Absa Africa Financial Markets Index 2024

Exploring the opportunities Africa has to offer

OMFIF

Your story matters

absa

Pictured: Maasai herder looking beyond the Ambolise landscape - Kenya

Acknowledgements

The Absa Africa Financial Markets Index was produced by OMFIF in association with Absa Group Limited.

Absa CIB Project Team

Erica Bopape, Head of Marketing, Investment Banking,
Fiona Mbalula, Senior Marketing Manager, Investment Banking
Varini Chetty, Head, Media, Digital Enablement and Platforms Optimisation

Individuals

Jeff Gable, Head of Macro and Fixed Income Research, Absa
Anthony Kirui, Head of Global Markets, Africa Regional Operations, Absa

OMFIF

Report authors

Nikhil Sanghani, Managing Director, Economic and Monetary Policy Institute
Taylor Pearce, Lead Economist
Arunima Sharan, Senior Economist
Yara Aziz, Economist

OMFIF Editorial, Meetings and Marketing Team

Clive Horwood, Managing Editor and Deputy Chief Executive Officer, **Simon Hadley**, Director, Production, **William Coningsby-Brown**, Production Manager, **Sarah Moloney**, Chief Subeditor, **Janan Jama**, Subeditor, **James Fitzgerald**, Deputy Head of Events and Marketing, **Ophelia Mather**, Marketing Coordinator, **Ben Rands**, Director of Events and Marketing, **Molly Milton-White,** Events and Marketing Manager, **Jamie Bulgin**, Relationship Director, **Isabella Frymoyer**, Programme Coordinator

Individual acknowledgements

Sonia Essobmadje, Chief, Innovative Finance and Capital Markets, United Nations Economic Commission for Africa
Jean-Marc Malambwe Kilolo, Economic Affairs Officer, United Nations Economic Commission for Africa
Ingrid Hagen, Senior Vice President of Strategic Projects, Frontclear Management
Peter Werner, Senior Counsel, International Swaps and Derivatives Association

Organisation acknowledgements

We consulted more than 50 institutions across Africa including central banks, stock exchanges, regulators and market practitioners. Although some requested anonymity, we thank the following for sharing their views:

Autorité des Marchés Financiers de l'Union Monétaire Ouest Africaine, Autorité Marocaine du Marché des Capitaux, Banco de Mocambique, Bank of Botswana, Bank of Ghana, Bank of Mauritius, Bank of Namibia, Bank of Tanzania, Bank of Uganda, Bank of Zambia, Bankers Association of Zambia, Banky Foiben'i Madagasikara, Banque Centrale du Congo, Bolsa de Valores de Cabo Verde, Botswana Stock Exchange, Bourse de Casablanca, Bourse de Tunis, Bourse des Valeurs Mobilières de l'Afrique Centrale, Capital Markets and Securities Authority Tanzania, Capital markets Authority, Kenya, Capital Markets Authority, Rwanda, Capital Markets Authority, Uganda, Central Bank of Lesotho, Central Bank of Seychelles, Dar es Salaam Stock Exchange, Direction de la Recherche et des Etudes Stratégiques et Direction générale de l'Economie au Ministère de l'Economie et des Finances (Benin), Egyptian Financial Supervisory Authority, Eswatini Stock Exchange, Ethiopian Capital Market Authority, Financial Sector Conduct Authority (South Africa), Financial Services Commission, Mauritius, FMDQ OTC Securities Exchange, Ghana Stock Exchange, Malawi Stock Exchange, Mauritius Commercial Bank, Namibian Stock Exchange, Nigerian Stock Exchange, PricewaterhouseCoopers (Ghana), PricewaterhouseCoopers (Nigeria), Reserve Bank of Malawi, Reserve Bank of Zimbabwe, Securities and Exchange Commission of Nigeria, Securities and Exchange Commission, Zimbabwe, South African Reserve Bank, The Stock Exchange of Mauritius, Uganda Securities Exchange

Supported by

ECA

About Absa Group Limited

Absa Group Limited ('Absa Group') is listed on the Johannesburg Stock Exchange and is one of Africa's largest diversified financial services groups.

Absa Group offers an integrated set of products and services across personal and business banking, corporate and investment banking, wealth and investment management and insurance.

Absa Group owns majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia and has insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. Absa also has offices in China, Namibia, Nigeria and the United States, as well as securities entities in the United Kingdom and the United States, along with technology support colleagues in the Czech Republic.

For further information about Absa Group Limited, visit www.absa.africa.

OMFIF is an independent think tank for central banking, economic policy and public investment – a non-lobbying network for best practice in worldwide public-private sector exchanges. At its heart are global public investors – central banks, sovereign funds and public pension funds – with investable assets of $42tn, equivalent to 43% of world gross domestic product. With a presence in London, Washington and New York, OMFIF focuses on global policy and investment themes – particularly in asset management, capital markets and financial supervision/regulation – relating to central banks, sovereign funds, pension funds, regulators and treasuries. OMFIF promotes higher standards, invigorating exchanges between the public and private sectors and a better understanding of the world economy, in an atmosphere of mutual trust.

For further information about OMFIF, please visit www.omfif.org

CONTENTS

Introduction

Understanding Africa's financial potential

Now in its eighth year, the Absa Africa Financial Markets Index evaluates countries' financial development based on measures of market accessibility, openness and transparency. The aim is to provide the investment community with a benchmark of market infrastructure across the continent, while enabling policy-makers to learn from developments throughout Africa.

With support from the United Nations Economic Commission for Africa, coverage in the index has grown to 29 countries this year with the addition of Benin. The index encompasses approximately 80% of the population and gross domestic product of Africa.

To construct the index, OMFIF conducted quantitative analysis using publicly available information and surveyed over 50 organisations across Africa, including central banks, securities exchanges and regulators, for their data and insights.

Scores are determined by countries' relative performance across more than 40 indicators organised in six pillars:

- **Pillar 1 – Market depth**
- **Pillar 2 – Access to foreign exchange**
- **Pillar 3 – Market transparency, tax and regulatory environment**
- **Pillar 4 – Pension fund development**
- **Pillar 5 – Macroeconomic environment and transparency**
- **Pillar 6 – Legal standards and enforceability**

Pillar scores are based on a country's relative performance in each indicator, which is rebased to fit a harmonised scale from 10-100, while also taking account for any outliers. Overall scores are calculated as a simple average of the scores for each pillar. See pp.44-46 for more details on the methodology.

Forewords

Charles Russon
Interim Group Chief Executive Officer, Absa Group

A fit-for-purpose financial ecosystem

In the eight years that the Absa Africa Financial Markets Index has been in existence, an index that has earned respect among Africa's policy-makers and regulators for providing the breadth and detail necessary to support data-driven and informed development of the financial market environment, this edition of the index reveals the highest proportion of improvers yet.

With 23 countries raising their scores from the 15 countries that managed the same last year, the broad – though not universal – improvement in scoring reflects a turn for the better in the macro environment. For many, inflation is lower, economic growth higher, foreign reserves coverage less strained and access to global funding markets looks brighter.

This is a welcome respite after several difficult years during which the continent faced first the challenges of the global Covid-19 pandemic, then higher domestic inflation and financing costs. Debt restructuring in some African markets and worries about debt sustainability in many more have served to further interrupt Africa's recovery.

Yet at the core of the index is the African countries actively building a fit-for-purpose financial market ecosystem, perhaps the most important developments are those that reflect direct changes in policy-making and regulation.

Across the continent, policy-makers, regulators and exchanges have been busy. New financial products continue to be introduced, like those focused on environmental, social and governance criteria or Islamic finance. Places like Nigeria and Ethiopia are reforming foreign exchange markets. Sovereign and corporate sectors have been opened up to greater credit ratings scrutiny. There is a greater focus on encouraging a deeper use of pension funds. More countries have adopted globally recognised financial standards.

I am confident that Africa is better placed to take advantage of the coming periods, if continued market infrastructure changes are implemented in-line with those suggested by each of the pillars. This can ensure capital flows more freely and is attracted to African economies as domestic financial conditions become easier.

David Marsh

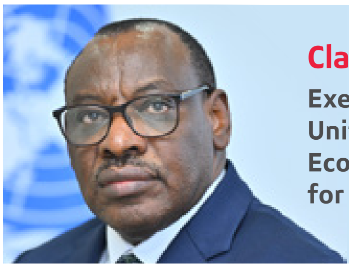
Chairman and Chief Executive Officer, OMFIF

Endeavour and achievement

When Absa and OMFIF launched the Absa Africa Financial Markets Index in 2017, a prime motivator was the desire to make African countries more self-reliant and resilient in withstanding financial pressures. 'Sudden stops' in financial flows – a standard feature of so many emerging and frontier market economies – have been a blight on development. We believed that solidifying the basis for financial markets would lay foundations for countries to generate their own growth capital, thus promoting virtuous circles and strengthening prospects for investment.

With the index now in its eighth year, anxieties about Africa's vulnerability have not disappeared, but they have been mitigated by strong evidence of robustness in capital market structures. Improved scores based on assessments of market health in six key pillars underline a near decade-long period of positive change. Furthermore, there is a comforting correlation between this market progress and vigorous overall macroeconomic trends against a difficult international backdrop. With the support of more than 50 organisations across the continent, and coverage now in 29 countries, overall scores rose in three quarters of the states in our 2024 survey – the best total since we started.

The world has been experiencing turmoil with the Covid-19 outbreak, war in Ukraine and Russia and a sharp rise in inflation and renewed conflicts in the Middle East. In this sobering environment, and with new attention on the Global South, Africa's progress in reinforcing its capital markets bedrock is of widespread international relevance. Africa is rich in minerals; and now it is stockpiling reserves of optimism for the future. OMFIF is proud to work with Absa and our other partners and stakeholders in producing an important record of African endeavour and achievement. Within and beyond the continent, our index has grown into a beacon illuminating the path towards best financial market practice for many nations.



Claver Gatete

Executive Secretary, United Nations Economic Commission for Africa

Market growth and transformation

African capital markets have experienced remarkable development in 2024, indicating the continent's dynamic economic landscape and favourable global financial conditions.

This year's edition of the Absa Africa Financial Markets Index reflects this with 23 countries implementing environmental, social and governance market frameworks to broaden their investment appeal. New ESG bonds were listed in Botswana, Cabo Verde, Mauritius and Zambia, while Rwanda and Zambia implemented new climate-related financial regulation.

Initiatives aimed at broadening access to financial services have also enhanced the capacity of local investors, empowered millions and improved financial inclusion. For instance, in 2023, Egypt, Morocco and Tunisia implemented financial literacy and education campaigns to address the gaps in knowledge and access. Uganda also implemented an investor education programme to enhance knowledge and understanding of capital market products and services among individuals and communities.

However, the journey has not been without challenges. The rapid rise in external debt in recent years has become a pressing issue for many African nations. It has become increasingly challenging to list government bonds on international markets, and governments are becoming heavily reliant on the domestic credit market to finance budget deficit.

In response to these challenges, several African countries have undertaken major foreign exchange reforms to stabilise their economies. The introduction of a more flexible exchange rate system in Ethiopia is intended to enhance the country's export competitiveness, address chronic FX shortages and attract foreign direct investment. These reforms are part of a broader strategy to transition from a state-led to a more market-oriented economy.

Looking ahead to 2025, the economic outlook for Africa is promising. The Economic Commission for Africa has consistently emphasised the critical role of efficient and inclusive financial markets in catalysing sustainable development across the continent. Well-developed capital markets are essential for mobilising the necessary capital to support economic growth and structural transformation.

