This arrangement effectively offers practically unlimited overdraft facilities and allows the CFA states to avoid short-run balance of payments constraints. In return, the BCEAO is required to deposit 65% of its foreign exchange reserves at the Banque de France. Buying and selling rates of Euro are fixed at XOF 655.957 / 1 EUR, and other currencies’ rates are determined on the basis of the Euro rate on the foreign exchange market. Payments and transfers of capital within the UEMOA zone and France are unrestricted as well as current account transactions. The main restrictions concern the outflow of capital to countries outside the WAEMU, which is subject to verification based on the submission of supporting documentation.
4. Derivatives

The derivative market is in its infancy. Foreign exchange forwards exist with moderate liquidity and tenors extending up to 3-6 months.

5. Participation of Foreign Investors and Issuers

The banking sector has a high level of foreign ownership, particularly by French financial institutions. Foreign investors can purchase securities listed on BRVM. For instance, an international non-governmental organization, Shelter Afrique, based in Nairobi (Kenya), has issued bonds and listed them on the BRVM.

6. Investment Taxation

Government securities are tax-exempt as opposed to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenue des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12-18% for income from any other security.

7. Key Contacts

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**XOF per unit of USD (Year End)**

*Source: Bloomberg*
1. Overview of Financial System

The Central Bank of Nigeria (CBN) is the country’s autonomous monetary authority. Established in 1958, the CBN is the banker and financial adviser to the Federal Government, acts as the lender of last resort to banks, is responsible for setting monetary policy, and ensures the smooth functioning of the financial system. The central bank is guided by various regulations, including the Central Bank of Nigeria Act of 1958 as amended in a series of Decrees, the last one in 1999 being the CBN Decree 1999 Amendment.

For over 20 years, the aim of monetary policy has been to develop a market-oriented financial system for effective mobilisation of financial savings and efficient resource allocation. The main instrument of the market-based framework is Open Market Operations. This is complemented by reserve requirements and discount window operations.

The Apex authority, in late 2006, abolished its prime rate, the Minimum Rediscout Rate (MRR), which had been set at 13%. The MRR has now been replaced with the Monetary Policy Rate (MPR) set at 10%.

All financial sector regulatory agencies in Nigeria are part of the Financial Services Regulation Coordinating Committee (FSRCC), which coordinates supervisory activities across the various financial sectors.

Non-Bank Financial Sector

The banking and insurance sectors each have a separate regulatory authority and supervisory body, the Central Bank of Nigeria and the National Insurance Commission (NAICOM) respectively.

Since 2005, these regulators have implemented sweeping reforms of these financial sectors, aimed at restoring the health of the financial system. The CBN enforced a new regulation for banks to increase their minimum capital base to NGN 25 bn (USD 190 mn), from a previous NGN 2 bn (USD 16 mn). This sparked a series of mergers and acquisitions as
banks sought to consolidate their market positions, reducing the number of banks from 89 to 25 more healthy institutions. These 25 private banks form the largest component of the financial system, with the 10 largest of them accounting for over 60% of the aggregate assets and 72% of liabilities. It is expected that with the increase in market share and shareholders value, a second wave of market-driven banking consolidation will occur.

Subsequently, in October 2006, the Government, through the CBN, allocated USD 7 bn of its growing foreign exchange reserves (USD 45 bn as at January 2007) to be jointly managed by domestic and international fund managers. 14 of the 25 commercial banks were allocated USD 500 mn each to manage with foreign partners. These alliances aim to transfer technical expertise from the foreign institutions to the domestic firms, in order to enhance overall operational capabilities of the sector.

The insurance sector in Nigeria just emerged from an 18-month consolidation phase in February 2007 that enforced a minimum capital base of NGN 3 bn for general insurance and NGN 2 bn for life insurance. There are now 71 firms, down from 104 that had been in operation, which have brought the industry capitalisation to over NGN 200 bn from a pre-consolidation level of NGN 30 bn. Demand for insurance services in the country has historically been low due to a lack of capacity and low insurance awareness. The recapitalisation exercise aims to increase the sectors underwriting and retention capacity to encourage growth, thereby improving the industry’s health and profitability.

Capital Markets

Regulated by the Securities and Exchange Commission (SEC), the Nigerian capital market is centered on one stock exchange, the Nigerian Stock Exchange (NSE). Established in 1961, with a total of 19 securities listed for trading, there are 289 listed securities, with a stock market capitalisation of some USD 46 bn as at January 2007.

The country boasts the third-largest stock exchange by market capitalisation in the African continent, behind South-Africa and Egypt. Banking and conglomerate stocks have historically been the most active on the NSE. There is also a commodity exchange, the Abuja Commodities Exchange, which was established in 2006.

Nigeria’s bond market has for many years been overshadowed by its equity market. There have been recent efforts by the regulatory authorities to develop a thriving bond market in the country. The market offers bonds issued by the Federal Government and sub-national State issuers. Government debt issues re-emerged in 2003, and the Federal Government, through the Debt Management Office (DMO), now frequently issues bonds. Total government bonds outstanding stood at NGN 750 bn (USD 6 bn) at the end of the first quarter of 2007.

Recent developments in the financial system have been positive, specifically the strengthening of financial institutions, and also the improvements in capital markets. Banks are increasingly developing investment banking capabilities, as opposed to strictly only retail banking, which is evidence of an evolving financial market. There is now a great deal of international interest, and indeed participation, in the Nigerian financial system, from investments in stocks and treasury bonds to private equity investments. This trend is expected to continue as economic and political fundamentals, such as reduced inflation, improving growth rates, fiscal accountability, and transparency, are expected to be maintained.

2. Fixed Income Markets

Government Securities

Government securities are the sole debt instrument issued frequently in the bond market. These securities are issued by the Debt Management Office, a semiautonomous body established in 2001. The DMO is charged with the responsibility of managing Nigeria’s external and domestic debt and also to carry out a number of reforms to make the government bond market more liquid through increased issuance of government securities.
Primary market bills are issued in 91-, 182-, and 365-day tenors. In a bid to restructure the debt stock, the DMO, since 2004, has issued less of the 91-day bills and more 365-day and longer dated paper. The restructuring was to guard against the highly uneven weekly issuance programme that created rollover and interest rate risks to the Government, to reduce volatility in the short-term rate market, and to sustain, revive and develop a deep and liquid secondary market for Government bonds.

Federal Government of Nigeria (FGN) bonds outstanding are in fixed and floating 3-, 5-, 7- and 10-year maturities. Since the establishment of a frequent benchmark issuance program for the FGN bonds in 2003, the yield curve has been characterised by 3-, 5- and 7-year fixed rate treasury benchmark issues only. New fixed rate 10 year bonds are expected to be launched under this issuance program by December 2007. NGN 445 bn worth of these bonds were issued in 2006, nearly 10% above the NGN 408 bn scheduled issuance for the year. Total bond market capitalisation stood at NGN 621.37 bn (USD 44.8 bn) by the end of January 2007. FGN bonds are listed on the NSE.

The market is based on a multiple-price system for treasury bills (auctioned on a weekly basis) and single-price auction for treasury bonds (offered in accordance with a set issuance calendar). Government bonds follow an actual / 365 day count basis.

With lower inflation, rates offered on Government securities have experienced a significant decline across the entire yield curve since the beginning of 2006. Over this period, the 3-month treasury bill rate came down from 12% in 2005 to about 7% in 2007. The 7-year bond issued in June 2006 yielded 16%, and in March 2007, a new 7-year yielded 10.75%. This has been mostly due to reduced inflation levels (estimated at 9.4% for 2006), and an increased amount of liquidity in the market.

In 2006, the Government had special auctions outside of its benchmark programme, to pay outstanding debts to pension funds and contractors. These bonds were fully subscribed with 100% allocation. The details of the auction are presented in table 1.

Commercial banks, discount houses and non-bank financial institutions are the major investors in FGN securities. With the enactment of the Pension Reform Act of 2004 that brought about the licensing of 19 specialist firms dedicated to managing the working population’s funds, it is anticipated that there will be a further increase in the demand for FGN bonds. As at the first quarter of 2007, pension funds assets under management was estimated at NGN 800 bn (USD 6.2 bn).

### Table 1: SPECIAL GOVERNMENT AUCTIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>FGN Auction</th>
<th>Offer Size (NGN' mn)</th>
<th>Coupon (%)</th>
<th>Tenor (yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2006</td>
<td>3rd FGN Bond 2009 Series 11</td>
<td>20,000</td>
<td>12.5%</td>
<td>3</td>
</tr>
<tr>
<td>Sep 2006</td>
<td>3rd FGN Bond 2011 Series 13</td>
<td>20,000</td>
<td>13.6%</td>
<td>5</td>
</tr>
</tbody>
</table>

Non-Central Government Issuance

Seven of the 36 states of Nigeria have raised funds from the debt capital market. These state bonds have the full trust and backing of the Federal Government. They have all been revenue bonds, with the specific purpose of raising financing for development projects. The bonds are all floating rate issues. The details of the offerings are presented in table 2.
Historically, manufacturing companies were frequent issuers of corporate debentures, but have been absent from the market for the past decade as they have increasingly sought funding from banks and the equity market. However, with the emergence of a thriving bond market, corporate institutions are increasingly looking to raise debt funding via the capital market. Thus far, a big impediment to this has been the high cost of public debt issuance in the domestic market. The SEC, NSE and other regulatory institutions have historically charged high fees for such public debt capital raising. This has caused many corporations to issue debt through private placements, rather than public issuance and listing.

With a boom in the banking and the telecoms sectors, and the huge infrastructure requirements resulting from the Government’s privatisation plans, all areas that would likely require long-term financing, it is expected that corporations will increasingly look to the bond market for their funding needs.

Currently, transaction fees are being reviewed by the relevant authorities, and this is expected to motivate corporates to seek debt financing from the bond market.

SEC rules require issuers seeking to enter the bond market to have a local credit rating. A local ratings agency, Agusto and Co., awards domestic ratings to companies.

### Table 2
**OUTSTANDING NIGERIAN STATE BONDS**

<table>
<thead>
<tr>
<th>State Government</th>
<th>Issue Year</th>
<th>Tenor (years)</th>
<th>Offer Size (NGN' mn)</th>
<th>Coupon (%)</th>
<th>Floating Rate Reference Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edo State</td>
<td>2000</td>
<td>7.0</td>
<td>1,000</td>
<td>21.0</td>
<td>MRR + 2.5%, subject to min. 21% max. 25%</td>
</tr>
<tr>
<td>Delta State</td>
<td>2000</td>
<td>7.0</td>
<td>3,500</td>
<td>18.5</td>
<td>MRR +2.5%, subject to min. 15%, max. 22%</td>
</tr>
<tr>
<td>Lagos State</td>
<td>2002</td>
<td>7.0</td>
<td>15,000</td>
<td>19.5</td>
<td>T-bill + 4%</td>
</tr>
<tr>
<td>Cross Rivers State</td>
<td>2004</td>
<td>3.5</td>
<td>4,000</td>
<td>20.5</td>
<td>MRR +5.5%, subject to min. 18.5%, max. 25%</td>
</tr>
<tr>
<td>Ekiti State</td>
<td>2004</td>
<td>4.0</td>
<td>1,500</td>
<td>19.0</td>
<td>MRR +4%, subject to min. 15%, max. 25%</td>
</tr>
</tbody>
</table>

### Table 3
**RECENT CORPORATE BONDS IN NIGERIA (2006)**

<table>
<thead>
<tr>
<th></th>
<th>TINAPA</th>
<th>ACCESS BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (NGN bn)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Tenor (years)</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Coupon</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Redemption</td>
<td>Hard Bullet</td>
<td>Redeemable Convertible</td>
</tr>
<tr>
<td>Placement Method</td>
<td>Private</td>
<td>Public</td>
</tr>
<tr>
<td>Listing</td>
<td>Not Listed</td>
<td>Not Listed</td>
</tr>
</tbody>
</table>

### Secondary Market

The FGN bonds have historically been traded over-the-counter (OTC) and regulated by the DMO, although the bonds may be listed on the NSE for retail distribution.

Secondary trading in Nigerian debt instruments is in its infancy. One of the key steps in deepening the bond market has been the establishment of a Primary Dealer panel in June 2006. There are now 10 banks and 5 discount houses appointed as primary market dealers in FGN bonds. These banks are obligated to underwrite and quote two-way prices in FGN bonds, in a bid to stimulate a more liquid secondary market.

The most active tenors in the market are the 3-year (approx. 56% of market turnover) and 5-year bonds (approx. 40% of market turnover).
Transactions are settled on a T+3 basis and are cleared by the Central Securities Clearing Settlement (CSCS).

3. Foreign Exchange

The Nigerian Naira (NGN) is a managed floating currency. The currency is not fully convertible, although the CBN plans to implement full convertibility in the near future.

The official foreign exchange market is currently two tiered: Central Bank of Nigeria (CBN) and Interbank windows. The CBN window is a managed float via a bi-weekly Wholesale Dutch Auction System (WDAS), where foreign exchange is sold directly to authorized dealers. The WDAS replaced the Dutch Auction System in early 2006 in an attempt to bridge the gap between the official rate and the rate of the illegal parallel foreign exchange market that existed. The interbank market is driven by market demand and supply, but usually anchors off the CBN.

There is an active market for other currencies, such as the Euro and British Pound, as the CBN only sells USD at its bi-weekly auction. As of November 2006, the South African Rand was officially added to the list of foreign currencies offered in the foreign exchange market.

4. Derivatives

There are no fixed income derivative securities available in the Nigerian capital market. Foreign exchange forwards are in existence and subject to a maximum tenor of three years, a recent change as in 2006 they were only offered up to 180 days. Authorised dealers are now allowed to engage in swap transactions between themselves or with retail/wholesale customers. These transactions are restricted to a maximum tenor of three years.

In 2006, the Abuja Commodities Exchange was set up to develop the trading of futures and options on commodities, although this is yet to become an active market.