Executive summary

Widespread improvements across Africa

Pictured: Warriors from Maasai tribe looking at Mount Kilimanjaro – Kenya

THE Absa Africa Financial Markets Index offers a standardised measure for the accessibility, transparency and openness of financial markets across 29 African countries. Five key findings emerge in this year's report.

1. Clear and widespread progress

Overall scores increased in 23 countries this year, equivalent to 82% of the index. This represents the highest proportion over the past seven years. The widespread improvement is also reflected at the pillar level. In each of the six pillars, scores improved for more countries than fell.

More favourable global financial conditions are an important tailwind to these improvements. For example, this has supported activity in securities markets (Pillar 1), the value of pension fund assets (Pillar 4) and foreign exchange reserve adequacy (Pillar 2). Macroeconomic conditions have improved too, with inflation falling across the continent in the past year – excluding Angola and Nigeria (Pillar 5).

Importantly, there have also been structural improvements to market infrastructure this year. There is better transparency regarding FX markets (Pillar 2), monetary policy decisions (Pillar 5) and the creditworthiness of corporates (Pillar 3). Legal frameworks are advancing too, most notably in Ghana (Pillar 6).

2. Further implementation of ESG measures

In 23 AFMI countries, environmental, social and governance considerations have been introduced into market frameworks to broaden their investment appeal. This year, a new green taxonomy was published in the Western African Economic and Monetary Union to promote ESG assets. Meanwhile, new ESG issuances have emerged in the past year. The first listed green bonds came to market in Cabo Verde, Mauritius and Zambia, as well as the first sustainable bond in Botswana and a sustainability-linked bond in Rwanda.

Rwanda has also implemented new climate-related financial regulation. These ESG developments contribute to the 3-point increase in Rwanda's overall score to 47 – the highest riser this year.

3. New FX market reforms emerge

Liquidity in interbank FX markets remains limited in many markets across Africa, and the convertibility risk between local and hard currencies can dissuade foreign investor participation. This issue can be compounded by inconsistent price discovery due to limited exchange rate flexibility.

On the plus side, major FX reforms have been implemented in Egypt, Ethiopia and Nigeria in the past year to move towards more market-based regimes. While this does not directly improve scores for the 2024 index given the timing of the data collection, these reforms – if sustained – are likely to bolster transparency and activity in FX markets in the coming years. Other initiatives to promote access to FX include the easing of capital controls in Mozambique and new FX market guidelines in Tanzania and Zambia to improve transparency.

4. Weak scores for pensions, legal frameworks and external debt

The lowest average score is once again in Pillar 4, which measures the prominence of local pension funds, at just 28. For most countries, the formal pension system remains very underdeveloped.

Scores are also relatively low in Pillar 6, which assesses legal standards. Only four countries have a clean legal opinion for the enforceability of standard master agreements, although new or amended netting legislation is in the pipeline in some countries. Otherwise, the continued rise in external debt for most countries is a concern, with the International Monetary Fund deeming that 18 AFMI countries are in, or at risk of, debt distress. These are key areas policy-makers can address to support the growth of capital markets.

5. The long view shows clear gains

Though different countries have made gains in different areas, in total 20 countries have higher scores this year than when they were first introduced to the index. Survey respondents noted that the most important changes over this time have been the increase in domestic market size, improved financial inclusion and upgrades to market infrastructure. The widespread and long-term progress made in developing financial markets, despite the global shocks experienced in recent years, bodes well for Africa's resilience and investment prospects.

RANK		COUNTRY	SCORE		COMMENTS
2024	2023		2024	2023	
1	1	**South Africa**	**87**	87	Deep, liquid and advanced financial market
2	2	**Mauritius**	**77**	77	First listed green bond but softening growth prospects
3	3	**Nigeria**	**64**	65	High inflation and FX shortages weigh on score
4	4	**Uganda**	**63**	62	Strengthening macroeconomic environment
5	5	**Namibia**	**61**	61	Large pension assets but weaker liquidity
6	7	**Botswana**	**59**	58	First domestic sustainable bond issuance
7	6	**Ghana**	**59**	58	New clean legal opinion and sharp fall in inflation
8	8	**Kenya**	**57**	58	First domestic sukuk bond but weaker FX reserves
9	9	**Morocco**	**57**	56	Higher stock market size and liquidity
10	10	**Zambia**	**56**	55	New regulation for climate stress testing
11	11	**Egypt**	**55**	52	Improved size and liquidity of domestic bond market
12	12	**Tanzania**	**52**	50	New guidelines for FX market transparency
13	13	**Eswatini**	**47**	46	Additional sovereign credit rating improves transparency
14	16	**Rwanda**	**47**	44	Drop in inflation and new climate risk framework
15	15	**Cabo Verde**	**45**	45	First issuance of listed green bond
16	14	**Seychelles**	**45**	45	Higher pension assets support score
17	18	**Malawi**	**44**	43	Improved reserve adequacy but remains vulnerable
18	19	**Tunisia**	**44**	43	Improved price stability and MPC transparency
19	17	**Zimbabwe**	**43**	44	New FX regime but weakening growth prospects
20	22	**Mozambique**	**43**	41	Strong growth outlook and easing capital controls
21	23	**Senegal**	**42**	40	Increase in number of corporate credit ratings
22	21	**Côte d'Ivoire**	**42**	41	Improvement in non-performing loan ratio
23	-	**Benin**	**42**	-	New green taxonomy within West African economic block
24	24	**Cameroon**	**41**	40	Market liquidity edges higher
25	20	**Angola**	**41**	43	Higher inflation and external debt drags down score
26	27	**Madagascar**	**36**	34	Improvement in monetary policy transparency
27	25	**Lesotho**	**36**	35	Rise in pension assets per capita
28	26	**DRC**	**35**	35	IMF financing supports FX reserve adequacy
29	28	**Ethiopia**	**30**	29	New FX reforms and set to launch a securities exchange

Source: Absa Africa Financial Markets Index 2024
Note: Overall scores calculated as an average of six pillar scores. Maximum score = 100. Scores from 2023 are updated to incorporate any revisions and/or improved data collection methods and may not reflect those published in AFMI 2023. More information on pp.44-46.

Overall pillar scores max = 100

Pillar 1: Market depth	
South Africa	100
Morocco	63
Nigeria	57
Mauritius	56
Botswana	56
Egypt	53
Tanzania	49
Ghana	46
Uganda	46
Tunisia	45
Cabo Verde	40
Senegal	39
Namibia	38
Kenya	38
Angola	38
Côte d'Ivoire	37
Benin	35
Mozambique	35
Rwanda	33
Zambia	31
Cameroon	30
Eswatini	26
Malawi	26
DRC	22
Madagascar	20
Seychelles	19
Zimbabwe	16
Lesotho	12
Ethiopia	10

Pillar 2: Access to foreign exchange	
South Africa	87
Madagascar	79
Mauritius	76
Kenya	70
Botswana	68
Egypt	67
Uganda	67
Morocco	65
Cabo Verde	65
Tanzania	60
Angola	59
Rwanda	58
Zambia	56
Seychelles	56
Lesotho	56
Namibia	54
Ghana	53
Cameroon	53
Nigeria	52
Eswatini	50
Benin	50
Côte d'Ivoire	50
Senegal	50
Tunisia	49
DRC	48
Mozambique	47
Malawi	46
Ethiopia	41
Zimbabwe	33

Pillar 3: Market transparency, tax and regulatory environment	
Mauritius	95
South Africa	91
Egypt	88
Nigeria	86
Morocco	85
Kenya	85
Rwanda	84
Zimbabwe	82
Zambia	77
Botswana	77
Uganda	76
Ghana	76
Tanzania	76
Tunisia	70
Angola	61
Malawi	60
Eswatini	60
Namibia	59
Senegal	58
Cabo Verde	58
Benin	57
Côte d'Ivoire	56
Seychelles	50
DRC	50
Cameroon	50
Mozambique	45
Ethiopia	42
Lesotho	37
Madagascar	32

Pillar 4: Pension fund development	
Namibia	100
South Africa	66
Mauritius	64
Seychelles	60
Botswana	58
Eswatini	57
Morocco	32
Lesotho	31
Nigeria	28
Ghana	24
Cabo Verde	24
Egypt	22
Zimbabwe	21
Cameroon	19
Tanzania	19
Kenya	18
Rwanda	16
Mozambique	15
Uganda	15
Malawi	14
Angola	12
Senegal	12
Côte d'Ivoire	12
Tunisia	12
Zambia	12
Ethiopia	11
Benin	11
Madagascar	10
DRC	10

Pillar 5: Macroeconomic environment and transparency	
Botswana	88
Uganda	87
Tanzania	85
Rwanda	80
Eswatini	79
South Africa	78
Namibia	77
Seychelles	77
Kenya	76
Zambia	75
Mauritius	74
Nigeria	74
Mozambique	74
Côte d'Ivoire	74
Egypt	73
DRC	73
Benin	72
Morocco	70
Lesotho	70
Zimbabwe	70
Cameroon	70
Senegal	70
Madagascar	68
Ethiopia	67
Ghana	62
Malawi	62
Cabo Verde	62
Tunisia	60
Angola	52

Pillar 6: Legal standards and enforceability	
Mauritius	100
South Africa	100
Ghana	90
Nigeria	90
Uganda	85
Zambia	85
Kenya	55
Malawi	55
Mozambique	40
Namibia	40
Zimbabwe	40
Angola	25
Benin	25
Cabo Verde	25
Cameroon	25
Côte d'Ivoire	25
Egypt	25
Morocco	25
Senegal	25
Tanzania	25
Tunisia	25
Botswana	10
DRC	10
Eswatini	10
Ethiopia	10
Lesotho	10
Madagascar	10
Rwanda	10
Seychelles	10

Country snapshots

KEY (XX) = Overall score

- Market depth
- Access to foreign exchange
- Market transparency, tax and regulatory environment
- Pension fund development
- Macroeconomic environment and transparency
- Legal standards and enforceability

Country (Overall score)	Market depth	Access to foreign exchange	Market transparency, tax and regulatory environment	Pension fund development	Macroeconomic environment and transparency	Legal standards and enforceability
Angola (41)	38	59	61	12	52	25
Benin (42)	35	50	57	11	72	25
Botswana (59)	56	68	77	58	88	10
Cabo Verde (45)	40	65	58	24	62	25
Cameroon (41)	30	53	50	19	70	25
Côte D'Ivoire (42)	37	50	56	12	74	25
DRC (35)	22	48	50	10	73	10
Egypt (55)	53	67	88	22	73	25
Eswatini (47)	26	50	60	57	79	10
Ethiopia (30)	10	41	42	11	67	10
Ghana (59)	46	53	76	24	62	90
Kenya (57)	38	70	85	18	76	55
Lesotho (36)	12	56	37	31	70	10
Madagascar (36)	20	79	32	10	68	10
Malawi (44)	26	46	60	14	62	55
Mauritius (77)	56	76	95	64	74	100
Morocco (57)	63	65	85	32	70	25
Mozambique (43)	35	47	45	15	74	40
Namibia (61)	38	54	59	100	77	40
Nigeria (64)	57	52	86	28	74	90
Rwanda (47)	33	58	84	16	80	10
Senegal (42)	39	50	58	12	70	25
Seychelles (45)	19	56	50	60	77	10
South Africa (87)	100	87	91	66	78	100
Tanzania (52)	49	60	76	19	85	25
Tunisia (44)	45	49	70	12	60	25
Uganda (63)	46	67	76	15	87	85
Zambia (56)	31	56	77	12	75	85
Zimbabwe (43)	16	33	82	21	70	40

Highlights 2023-24

Market developments and policy changes enhance financial markets across the continent.

Angola
Two new corporate bonds issued by Sonangol and Griner Engenharia were added to the domestic exchange.

Benin/Côte d'Ivoire/Senegal
These three West African Economic and Monetary Union countries returned to international financial markets in 2024 with Eurobond issuances worth combined $4.1bn.

Botswana
The first sustainable bond was listed on the Botswana Stock Exchange in December 2023.

Cabo Verde
The first listed green bond was issued in November 2023 by a non-financial company in the electricity and water sector.

Cameroon
The Bourse des Valeurs Mobilières de l'Afrique Centrale All Share Index was established in December 2023 – the inaugural stock market index for Central African Economic and Monetary Community countries.

DRC
Banque Central du Congo is working with the International Monetary Fund to update its solvency regulation to align it with Basel III Standards.

Egypt
In September 2023, trading of treasury bills in the secondary market began on the Egyptian Exchange.

Eswatini
Two new listings on the Eswatini Stock Exchange increased equity market capitalisation by 50% in the past year.

Ethiopia
The National Bank of Ethiopia announced a major revision of the country's foreign exchange system by shifting to a market-based regime.

Ghana
The International Capital Markets Association issued a legal opinion on Ghana in August 2024.

Kenya
The Linzi Sukuk bond was listed on the Nairobi Securities Exchange in May 2024 – the country's first listed Islamic financial product.

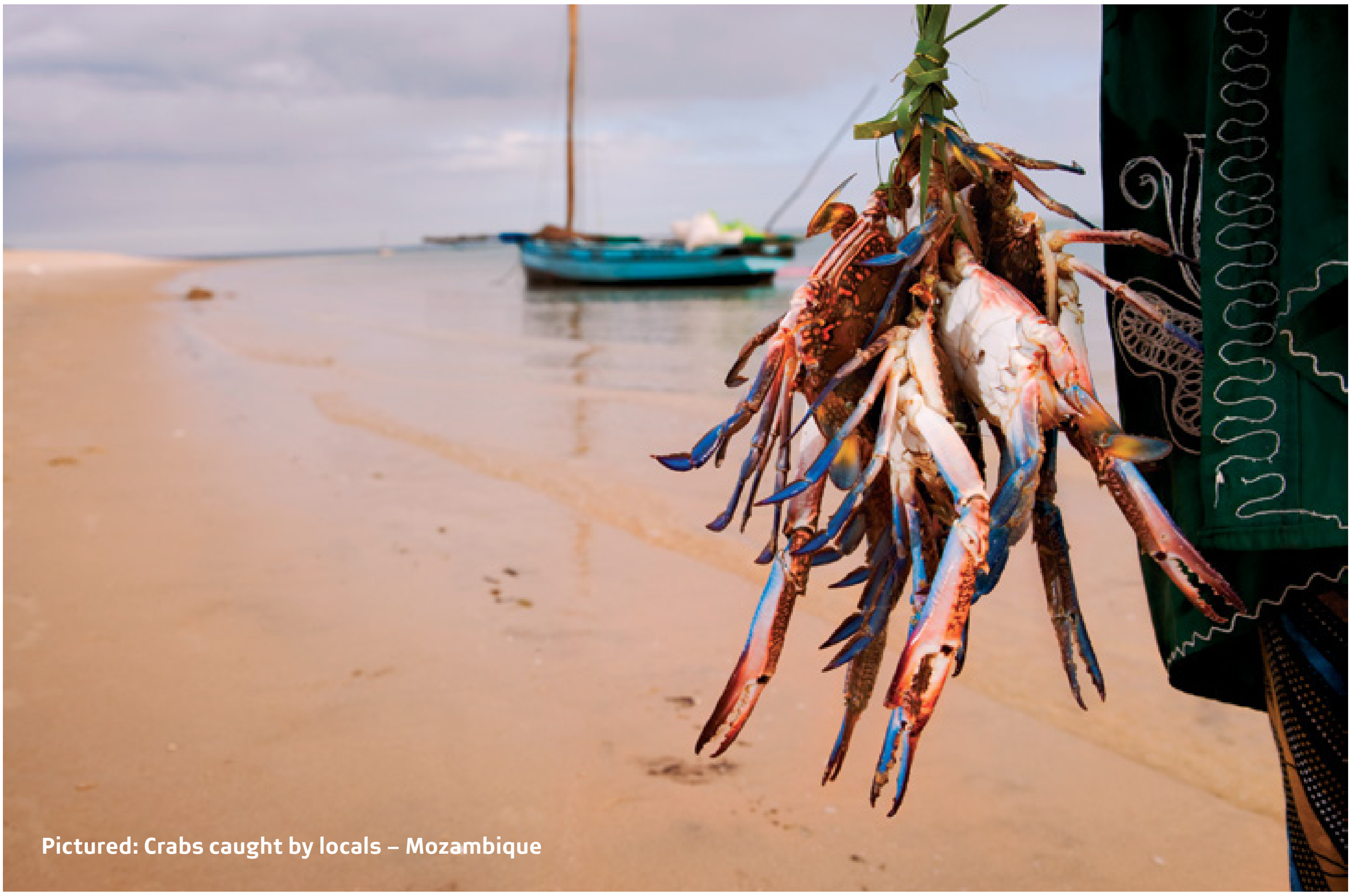
Pictured: African traditional fabrics in a shop – Ghana

Lesotho
Central Bank of Lesotho is developing an e-trading platform to improve access to information for investors.

Madagascar
Banky Foiben'i Madagasikara is exploring the e-Ariary, a central bank digital currency, to strengthen monetary sovereignty and enhance financial inclusion.

Malawi
A mobile trading platform has been introduced for bonds and equities on the Malawi Stock Exchange to ease access to capital markets.

Mauritius
The first green bond was listed on the Stock Exchange of Mauritius in October 2023.



Pictured: Crabs caught by locals – Mozambique

Morocco
The Casablanca Stock Exchange is working to introduce exchange-traded funds and a derivatives market.

Mozambique
A new FX law came into effect in April 2024 that allows for the liberalisation of some capital controls.

Namibia
The Namibian Stock Exchange launched the electronic Bond Trading System in October 2023.

Nigeria
FMDQ Exchange launched its exchange-traded derivatives market, allowing market participants to hedge foreign exchange and interest rate exposures.

Rwanda
The National Bank of Rwanda introduced guidelines for financial institutions to manage and disclose climate-related financial risks.

Seychelles
The Central Bank of Seychelles acquired the joint central securities depository and real-time gross settlement system in October 2023 to enhance the robustness and efficiency of its capital market.

South Africa
The Financial Sector Conduct Authority became the first organisation in Africa to become a signatory to IOSCO's enhanced multilateral memorandum of understanding.

Tanzania
The Bank of Tanzania introduced a new code of conduct, aimed at improving transparency in the interbank foreign exchange market.

Tunisia
The Tunis Stock Exchange obtained ISO 22301 certification, an international reference standard for business continuity management.

Uganda
Tradeclear was launched in Uganda in June 2024 allowing repurchase transactions under local Global Master Repurchase Agreements and various derivative products under the International Swaps and Derivatives Association.

Zambia
The Bank of Zambia conducted a stress test to assess the resilience of the banking sector to climate-related shocks.

Zimbabwe
The government reduced the capital gains withholding tax rate on equities to 2%, from 4%.

Pillar 1: Market depth

Pictured: Sea turtle – Mauritius

Pillar 1 evaluates the size and liquidity of domestic equity and bond markets, along with the diversity of listed assets and the existence of standard features that enhance market depth.

KEY FINDINGS:

1. There has been a clear divergence in the performance of AFMI countries on financial market size and liquidity, with scores improving in 19 countries this year and decreasing in seven.

2. The diversity of financial products has grown with new environmental, social and governance bonds, sukuk bonds and derivative products issued across AFMI countries.

3. Progress on market infrastructure has continued for a handful of countries, particularly in upgrading central securities depositories.

1.1. Divergence on financial market size and depth

Pillar 1 overall score and pillar components, max = 100

Country	2024 score	Change v. 2023		Size of markets	Liquidity	Product diversity	Depth	Primary dealer system
South Africa	100	-	0	100	100	100	100	100
Morocco	63	▲	2	38	22	84	70	100
Nigeria	57	▲	1	24	46	76	70	69
Mauritius	56	▲	2	70	16	97	40	59
Botswana	59	▲	3	64	15	75	70	55
Egypt	53	▲	11	42	70	58	40	55
Tanzania	49	▲	1	26	16	79	70	55
Ghana	46	▼	-2	43	49	38	40	61
Uganda	46	▲	0	32	10	60	70	56
Tunisia	45	▼	-1	39	21	40	70	58
Cabo Verde	40	▲	3	74	13	47	10	55
Senegal	39	▲	1	33	18	21	70	55
Namibia	38	▼	-2	63	28	48	40	10
Kenya	38	▲	0	44	19	76	40	10
Angola	38	▲	3	19	13	30	70	56
Côte d'Ivoire	37	▲	0	27	14	21	70	55
Benin	35	-	-	18	14	21	70	55
Mozambique	35	▲	1	27	15	37	40	56
Rwanda	33	▲	3	30	16	37	70	10
Zambia	31	▲	3	43	13	48	40	10
Cameroon	30	▲	2	11	12	30	40	55
Eswatini	26	▲	1	33	10	23	10	55
Malawi	26	▼	-1	38	12	28	40	11
DRC	22	▲	1	10	10	24	10	55
Madagascar	20	▲	0	10	10	13	10	55
Seychelles	19	▼	-3	26	11	37	10	10
Zimbabwe	16	▼	0	16	15	28	10	10
Lesotho	12	▼	0	18	10	13	10	10
Ethiopia	10	-	0	10	10	10	10	10

Source: AFMI 2024 survey, World Federation of Exchanges, national stock exchanges, International Monetary Fund, OMFIF analysis

Note: Overall Pillar 1 scores represent the average score across each of the Pillar 1 components. Average scores may differ to those implied by the individual components shown due to rounding. Arrows (▲▼) reflect changes in scores to 1 decimal point. Scores from 2023 are updated to incorporate any potential data revisions and may differ from those published in AFMI 2023. More information on pp.44-46.

The most dramatic improvement this year came from Egypt, whose outstanding sovereign bonds as a share of GDP increased by 15 percentage points.

MOST financial markets in AFMI countries have weathered the storm of the recent global shocks. Many have bounced back over the past 12 months, as the previous tightening of global financial conditions has begun to unwind, supporting investment into emerging and frontier markets. Others, though, are still struggling. These factors contribute to a clear divergence in the performance of AFMI economies on financial market size and liquidity this year, with scores improving in 19 countries and falling in seven.

In terms of size, most countries saw their financial markets grow in the year to June 2024. About two-thirds (17 countries) increased their stock market capitalisation as a percentage of gross domestic product, while this share fell in one-third (nine countries). This excludes the Democratic Republic of Congo, Ethiopia and Madagascar, which do not have securities exchanges.