5. Participation of Foreign Investors and Issuers

Foreigners are allowed to participate in the bond markets, but can only invest in securities with a tenor of 1-year and above. However, they can also invest in Commercial Papers, Bankers Acceptances and Negotiable Certificates of Deposits of a tenor less than one year.

2006 saw foreign investors buying over 50% of FGN securities in both the primary and secondary markets. Such participation is expected to increase as further positive reforms take place in the market.

Foreign investors have also participated in the international debt offerings of Nigerian institutions.

The African Development Bank (AfDB), in January 2007, raised Naira Denominated funds in the international capital market with the launch of a USD 100 million Euro-bond issue linked to the Nigerian Naira. This deal marked the first time a supranational institution raised funds denominated in Nigerian Naira, and displayed foreign investors confidence in the macro-economic fundamentals of the country. Ultimately, the AfDB aims to raise long-term Naira funds in the domestic market for the purpose of on-lending to local clients in need of long-term Naira funding. By so doing, the AfDB intends to contribute to Nigeria’s bond market development through its issuance and listing of top rated securities that will compliment the FGN bonds.
6. Investment Taxation

There is no capital gains tax on the sale of investment in the capital market. Withholding tax on investment income is currently 10%. Nigeria has tax treaties with Czechoslovakia, France, Netherlands, Pakistan and the United Kingdom.

7. Key Contacts

- **Central Bank of Nigeria**
  
  *Mailing Address:* P.M.B. 0187, Garki Abuja, Nigeria
  *Other Address:* Zaria Street, Garki, Abuja, Nigeria
  *Tel:* +234-9-2342132-4/234332-6
  *Fax:* +234-9-23435363
  *E-mail:* info@cenbank.org
  *Web:* www.cenbank.org

- **The Nigerian Stock**
  
  *Mailing Address:* P.O. Box 2457, Lagos, Nigeria
  *Other Address:* Stock Exchange House, 8th, 9th and 23rd Floor, 2/4 Customs Street, Lagos, Nigeria
  *Tel:* +234-1-2660287
  *Fax:* +234-1-2668724
  *E-mail:* nse@nigerianstockexchange.com
  *Web:* www.nigerianstockexchange.com

- **Securities and Exchange Commission**
  
  *Mailing Address:* P.M.B. 315 Garki-Abuja, Nigeria
  *Other Address:* Tower 421, Constitution Avenue, Central Business District, Abuja, Nigeria
  *Tel:* +234-9-2346272-3
  *Fax:* +234-9-2346276
  *E-mail:* sec@secngr.org
  *Web:* www.secngr.org
1. Overview of Financial System

The National Bank of Rwanda (NBR) i.e. the Central Bank, has the sole responsibility for monetary policy and its overriding objective is to ensure price stability within the system. All banks are subject to supervision and regulation by the NBR under the Banking Law of 1999. Annual inspection of all commercial banks was started in 2004.

Bank and Non-Bank Financial Sector

The Rwandan financial sector is comprised primarily of a commercial banking and a micro-finance sector. As at the end of 2006, there were seven commercial banks operating in Rwanda, five of which were established at the end of the war. In 2004, the Government sold 80% of the largest bank, Banque Commerciale du Rwanda, as well as a majority stake in a second bank, to foreign investors.

Micro-finance is an important part of the financial sector, led by the Union des Banques Populaires du Rwanda, a network of micro-finance institutions that serve as micro-lenders and micro-banks for nearly two-thirds of all depositors in the country. This institution controls over 97% of the micro-finance sector in Rwanda. The Government plans to submit a law on micro-finance to parliament by June 2007. The objective is to streamline the activities of micro-finance institutions by increasing the minimum capital required and setting credit exposure limits.

Four locally-owned insurance companies operate in Rwanda. The largest, Sonarwa, is state-owned, and concentrates on vehicle insurance. It is slated for privatization in the near future. Soras, also a parastatal entity, is the second largest in the industry with 25% of the market and, like Sonarwa, has the motor insurance business as its primary focus.

Capital Markets

Preparatory work is underway for the establishment of a Stock Exchange in Rwanda.
2. Fixed Income Markets

Government Securities

The central bank conducts a weekly Treasury Bill Auction with maturities ranging from 4-, 13-, 26-, to 52-weeks. Currently, there are no government bond issuances.

3. Foreign Exchange

Rwanda has since 1995 moved increasingly toward market-determined exchange rates. Weekly foreign exchange auctions were introduced in January 2001, whereby the central bank offers a predetermined amount of foreign exchange based on marginal pricing and intervenes occasionally to deal with unwarranted volatility. Payments and transfers are subject to authorizations and maximum allowances and limits do apply. Nearly all capital transactions require the approval of the central bank. The RWF depreciated from RWF 430.83 / 1 USD in May 2001, to RWF 572 / 1 USD in May 2005. It has recently averaged around RWF 560 / 1 USD.

4. Participation of Foreign Investors and Issuers

Currently, non-residents are precluded from participating in Rwanda Government Treasuries.

5. Investment Taxation

The Government has recently proposed to amend relevant tax laws with a view to allow companies to base tax returns on IFRS standards. Currently, there is a 20% tax on interest in relation to loans used for investment in companies residing in Rwanda.

6. Key Contacts

- Banque Nationale du Rwanda
  Avenue Paul VI, Kiyovu, B.P. 531 Kigali, Rwanda
  Tel: +250-574282/575249
  Fax: +250-572551/578669
  Web: www.bnr.rw
1. Overview of Financial System

The Banco Nacional de São Tomé e Príncipe is the central bank of the country. The Caixa de Crédito is a government savings and loan institution serving industry, agriculture, and housing. There is also a postal savings bank.

2. Fixed Income Markets

Sao Tome and Principe does not have a government securities market.

3. Foreign Exchange

The Sao Tome and Principe Dobra (STD) is an independent, free-floating currency. Sao Tome and Principe operates a flexible market-based exchange rate system. New foreign exchange legislation in August 1999 liberalised external transactions.

While the STD was generally stable within a range of STD 8,660 – 9,090 / 1 USD, it has witnessed a sharp appreciation since late 2004. The currency traded at STD 6766.5 / 1 USD at the end of March 2007.

4. Key Contacts

- Banco Nacional de São Tomé e Príncipe
  Sao Tome, Sao Tome and Principe
  Tel: +23-912-21887
  Fax: +23-912-22501
1. Overview of Financial System

Senegal is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- The Conference of Heads of State, which decides on the accession of new members.
- The Council of Ministers, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.
- The UEMOA Commission, as delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.
- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit) Law, which regulates micro-finance activities in all WAEMU countries.

Senegal is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the domestic and foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.
Bank and Non-Bank Financial Sector

As of December 2006, there were 93 banks and 22 financial institutions operating in the UEMOA zone, with 17 banks and three financial institutions located in Senegal. The total balance sheets of the financial system in Senegal amounted to XOF 1763 bn at the end of 2005, with the banks accounting for more than 99%, representing 42% of the country’s GDP. In the Union, the financial sector of Senegal is the second in size, after the Ivorian market, and represents 26% of the total balance sheets of the UEMOA financial system. The resources of banks and financial institutions amount to XOF 1646 bn, including XOF 166 bn as net equity capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in UEMOA. In fact, eight groups (including Société Générale, BNP Paribas, Credit Lyonnais, Citibank, Bank of Africa, Ecobank, and Financial B.C.) dominate the UEMOA banking system with relatively wide national networks.

The insurance sector in Senegal is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaounde (Republic of Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d’Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA), whereas the Council of Ministers is its highest body. The total portfolio of the UEMOA CIMA zone is dominated by the sector of non-life insurance. Compared to GDP of 2005, the turnover of the insurance sector in Senegal represents 1.42%, well below the average ratio in Africa of 4.8%. At the end of 2005, the insurance sector in Senegal had a total turnover of XOF 62 bn; life insurance products and vehicle insurance each represented 30% of the turnover.

Senegal’s micro-finance sector has experienced strong growth over the last four years, and a number of institutions are now large enough to offer financial services to small and medium size enterprises. The micro finance industry is highly concentrated, with the six largest networks representing 87% of customers and 90% of deposits and credit.

Capital Markets

The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d’Itermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGIs were registered in the Union with three located in Senegal. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company. At the end of December 2006, the capitalization of the equity market was XOF 2,067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. The Senegalese telecommunication company SONATEL is the sole Senegalese company listed on the stock exchange but it accounts for more than 12% of the total equity market capitalization as at December 2006.

2. Fixed Income Markets

The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for
close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.

<table>
<thead>
<tr>
<th>Outstanding BOAD Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td>Listed Bonds</td>
</tr>
<tr>
<td>BOAD 6.25% 1999-2009</td>
</tr>
<tr>
<td>BOAD 6.30% 1999-2007</td>
</tr>
<tr>
<td>BOAD 5.85% 2001-2008</td>
</tr>
<tr>
<td>BOAD 5.35% 2004-2011</td>
</tr>
<tr>
<td>BOAD 5% 2005-2013</td>
</tr>
<tr>
<td>BOAD 4.5% 2005-2011</td>
</tr>
</tbody>
</table>

**Government Securities**

The Government has used treasury bills and bonds to fund its deficit. As of December 2006, the Government has XOF 51 bn outstanding in treasury bills. Out of the total amount of outstanding public bonds listed on the BRVM by the end of 2006, Senegal accounts for XOF 45 bn, representing 9% of total bond market capitalization and 17% of all outstanding government bonds in the market. Compared to the country’s GDP at the same period, sovereign bonds represent 1%.

<table>
<thead>
<tr>
<th>Government Treasury Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td>Listed Bonds</td>
</tr>
<tr>
<td>Etat du Senegal 5.5% 2005-2010</td>
</tr>
</tbody>
</table>

**Non-Central Government Issuance**

The CREPMF requires that corporate bonds be guaranteed before they can be listed. This might be one of the reasons why most of the corporate issues are privately placed and remain unlisted.

<table>
<thead>
<tr>
<th>Non Government Debt Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td>Listed Bonds</td>
</tr>
<tr>
<td>PAD 6.50% 2004-2011</td>
</tr>
<tr>
<td>Private Placement Bonds</td>
</tr>
<tr>
<td>SENELEC 7.5% 2003-2008</td>
</tr>
<tr>
<td>ECOBANK SENEGAL 6% 2006-2011</td>
</tr>
<tr>
<td>CORFITEX 7% 2005-2009</td>
</tr>
<tr>
<td>CSI 6.75% 2005-2010</td>
</tr>
</tbody>
</table>
Secondary Market

As a consequence of the buy-and-hold attitude of most investors, the secondary market in fixed income securities in the UEMOA zone is fairly illiquid.

Clearing and Settlement

Securities trades on the BRVM are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). The DC/BR has its headquarters in Abidjan and offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

3. Foreign Exchange

The CFA Franc (XOF) is not traded on the foreign exchange markets but is fully convertible into the Euro, with the convertibility guaranteed by the French treasury through a special operations account at the Banque de France. This arrangement effectively offers practically unlimited overdraft facilities and allows the CFA states to avoid short-run balance of payments constraints. In return, the BCEAO is required to deposit 65% of its foreign exchange reserves at the central bank of France.

Buying and selling rates of Euro are fixed at XOF 655.9571 EUR, and the rates of other currencies are determined on the basis of the Euro rate on the foreign exchange market. Payments and transfers of capital within the UEMOA zone and France are unrestricted as well as current account transactions.

4. Derivatives

The derivative market is in its infancy. Foreign exchange forwards exist with moderate liquidity and tenors extending up to 3-6 months.

5. Participation of Foreign Investors and Issuers

The banking sector has a high level of foreign ownership, particularly by French financial institutions. Foreign investors can purchase securities listed on BRVM. For instance, an international non-governmental organization, Shelter Afrique, based in Nairobi (Kenya), has issued bonds and listed them on the BRVM.

<table>
<thead>
<tr>
<th>Non CFA Domiciled Issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Listed Bonds</strong></td>
</tr>
<tr>
<td>Title</td>
</tr>
<tr>
<td>SHIELDER-Afrique 6.25% 2003-2010</td>
</tr>
<tr>
<td><strong>Private Placement Bonds</strong></td>
</tr>
<tr>
<td>SHIELDER-Afrique 6% 2004-2009</td>
</tr>
</tbody>
</table>

Source: Bloomberg
6. Investment Taxation

Government securities are tax-exempt as opposed to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenue des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12-18% for income from any other security.

7. Key Contacts

- **Banque Centrale des Etats de l'Afrique de l'Ouest**
  
  *Mailing Address:* BP 3159, Dakar, Senegal  
  *Other Address:* Boulevard du Général de Gaulle/angle Rue 11, Dakar, Senegal  
  *Tel:* +221-8231330/8235384  
  *Fax:* +221-8235757  
  *E-mail:* bceaojdkr@telecom.plus.sn  
  *Web:* www.bceao.int

- **Bourse Régionale des Valeurs Mobilières**

  *Mailing Address:* BP 3802, Abidjan 01, Côte d’Ivoire  
  *Other Address:* 18, Avenue Joseph Anoma, Rue des Banques, Abidjan, Côte d’Ivoire  
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  *Web:* www.brvm.org
Seychelles

2006 At a Glance

| Population (mn) | 0.08 |
| Population Growth (annual %) | 0.9 |
| Official Language(s) | Creole and French |
| Currency | Seychelles Rupee (SCR) |
| GDP (Current US$ bn) | 0.746 |
| GDP Growth (annual %) | 4.5 |
| GDP Per Capita (US$) | 9,172 |
| FDI, net inflows (US$ mn) (2005) | 82.0 |
| External Debt (US$ mn) | 400 |
| External Debt/GDP (%) | 58.6 |
| CPI Inflation (annual %) | -0.4 |
| Exports of goods and services (% of GDP) | 114 |
| Gross Official Reserves (US$ bn) | 0.076 |
| Gross Official Reserves (In months of imports) | 1.6 |
| UNDP HDI Ranking | 47 |

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

Following an IMF recommendation in 2002 calling for the development of a more modern legislation reflecting international standards and best practice, the Government in December 2004 enacted the Central Bank of Seychelles Act and the Financial Institutions Act (FIA) to create a more independent central bank, and bring the legal framework in line with the Basil core principles.