Botswana's stock market experienced the biggest rise in the year to June 2024 to 255% of GDP, from 140% a year before (Figure 1.2). This was mainly driven by technical factors as some dual-listed large cap stocks 'traded for the first time in decades' according to a local survey respondent, leading to improved price discovery and a convergence with their international share price. Botswana has the second-highest equity capitalisation as a share of GDP after South Africa, where it held steady at close to 270% of GDP over the past year. The size, liquidity, sophistication and diversity of financial products in South Africa remains unrivalled, and the country continues to lead Pillar 1 with a score of 100.

After Botswana, Morocco's equity market capitalisation as a share of GDP rose the most, helping to lift its pillar score by 2 points to 63 and keeping the country in second place in Pillar 1. In addition, Eswatini's market cap as a share of GDP increased by 2.9 percentage points, due to the 'listing of the First National Bank of Eswatini and Nkonyeni Precast Limited on the main board of the ESE equity market,' noted an AFMI survey respondent from Eswatini. The country improved its pillar score by 1 point this year to 26.

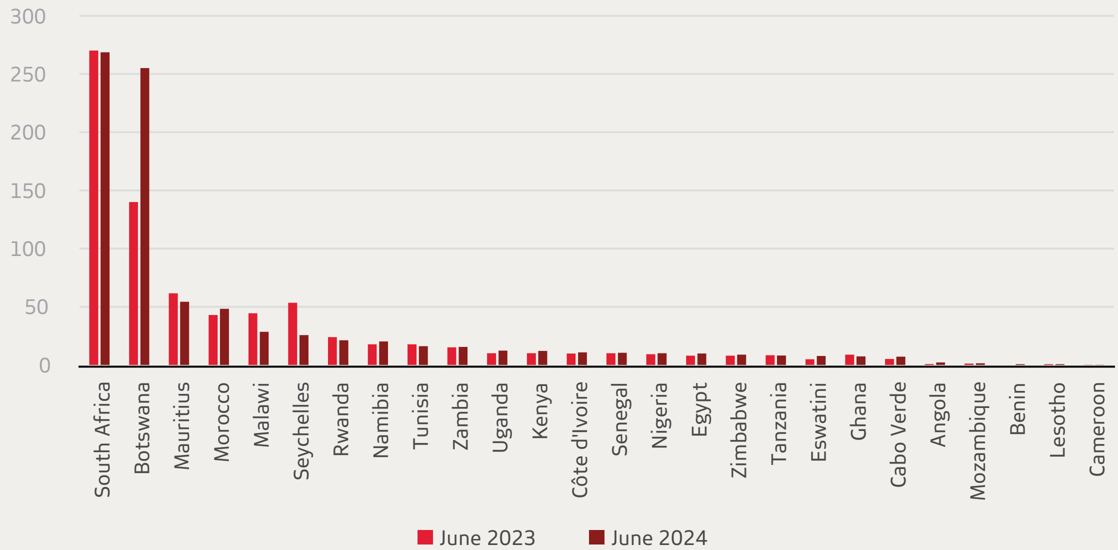
On the flipside, notable declines in stock markets in Seychelles and Malawi weighed on their scores. In Seychelles, this decrease in market size is linked to de-listings whereas, in Malawi, the market unwound some of the valuation gains experienced in 2023. These developments contributed to Malawi and Seychelles' overall pillar scores dropping this year by 1 and 3 points respectively.

Most countries experienced a rise in the value of sovereign bonds outstanding, in nominal terms and as a share of GDP. The most dramatic increase this year came from Egypt, whose outstanding sovereign bonds as a share of GDP increased by 15 percentage points. This change was explained in the Egyptian Exchange's (EGX) annual report: 'The secondary market witnessed the commencement of T-bills trading on September 24, 2023. Trading values registered EGP 2.55tn, representing a substantial contribution to the overall surge'.

Egypt also continues to have the highest equity market turnover as a share of market cap in the index, rising to 70.3%. As stated in the 2023 annual report of the EGX, the equity

1.2. South Africa tops the index and Botswana witnesses largest increase

Stock market capitalisation, % of GDP



Source: AFMI 2024 survey, World Federation of Exchanges, national stock exchanges, OMFIF anaylsis

Note: Excludes DRC, Ethiopia and Madagascar, which do not have domestic stock exchanges.

1.3. Product diversity improves across AFMI economies

Availability of selected financial products on exchanges or over the counter. Green highlight represents new products this year.

Country	Green bonds	Other ESG products	Islamic financial products
Egypt	✓	✓	✓
Kenya	✓	✓	✓
Morocco	✓	✓	✓
Nigeria	✓	✓	✓
South Africa	✓	✓	✓
Tanzania	✓	✓	✓
Cabo Verde	✓	✓	
Mauritius	✓	✓	
Namibia	✓	✓	
Zambia	✓	✓	
Botswana		✓	
Rwanda		✓	
Côte d'Ivoire			✓
Benin			✓
Senegal			✓
Tunisia			✓

Source: AFMI 2024 survey, OMFIF analysis

market received significant inflows from retail investors as it was seen 'as a hedge against inflationary pressures and accordingly investors channeled their capital into listed equities'. Combined with a surge in sovereign bond turnover and size, these factors contributed to Egypt's 11-point rise in Pillar 1, to 53 from 42.

Elsewhere, there were clear declines in market activity in Namibia and Ghana, dragging down their Pillar 1 scores. In Namibia, the 2023 Namibian Stock Exchange annual report noted a fall in trading activity for large-cap stocks. Meanwhile, Ghana's sovereign bond turnover fell significantly with one local survey respondent mentioning 'the major decline in activity may be attributed to the aftershocks and loss of investor confidence in government securities stemming from the Domestic Debt Exchange Programme'. The impact on the country's overall Pillar 1 score was partly offset by an improvement in corporate bond turnover, though Ghana still fell by 2 points in this pillar to 46.

Greater product diversification

Overall, AFMI countries are continuing the steady trend towards more diversified financial products on domestic exchanges. This can help to strengthen the diversity of the investor base and contribute to larger, deeper and more sophisticated capital markets in Africa.

ESG assets continue to gain prominence. As of June 2024, these products are now available in 12 AFMI countries compared to 10 countries a year earlier. There were notable new ESG listings in Botswana, Rwanda and Zambia, which pushed up their scores by 3 points each in Pillar 1 (Figure 1.3).

In Botswana, the country's first domestically-listed sustainable bond was issued in December 2023 by Absa Bank Botswana to finance affordable housing. In addition, Zambia's inaugural green bond was listed on the Lusaka Securities Exchange in January 2024. Elsewhere, the Development Bank of Rwanda listed a sustainability-linked bond on the domestic stock exchange in late 2023. The SLB determines interest payments by meeting key performance indicators linked to improving ESG compliance in the financial sector and increasing funding to women-led projects.

For some countries that had already introduced ESG products, there has been an expansion of their sustainable asset offerings over the past 12 months. Egypt saw the issuance of social sustainability securitisation bonds by bank Tasaheel Finance in January 2024. Cabo Verde, having already issued a blue bond in 2022, saw the issuance of a green bond in November 2023. In addition, the first green bond was listed on the Stock Exchange of Mauritius in October 2023 by Cim Finance.

ESG assets were not the only new asset classes introduced this year among AFMI countries. Kenya improved its score for product diversity this year via an inaugural domestic sukuk issuance in November 2023. 'The issuance of the Linzi sukuk bond highlights Kenya's commitment to addressing the urgent need for affordable housing through accessible financing,' noted a survey respondent from the country.

In Tanzania, there were various new Islamic financial products issued this year, following its inaugural sukuk issuance in 2023. Uganda is looking to follow suit. Authorities there announced the creation of a regulatory framework with provisions on sukuk bonds, Shariah-compliant collective investment schemes and relevant Shariah-compliant capital markets instruments. A respondent from the country noted in the AFMI survey that 'this wider range of products will cater to the growing pool of investors seeking ethical and socially responsible investments'.

Beyond ESG and Islamic financial assets, the availability of derivatives improved this year, with several new derivative products launched in AFMI countries. In Nigeria, the FMDQ securities exchange launched its exchange-traded derivatives market with two pioneer products: the Federal Government of Nigeria's Bond Futures and the Naira-Settled Exchange-

There were notable new ESG listings in Botswana, Rwanda and Zambia, which pushed up their scores by 3 points each in Pillar 1.

Traded Foreign Exchange Futures in July 2023. In Zimbabwe, a new Contract for Differences product was launched in May 2024 and is now available to be traded on the Victoria Falls Stock Exchange.

Meanwhile, Ghana's Stock Exchange launched the commercial paper market to introduce a new product on the Ghana Fixed Income Market in May 2024. A local survey respondent noted that 'this will enable corporate issuers to issue short-term securities to finance working capital, inventory and maintain liquidity'. Zambia also issued the country's first real estate investment trusts on its local exchange in June 2024.

New offerings are in the works across the continent. 'In efforts to launch the derivatives market, the FRA approved a set of legal amendments to allow the EGX to launch futures exchanges,' explained by an Egyptian respondent to the AFMI survey. Additionally, a Moroccan respondent noted that the country is 'working on introduction of exchange-traded funds and derivatives trading' while regulators in Malawi are developing a framework for ETFs.

A few countries are working on diaspora bonds – a financial instrument designed to attract savings from citizens or diasporic communities residing abroad to support domestic development. For example, Cabo Verde is developing a diaspora bond aiming to promote sustainable development in the country, while Kenya's National Treasury is working with the World Bank's Multilateral Investment Guarantee Agency on a diaspora bond, which aims to support infrastructure investments.

Progress on market infrastructure

While the past year did not see any meaningful changes made within primary dealer systems, progress continued in a handful of countries on the development of central securities depositories. While this does not directly impact scores, improvements in market infrastructure should enhance market efficiency and liquidity for index countries over time.

In September 2023, Kenya launched the Dhow CSD. A survey respondent from Kenya noted that this 'systemically important' CSD infrastructure will improve registry, custodial and settlement services for both primary and secondary securities market operations and is expected to 'transform Kenya's financial markets through enhanced operational efficiency and expansion of digital access, market deepening for broader financial inclusion'.

Namibia also began the implementation of its new CSD in March 2024. The initiative is aimed at the digitalisation of securities and settlement process, which is intended to foster greater market liquidity. The CSD is expected to fully launch mid-2026. The NSX also embarked on a project to implement a digital bond trading system on the domestic securities exchange. 'Trading in bonds was entirely over-the-counter until October 2023, when the new electronic bond trading system was launched,' explained a local respondent to the survey.

Another country to make progress on its CSD is Uganda. The Bank of Uganda has made progress in its project to connect the central bank's CSD with the Uganda Securities Exchange's central depository. 'This initiative aims to enable government securities to be traded on the Securities Exchange, thereby expanding the retail customer base for government securities and increasing market participation,' noted a survey respondent from the country. The launch is anticipated for October 2024.

Otherwise, market integration remains a key focus in some regions. The launch of the first stock market index, BVMAC All Share, in December 2023 has improved the prospects for equity trading across Cameroon and other central African economies. And in Kenya, the regulator authorised the East African Bond Exchange, which aims to facilitate the trading of fixed-income securities across multiple East African Community member states.

Another exciting development is that the Ethiopian Securities Exchange is expected to launch at the end of 2024. The country has been one of only three included in the index without a securities exchange, limiting the growth of Ethiopia's capital markets. The launch of the exchange should help facilitate improvements in Ethiopia's financial market size and liquidity, which, in turn, will contribute to economic growth.