Bank and Non-Bank Financial Sector

The banking sector is dominated by state and foreign institutions. The Seychelles Savings Bank "a commercial bank" is fully state-owned; the state has a majority share in Nuovobanq (78% state and 22% by Standard Chartered Bank of the UK), and the three other commercial banks (Banque Française Commerciale, Habib Bank, and Bank of Baroda) are branches of foreign banks, headquartered respectively in Reunion, Pakistan, and India. Barclays Bank has recently converted from a foreign branch to a foreign subsidiary. The Development Bank of Seychelles is 55.5% owned by the Government and the remainder by international institutions and a commercial bank. The Seychelles Housing Development Corporation is a parastatal institution and falls under the Ministry of Finance and the Ministry of Land Use and Habitat.
As part of a privatization drive, the Government plans to sell its stake in Nouvobanq and the Seychelles Savings Bank. The process was due to commence in August 2006 but had to be postponed for technical reasons.

The government strategy is to promote offshore financial services, but currently relatively little offshore activity takes place. A distinction is drawn in legislation and policy between domestic and non-domestic (offshore banking) operations.

The non-bank financial sector in the Seychelles consists of four institutions: a private insurance company, a development bank that is majority-owned by the Government, a member-owned credit union, and a parastatal institution that is essentially an instrument of government policy in the housing sector. The Government in 2006 disposed of its interest in Seychelles Assurance Company Limited to Opportunity Investment (a joint venture between Seychelles Pension Fund and Swan Insurance of Mauritius), the public and SALC workers. Insurance business is governed by the Insurance Act of 1994.

2. Fixed Income Markets

Government Securities

The Central Bank of Seychelles offers the following treasury bills and bonds: 91-day treasury bill, 365-day treasury bill, 3-year note, 5-year bond, and 10-year bond.

The Government has recently reintroduced a secondary market for treasury bills as part of its monetary policy review programme.

In September 2006, the Seychelles made its debut entry into the international bond market and successfully raised USD 200 mn. The proceeds from the bond issue were used to retire existing debts owed to multilateral and commercial creditors. Total repayments were about USD 118 mn, leaving the remainder of the proceeds to cushion reserves.

3. Foreign Exchange

The Seychelles Rupee (SCR) is pegged to a trade, and tourism-weighted basket consisting of USD (26.5%), GBP (16.8%), EUR (31.2%)*, ZAR (11.5%), SGD (10.3%) and JPY (3.7%).

There are no foreign exchange restrictions and a foreign exchange allocation system exists. The Government introduced legislation to limit parallel market trading. In 2001, the Seychelles Trade and Tourism Weighted Basket, against which the Rupee is pegged, was adjusted to include the Euro. In 2002, the Government supported a 10% appreciation of the Rupee against the USD. On the parallel market, the Rupee traded at about half the official rate. As part of the Government’s macro-economic reform programme, an appreciation limit of SCR 5.5 / 1 USD was introduced in July 2003.

The SCR exchange rate has been stable around SCR 5.6 / 1 USD. It traded at SCR 5.8 / 1 USD as of December 2006.

4. Participation of Foreign Investors and Issuers

Currently, non-residents do not have direct access to the local money and bond markets.
5. Investment Taxation

Resident, non resident and non corporate entities are liable to pay tax on their income derived from the Seychelles. The following rates apply: 15% on dividends paid to non residents; 10% on interest paid to non-residents other than financial institutions (for whom a nil rate applies); and 40% on interest payments by a Seychelles financial institution at maturity of a bearer security issued by that institution. However, entities with offshore status or in the international trade zone do have tax privileges.

6. Key Contacts

- Central Bank of Seychelles
  
  **Mailing Address:** P.O. Box 701,
  Victoria, Mahé, Seychelles

  **Other Address:** Independence Avenue,
  Victoria, Mahé, Seychelles

  **Tel:** +248-225200
  **Fax:** +248-224958
  **E-mail:** cbs@seychelles.sc
  **Web:** www.cbs.sc
2006 At a Glance

<table>
<thead>
<tr>
<th>Population (mn)</th>
<th>5.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth (annual %)</td>
<td>2.7</td>
</tr>
<tr>
<td>Official Language</td>
<td>English</td>
</tr>
<tr>
<td>Currency</td>
<td>Leone (SLL)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>1.5</td>
</tr>
<tr>
<td>GDP Growth (annual %)</td>
<td>7.4</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>257</td>
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<td>FDI, net inflows (US$ mn) (2005)</td>
<td>27.2</td>
</tr>
<tr>
<td>External Debt (US$ mn)</td>
<td>0.6</td>
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<tr>
<td>External Debt/GDP (%)</td>
<td>44.4</td>
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<tr>
<td>CPI Inflation (annual %)</td>
<td>9.5</td>
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<tr>
<td>Exports of goods and services (% of GDP)</td>
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<td>Gross Official Reserves (US $ billion)</td>
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<td>Gross Official Reserves (in month of imports)</td>
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<td>UNDP HDI RANKING</td>
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Source: AIDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

With the return of peace in 2002, a viable financial sector is beginning to re-emerge in Sierra Leone. The financial system consists mainly of the banking and insurance sectors, each having a separate regulatory authority and supervisory body. The central bank, the Bank of Sierra Leone (BSL), regulates and supervises the activities of commercial banks and other financial institutions to ensure the health of the financial system. It is the banker and adviser to the Government on financial and economic matters and maintains the external and internal value of the national currency, the Leone.

The BSL implements the monetary policy and its objective is to achieve a low and stable rate of inflation consistent with sustained economic growth and financial stability. In 2006, the central bank’s capacity for open markets operations was constrained by the non-availability of government securities, and had to be supplemented by the sale of foreign currency.

Non-Bank Financial Sector

Eight commercial banks operate in the country, 4 community banks, 2 discount houses and 51 foreign exchange bureaux; all are under the supervision of the central bank. Community banks primarily service the rural areas and provide micro-finance loans.

The minimum capital requirements for all licensed financial institutions have been increased to ensure a safer and stable financial system. For example, the minimum paid-up capital for banks has been increased from SLL 800 mn to SLL 15 bn on a graduated basis.

The Sierra Leone Insurance Commission regulates the insurance sector. There are some nine registered insurance companies. Supervision of the sector is carried out by the Commissioner of Insurance within the Department of Finance.
**Capital Markets**

The capital markets mainly consist of government securities as there are no corporate bonds issuances. The Sierra Leonese authorities are currently working towards the establishment of a formal capital market: the Sierra Leone Stock Exchange Technical Committee was created to establish a legal framework to structure and regulate the future domestic capital market. As a temporary arrangement, the Other Financial Services Act of 2001 is being amended to allow for the establishment of an interim stock trading facility and the licensing of brokers and dealers in securities. Within this framework, the private sector will assume responsibility in the governance of the facility, while the BSL will assume the role of technical service provider and regulator of market players.

**Secondary Market**

The secondary trading of treasury bills is undertaken on a small scale. Bonds can be sold to either primary market agents, institutions, retail, or the central bank. In 2006, an amount of SLL 254 billion in treasury bills have been purchased in the secondary market.

**Clearing and Settlement**

Clearing and settlement is done through a manual book entry with physical bearer (unregistered certificates). Settlement is made on a same-day basis.

### 2. Fixed Income Markets

**Government Securities**

The BSL issues government securities up to a tenor of one year, through primary market dealers which consist of commercial banks and discount houses. The amount of issues outstanding as of December 2006 was SLL 576 mn, compared to SLL 512 mn in 2005.

- **Treasury bills** are zero-coupon, issued with a 91-day maturity. They are sold in weekly auctions to discount houses, banks and other public agencies. A total amount of SLL 433 mn was outstanding as of December 2006.
- **Treasury bearer bonds** (TBB) are bearer bonds with a 12-month maturity. They are issued in the primary market in monthly auctions, with coupons paid on a quarterly basis. A total amount of SLL 137 mn was outstanding as of December 2006.

**Non-Central Government Issuance**

There has been no non-government debt issuance to date.

**3. Foreign Exchange**

The nominal exchange rate of the Leone (SLL) to the US dollar is determined by demand and supply through a system of licensed dealers. The official annual average mid-rate has been set within a band of plus and minus 15% of the central rate of SLL 2562.18 / 1 USD. The BSL holds a weekly auction for purchase and sale of USD against the SLL. The objective is to supplement the supply of foreign exchange in the market, improve market-based allocation of foreign exchange, and stabilize the exchange rate in a competitive manner. Participation in the auction is open to commercial banks, exchange bureau and importers of goods and services. The main policy objective of currency management continues to be the holding of reserves in currencies to match transaction needs with mainly debt service payments and private sector support. There exist capital account restrictions.

![SLL Per Unit of USD (Year End) Chart](source:Bloomberg)
4. Participation of Foreign Investors and Issuers

Foreigners are not authorized to invest in government securities.

5. Investment Taxation

There is a withholding tax at 15%; tax treaties have been concluded with Norway, South Africa and the United Kingdom.

6. Key Contacts

- **Bank of Sierra Leone**
  
  Siaka Stevens Street, Freetown, Sierra Leone
  
  Tel: +232-22-226501
  
  Fax: +232-22-224764
  
  E-mail: info@bankofsierraleone-centralbank.org
  
  Web: www.bankofsierraleone-centralbank.org
2. Foreign Exchange Market

The Somali Shilling (SOS) is a completely market-driven, independent, and freely-floating currency, due to the absence, since 1991, of an effective government of national unity and the non-existence of a meaningful central bank or a functioning banking system. The system of transferring funds in the country is, therefore, carried out by privately-owned remittance companies through an old practice (“hawaalad”), purely based on trust.

As of 1996, the SOS was still widely in use despite the lack of a government to back the currency. In 1999, the mass distribution of counterfeit Shillings reduced the SOS value against the US dollar down from 7.5 to 10,000. The exchange rate was at SOS 2,600 / 1 USD in 2000. Four competing versions of the national currency have been reported to be in circulation. One of these is issued by the Transitional National Government in the South, the other is the “Somaliland Shilling” circulating in the North. The USD freely circulates in the whole country, which has been effectively “dollarized”, depending almost solely on expatriates’ foreign remittances.

3. Key Contacts

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  Hargeisa, Somaliland
  Tel: +252-2-134-500, Fax: +252-2-13-4551

- Central Bank of Somalia
  Mailing Address: P.O. Box 11, Mogadishu, Somalia
  Other Address: Corso Somalia
  55, Mogadishu, Somalia
  Tel: +252-1-215241, Fax: +252-1-215026
1. Overview of Financial System

South Africa’s financial system is by far the most advanced in Africa. The system is sound and well regulated. The sector is one of the largest and most deregulated within the emerging markets, with sophisticated banking, bond and insurance markets accounting for 20% of GDP and 220,000 jobs in total.

Recent government policy in this sector has revolved around the implementation of the Financial Services Charter, which aims to bring development issues within black communities into the focus of the financial services industry and the Financial Intelligence Centre Act, which requires increased reporting from all financial services companies, and the removal of certain foreign exchange restrictions with a view to liberalize the existing exchange-control regime.

The South African Reserve Bank (SARB) is the central bank of the Republic of South Africa (RSA). It considers its overarching objective in the country’s economic system as the achievement and maintenance of price stability.

Bank and non-bank financial sector

The banking sector in South Africa is well developed but concentrated, with the five largest commercial banks - Standard Bank of South Africa, Nedbank, Amalgamated Banks of South Africa (ABSA, now majority-owned by Barclays Plc), First Rand Bank and Investec Bank - holding over 86% of the banking sector’s assets. There are 18 registered banks, two registered mutual banks, 15 registered branches of international banks with combined assets of approximately ZAR 2 trillion. The sector also has some 1,354 micro-finance institutions. Commercial banks are supervised by the SARB, whereas other financial institutions and the financial market fall under the supervision of the Financial Services Board (FSB). There is a trend towards closer co-operation with the insurance sector, with alliances developing between the major banks and insurance companies. Foreign participation in South Africa’s banking sector is concentrated in corporate and investment banking.
South Africa’s insurance sector is also well-capitalized, and includes both short-term insurers (vehicle, property and travel insurance) and long-term insurers (health, life and disability insurance). As of December 2006, there were 107 short-term and 79 long-term insurance firms, as well as 6 reinsurance firms. The sector is regulated by the FSB, which is also in charge of supervising capital markets and pensions.

Capital Markets
Capital markets in South Africa are centered around the Johannesburg Securities Exchange (JSE), the largest and most developed exchange in Africa, the South African Futures Exchange (SAFEX), which trades agricultural and financial derivatives, and more recently the Alternative Exchange (Alt X), which serves as the market for small to medium-sized companies and runs parallel to the main exchange. The Alt X has listed 34 companies in a variety of sectors since its inception in 2003. The main attraction of the Alt X is its ability to provide small and medium-sized companies with a platform to access financial resources on very competitive terms. The Alt X market currently has a market capitalization of over ZAR 5 bn.

The JSE began to implement changes in January 2002 to improve its global competitiveness. As part of these reforms, the exchange entered into an alliance with the LSE and replaced its trading system with the SETS system hosted by the LSE. It subsequently dematerialised and migrated to the STRATE environment with guaranteed T+5 settlement for all JSE main board trades. The JSE remains highly concentrated, with just 70 stocks accounting for over 80% of its market capitalization. The market rose by 38% in 2006 to end the year with a market capitalization in excess of USD 700 bn. Foreigners invested a net value of ZAR 73.3 bn in South African securities in 2006. The World Federation of Exchanges in 2006 ranked the JSE as the 16th largest exchange in the world by capitalization. As at October 2006, there were 380 companies listed on the JSE.

There also exists a separate bond exchange, the Bond Exchange of South Africa (BESA), which is an independent and self-regulatory financial exchange operating under a licence granted by the securities market regulator, the FSB. BESA has responsibility for regulating all bond market activity in instruments that are listed on the exchange. Securities are issued by central and local government, parastatals and major corporations. The securities listed by BESA include: fixed-interest bearing bonds with a single redemption date, fixed-interest bonds with multiple redemption dates, zero-coupon bonds, and variable-interest rate bonds including inflation-linked. As at December 2006, 754 bonds issued by 91 sovereign and corporate entities, with a nominal value of ZAR 737 bn, were listed. Participation by corporates has increased significantly over the last five years, with approximately ZAR 210 bn in issue at the end of 2006 covering various structural types. The BESA has a Guarantee Fund to protect and compensate participants for any market-movement losses arising from a trading default. As at 31 December 2006 no claim on the Fund had been lodged with BESA. BESA currently has 55 firms (three brokers and 52 trading firms) who are authorised to deal in listed instruments.

While South Africa’s position as having the most developed financial system in Africa makes it a potentially attractive target for financial corruption, the country has taken steps to reduce money laundering activity. In 2003, South Africa became the first African member of the Financial Action Task Force and also joined the Eastern and Southern Africa Anti-Money Laundering Group.

The Financial Services Board is responsible for overseeing the regulation of the financial markets such as the JSE and all financial institutions (insurers, brokers). This, however, excludes banking institutions, which fall directly under the responsibility of the South African Reserve Bank. Key legislation affecting the securities industry includes:
The Companies Act, 1973 (No. 61 of 1973);
Commercial Paper Regulations-Government Notice 2172 (published in Government Gazette No. 16167 of December 1994);
The Securities Services Act, 2004 (No. 36 of 2004);
The Stamp Duties Act, 1968 (No. 77 of 1968);
The Insolvency Act, 1936; and
The listing and disclosure requirements of the BESA.

The Common Monetary Area (CMA), comprising South Africa, Namibia, Swaziland and Lesotho, replaced the Rand Monetary Area in 1986, accommodating changes in the position of Swaziland. The CMA ensures the free flow of capital within the area. While South Africa effectively formulates the monetary policy for the region, each member has its own central bank, is responsible for its own monetary policy, and controls its financial institutions. The South African Rand serves as legal tender in all countries of the area, except for Swaziland. Each member state has the right to issue its own currency which serves as legal tender in the issuing country only. All the national currencies are currently pegged to the Rand. Public and private sector institutions, subject to relevant financial laws and policies applicable to counterparts, have the right to access the South African capital market.

2. Fixed Income Markets

The South African debt capital market is approximately ZAR 750 bn in size. The debt capital markets are heavily weighted in favour of government securities. The market has a sophisticated system of primary dealership (currently eight) whose membership requires, amongst others, the obligation to provide market quotations in the listed instruments in accordance with pre-agreed guidelines.

The distribution of issuers is depicted in the graph below.

### Government Securities

At the end of 2006, the total amount of RSA bonds outstanding was over ZAR 500 bn. RSA bonds are issued by the national treasury. The bonds are listed on the BESA. The national treasury issues various types of bonds, e.g. Vanilla Bonds, Variable Bonds, Inflation-Linked Bonds and Zero Coupon Bonds. These bonds are currently available across the yield curve until 2027. In addition, a retail bond programme was recently introduced.

The most liquid bonds are referred to as benchmarked bonds:

**Vanilla Bonds**:
- R194 (10% IRB 2007/8/9)
- R153 (13% IRB 2009/10/11)
- R157 (13.5% IRB 2014/15/16)
- R186 (10.5% IRB 2025/26/27)

**Inflation-Linked Bonds**:
- R198 (3.08% IRB 2008)
- R189 (6.25% IRB 2013)
- R197 (5.5% IRB 2023)

**Variable Rate Bonds**:
- R193 (Variable 2003)
- R199 (Variable 2007)
Non-central government issuance
The number of corporate issuers in the market is limited. Corporate credit, including securitisations, represents 20% of the BESA-listed securities. In 2006, corporate issues amounted to some ZAR 208 bn.

Secondary Market
The market is liquid, driven largely by government and parastatal bonds with a significant daily turnover. Bonds with a nominal value of ZAR 11.4 trillion were traded on BESA in 2006, which equals about 25 times the market capitalization as at the end of 2006. Activities of non-residents constitute a significant component of turnover and liquidity, accounting for around 20% of daily turnover on both the JSE and BESA.

Clearing and Settlement
The Central Depository Limited (CD) is the first central securities depository to be registered in South Africa in terms of the Custody and Administration of Securities Act, and serves as the sole central depository for listed debt instruments via an electronic medium. The settlement procedures depend on the instruments being listed, i.e. short versus long-dated issues. Bond trades are settled on a T+3 rolling settlement. Settlement is guaranteed by settlement banks on settlement commitment. The country’s settlement model is compliant with the G30 recommendations on clearing and settlement.

3. Foreign Exchange
The South African Rand has been a freely floating unitary exchange rate since 1995 when the SARB abolished the two-tier system (Commercial and Financial Rand). The market is liquid and only fully licensed authorised dealers are permitted to deal in foreign exchange in South Africa. South Africa has adopted the approach of gradually abolishing exchange controls. Restrictions on non-resident capital flows were fully liberalized with the abolition of
the Financial Rand in 1995. Restrictions on residents are gradually being relaxed. Exchange controls governing inward FDI were relaxed in 2004.

The main markets in foreign exchange are spot, options, forwards and swaps is USD/ZAR but the market is also available in EUR/ZAR and GBP/ZAR. Second-generation options are also available in these currencies vis-à-vis the ZAR. The ZAR is also quite well traded internationally.

SARB has a stated policy of not intervening in the foreign exchange market or using interest rates to influence the value of the currency. It has, however, entered the market from time to time to buy US dollars to shore up reserves when conditions have been favourable.

The SARB is in charge of the administration of exchange control, with some responsibilities being delegated to authorised foreign exchange dealers, such as commercial banks. Some exchange control regulations that are relevant to investors are as the following:

4. Derivatives

Historically, the ZAR has been on a depreciating trend, but saw some appreciation between December 2001 and the first quarter of 2005, from ZAR 12.27 / 1 USD to ZAR 5.65 – 6 / 1 USD respectively. This was facilitated by a number of factors, mainly a weak US dollar, higher commodity prices (gold and platinum), strong capital flows (largely “unrecorded” transactions), and the steady build-up of the country's foreign exchange reserves. It has since lost some ground against the dollar and ended 2006 at ZAR 7.0 / 1 USD.

The South African fixed-interest derivatives market is reasonably well developed. Products include forwards and futures, forward-rate agreements (FRAs), interest-rate swaps (IRS), basis swaps, options, swaptions and equity derivatives. The existence of a liquid bond and foreign exchange market as well as an offshore Euro-ZAR market, has meant that a lively cross-currency swap market also exists with a number of offshore banks active in the area. In 2005, the JSE expanded its derivatives products base to include interest rate products with the launch of Yield-X, which is a one-stop shop for a wide range of spot and derivatives products traded on one platform.

The South African Futures Exchange (SAFEX) has an Agricultural Markets Division (AMD) and a Financial Markets Division (FMD). The AMD trades an average of 100,000 tons of produce daily and is widely recognised as the price discovery mechanism for maize in the Southern African region and as an efficient and effective price-risk management facility for the grain industry. The FMD trades futures...
contracts on the JSE Share Indexes. Options on share index contracts are also available.

A range of interest-rate swaps, forward-rate agreements and bond options are listed on BESA and traded by members of the Derivatives Traders' Association (DTA). Its members use intersect (a new derivatives capture and confirmation platform launched in 2005) for their trades in these listed forward-rate agreements, with some ZAR 2.5 bn nominal value captured on the platform during the later part of 2006.

5. Participation of Foreign Investors and Issuers

There are no restrictions on the participation of foreign investors in the debt markets, while the market has recently been opened to foreign issuers under certain criteria. In October 2006, the Mauritius Commercial Bank made a debut issue in RSA and raised ZAR 350 mn on BESA (the first regional or international inward-listed bond in South Africa), which was facilitated by the further relaxation of exchange control in 2006.

As regards equity, however, investments (especially in the financial services sector) which would lead to a majority stake and/or management control of a South African entity, would normally require prior approval of SARB.

6. Investment Taxation

Capital gains tax is levied on non-residents to the extent that they dispose of certain assets - both movable and immovable property situated in South Africa - or have a permanent establishment in the country and dispose of an asset of that establishment. The tax is levied on realisation basis, with emigration, donation and death all counting as realisation.

South Africa has entered into double taxation agreements with most of its trading partners, including Austria, Belgium, Canada, Cyprus, Denmark, France, Germany, India, Ireland, Israel, Italy, Japan, Korea, Malta, Mauritius, the Netherlands, Norway, Singapore, Sweden, Switzerland, Taiwan, Thailand, the United Kingdom and the United States.

Stamp duty at 0.25% is payable on transfer and issue of shares. Stamp duty is also payable on certain other agreements, such as leases and mortgage bonds.

7. Key Contacts

- **Bond Exchange of South Africa**
  Mezzanine Level, 30 Melrose Boulevard, Melrose Arch, Johannesburg, 2196
  Tel: +27 11 215 4000
  Web: www.bondexchange.co.za

- **Johannesburg Stock Exchange**
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- **South African Futures Exchange (SAFEX)**
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  E-mail: chriss@jse.co.za (Agricultural Markets)
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  Fax: +27-12-3133197 or 27-12-313929
  Web: www.reservebank.co.za

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  E-mail: info@fsb.co.za
  Web: www.fsb.co.za
1. Overview of Financial System

The majority of financial institutions of Sudan, including the Bank of Sudan, the central bank, adheres to Islamic banking principles. The central bank employs Islamic banking instruments to conduct its monetary policy operations.

Amongst a total of 30 banks, 16 are wholly - or majority-owned by private shareholders and 7 are state-owned commercial banks. The sector also includes 4 specialized state-owned banks, which provide funds to specific sectors of the economy, and 2 investment banks.

Bank and Non-Bank Financial Sector

A number of measures have been introduced to strengthen the banking sector, notably the tightening of capital-adequacy ratios and the establishment of new paid-in capital minimum requirements, in an effort to improve availability of finance to local and foreign (mainly European) companies. European banks, in the face of sanctions by the USA, avoid providing financial services to companies that accept contracts for work in the Sudan. Sudan also has a number of non-bank financial institutions, mainly insurance firms.

Capital Markets

The Khartoum Stock Exchange is the only exchange in the country. Most trading activity is in shares of banks. The Sudanese stock market is very small, with a market capitalization of only USD 3.4 mn. The entire financial sector is supervised and regulated by the Bank of Sudan.

2. Fixed Income Markets

Government Securities

With the advent of islamization of the banking sector in Sudan, Government Musharaka Certificates and Central Bank Musharaka Certificates have since dominated the Sudanese financial sector. The market
for Islamic instruments and government securities, however, remains shallow and an organized international Islamic financial market is not yet fully fledged.

3. Foreign Exchange

In May 2003, the Bank of Sudan formally adopted a managed-floating exchange rate regime. The formal exchange rate band for the Sudanese Dinar (SDD) was abandoned and an auction system was replaced with direct transactions in the inter-bank market. The central bank established an internal limit of +2% in intra-day trading in the average daily market rate. In 2004, the Bank of Sudan changed the permissible intra-day exchange rate fluctuation from +2 percentage points to +3 % points. The SDD was stable around SDD 260 / 1 USD until September 2004. However, it has since appreciated to close at SDD 201.33 / 1 USD by end-2006.

4. Key Contacts

- Bank of Sudan,
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  Fax: +249-18-3787223
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  5th Floor, Khartoum, Sudan
  Tel: +49-18-782450/782390
  Fax: +249-18-782225
  Web: www.khartoumstock.com

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**SDD Per Unit of USD (Year End)**

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*Source: Bloomberg*
Swaziland

2006 At a Glance

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<td>Currency</td>
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<tr>
<td>GDP (Current US$ bn)</td>
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<tr>
<td>GDP Growth (annual %)</td>
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<tr>
<td>GDP Per Capita (US$)</td>
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<td>FDI, net inflows (US$ mn) (2005)</td>
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<tr>
<td>External Debt (US$ mn)</td>
<td>0.6</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>23.2</td>
</tr>
<tr>
<td>CPI Inflation (annual %)</td>
<td>5.0</td>
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<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>97.8</td>
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<tr>
<td>Gross Official Reserves (US$ bn)</td>
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<td>International Reserves (months of Imports)</td>
<td>2.0</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>146</td>
</tr>
</tbody>
</table>

Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

1. Overview of Financial System

The Common Monetary Area (CMA) replaced the Rand Monetary Area in 1986, accommodating changes in the position of Swaziland. The CMA comprises South Africa, Namibia, Swaziland and Lesotho. While South Africa effectively formulates the monetary policy for the region, each member has its own central bank, is responsible for its own monetary policy, and controls its financial institutions. The South African Rand serves as legal tender in all countries of the area, except for Swaziland. Each member state has the right to issue its own currency which serves as legal tender in the issuing country only. All the national currencies are pegged to the Rand. Public and private sector institutions, subject to relevant financial laws and policies applicable to counterparts, have the right to access the South African capital market. The CMA provides for free flow of capital within the area.

Bank and Non-Bank Financial Sector

The financial system is characterized by a sizeable degree of state-ownership and participation by neighbouring South African firms. Swaziland has a relatively developed commercial banking system that is anchored by four institutions, three private banks (all owned by South African banks, namely Nedbank, Standard Bank & First National Bank), the state-owned Swazibank, and a housing bank. There are over 178 savings and credit unions which provide micro-finance services. The banking sector in Swaziland is regulated by the Central Bank of Swaziland (CBS), though the micro-finance industry continues to be essentially unregulated due to the difficulty of enforcing rules regarding the registration of money lenders as companies.