Pictured: African Cape Buffalo Kruger National Park – South Africa

Pillar 2: Access to foreign exchange

Pictured: Sub-Saharan dunes – Morocco

Pillar 2 examines the ability of international investors to easily deploy and repatriate capital, and the capacity of central banks to manage volatility from foreign capital flows.

KEY FINDINGS:

1. Pillar 2 scores rose in 15 countries, primarily due to an improvement in foreign exchange reserve adequacy.

2. Sweeping currency reforms have been enacted in Egypt, Nigeria and Ethiopia as they have moved to more market-based FX regimes.

3. Adherence to the FX Global Code remains limited, though Tanzania has now adopted a new code of conduct to improve transparency in its interbank FX market.

2.1. Mixed performance as FX reserve adequacy diverges

Pillar 2 overall score and pillar components, max = 100

Country	2024 score	Change v. 2023		Reserve adequacy	FX liquidity	FX arrangement and controls	Reporting standards
South Africa	87	▼	-2	77	100	73	100
Madagascar	79	▲	9	73	100	43	100
Mauritius	76	▲	0	100	12	91	100
Kenya	70	▼	-2	53	40	88	100
Botswana	68	▼	-1	92	15	64	100
Egypt	67	▼	-3	64	14	91	100
Uganda	67	▼	0	44	57	67	100
Morocco	65	▲	2	77	33	52	100
Cabo Verde	65	▲	1	79	10	70	100
Tanzania	60	▲	7	55	10	76	100
Angola	59	▲	2	100	10	25	100
Rwanda	58	▲	1	54	10	70	100
Zambia	56	▲	0	45	11	70	100
Seychelles	56	▲	1	47	10	67	100
Lesotho	56	▲	3	59	10	55	100
Namibia	54	▼	0	61	10	46	100
Ghana	53	▼	0	28	43	41	100
Cameroon	53	▼	-1	56	10	46	100
Nigeria	52	▼	-3	73	13	31	90
Eswatini	50	▲	2	45	10	46	100
Benin	50	-	-	48	10	43	100
Côte d'Ivoire	50	▼	-2	48	10	43	100
Senegal	50	▼	-2	48	10	43	100
Tunisia	49	▲	1	51	13	43	90
DRC	48	▲	6	32	10	49	100
Mozambique	47	▼	-1	35	10	43	100
Malawi	46	▲	5	29	13	43	100
Ethiopia	41	▲	0	15	10	40	100
Zimbabwe	33	▼	-1	10	10	10	100

Source: AFMI 2024 survey, IMF, national central banks

Note: Overall Pillar 2 scores represent the average score across each of the Pillar 2 components. Average scores may differ to those implied by the individual components shown due to rounding. Arrows (▲▼) reflect changes in scores to 1 decimal point. Scores from 2023 are updated to incorporate any potential data revisions and may differ from those published in AFMI 2023. More information on pp.44-46.

In 14 AFMI countries, FX reserves fell relative to months of imports in 2023.

PILLAR 2 evaluates the ease of access and transparency of foreign exchange systems. It considers indicators for the flexibility and reporting of exchange rates, the breadth of capital restrictions and for interbank FX liquidity. This pillar also measures the adequacy of FX reserves to gauge central banks' ability to manage the potential volatility from international capital flows.

Divergence in FX adequacy

There were mixed developments in Pillar 2 this year. Scores improved in 15 AFMI countries and deteriorated in 11, mainly due to diverging outcomes for FX reserves adequacy. This indicator measures international reserves relative to months of imports, with the latest value taken from International Monetary Fund data for 2023.

FX reserves relative to imports rose for 15 countries as global financial conditions began to ease and, for commodity importers, food and fuel prices fell, which alleviated some external pressures. Fresh IMF financing also supported FX reserve positions for many countries, including Ghana, DRC and Malawi, which were among the biggest improvers on this indicator.

However, these three economies, alongside Zimbabwe, Ethiopia and Mozambique, remained in a vulnerable position as their reserves stayed below three months of imports in 2023 – a common threshold marking the adequacy of reserves (Figure 2.2). A survey respondent from Malawi highlighted 'the current forex shortage deters foreign portfolio investors from participating in the Malawi Stock Exchange, despite it being one of the best-performing exchanges in the region and the continent'. Similarly, a participant from Zimbabwe mentioned 'foreign currency shortages will negatively affect the performance of most companies… [which] will lead to subdued activity in the capital market'.

In 14 AFMI countries, FX reserves fell relative to months of imports in 2023. This includes Kenya, mainly due to central bank intervention to stabilise its weakening currency last year, as well as Nigeria and West African Economic and Monetary Union countries (Benin, Côte d'Ivoire and Senegal). South Africa's FX reserve adequacy also declined, to 5.7 months of imports from 6.2, which weighs on its overall Pillar 2 score. However, it remains the highest-ranked country in the pillar with a score of 87 as its FX reserve adequacy is still relatively strong, the country maintained high interbank FX liquidity and it has a transparent and relatively open FX market.

New measure for interbank FX liquidity

Access to FX for consumers, businesses and investors relies on a strong and liquid interbank market. This can ensure accurate pass-through of official exchange rates to the domestic economy. Ample FX liquidity also encourages foreign investors to participate in African markets as it reduces the convertibility risk between local and hard currencies.

For the 2024 edition of AFMI, the indicator for interbank FX liquidity has been amended to measure it in annual terms relative to total annual merchandise trade (exports plus imports) in the latest full calendar year. In previous editions of AFMI, annual interbank FX liquidity was taken in nominal terms alone.

This updated measure provides a more accurate gauge of access to FX for economic agents and market participants given the size of the economy. Madagascar's Pillar 2 score fares better under this new methodology while Egypt and Morocco score lower, with minimal impact on other countries. To allow for more accurate annual comparisons, Pillar 2 scores from last year's AFMI have been amended based on this new measure.

Madagascar's interbank FX liquidity soared to over 250% of total trade in 2023, from just under 150% in 2022. The central bank's latest quarterly bulletin mentions an increase in interbank FX activity owing to new mining-related activities, transfers from public sector projects and rising exports. This pushes Madagascar to second position in Pillar 2 with a score of 79, from 70 a year ago.

There was also a notable improvement in interbank FX transactions in Morocco. Bank Al-Maghrib's 2023 annual report showed a '74.7% increase in the average monthly volume of transactions to 62.8bn dirhams', equivalent to almost $75bn annually and 67% of total trade. This led to a 2-point rise in Morocco's Pillar 2 score (based on the amended methodology) to 65.

Elsewhere on the continent, interbank FX liquidity remains constrained. The average score for this indicator is just 22. Interbank FX liquidity fell over the course of 2023 for Egypt and Nigeria as both countries struggled with FX shortages amid growing external pressures. This contributed to a 3-point decline in Pillar 2 scores for both countries. However, policy-makers in Egypt and Nigeria have subsequently implemented reforms with the aim of supporting transparency and activity in FX markets in the near future.

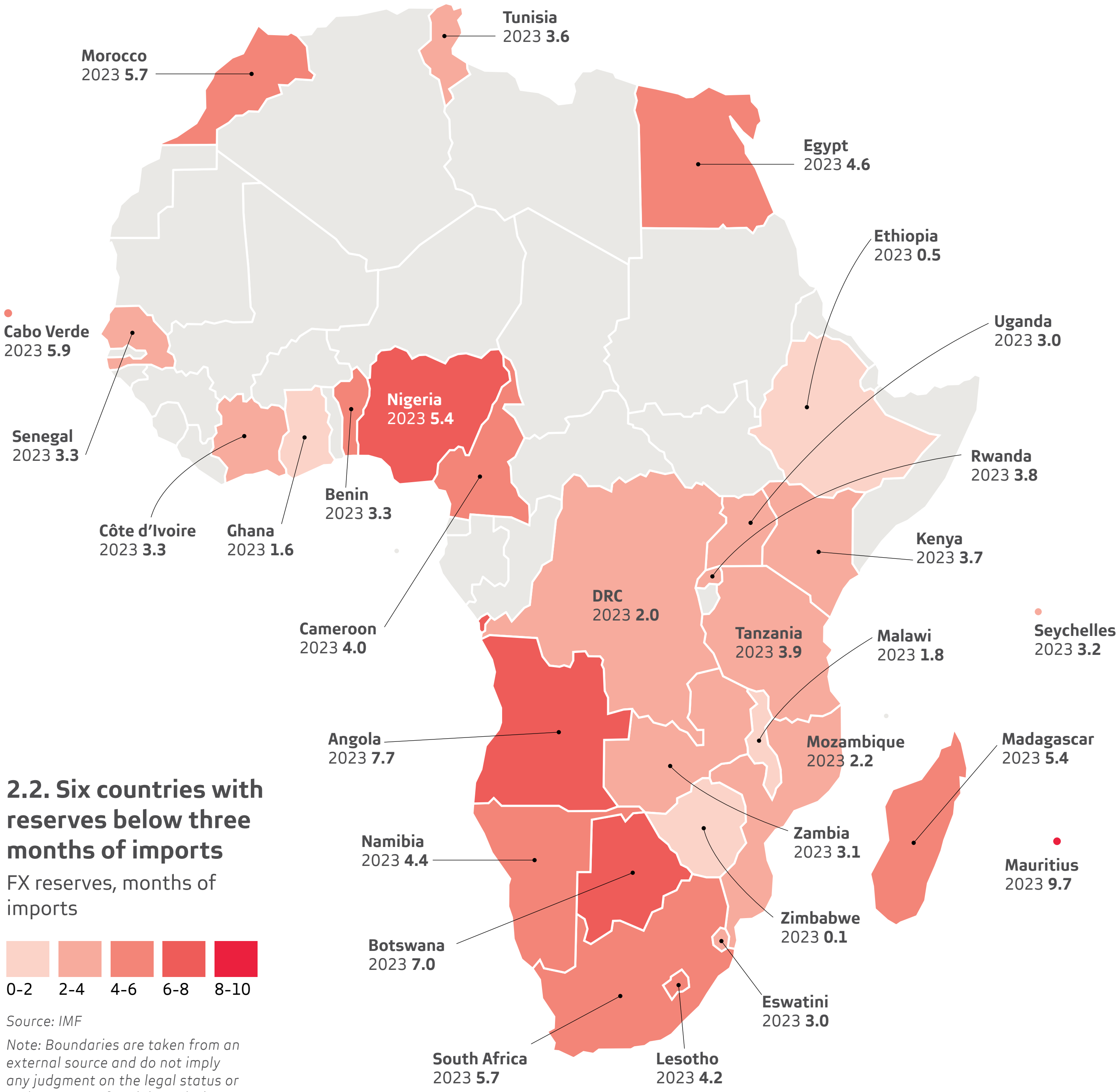
New FX reforms across Africa

In March 2024, the Central Bank of Egypt devalued the pound by 60% to unify the official and parallel exchange rates. The liberalisation of its FX system is seen as an important step to bolster activity in the interbank market and avoid future external imbalances. A local survey participant mentioned that the move should foster 'a more predictable investment climate'.

The Central Bank of Nigeria also eased FX

2.2. Six countries with reserves below three months of imports

FX reserves, months of imports



0-2 | 2-4 | 4-6 | 6-8 | 8-10

Source: IMF

Note: Boundaries are taken from an external source and do not imply any judgment on the legal status or endorsement of such boundaries.