As of January 2003, the 12 non-bank financial institutions of significant size in Swaziland were dominated by government ownership. The quasi state-owned (41%) Swaziland Royal Insurance Corporation commands a monopoly over the insurance sector. An Insurance Act was passed by parliament in 2005; however, implementation has been delayed because...
a registrar of insurance companies has yet to be appointed. Two state pension funds, the Swaziland National Provident Fund and the Public Service Pension Fund, dominate the pension sector, though a few small private pension and provident funds also exist.

Capital Markets
The capital market, which is overseen by the Capital Market Development Unit of the CBS, is centered around a small bond market and the Swaziland Stock Exchange (SSX). It has only six listed securities, with very thin trading activity. Market capitalisation at the end of 2005 was approximately USD 195 ml, representing about 7.2% of GDP.

2. Fixed Income Markets

Government Securities
In 2003, two short-term bonds matured and a new short-term bond was issued to bring the total number of listed government issues to six. The outstanding nominal value was the equivalent of USD 47.8 mn and their maturities range from 2004 to 2010. In 2003, two new corporate bonds were listed and two previously issued bonds were redeemed. This brought the number of remaining bonds down to two, with an outstanding nominal value equivalent to USD 32 mn. Membership of the CMA limits the central bank in implementing its monetary policy as it is highly influenced by the South African Reserve Bank. As a result, interest rates in Swaziland are very closely correlated with South Africa’s rates. The current policy rate is 9% and the prime rate is 12.5%.

Clearing and Settlement
Settlement for bids (in relation to treasuries) is T+2, i.e. two days after the auction date. The auction is usually held on Wednesday, leaving Friday for settlement.

3. Foreign Exchange
Under the CMA agreement, the Swaziland Lilangeni (SZL) is pegged at par to the South African Rand. The Lilangeni and the Rand (at parity) were in a weakening trend against the US dollar until 2002. Since then, the SZL started appreciating but softened in 2005/2006 and has now been trading at around SZL 7.2 / 1 USD.

4. Participation of Foreign Investors and Issuers
Non-residents are eligible to participate in the treasuries. However, applications have to be made through registered primary dealers.

5. Investment Taxation
There is a 15% withholding tax on dividend income and 10% on interest payments to non-residents. There is no capital gains tax.
6. Key Contacts

- Central Bank of Swaziland
  
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1. Overview of Financial System

The Bank of Tanzania (BOT), the central bank, is the primary regulatory body of the banking system. Its key objective and function, as the country’s monetary authority, has been, since its 1995 Act, the pursuit of long-term price stability, through management and regulation of monetary growth. In addition, BOT undertakes the licensing of banks as well as their supervision. The financial system in Tanzania remains dominated by the banking sector. There are several non-bank financial institutions and pension funds. Tanzania also has a relatively young stock market, with less than a dozen listed stocks.

**Bank and Non-Bank Financial Sector**

As of December 2006, the financial sector included 22 commercial banks, 5 regional banks, 2 regional financial institutions, and 5 pension funds, the latter comprising the National Social Security Fund, the Parastatal Pensions Fund, the Public Service Pension Fund, the National Health Insurance Fund, and the Zanzibar Social Security Fund. Currently, these pension funds are self-regulated, with the major funds being state-operated. The creation of a retirement-benefits regulator is under consideration.

The central bank and the Deposit Insurance Board provide a deposit insurance facility. Three commercial banks provide micro-finance services, led by the National Microfinance Bank. However, the majority of micro-finance services are provided by savings and credit cooperatives and foreign NGOs. The BOT has slated a number of banks for restructuring and potential privatization.

The insurance and pensions sector, regulated and supervised by the Insurance Supervisory Department (ISD) within the Ministry of Finance, comprises 4 life insurance and 12 registered, general insurance companies, including life and non-life insurance activities. The sector holds just 3% of the financial system assets. The insurance sector remains dominated by the state-owned National Insurance
Corporation. In the general insurance sub-sector, the National Insurance Corporation holds nearly 25% of premiums and has a near-monopoly market share in life insurance premiums.

Capital Markets
Tanzania’s capital market is centered on the Dar-es-Salaam Stock Exchange (DSE), which opened in 1996. By the end of 2006, the DSE had a market capitalization of USD 2.4 bn and eight listed companies, two of which (Kenya Airways and East African Breweries) were cross-listed. The agency in charge of supervising the Tanzanian capital market is the Capital Markets and Securities Authority (CMSA).

The Capital Market and Securities Act, introduced in October 1994, paved the way for the subsequent introduction of the CMSA. Its responsibilities include regulating issuance and trade in securities as well as taking an active role in the development of the market. The Guidelines for the Issue of Corporate Bonds and Commercial Paper was issued by the CMSA in September 1999. The DSE approves the listing of issues, but usually only subject to prior approval by the CMSA. The capital market in Tanzania is characterized by:

- Issuance of corporate bonds and commercial paper is subject to the approval of CMSA/BOT.
- Commercial banks and other financial institutions that plan to issue are required to get central bank approval.
- Although only listed companies may issue corporate bonds and commercial paper, the CMSA generally waives this requirement on the basis of the credit quality of the applicant.
- In order to maintain a certain level of local ownership, foreign investors are not permitted to hold government paper, which remains a major holding for domestic investors.

2. Fixed Income Markets
Government Securities
Treasury bills for maturities of 35, 91, 182 and 364 days, as well as 2, 5, 7 and 10 year maturities for treasury bonds, are all issued regularly by the BOT on behalf of the government. The auction is based on a multiple price system, with treasury bill auctions being held on a weekly basis. Treasury bond auctions, usually on a monthly basis, are scheduled in advance via a quarterly-issue calendar, published by the BOT. All treasury bonds are listed on the DSE. Although primary dealers are active in the market, investors are also permitted to submit bids to the BOT directly.

The yield curve extends to 10 years, and each of the existing benchmark issues, made up of 2-, 5-, 7- and 10-year bonds, are regularly auctioned by the BOT.
Non-Central Government Issuance
Private-sector issuers are comprised of banks and of only one corporate. Primary market activity has been dominated by foreign banks and supra-national organisations, i.e. regional development banks.

### Outstanding Corporate Bond Issues in Tanzania

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Amount Offered</th>
<th>Industry</th>
<th>Issue Year</th>
<th>Tenor</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>East African Development Bank**</td>
<td>15,000</td>
<td>Banking</td>
<td>2005</td>
<td>12</td>
<td>Fixed 13.35%</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>10,000</td>
<td>Banking</td>
<td>2005</td>
<td>5</td>
<td>Subordinated Tier II debt 24%</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>10,000</td>
<td>Banking</td>
<td>2005</td>
<td>5</td>
<td>Fixed 13% 182TB + 0.30%</td>
</tr>
<tr>
<td>Standard Chartered Bank Tanzania Subordinated Debt</td>
<td>8,000</td>
<td>Banking</td>
<td>2005</td>
<td>10</td>
<td>182TB + 40%</td>
</tr>
<tr>
<td>Bidco Oil and Soap**</td>
<td>10,000</td>
<td>Oil &amp; Soap</td>
<td>2004</td>
<td>5</td>
<td>Fixed 9.63% 182TB + 0.60%</td>
</tr>
<tr>
<td>PTA Bank</td>
<td>15,000</td>
<td>Banking</td>
<td>2003</td>
<td>7</td>
<td>Fixed 8.5%</td>
</tr>
<tr>
<td>East African Development Bank</td>
<td>18,000</td>
<td>Banking</td>
<td>2002</td>
<td>5</td>
<td>182TB + 0.75%</td>
</tr>
</tbody>
</table>

* Data in TZS mn
** Fixed rate based on the 7-year fixed Treasury Bond as of 20th April + a margin of 75 basis points
*** Fixed rate based on the 5-year fixed Treasury Bond as of 10th December, 2003 + a margin of 30 basis points

### Secondary Market
In the absence of dedicated market makers, there is hardly any activity in the secondary market.

### Clearing and Settlement
Delivery and settlement of bonds is conducted through the DSE, on T+2 for treasury bills and T+1 for treasury bonds. The day count basis convention used for treasury securities is actual/365.

### AFRICAN DEVELOPMENT BANK BOND ISSUE LINKED TO THE TANZANIAN SHILLING
In 2006, the AfDB was the first supranational issuer to issue a bond which was linked to the Tanzanian Shilling. As the continent's premier development financing institution, AfDB was the natural issuer to open this market and it is expected that on-going interest in and further development of the African capital markets will occur over the coming years.

The Note has a Notional Amount of USD 10 million (note denomination is USD 500,000) and has a 1-year tenor (settlement date 7 March 2006 and maturity date 20th February 2007). The Note pays one coupon at maturity; both the payment and redemption amount are linked to the performance of TZS vs USD. All payments are made in USD, based on the exchange rate between the USD and TZS at the time of payment. The issue was tailor-made to reflect the investor demand.

The transaction, as is the case in other African local currency bond issuances, is expected to bring greater visibility to Africa among international investors. In fact, shortly after the transaction, the Tanzanian Shilling gained denomination currency status with some of the international clearing houses, further enhancing its attractiveness as an investment destination.

### PRINCIPAL FEATURES OF THE TRANSACTION
- **Principal Amount:** USD 10,000,000
- **TZS Face Amount:** TZS 990,000,000 per Note
- **Maturity:** 1 Year
- **Type of Note:** Convertibility-Linked Note
- **Interest Amount:** An amount per Note in a USD calculated in accordance with the following formula:
  \[
  11.80\% \times (\text{TZS Face Amount} / \text{FX Rate}) \times \text{Days}
  \]
- **Maturity Amount:** An amount, per Note, in USD calculated in accordance with the following formula:
  \[
  \text{TZS Face Amount} / \text{FX Rate}
  \]
3. Foreign Exchange
The Tanzanian Shilling (TZS) is a freely-floating currency. Since 1992, the Bank of Tanzania, the central bank, has gradually eased exchange controls with the establishment of FX bureaux, followed by the creation of an inter-bank FX market in 1994. This inter-bank FX market is for wholesale customers, while the retail market is catered by commercial banks and the FX bureaux. Intervention by the central bank is limited to smoothing out short term fluctuations. The current account is not subject to any FX restrictions. However, capital transfers are still subject to approval by the Bank of Tanzania.

The Tanzanian Shilling has been in a depreciating trend, down from TZS 886 / 1 USD in May 2001 to as low as TZS 1,342 in August 2006, but it has since recovered to close the year at TZS 1,265 / 1 USD.

4. Derivatives
The Derivatives market in Tanzania is at an early stage of its developmental, and has a low volume. However, the improved FX liquidity is expected to be a catalyst with respect to the potential for the development of the Derivatives market.

5. Participation of Foreign Investors and Issuers
Only Tanzanian residents are eligible to bid for treasury securities.

6. Investment Taxation
A withholding tax of 15% is applicable on interest payments. This is currently waived with respect to bonds that have an original final maturity of three years or more so as to provide an incentive for investors in the medium to long-term tenors. Capital gains tax on the sale of listed debt securities is also waived. As a further incentive to attract listings, a 5% corporate tax reduction for newly-listed companies and for a five-year period is now in place. Withholding tax on dividends is 10%. Capital gains tax is 10%, with some double taxation treaties in effect, notably with Canada, Denmark, Finland, India, Italy, Norway, Sweden and Zambia.

7. Key Contacts
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  **Fax**: +255-22-2113325
  
  **E-mail**: info@hq.bot-tz.org
  
  **Web**: www.bot-tz.org

- **Capital Market and Securities Authority**

  **P.O. Box 75713, Dar-es-Salaam, Tanzania**

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  **E-mail**: info@darstockexchange.com

  **Web**: www.darstockexchange.com

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**TZS Per Unit of USD (Year End)**

![TZS Per Unit of USD (Year End)](source: Bloomberg)
1. Overview of Financial System

Togo is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- The Conference of Heads of State, which decides on the accession of new members.
- The Council of Ministers, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.
- The UEMOA commission, as delegated by the Council of Minister, is in charge of the day-to-day administration of the Union.
- The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.
- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit) Law, which regulates micro-finance activities in all WAEMU countries.

Togo is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Saharan Africa, including all the UEMOA countries.

The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the domestic and
foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.

**Bank and Non-Bank Financial Sector**

As of December 2006, there were 93 banks and 22 financial institutions operating in the UEMOA zone, with 10 banks and four financial institutions located in Togo. The total balance sheets of the financial system in Togo amounted to XOF 417 bn at the end of 2005, with banks accounting for some 87%, representing 41% of GDP, testifying to the critical role that this sector plays in the economy. The resources of banks and financial institutions amount to XOF 383 bn, including XOF 61 bn as net equity capital. Branches and subsidiaries of foreign or regional banks play a relatively important role in financial intermediation in UEMOA.

The insurance sector in Togo is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaounde (Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d’Ivoire, Gabon, Equatorial Guinea, Guinea-Bissau, Mali, Niger, Senegal, Chad and Togo. CIMA provides a unified supervisory and regulatory regime for insurance companies of the 14 CFA Franc zone countries.

Under the terms of the CIMA treaty, all 14 countries are bound to a single set of insurance laws and regulations. The total portfolio of the UEMOA CIMA zone is dominated by the sector of non-life insurance. As at December 2005, insurance penetration represented 1.44% of GDP, well below the average ratio in Africa of 4.8%. At the end of 2005, three life insurance, and seven non-life insurance companies were operating in the country with a total turnover of XOF 15 bn; life insurance products represented 20% and vehicle insurance 31% of turnover.

Togo’s financial system includes a relatively stable micro-finance sector with 145 licensed retail micro-finance institutions (MFI). The sector is highly concentrated: the five most active MFIs provided 84 percent of the outstanding loans and 86 percent of the outstanding deposits. FUCEC remains a dominant player in the micro-finance sector in Togo, not only as a predominant network and an important refinancing entity to other MFIs. As at December 2006, credit to the economy from micro-finance institutions accounts for 11.6% of total credit from the banking sector.