100

Almost all countries score 100 for reporting standards in this pillar due to the daily frequency and publishing of official FX data.

distortions by unifying its multiple exchange rate windows in June 2023. The immediate impact has been a sharp depreciation of the naira in the official currency market and FX shortages have continued in 2024. However, local survey respondents are encouraged by the reforms, which, over time, are expected to enhance FX liquidity. One mentioned 'the initiatives have certainly improved price transparency, enabling participants to assess and measure FX exposures effectively'. Another stated the 'increased transparency in the FX market is expected to eventually strengthen the naira'.

In July 2024, the National Bank of Ethiopia enacted a major switch to a free-floating exchange rate. The new regime 'introduces a competitive, market-based determination of the exchange rate and addresses a long-standing distortion within the Ethiopian economy', according to the central bank's communications. Commercial banks are allowed to buy and sell FX at freely negotiated rates, with only limited market interventions by the NBE. The move is expected to support interbank FX liquidity and attract foreign investment.

In Zimbabwe, the central bank introduced a new official currency, Zimbabwe Gold (ZiG) in April 2024 with the aim of providing a more market-determined FX system. A survey respondent in the country explained 'the currency is anchored by a composite basket of foreign currency and precious metals (mainly gold) held as reserves'. However, the country continues to face FX shortages prompting the central bank to devalue the ZiG by more than 40% in September 2024. The continuation of its multiple currency system and Zimbabwe's limited FX reserves means it remains the lowest scorer in Pillar 2 with a score of 33.

Capital controls and transparency

Almost all countries score 100 for reporting standards in this pillar due to the daily frequency and publishing of official exchange rates on central bank websites. However, adoption of the FX Global Code – an internationally recognised set of best practice principles to ensure a transparent FX market – remains limited. This code is adopted in fewer than 10 AFMI countries.

Tanzania improved its score on this measure. In January 2024, the Bank of Tanzania published the Interbank Foreign Exchange Market Code of Conduct, which is 'aimed at improving ethical conduct and transparency in the interbank foreign exchange market', according to a survey respondent. The regulations align with 52 of the 55 principles of the FX Global Code. This development contributes to a 7-point increase in Tanzania score to 60 in Pillar 2. Survey respondents in Cabo Verde and Botswana mentioned they are planning to adopt the FX Global Code, while authorities in DRC and Madagascar are working with the IMF to adhere to these principles.

Elsewhere, in May 2024, the Bank of Zambia issued new Foreign Exchange Market Guidelines that require residents and corporates in Zambia to buy or sell foreign currency with authorised dealers only. This is intended to reduce transactions outside of the formal market and is 'aimed at enhancing transparency, efficiency and effectiveness of the domestic foreign exchange market', according to communications by the central bank.

Finally, Pillar 2 explores the breadth of capital controls imposed in AFMI economies. Capital restrictions were unchanged for most countries, though one important new development came in Mozambique. The government earlier this year enacted the Foreign Exchange Law, which, according to the IMF, 'provides a legal environment where the [Banco de Moçambique] can confidently implement the gradual liberalisation of international transactions on both the capital and financial account'. Among the changes so far, real estate investment has been liberalised and foreign citizens are permitted to invest up to $1m without prior authorisation from the central bank.

In January 2024, the Bank of Tanzania published the Interbank Foreign Exchange Market Code of Conduct, which is 'aimed at improving ethical conduct and transparency in the interbank foreign exchange market'.

Pictured: View of Stone Town, Zanzibar - Tanzania

In focus

Promoting international and domestic investment

Initiatives to improve access to foreign exchange, as well as attract international and domestic capital, have been introduced across the continent in the past year.

INTERNATIONAL

FX reforms

- The Central Bank of Nigeria reduced FX distortions by unifying its multiple exchange rate windows in June 2023.
- In March 2024, the Central Bank of Egypt devalued the pound by 60% to unify the official and parallel exchange rates.
- In July 2024, the National Bank of Ethiopia moved to a market-based FX regime, allowing banks to buy and sell FX at freely negotiated rates.
- The Reserve Bank of Zimbabwe introduced a new official currency, Zimbabwe Gold, in April 2024, which is anchored to a basket of foreign currency and gold.
- In January 2024, the Bank of Tanzania published the Interbank Foreign Exchange Market Code of Conduct, underpinned by the FX Global Code, to improve transparency.
- The Bank of Zambia issued new Foreign Exchange Market Guidelines in May 2024 that require residents and corporates to use authorised dealers to buy or sell foreign currency.

Access to international capital

- Four AFMI countries – Côte d'Ivoire, Benin, Kenya and Senegal – issued a combined $5.7bn in Eurobonds in the first half of 2024. No sub-Saharan African countries issued international sovereign bonds in 2023.
- Egypt agreed a multi-year $35bn investment deal with the United Arab Emirates to transform the Ras al-Hekma area into a dynamic economic zone and tourism hub.
- Zambia finalised a $3bn Eurobond restructuring deal with bondholders, with a successful bond exchange in June 2024 providing significant external debt relief.
- In June 2024, Ghana reached a deal with private creditors to restructure $13bn of Eurobonds.
- Ethiopia defaulted on a Eurobond payment in December 2023 but secured a $3.4bn financing deal from the International Monetary Fund in July 2024 to support a restructuring with bondholders and official creditors.
- Cabo Verde and Kenya are developing diaspora bonds to attract investment inflows from citizens and diasporic communities residing abroad.
- Kenya is working with the World Bank to issue Africa's first sovereign sustainability-linked bond, worth $500m, in late 2024 to early 2025.

DOMESTIC

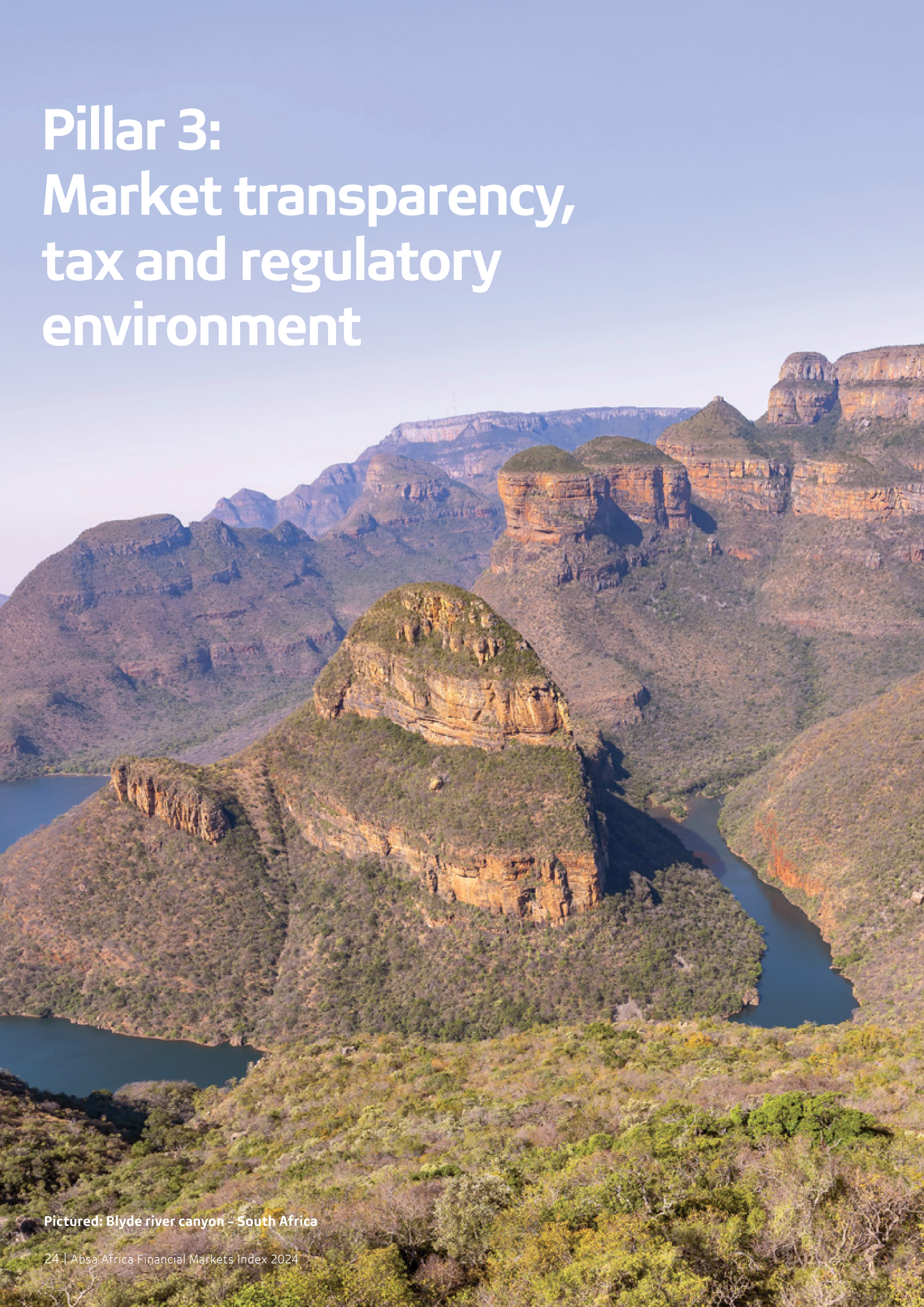
Market infrastructure and regulation

- Survey respondents from Botswana, Cabo Verde, Ethiopia, Kenya, Namibia, Seychelles, Uganda and Zambia mentioned the implementation of, or plans for, upgrades to central securities depositories to enhance settlement and support greater market liquidity.
- Authorities in Botswana, Ghana, Tanzania, Uganda and Zambia are working with Frontclear to develop their domestic interbank and money markets.
- Regulation regarding digital assets is developing in Cabo Verde, Kenya, Mauritius, Nigeria and Rwanda.
- Autorité des Marchés Financiers de l'Union Monétaire Ouest Africaine, the regulatory authority for the Western African Monetary and Economic Union, published a taxonomy for the issuance of green, social and sustainable bonds.
- A regulatory framework is being developed in Uganda to support the provision of sukuk bonds and Shariah-compliant collective investment schemes.

New financial products

- Cabo Verde, Mauritius and Zambia had their first domestic green bond issuance in the past year.
- Absa Bank Botswana issued the first sustainable bond on the Botswana Stock Exchange in December 2023 to finance affordable housing.
- Rwanda's first domestic sustainability-linked bond was listed in September 2023.
- The Linzi sukuk bond was issued in November 2023 – the first listed Islamic financial product in Kenya.
- Zambia issued the country's first real estate investment trust on its local exchange in June 2024.
- Ghana's stock exchange launched the commercial paper market in May 2024.
- New derivatives or exchange-traded funds have been introduced, or are being worked on, in Egypt, Malawi, Morocco and Nigeria.

Pillar 3: Market transparency, tax and regulatory environment



Pictured: Blyde river canyon – South Africa

Pillar 3 evaluates the transparency of financial markets, focusing on tax systems, regulatory frameworks and the integration of environmental, social and governance criteria.

KEY FINDINGS:

1. This year, 23 countries have incorporated ESG into their financial market frameworks, with progress in Rwanda, Zambia, Senegal, Côte d'Ivoire and Benin over the past year.

2. Pillar 3 scores improved in 17 countries, mainly driven by an increase in the number of corporate credit ratings.

3. Mauritius maintains the most attractive tax environment and leads Pillar 3, while some countries are making tax regimes more conducive to investors.