**Capital Market**

The Regional Stock Exchange (BRVM), the stock market for the UEMOA region, started operating in September 1998. It is located in Abidjan and has a branch in each capital city of the other member States of the Union. Its main role is to pool and process stock market orders transmitted by brokerage companies (Société de Gestion et d’Intermédiation-SGI) authorized to negotiate securities quoted on the BRVM. As of December 2006, 19 SGIs were registered in the Union. SGI Togo, the sole SGI in the country (2006), provides brokerage services for the BRVM. The BRVM is regulated by the CREPMF whose responsibilities include the promulgation of policies and procedures to regulate the BRVM and the promotion of a regional bond market. In order to list on the BRVM, all bond issues must be guaranteed by an approved financial institution, a development financial institution, a guarantee fund, or the Parent Company.

At the end of December 2006, the capitalization of the equity market was XOF 2,067 bn whereas the bond market capitalization stood at XOF 489 bn, with XOF 260 bn being government bonds, representing 1.07% of the GDP of the Union. By end-December 2006, 61 securities were listed, including 40 shares and 21 bonds, compared to 57 securities comprising 39 shares and 18 bonds by end-December 2005. As of December 2006, Ecobank is the sole company from Togo listed and traded on the stock exchange. Ecobank is a unique case on the BRVM as it was cross-listed at the same time on the stock exchanges of Nigeria and Ghana.
2. Fixed Income Markets

The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.

<table>
<thead>
<tr>
<th>Title</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOAD 6.25% 1999-2009</td>
<td>20.12</td>
<td>1999</td>
<td>Annual</td>
<td>1-Feb-09</td>
</tr>
<tr>
<td>BOAD 6.30% 1999-2007</td>
<td>17.05</td>
<td>2000</td>
<td>Annual</td>
<td>27-Oct-07</td>
</tr>
<tr>
<td>BOAD 5.85% 2001-2008</td>
<td>11.95</td>
<td>2003</td>
<td>Annual</td>
<td>4-Jan-08</td>
</tr>
<tr>
<td>BOAD 5.35% 2004-2011</td>
<td>22.70</td>
<td>2005</td>
<td>Annual</td>
<td>5-Nov-11</td>
</tr>
<tr>
<td>BOAD 5% 2005-2013</td>
<td>18.60</td>
<td>2005</td>
<td>Annual</td>
<td>28-Dec-13</td>
</tr>
<tr>
<td>BOAD 4.5% 2005-2011</td>
<td>6.404</td>
<td>2005</td>
<td>Annual</td>
<td>28-Dec-11</td>
</tr>
</tbody>
</table>

**Government Securities**

The Government of Niger has used treasury bills and bonds to fund it deficit. As of December 2006, the Government has XOF 36.3 bn outstanding in treasury bonds.

<table>
<thead>
<tr>
<th>Title</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Etat du Togo 6.50% 2006-2011</td>
<td>36.30</td>
<td>2006</td>
<td>Annual</td>
<td>28-Feb-11</td>
</tr>
</tbody>
</table>

**Non-Central Government Issuance**

As at December 2006, there is no outstanding corporate bond from Togo on the BRVM. However, two companies have used the private placement market to raise resources.

<table>
<thead>
<tr>
<th>Title</th>
<th>Face Amount (XOF billion)</th>
<th>Year of Listing</th>
<th>Frequency</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOGO TELECOM 6.50% 2005-2010</td>
<td>5</td>
<td>2005</td>
<td>Annual</td>
<td>12-Jul-10</td>
</tr>
<tr>
<td>FAN MILK TOGO 7% 2005-2010</td>
<td>2</td>
<td>2005</td>
<td>Semi-Annual</td>
<td>30-Dec-10</td>
</tr>
</tbody>
</table>

**Secondary Market**

As a consequence of the buy-and-hold attitude of most investors in the zone, the secondary market in fixed-income securities in the UEMOA zone is fairly illiquid.
Clearing and Settlement
Securities trades on the BRV are cleared through the central clearing and depository house (Dépositaire Central Banque de Règlement-DC/BR). DC/BR has its headquarters in Abidjan and has offices in all the UEMOA member states. It centralizes issuances on a dematerialized basis, payment, and delivery of securities. It also guarantees the settlement of each transaction and draws on a special guarantee fund in cases of default. Trading operations are closed electronically on T+5 and will evolve towards closing on T+3 by the end of the year 2007.

3. Foreign Exchange
The CFA Franc (XOF) is not traded on the foreign exchange markets but is fully convertible into the Euro, with the convertibility guaranteed by the French treasury through a special operations account at the Banque de France. This arrangement effectively offers practically unlimited overdraft facilities and allows the CFA states to avoid short-run balance of payments constraints. In return, the BCEAO is required to deposit 65% of its foreign exchange reserves at the central bank of France. Buying and selling rates of Euro are fixed at XOF 655.957 / 1 EUR, and other currencies’ rates are determined on the basis of the Euro rate on the foreign exchange market. Payments and transfers of capital within the UEMOA zone and France are unrestricted as well as and current account transactions. The main restrictions concern the outflow of capital to countries outside the WAEMU, which is subject to verification based on the submission of supporting documentation.

4. Derivatives
The derivative market is in its infancy. Foreign exchange forwards exist with moderate liquidity and tenors extending up to 3-6 months.

5. Participation of Foreign Investors and Issuers
The banking sector has a high level of foreign ownership, particularly by French financial institutions. Foreign investors can purchase securities listed on BRVM. For instance, an international non-governmental organization, Shelter Afrique, based in Nairobi (Kenya), has issued bonds and listed them on the BRVM.

6. Investment Taxation
Government securities are tax-exempt as oppose to non-governmental securities that are subject to a withholding tax (Impôt sur le Revenue des Valeurs Mobilières-IRVM) applicable to income derived from these securities. The tax rates are the following: 6% for interest income from bonds redeemable in less than five years, 10% for dividends paid out by listed stocks and 12-18% for income from any other security.

7. Key Contacts
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  Fax: +228-221-7602
  Web: www.bceao.int
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  Mailing Address: BP 3802, Abidjan 01, Côte d’Ivoire
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  Tel: +225-2032-6685
  Fax: +225-2032-4777
  E-mail: brvm@brvm.org
  Web: www.brvm.org

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**XOF per unit of USD (End of Year)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>655.957</td>
</tr>
<tr>
<td>2001</td>
<td>660.000</td>
</tr>
<tr>
<td>2002</td>
<td>665.000</td>
</tr>
<tr>
<td>2003</td>
<td>670.000</td>
</tr>
<tr>
<td>2004</td>
<td>675.000</td>
</tr>
<tr>
<td>2005</td>
<td>680.000</td>
</tr>
<tr>
<td>2006</td>
<td>685.000</td>
</tr>
</tbody>
</table>

**Source:** Bloomberg
1. Overview of Financial System

The financial system, while dominated by the banking industry, also includes a capital markets sector. The Central Bank of Tunisia, Banque Centrale de Tunisie (BCT), was established in 1958, and plays a regulatory and supervisory role over banks and financial establishments which include enacting management rules and setting prudential standards. It acts as the financial and fiscal agent of the government, and advises on economic and monetary management issues.

The primary objective of the monetary policy in Tunisia is to maintain price stability. The BCT formulates and implements monetary policies through open market operations and uses the monetary base as operating target, and inflation as intermediate operating target.

The capital markets have a marginal role in financing the economy (7%) compared to the banking industry, although there have been recent spurts of growth. The Financial Markets Council, (Conseil du Marché Financier-CMF), created in 1994, is responsible for regulating, monitoring and supervising the capital markets. It oversees and controls the stock market, 24 brokerage companies, mutual funds and the clearing and settlement house. Twelve banks and one brokerage company are primary market dealers.

Bank and Non-Bank Financial Sector

Twenty commercial banks, eight offshore banks and two merchant banks are operating in the country. Most commercial banks are also majority shareholders in leasing companies, and investment funds. The government maintains a firm control over the three largest banks (Banque Nationale de l’Agriculture, Banque de l’Habitat, Société Tunisienne de Banque).

The banking sector remains dominant, accounting for over 90% of financing to the economy, but has been plagued with high levels of non-performing loans. The authorities are making efforts to strengthen the sector by improving prudential practices. Reforms have thus been initiated to ensure the stability of the banking system, and have led to the improvement of...
the institutional framework, the adoption of a statutory and prudential framework that meets with international banking standards, and a better response to demand for financing.

The insurance and pension sectors remain very small. There are 18 local insurance firms and three offshore insurance firms, and their penetration rate is quite low (1.8% compared to a world average of 8%). The insurance sector is expected to provide long-term resources for private investments. However, insurance companies have not yet succeeded in stimulating the development of national savings. A stronger insurance sector with diversified product offerings would undoubtedly promote the development of capital markets by providing long term resources. Approximately 9.5% of the investors in bond markets are insurance firms, and 50% are mutual funds (Organismes de Placement Collectif en Valeurs Mobilières-OPCVM). There were 45 mutual funds with total assets of USD 2,042 mn as of 31 December 2006.

A Guarantee Fund has been established by a brokerage firm, Fonds de Garantie de Marché, to guarantee capital markets transactions in case of non-payment. It protects stockbrokers against counterparty risks.

2. Fixed Income Market

Government Securities

In conducting its monetary policy, the central bank uses a variety of financial instruments. It auctions securities every two weeks, using the Dutch auction system. The day count basis convention used for treasury securities is actual / 365. Security types are presented below:

- **Treasury bonds (Bons du Trésor Assimilables-BTA)**, first launched in 1997 with maturities ranging from 2-12 years. A total amount of TND 1,010 mn was issued in 2006.
- **Treasury bills (Bons du Trésor à Court Terme-BTCT)**. Maturities can vary from 13, 26 or 52 weeks. A total amount of TND 485 mn was issued in 2006.
- **A zero-coupon treasury bond** was launched for the first time in 2006, with a 10-year maturity. The issue has been re-opened twice. The amount of the issue was TND 107 mn.

Foreign investors can only purchase up to 10% of the estimated semi-annual volume of treasury bonds issued by the Government. They are not allowed to invest in T-bills. Repatriation of principal and interest is only allowed if the purchase was originally made by converting foreign currency into Tunisian Dinars. In 2006, foreign-domiciled investment amounted to 0.135% of BTA issuance (0.044% in 2005).
Non-Central Government Issuance
The share of non-government debt issues remains small compared to total market issuance. Over 42% of outstanding issues are from banks (TND 299 mn), 45% from leasing companies (TND 315 mn), 7% from the tourism sector (TND 50 mn), and 1.6% from the factoring sector (TND 11 mn). A total of eight corporate bonds were launched in 2006, for a total amount of TND 228 mn. Details of these issues are presented in the following table:

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Sector</th>
<th>Amount in TND</th>
<th>Coupon*</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attijari Bank**</td>
<td>Bank</td>
<td>80 000 000</td>
<td>4.82%</td>
<td>5 years</td>
</tr>
<tr>
<td>Amen Bank</td>
<td>Bank</td>
<td>40 000 000</td>
<td>TMM+1%</td>
<td>10 years</td>
</tr>
<tr>
<td>Unifactor</td>
<td>Factoring</td>
<td>10 000 000</td>
<td>6.50% or TMM+1%</td>
<td>5 years</td>
</tr>
<tr>
<td>BTKD</td>
<td>Bank</td>
<td>40 000 000</td>
<td>6.25%</td>
<td>5 years</td>
</tr>
<tr>
<td>Tunisie Leasing</td>
<td>Leasing</td>
<td>15 000 000</td>
<td>6.5% or TMM + 1%</td>
<td>5 years</td>
</tr>
<tr>
<td>El Wifack Leasing</td>
<td>Leasing</td>
<td>5 000 000</td>
<td>6.5% or TMM + 1%</td>
<td>5 years</td>
</tr>
<tr>
<td>ATL</td>
<td>Leasing</td>
<td>30 000 000</td>
<td>6.5% or TMM + 1%</td>
<td>7 years</td>
</tr>
<tr>
<td>El Mouradi</td>
<td>Hotel</td>
<td>8 000 000</td>
<td>6.50%</td>
<td>7 years</td>
</tr>
</tbody>
</table>

* TMM is the monthly money market rate
** convertible bond

Secondary Market
The secondary market is small. About TND 40 mn Tunisian Dinars in bond issues were traded in the secondary market in 2006. The primary market dealers are market makers for BTAs.

Clearing and Settlement
The Société Tunisienne Interprofessionnelle pour la Compensation et le Dépôt de Valeurs Mobilières (STICODEVAM) is the clearing and settlement house, as well as the central depository for securities. All brokers and banks are members of the STICODEVAM.

3. Foreign Exchange
Starting in 1992, a flexible exchange rate regime has been established as a key element of the country’s macro-economic policy. The Tunisian Dinar is pegged
to a basket composed of currencies of the main trading partners of Tunisia (mainly countries of the Euro zone). It is adjusted in real effective terms to the fluctuations of these currencies, taking into consideration inflation differentials. The currency is freely quoted by Tunisian banks and is published on a daily basis by the central bank. The BCT can intervene in the market to stabilize the currency. The TND follows a managed floating exchange rate regime and is officially convertible for current account transactions.

4. Derivatives

Derivative activity mainly comprises foreign exchange forwards, including cross currency forwards, and more recently, forward rate agreements and interest rate swaps. The volume of transactions is small but has been growing over the past years. The Tunisian market is divided into domestic and convertible Dinars and trades up to two years, with longer maturities available upon request. Only offshore banks can transact convertible TND deposits. Forward cover may be established for exporters (up to 12 months) and importers (up to 9 months). Residents may also purchase 3-months, 6-months and 12-months foreign currency options in US dollars and Euro. Forward rate agreements may be contracted for tenors of up to 12 months by local companies.