3.1. Rwanda and Zambia progress in the top 10

Pillar 3 overall score and pillar components, max = 100

Country	2024 score	Change v. 2023		Financial stability regulation	Corporate reporting standards and governance	Tax environment	Financial information transparency	ESG initiatives and standards	Existence of credit ratings
Mauritius	95	▲	0	100	100	92	100	100	76
South Africa	91	▼	-3	100	100	74	100	100	70
Egypt	88	▲	1	100	70	81	100	100	77
Nigeria	86	-	0	55	100	60	100	100	100
Morocco	85	▼	-2	100	77	87	100	100	49
Kenya	85	▼	-2	100	100	34	100	100	73
Rwanda	84	▲	8	100	100	45	100	100	57
Zimbabwe	82	▲	0	100	100	64	100	100	26
Zambia	77	▲	5	78	100	40	100	100	43
Botswana	77	▲	3	55	100	60	100	100	46
Uganda	76	▲	1	55	100	41	100	100	63
Ghana	76	▼	-4	55	100	66	100	100	37
Tanzania	76	▲	0	55	100	55	100	100	45
Tunisia	70	▼	-2	55	62	90	55	100	59
Angola	61	▼	-3	55	70	43	100	55	44
Malawi	60	▲	0	55	100	39	100	55	11
Eswatini	60	▲	3	33	100	46	100	55	25
Namibia	59	▲	3	55	100	43	55	55	47
Senegal	58	▲	10	55	85	54	55	55	44
Cabo Verde	58	-	0	33	62	56	55	100	40
Benin	57	-	-	55	85	37	55	55	55
Côte d'Ivoire	56	▲	5	55	85	40	55	55	48
Seychelles	50	-	0	55	55	58	100	10	25
DRC	50	▼	-3	55	85	23	100	10	25
Cameroon	50	▲	0	10	85	36	55	55	56
Mozambique	45	▲	3	33	85	29	55	10	58
Ethiopia	42	▲	2	10	55	67	55	10	55
Lesotho	37	-	0	33	40	13	100	10	25
Madagascar	32	▲	0	33	32	37	55	10	25

Source: AFMI 2024 survey, Bank for International Settlements, International Financial Reporting Standards, PricewaterhouseCoopers, GCR Ratings, LSEG Data & Analytics

Note: Overall Pillar 3 scores represent the average score across each of the Pillar 3 components. Average scores may differ to those implied by the individual components shown due to rounding. Arrows (▲▼) reflect changes in scores to 1 decimal point. Scores from 2023 are updated to incorporate any potential data revisions and may differ from those published in AFMI 2023. More information on pp.44-46.

Rwanda and Zambia have made significant strides on ESG having implemented climate stress testing measures this year.

PILLAR 3 evaluates key factors supporting financial market development, including regulatory frameworks, tax regimes and market transparency. Since 2021, the pillar's scoring has expanded to include ESG criteria, reflecting an increased global investment focus on sustainability. Three years on, ESG considerations remain central to promoting resilient and attractive financial markets across Africa.

Rwanda and Zambia have made significant strides on this front having implemented climate stress testing measures this year. Stress testing is now implemented in eight countries in the index (Figure 3.2), compared to just one in 2021 - South Africa. In March 2024, the National Bank of Rwanda introduced guidelines requiring financial institutions to integrate climate and environmental risks into their risk management frameworks, mandating clear reporting and disclosure. Elsewhere, in May 2024, the Bank of Zambia conducted macro stress tests including assessing the impact of the 2023-24 El Niño-induced drought on the financial system. These developments have helped to push Rwanda up five spots in the Pillar 3 rankings, and Zambia up four places into the top 10.

Cabo Verde, Malawi and Botswana are in the planning stages of climate stress testing implementation. Cabo Verde is doing so as part of its International Monetary Fund technical assistance programme. Similarly, a survey respondent from Malawi mentioned a diagnostic study is underway at the central bank with the stress testing team receiving training to accelerate the integration of climate risk assessments. The Bank of Botswana's financial stability division is also considering incorporating tests for banks in its jurisdiction.

More generally, 23 AFMI countries are now implementing ESG measures in their financial market infrastructure. A new development in the past year is that Autorité des Marchés Financiers de l'Union Monétaire Ouest Africaine, the regulator for the West African Monetary and Economic Union, published a taxonomy to classify for green, social and sustainability bonds. This

3.2. ESG policies now exist in 23 AFMI countries

Existence of sustainability-focused policies. Green highlight represents new policies this year.

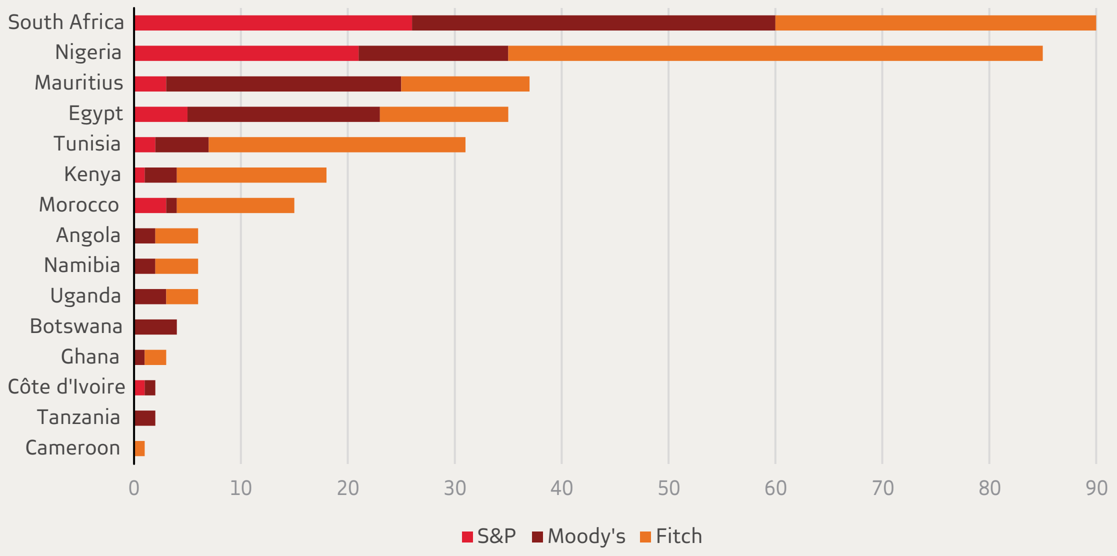
Country	Climate stress testing	Incentives for issuing ESG assets	ESG market standards
Egypt	✓	✓	✓
Kenya	✓	✓	✓
Mauritius	✓	✓	✓
Morocco	✓	✓	✓
South Africa	✓	✓	✓
Zimbabwe	✓	✓	✓
Rwanda	✓	✓	✓
Zambia	✓	✓	✓
Botswana		✓	✓
Tanzania		✓	✓
Cabo Verde		✓	✓
Ghana		✓	✓
Nigeria		✓	✓
Tunisia		✓	✓
Uganda		✓	✓
Angola			✓
Cameroon			✓
Eswatini			✓
Malawi			✓
Namibia			✓
Benin			✓
Côte d'Ivoire			✓
Senegal			✓

Source: AFMI 2024 survey

Note: Countries not included are DRC, Ethiopia, Lesotho, Madagascar, Mozambique and Seychelles.

3.3. General rise in corporate credit ratings

Number of corporate credit ratings by international agencies, 12 months to June 2024



Source: LSEG Data & Analytics, OMFIF analysis

covers three AFMI countries – Benin, Senegal and Côte d'Ivoire.

Across Africa, many other countries are looking to enhance their ESG financial market frameworks. A survey respondent from Cabo Verde mentioned that the Securities Market Audit Office at the central bank is in the process of developing an ESG taxonomy and reporting manual for issuers. According to a survey participant in Kenya, a draft on its Green Finance Taxonomy was released for public consultation. This is intended to enable market participants to classify whether economic activities are green or environmentally sustainable.

Elsewhere, the Stock Exchange of Mauritius is looking to create a specialist ESG board to support sustainable financial product issuance. A step ahead, the Nigerian Exchange has launched the Impact Board, a new platform approved by the Securities and Exchange Commission to list sustainability instruments like green bonds and social bonds. Separately, authorities in the Democratic Republic of Congo are working on measures for climate-sensitive public finance management and a carbon credit market.

Credit ratings: improvements in transparency

Alongside progress in ESG for some countries, a broad-based rise in the number of credit ratings in the past year has pushed up scores in Pillar 3 for most countries. Credit ratings are important for financial transparency as they provide investors with detailed analysis of the creditworthiness of sovereigns and corporates.

The number of GCR ratings in Ghana nearly doubled to 23 in the year to June 2024, from 12 a year before.

In the 12 months to June 2024, 15 countries experienced a rise in the number of corporate credit ratings by international rating agencies such as S&P, Fitch and Moody's. South Africa climbed above Nigeria on this indicator with 90 ratings in the past year, 20 higher than the year before (Figure 3.3). There were also increases in Egypt, Tunisia and Kenya on this measure. The total number of international corporate ratings in AFMI countries rose to 343 in the year to June 2024, up from 307 a year before.

Pillar 3 also includes corporate credit ratings from the Johannesburg-based agency GCR. South Africa experienced a decline in its total GCR ratings to 219 from 258, though this remains the highest number on the continent. In contrast, the number of GCR ratings in Ghana nearly doubled to 23 in the year to June 2024, from 12 a year before, driven primarily by gains in the banks and non-bank financial institutions sector. Similarly, Senegal saw a remarkable increase in its total GCR ratings, rising to 41 from 11, fuelled by introduction of ratings for structured finance securitisation products. This, along with AMF-UMOA's new green taxonomy, pushed up Senegal's Pillar 3 score to 58, from 48 last year.

Additionally, there have been important new developments in domestic credit rating infrastructure to promote transparency. In March 2024, Ghana established the Domestic Credit Rating Agency through the collaboration of the Ghana Stock Exchange, the National Insurance Committee and the National Pensions Regulatory Authority. According to a survey respondent from Ghana: 'The DCRA aims to enhance transparency and improve access to financing for corporates and financial institutions.' There has been a similar development in Uganda as ICRA Ratings was licenced as the country's first credit ratings agency. 'This initiative will provide credit ratings for both corporates and SMEs, improving borrower credibility and facilitating better access to financing', said a survey participant from Uganda.

Pillar 3 also examines sovereign credit ratings by international agencies. South Africa had one fewer sovereign rating in the 12 months to June 2024, contributing to a small fall in its overall Pillar 3 score to 91, from 93. Kenya and Morocco also had fewer international sovereign ratings in the past year, which resulted in the countries slipping to fifth and sixth positions in Pillar 3 respectively, moving below Egypt and Nigeria.

Reporting standards hold steady

On financial reporting - another key component for enhancing investor trust and market integrity - all countries score well for having established fixed dates and times for reporting. This is generally done in compliance with International Financial Reporting Standards, meaning the average score for corporate reporting standards and governance for index countries this year is 82.

While scores for IFRS compliance across AFMI countries are unchanged in 2024, some relatively low-scoring countries on this measure are making efforts to improve. Tunisia, with a score of 62 for corporate reporting standards and governance, is enhancing market transparency by suspending trading in listed companies until necessary reporting announcements are made. That said, one local survey respondent mentioned 'Tunisia still lacks an independent authority to oversee audit work, a gap highlighted by international standards.'

15 countries experienced a rise in the number of corporate credit ratings by international rating agencies.

343 The total number of international corporate ratings in AFMI countries rose to 343 in the year to June 2024, up from 307 a year before.