5. Investment Taxation

Income from bonds is taxed at a rate of 20%. Capital gains on bond sales are included in taxable income for individuals, and are taxed at a rate of 30% for companies (excluding financial institutions and oil companies). There is no capital gain tax on stock transactions.

6. Key Contacts

- **Banque Centrale de Tunisie**
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  Other Address: 25, rue Hédi Nouira, Tunis, Tunisia
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  Web: http://www.bct.gov.tn/

- **Bourse des Valeurs Mobilières de Tunis**
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  Tél: +216-71-780288/793903
  Fax: +216-71-789189
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  Web: www.bvmt.com.tn

- **Conseil du Marché Financier**
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  Fax: +216-71-848001/841809
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  Web: www.cmf.org.tn

Source: AfDB, Banque Centrale de Tunisie, Conseil du Marché Financier, Calyon

### TND per Unit of USD (Year End)

![TND per Unit of USD (Year End)](image)

Source: Bloomberg
1. Overview of Financial System

The Bank of Uganda (BoU), the nation’s central bank, is responsible for the licensing, supervision and regulation of the banking system. The mission of the BoU is to foster price stability and a sound financial system.

Bank and Non-Bank Financial Sector

Uganda has a financial system dominated by the banking sector. In 2006, this sector had 13 registered commercial banks and 2 development banks. The banking sector is also characterised by a high degree of foreign ownership. The largest bank, the successor to the state-owned Uganda Commercial Bank, was purchased by a South African bank in 2002. 3 other foreign banks account for approximately 75% of Uganda’s banking sector assets. A deposit insurance fund with contributions from the central bank and commercial banks has recently been created, though its soundness is largely untested to date.

In 2005, there were also 7 savings and loan institutions and over 100 micro-finance institutions. Despite their large number, micro-finance institutions accounted for only 1% of the financial sector, while other non-bank financial institutions accounted for 7% (2005).

The insurance sector remains a small part of the financial system. There were 15 licensed insurance companies in 2006, all under the supervision of the Uganda Insurance Commission (UIC), a regulatory and supervisory authority for the insurance industry in Uganda.

Some recent developments include the planned privatization of the National Insurance Company and the creation by the Uganda Insurers’ Association of a reinsurance company, Uganda-Re.

Capital Markets

The capital market in Uganda is small and centered around the Uganda Securities Exchange (USE), which opened in 1988. The sector is supervised
by the Capital Markets Authority of Uganda. The three regulatory authorities of Kenya, Uganda and Tanzania signed a Memorandum of Understanding in 1997 and created an umbrella body known as the East African Securities Regulatory Authorities (EASRA). The EASRA seeks to introduce cross-border listings of securities, harmonize the legal and regulatory framework and develop capital markets in the region.

The regulatory framework for capital markets is defined by the Capital Markets Act (Cap 84) of the Laws of Uganda, 2000. The regulatory framework governing capital market activity in Uganda also comprises of the Capital Markets Regulations (1999), the Companies Act (cap 110) and the Listing Rules of the USE. Under these statutes, the Capital Markets Authority is the primary capital markets regulator. In recent years, both the Capital Markets Authority and USE regulations have been updated to reflect changes in the market environment. In 2003, the USE issued revised Listing Rules for the Exchange, and the Capital Markets Authority also issued specific guidelines for corporate bonds.

The securities that are currently traded on the USE include government bonds, corporate bonds and ordinary shares. As at the first quarter of 2007, there were nine companies listed on the Exchange. These represent both local and cross listings, with a total market capitalisation of approximately UGX 4,000 bn (USD 2.2 bn). The improvement in trading activity in recent years has been attributed to the sustained growth of foreign investor participation in Uganda’s listed entities.

The USE is open for trading on only three days during the week, Mondays, Tuesdays and Thursdays.

2. Fixed Income Markets

**Government Securities**

Treasury bills comprise of 91-, 182-, 273- and 364-day instruments, while issued treasury bonds are for 2-, 3-, 5- and 10-year maturities. The short-term securities are used by the central bank to regulate market movements in exchange rate and inflation. Primary issues are done through a multiple price auction system, with bids accepted on both competitive and non-competitive basis. Treasury bills are auctioned on a weekly basis, compared to treasury bonds that are issued monthly, with no set or pre-determined issuance calendar being in place. As at December 2006, total outstanding treasury debt issues amounted to UGX 1,945 bn (USD 1.2 bn).

As at the first quarter of 2007, the ratio of Treasury bills to Treasury bonds stood at 51:49. The BoU aims to achieve an optimal debt mix of bills to bonds of 40:60.

A primary dealer system was introduced in January 2004, with the appointment of five commercial banks, namely Barclays Bank, Standard Chartered Bank, Stanbic Bank, Bank of Baroda and DFCU Bank. These firms buy government securities at auction prices and sell to investors in the market, in a bid to increase market efficiency by encouraging secondary market trading of securities.

Treasury bonds were launched for the first time in Uganda on 14 January 2004, with a 2-year issue. Following the success of the issue, 3-, 5- and 10-year bonds were launched in February, March, and May of 2004, respectively. The 2- and 3-year issues proved the most popular and have each been reopened several times. Auctions of two new 3- and 2-year bonds took place in August 2006 and December 2006 respectively.

The central bank aims to issue more long-term instruments as opposed to short-term securities, in order to meet demand for securities as the domestic market expands and more market players get involved.
Non-Central Government Issuance
Private sector issuers comprise of banks and telecommunication companies. Management of primary market issues is dominated by foreign banks, in most cases working with a local broker dealer. A new issuer in the market, Standard Chartered Bank Uganda, issued a 10-year corporate bond in 2005, bringing the total number of outstanding corporate bonds to three. Details for corporate issues in Uganda since 1997 are shown in the table below.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Amount Offered (1)</th>
<th>Industry</th>
<th>Issue Year</th>
<th>Tenor (years)</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Chartered Bank Uganda</td>
<td>23,000</td>
<td>Banking</td>
<td>2005</td>
<td>10</td>
<td>182-day bill + 1.25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15.75% Fixed</td>
</tr>
<tr>
<td>Eastern Africa Development Bank</td>
<td>20,000</td>
<td>Banking</td>
<td>2005</td>
<td>7</td>
<td>182-day bill + 0.75%</td>
</tr>
<tr>
<td>UTL – Uganda Telecom</td>
<td>24,000</td>
<td>Telecom</td>
<td>2003</td>
<td>5</td>
<td>182-day bill + 1.65%</td>
</tr>
</tbody>
</table>

1. Data in UGX mn

Secondary Market
Treasury bills are very actively traded although a bid offer spread of 25 to 50 bp is common. The yield curve up to 3-year is also liquid, but illiquid 5-year and 10-year bonds are scarcely traded.
Fifteen government bonds are listed on the USE, with a total issued amount of UGX 645 bn as of end-June 2005, up 30% from the amount outstanding in 2005. In 2006, liquidity in the market increased with the volume of treasury bills rising from UGX 200 bn traded in 2005 to UGX 310 bn; the volume of treasury bonds increased from UGX 60 bn to UGX 140 bn. Although trading in these issues is slowly picking up, especially for on-the-run government bonds, secondary market trading of private sector bonds is almost non-existent.
So far, trading has been paper-based. However, the central bank announced in the first quarter of 2007 that in a bid to improve efficiency and reduce timing shortfalls, it will introduce electronic bidding, auctioning and online trading of government securities by the end of 2007.

Clearing and Settlement
There exists a manual book entry system, with settlement of T+2.

3. Foreign Exchange
The Ugandan Shilling (UGX) is an independent free-floating currency.
The need to sterilize donor inflows often requires foreign exchange sales, resulting in the appreciation of the shilling. The central bank periodically intervenes to stabilise the currency. Uganda operates on a free current and capital account regime. The foreign exchange market was fully liberalised in 1997, with free transfer of funds and trading of foreign currency at licensed foreign exchange bureaux. There are no restrictions on entry of capital or repatriation of dividends or profits by foreign investors.
While the UGX was on a weakening trend from December 2001 to August 2003, the currency reversed this trend between September 2003 and April 2005, when it peaked at around UGX 1,700 / 1 USD. The currency ended the year 2006 at UGX 1740 / 1 USD.
4. Derivatives

There is no formal forward market but corporate clients can have access to foreign exchange forward contracts, for tenors up to 365-days from their banks.

5. Participation of Foreign Investors and Issuers

Foreign investors can participate in bond offerings by the Bank of Uganda and must submit their applications through domestic primary dealers. There are no restrictions on the entry or repatriation of funds by foreign investors in the Ugandan capital market.

6. Investment Taxation

Withholding tax stands at 15% on interest and dividend income. Uganda has entered into tax treaties with Denmark, Norway, South Africa, the United Kingdom and Zambia.

7. Key Contacts

- **Bank of Uganda**
  
  *Mailing Address:* P.O. Box 7120, Kampala, Uganda  
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  *E-mail:* info@bou.or.ug  
  *Web:* www.bou.or.ug

- **Capital Markets Authority**
  
  *Mailing Address:* P.O. Box 24565, Kampala, Uganda  
  *Other Address:* 8th Floor, Jubilee Insurance Centre, 14 Parliament Avenue, Kampala, Uganda  
  *Tel:* +256-41-342788/342791  
  *Fax:* +256-41-342803  
  *E-mail:* cma@starcom.co.ug  
  *Web:* www.cmauganda.co.ug

- **Uganda Securities Exchange Ltd.**
  
  *Mailing Address:* P.O. Box 23552, Kampala, Uganda  
  *Other Address:* Plot 1, Pilkinson Road, Workers' House 2nd Floor, Northern Wing, Kampala, Uganda  
  *Tel:* +256-41-343297/342818  
  *Fax:* +256-41-342841  
  *E-mail:* info@use.or.ug  
  *Web:* www.use.or.ug
Zambia

**2006 At a Glance**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (mn)</td>
<td>11.8</td>
</tr>
<tr>
<td>Population Growth (annual %)</td>
<td>1.6</td>
</tr>
<tr>
<td>Official Language</td>
<td>English</td>
</tr>
<tr>
<td>Currency</td>
<td>Zambian Kwacha (ZMK)</td>
</tr>
<tr>
<td>GDP (Current US$ bn)</td>
<td>10.9</td>
</tr>
<tr>
<td>GDP Growth (annual %)</td>
<td>5.2</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>923</td>
</tr>
<tr>
<td>FDI, net inflows (US$ mn) (2005)</td>
<td>259</td>
</tr>
<tr>
<td>External Debt (US$ mn)</td>
<td>500</td>
</tr>
<tr>
<td>External Debt/GDP (%)</td>
<td>4.2</td>
</tr>
<tr>
<td>CPI Inflation (annual %)</td>
<td>8.4</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>30.2</td>
</tr>
<tr>
<td>Gross Official Reserves (US$ bn)</td>
<td>0.558</td>
</tr>
<tr>
<td>International Reserves (months of imports)</td>
<td>2.1</td>
</tr>
<tr>
<td>UNDP HDI RANKING</td>
<td>165</td>
</tr>
</tbody>
</table>

**Source:** AfDB, IMF, UNCTAD, UNDP, UN Population Division

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1. **Overview of Financial System**

The central purpose of the Bank of Zambia (BoZ) is to propose the formulation and implementation of monetary policies to ensure price and financial system stability. The Bank of Zambia licences, regulates and supervises commercial banks, the non-bank financial sector and micro-finance institutions.

**Bank and Non-Bank Financial Sector**

Zambia’s financial sector is relatively small and is dominated by banking. The sector, however, has one of the most liberal banking regimes in southern Africa. Recent developments have included the drive to privatize many sub-sectors of the financial sector. Zambia’s banking sector consisted of 12 operational commercial banks as at December 2006, including several foreign-controlled banks. Concentration is high, with the five largest banks controlling the bulk of assets in the system. The Zambia National Commercial Bank, Zambia’s only state bank and the country’s largest domestic bank, which was slated for privatization in 2006, alone controls 24% of the retail banking market. In February 2004, the Bank of Zambia, the central bank, announced that it would lead the formation of a credit reference bureau, which will provide commercial banks with information on borrowers. There is no formal deposit insurance system in Zambia.

Zambia’s insurance sector made moves toward privatization in 2003 with the restructuring of the Zambia State Insurance Company and the emergence of five private insurance firms. However, the privatization efforts for the state-owned insurance corporation have temporarily stalled.

**Capital Markets**

The capital market remains very small. The Lusaka Stock Exchange (LuSE) opened in 1993, and there were 14 companies listed under its main index as at the end of 2006, with a combined market capitalization of USD 3.25 bn. However, trading volumes remain limited, with the three largest listed firms dominating
the Exchange activity. The secondary market for bonds has also grown, though activity is still low. There are no restrictions on foreign investment in the stock exchange.

2. Fixed Income Markets

Government Securities
The Bank of Zambia issues treasury bills and government bonds on behalf of the Government, on a competitive (tender) and non-competitive (off-tender) basis. Presently, the treasury bills that are issued weekly have four maturity buckets: 28-, 91-, 182- and 273-day. Both individuals and corporate institutions are permitted to participate in the primary auctions for government bonds. Bonds are issued at 4-6 week intervals, with maturity categories of 12-, 18-, 24- and 60-months.

Treasury bill auctions were introduced in 1993. Bids for up to ZMK 20 mn must be made in a non-competitive and fixed-price format. The fixed price is calculated as the weighted average price of the successful competitive bids. A 1-year bond was introduced in January 1995 and was first listed on the LuSE in August 1995. This was followed by the launch of an 18-month bond in September 1998 and then a 2-year bond in October 2000. In September 2005, the Government issued a 5-year bond making it the longest-dated government bond in Zambia to date.

As of the first quarter of 2007, there has been a trend toward big volumes on the supply side to enable the Government to raise sufficient funds to refinance maturing bonds. However, despite the Government’s eagerness to issue more treasury bonds, it has only been able to raise part (65% on average) of the amount it planned to raise from bond and treasury bill auctions respectively. If this trend continues, it would likely lead to an increasing yield environment.

Non-Central Government Issuance
On the back of the yield curve established by the government, several corporates from various sectors including the banking and energy sector have successfully tapped the capital market.

### Outstanding corporate bond issues in Zambia

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Industry</th>
<th>Amount Offered (1)</th>
<th>Issue Year</th>
<th>Tenor (yrs)</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunsemfwa Hydro Power Company(2)</td>
<td>Electricity</td>
<td>35,000</td>
<td>2004</td>
<td>6</td>
<td>Not publicly available/ disclosed</td>
</tr>
<tr>
<td>Barclays Bank Zambia unsecured floating rate notes</td>
<td>Banking</td>
<td>30,000</td>
<td>2003</td>
<td>12</td>
<td>91-day T Bill + 1.25% (step up to 2.00 after 5 yrs)</td>
</tr>
</tbody>
</table>

1. Data in ZMK mn
2. Equivalent of USD 7 mn

Clearing and Settlement
The exchange operates an electronic clearing and settlement process, with trade-for-trade netting and settlement three days after the trade (T+3). There is also an electronic depositary facility operated by LuSE Central Share Depository (CSD). Investors intending to transact in a listed security are required to trade via the LuSE. The Securities and Exchange Commission of Zambia regulates the sector.
3. Foreign Exchange

The Zambian Kwacha (ZMK) is an independent free-floating currency. Interventions in the foreign exchange market by the Bank of Zambia are primarily aimed at smoothing out short-term fluctuations in the market, and meeting the targets for the programmed gross international reserves. The successful introduction of an inter-bank market for foreign exchange in July 2003 was considered an important step towards improving the efficiency of the markets.

In 2004, the Zambian Kwacha was generally stable against the US dollar but it appreciated in real effective terms by about 8%, following, (i) an increase in copper export earnings, which was boosted by higher copper prices and metals output, (ii) growth of non-metal exports that exceeded expectations and, (iii) a subsequent increase in gross international reserves.

Exchange rate dynamics in 2005 were largely driven by reduced debt service and increased balance of payments support inflows, as Zambia reached the Enhanced HIPC completion point. The Kwacha appreciated to ZMK 3,387.55 / 1 USD compared to its level of ZMK 4,597.43 / 1 USD in December 2004. It continued to appreciate, reaching a level of ZMK 2,975 / 1 USD in May 2006. The impressive appreciation of the Kwacha is due to an increased supply of foreign exchange that is attributed to the improved performance of the export sector, prudent fiscal management and lower debt service payments.

It has since softened and traded at ZMK 4,428 / 1 USD as of 31 December 2006.

4. Derivatives

There are limited derivative contracts in foreign exchange and these are mostly short-term in nature i.e. up to twelve month tenor.

5. Participation of Foreign Investors and Issuers

There are no restrictions on foreign investor participation in the listed securities on the LuSE and foreigners may invest on the stock exchange on similar terms as Zambians. Foreign investors are, however, required to open a share-dealing account with one of the authorised brokers before they start dealing in securities. There is no limit on foreign ownership.

6. Investment Taxation

Under the current legislation, the income earned on Treasury Bills is subject to 15% withholding tax. However, interest income earned on bonds is not subject to tax under the same legislation. There is also no capital gains tax as well as nil property transfer tax on local shares. Listed companies are taxed at 30% and there is a 10% withholding tax on dividends. Zambia has treaties with Canada, Denmark, Finland, France, Germany, India, Italy, Japan, Kenya, the Netherlands, and Norway.
7. Key Contacts

- **Bank of Zambia**
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  Fax: 260-1-221722/237070
  E-mail: pr@boz.zm
  Web: www.boz.zm

- **Lusaka Stock Exchange**
  3rd Floor Farmers House Building,
  Cairo Road, Lusaka, Zambia
  Tel: 260-1-228391/228537/228594
  Fax: 260-1-225969
  E-mail: luse@zamnet.zm
  Web: www.luse.co.zm

- **Securities And Exchange Commission**
  5th Floor, Bank of Zambia Annex, Lusaka, Zambia
  Tel: 260-1-226911
  Fax: 260-1-225443
2006 At a Glance

| Population (mn) | 13.1 |
| Population Growth (annual %) | 0.6 |
| Official Language | English |
| Currency | Zimbabwe Dollar (ZWD) |
| GDP (Current US$ bn) | 7.03 |
| GDP Growth (annual %) | -5.1 |
| GDP Per Capita (US$) | 538 |
| FDI, net inflows (US$ mn) (2005) | 103 |
| External Debt (US$ mn) | 5.1 |
| External Debt/GDP (%) | 62 |
| CPI Inflation (annual %) | 1216 |
| Exports of goods and services (% of GDP) | 26.1 |
| Gross Official Reserves (US$ bn) | – |
| Gross Official Reserves (in months of imports) | – |
| UNDP HDI RANKING | 151 |

*Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division*

1. Overview of Financial System

The Central Bank of Zimbabwe is the monetary authority of the country, responsible for the oversight of the financial system and for conducting all monetary policy operations. Zimbabwe has for the past three years suffered from hyperinflation and in 2006 it had the highest level of inflation level in the whole of Africa. In the past ten years, inflation has increased sharply from an annual rate of 20% in December 1997 to a peak of 1,594% in February 2007.

Bank and Non-Bank Financial Sector

Zimbabwe has been increasingly isolated from the international community and its financial sector has diminished greatly. The banking sector is comprised of 17 commercial banks. 3 commercial banks, including the largest bank, have some degree of state ownership, and all other commercial banks are privately owned. 4 of Zimbabwe's private commercial banks are foreign-owned. A number of banks have recently been faced with liquidity crises due to the worsening economic state of the country.

The insurance sector in Zimbabwe consists of 9 life insurance firms, 26 general insurance firms and six re-insurers, all under the supervision of the Zimbabwe Ministry of Finance, Economic Planning and Development.

In December 2003, the Government submitted to Parliament the Anti-Money Laundering and Proceeds from Crime Bill; it would apply to all forms of money laundering, requiring banks to maintain sufficient records to reconstruct individual transactions for at least six years.

Steps towards achieving this have been taken, as in November 2005, the Central Bank implemented the Anti-Money Laundering (AML) Solution that aims to tackle laundering activities like threshold breaches, round tripping of funds and dribbling of funds.

Capital Markets

Zimbabwe's capital markets revolves around the Zimbabwe Stock Exchange (ZSE), which had a market capitalisation of about USD 20 bn as at the end of 2006. The stock market has offered investors the highest returns in Africa in 2005 and for most of 2006, despite a deep economic recession. This
has been driven by local investors looking to make significant returns on their investment in the midst of hyperinflation.

Capital market regulation are likely to change following the expected passage of the new Zimbabwe Securities Act, which transfers the regulation of capital markets from the Zimbabwe Stock Exchange Committee to the newly established Securities Commission. This Committee is also expected to adopt international best standards and best practices for capital market operations.

2. Fixed Income Markets

Government Securities
Treasury bills are issued for maturities of 91-, 182-, 365-, and 728- days and treasury bonds with 2- and 3-year maturities. At the end of 2005, a 5-year inflation indexed bond was launched. The primary market operates via a multiple price system in which both competitive and non-competitive bids are accepted. There is no set issuance calendar.

Non-central government issuance
Private sector corporations do not issue debt in the Zimbabwean bond market.

Secondary Market
Short-term government securities are traded over-the-counter (OTC), and these are actively traded by banks and other primary market dealers. Trades are settled on the basis of T+2.

3. Foreign Exchange
In May 2005, the Reserve Bank devalued the ZWDs auction rate (now called the inter-bank rate) by 45% to ZWD / USD 9 000, in response to a significant increase in the shortage of foreign exchange in the domestic economy. However, the devaluation was not sufficient to narrow the gap between the official auction rate and the rates on the parallel market. The currency was devalued again, and thereafter continued to weaken. Since March 2006, the Central Bank introduced a three-tier exchange rate system. Besides the official exchange rate of ZWD 55 / 1 USD, mining firms will use a rate similar to the “black market” at ZWD 1,350 / 1 USD, while other exporters will use a rate of approximately ZWD 800 / 1 USD. Tobacco exporters are likely to use a rate within this band. The Reserve Bank has been working towards introducing a new currency. This is yet to happen, although the move was scheduled for 2006. The authorities had also planned to unify the official auction rate to the market rate. The currency has continued to depreciate against the dollar since its sharp move in 2003. In March 2007, the exchange rate was ZWD 99,000 / 1 USD.

4. Participation of Foreign Investors and Issuers
Foreign investors cannot participate in the Zimbabwean bond market.

5. Investment Taxation
Tax rates applicable to investment income are as follows: capital gains tax rate of 10-20%, dividends of 15-20%, interest income tax of 10%.

Zimbabwe has double taxation treaties with Bulgaria, Canada, France, Germany, Malaysia, Mauritius, the Netherlands, Norway, Poland, South Africa, Sweden and the United Kingdom.

6. Key Contacts

- Reserve Bank of Zimbabwe
  80 Samora Machel Avenue, Harare, Zimbabwe
  Tel: +263-4-703000, Fax: +263-4-707800, 706450
  Web: www.rbz.co.zw

- Zimbabwe Stock Exchange
  8th Floor Southampton House, Union Avenue, Harare, Zimbabwe
  Tel: +263-4-736861, Fax: +263-4-791045
  Web: www.zsa.co.zw
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond</td>
<td>A bond is a debt security, in which the issuer owes the holders a debt and is obliged to repay the principal and interest (the coupon). Other stipulations may also be attached to the bond issue, such as the obligation for the issuer to provide certain information to the bond holder, or limitations on the behaviour of the issuer. Bonds are generally issued for a fixed term (the maturity) longer than one year.</td>
</tr>
<tr>
<td>Callable Bond</td>
<td>A bond that can be redeemed at the option of the issuer prior to maturity as the issuer has the right to “call” the bond at fixed prices and call dates. Maturities may be extended (“extendible) or shortened (“retractable”).</td>
</tr>
<tr>
<td>Capital Market</td>
<td>The market in which corporate equity and longer-term debt securities (those maturing in more than one year) are issued and traded.</td>
</tr>
<tr>
<td>Clearing</td>
<td>The process of exchanging financial transaction details between an acquirer and an issuer to facilitate settlement.</td>
</tr>
<tr>
<td>Convertible Bond</td>
<td>These may be converted into the issuer’s common stock or into equity-like instruments.</td>
</tr>
<tr>
<td>Depository</td>
<td>A centralized clearinghouse and repository for securities. A location where securities are actually stored and where the electronic day-to-day movements of those securities is recorded.</td>
</tr>
<tr>
<td>Derivative</td>
<td>A financial contract from which payoffs over time are derived from the performance of assets (such as commodities, shares or bonds), interest rates, exchange rates, or indices (such as a stock market index, consumer price index (CPI) or an index of weather conditions). The main types of derivatives are futures, forwards, options and swaps.</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Debt instruments of companies, government or agencies characterized by a fixed interest rate and stated maturity date.</td>
</tr>
<tr>
<td>Floating Rate Note (FRN)</td>
<td>Bonds which the coupons are a reference rate plus a spread/margin. This rate is reset on a regular basis and generally constitutes a short-term benchmark rate such as a Treasury bill rate or LIBOR.</td>
</tr>
<tr>
<td>Forward Contract</td>
<td>A contract on which a seller agrees to deliver a specified cash commodity to a buyer sometime in the future. In contrast to futures contracts, the terms of forward contracts are not standardized. Forward contracts are not traded on exchanges.</td>
</tr>
<tr>
<td>Forward Rate Agreement</td>
<td>An agreement to borrow or lend at a specified future date at an interest rate that is fixed today. The borrowing and lending is purely notional as the contract allows the purchaser to fix interest costs for a specific future period.</td>
</tr>
<tr>
<td>Futures Contract</td>
<td>An agreement to buy or sell a fixed quantity of a specified commodity, currency or security for delivery at a fixed date in the future at a fixed price. Futures contracts are standardised agreements traded on Futures Exchanges.</td>
</tr>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>The total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.</td>
</tr>
</tbody>
</table>
| **Human Development Index (HDI)** | Index of 177 countries that measures a country's achievements in three aspects of human development:

10. **Longevity**: measured by life expectancy at birth

11. **Knowledge**: measured by a combination of the adult literacy rate and the combined gross primary secondary and tertiary enrolment ratio; and

12. **Standard of living**: measured by GDP per capita

*Source: UNDP*

| **Indexed Bond** | These are bonds indexed/linked to non-market indices or assets. Examples include inflation-indexed bonds whose coupons are linked to various inflation indices such as the consumer price index and wholesale price index. Commodity-linked bonds are linked to the value of commodities such as agriculture, petroleum and minerals

| **Liquidity** | The ease at which an asset can be quickly converted into cash without any significant movements in the price. A market is considered liquid if there are ready buyers and sellers of securities in large quantities

| **Money market** | The market for short-term debt instruments maturing in one year or less. Examples of money market instruments include Treasury bills, commercial paper, and certificate of deposits

| **Option** | The right (but not the obligation) to buy or sell securities at a given price (exercise or strike price) before a given date (expiry date)

| **Settlement** | Conclusion of a securities transaction when a customer pays a broker/dealer for securities purchased or delivers securities sold and receives from the broker the proceeds of a sale

| **Spot transaction** | A transaction requiring immediate delivery and full payment

| **Swap** | An agreement between parties to exchange future cash flows that are determined by an underlying such as currency, interest rate, equity and commodity

| **T + 1 (2, 3, 4)** | Refers to settlement of securities from the trade/transaction date

| **Treasury Bill** | A negotiable debt obligation issued by government and backed by its full faith and credit, having a maturity of one year or less

| **Treasury Bond** | A long-term government obligation having a maturity of more than one year
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