23 AFMI countries are now implementing ESG measures in their financial market infrastructure.

In Egypt, which scored 70 on this metric, companies are required to prepare financial statements following Egyptian Accounting Standards, developed by the Egyptian Society of Accountants and Auditors. A local respondent to the survey said 'efforts are ongoing to align EAS with international standards. The Financial Regulatory Authority is amending local financial reporting requirements to align more closely with IFRS, particularly regarding the S1 and S2 standards.'

Some investor-friendly tax changes

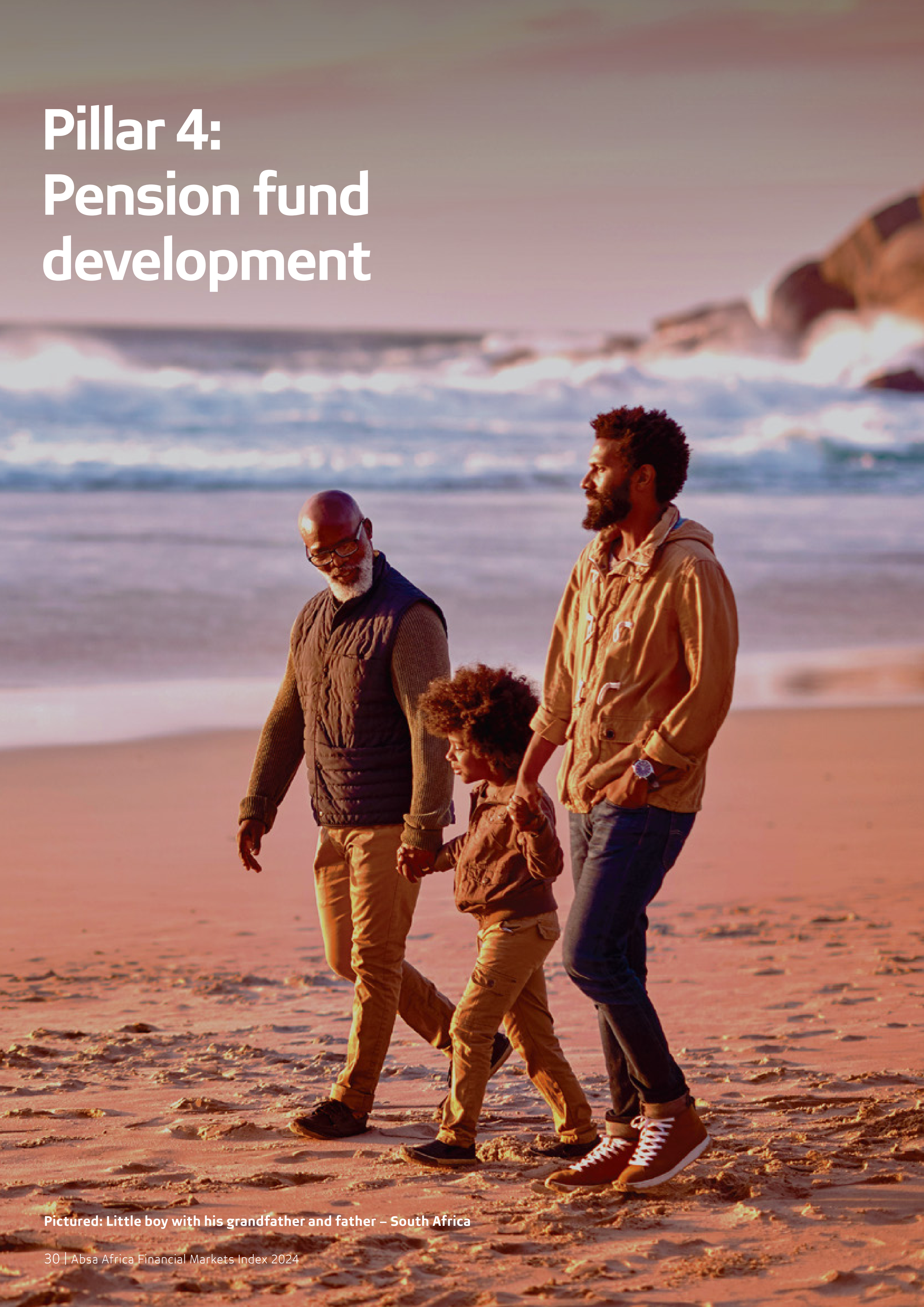
Aside from ESG and financial transparency, conducive tax environments play a critical role in attracting investors. This year saw few changes in tax regimes across Africa. Mauritius leads on this indicator with a tax environment score of 92, contributing to its overall Pillar 3 score of 95 – the highest in the index. The country has the lowest average dividend and interest withholding tax rates for non-residents at 7.5%. It also has 45 double taxation treaties with foreign nations, which increases its attractiveness to international investors in those countries. Only South Africa (79), Egypt (60), Morocco (55) and Tunisia (51) have more. In contrast, Lesotho maintains the highest withholding tax rates for dividends and interest at 25% and has just five tax treaties, resulting in the lowest tax regime score in the index at 13.

Some countries have made their tax environments more attractive. Ghana added Qatar to its tax treaty network. Meanwhile, a double-tax deal between Benin and Rwanda is set to take effect in 2025. In Cabo Verde, the introduction of a tax exemption on income from bonds, along with plans to launch a diaspora bond, aims to attract investment from its citizens abroad. In Zimbabwe, the government reversed course on earlier capital gains tax hikes and reduced the capital gains withholding tax on equities to 2% from 4%. In Uganda, plans to tax collective action schemes were abandoned and parliament passed a law exempting private equity funds from both income tax and stamp duty. 'This tax incentive is expected to encourage the domiciliation of private equity funds, which will provide much-needed capital for businesses, particularly SMEs,' noted one local authority.

Elsewhere, tax conditions remain challenging. Law No. 30 of 2023 introduced capital gains taxes on securities listed on the Egyptian Stock Exchange for residents, but the lack of clear accounting guidelines has added uncertainty for investors. Meanwhile, Ghana's suspension of the capital gains tax exemption is expected to reduce investor participation, according to a survey participant. Additionally, a participant from Ethiopia mentioned that 'offering tax benefits to issuers may be challenging', hence this may stunt the development of its capital market.

Pictured: A pier – Mauritius

Pillar 4: Pension fund development



Pictured: Little boy with his grandfather and father – South Africa

Pillar 4 evaluates the potential for institutional investors to drive capital market growth based on the size of pension fund markets, both in per capita terms and relative to local listed securities.

KEY FINDINGS:

1. Scores have increased for 24 countries this year primarily due to a rise in pension fund assets per capita.

2. Namibia retains top position in the index for the fifth consecutive year, with the highest pension fund assets per capita in the index at $4,806.

3. While not directly impacting scores, the majority of AFMI countries (19) have, or are developing, mobile and/or online access to domestic financial assets to boost local investor capacity outside of pension systems.

4.1. Countries in southern Africa have largest pension assets

Pillar 4 overall score and pillar components, max = 100

Country	2024 score	Change v. 2023		Pension fund size	Pension fund assets to domestically listed assets
Namibia	**100**	-	0	100	100
South Africa	**66**	▲	3	75	57
Mauritius	**64**	▲	3	100	27
Seychelles	**60**	▲	3	100	20
Botswana	**58**	▲	1	100	16
Eswatini	**57**	▲	3	74	41
Morocco	**32**	▲	3	35	30
Lesotho	**31**	▲	5	22	40
Nigeria	**28**	▲	1	13	44
Ghana	**24**	▲	2	14	35
Cabo Verde	**24**	▲	1	30	18
Egypt	**22**	▲	7	11	33
Zimbabwe	**21**	▲	3	14	28
Cameroon	**19**	▲	3	11	28
Tanzania	**19**	▲	3	13	24
Kenya	**18**	▼	0	16	20
Rwanda	**16**	▲	2	13	19
Mozambique	**15**	▲	1	11	19
Uganda	**15**	▲	1	14	16
Malawi	**14**	▲	1	12	15
Angola	**12**	▲	0	11	13
Senegal	**12**	▲	1	10	14
Côte d'Ivoire	**12**	▲	0	11	13
Tunisia	**12**	▲	0	10	14
Zambia	**12**	▲	0	11	12
Ethiopia	**11**	▲	0	12	10
Benin	**11**	-	-	10	11
Madagascar	**10**	▼	0	10	10
DRC	**10**	-	0	10	10

Sources: AFMI survey 2024, Organisation of Economic Co-operation and Development, national central banks, national stock exchanges, OMFIF analysis

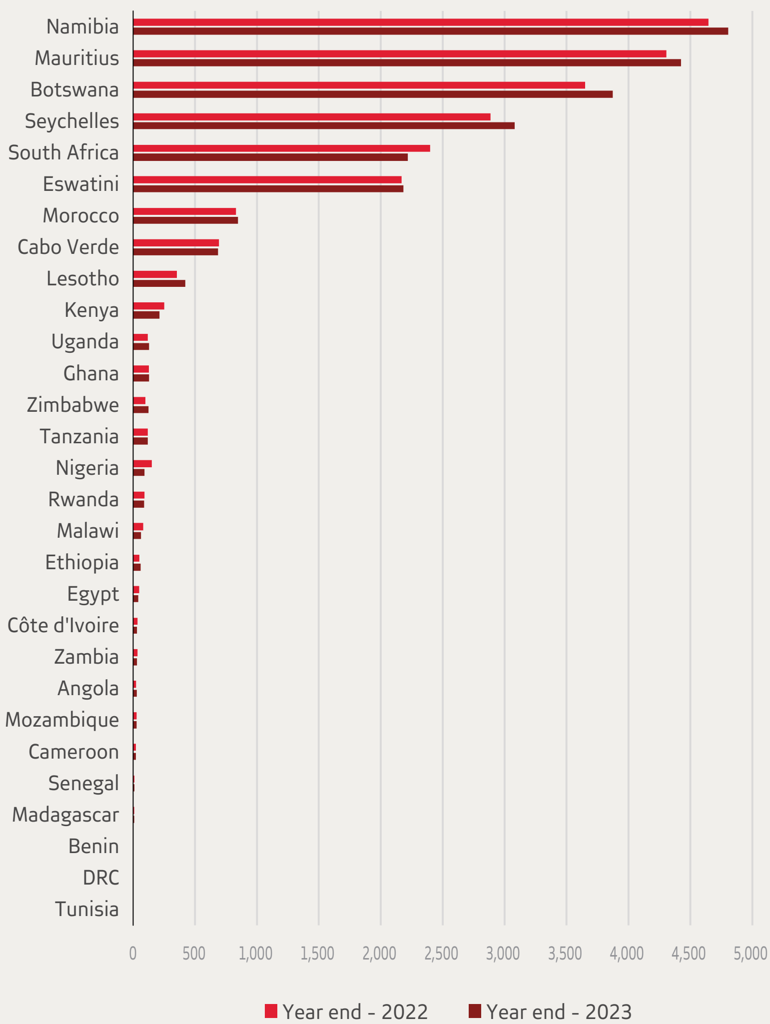
Note: Overall Pillar 4 scores represent the average score across each of the Pillar 4 components. Average scores may differ to those implied by the individual components shown due to rounding. Arrows (▲▼) reflect changes in scores to 1 decimal point. Scores from 2023 are updated to incorporate any potential data revisions and may differ from those published in AFMI 2023. More information on pp.44-46.

PILLAR 4 looks at the development of pension systems across AFMI countries. Domestic pension funds can catalyse capital market development due to their extended investment horizons and ability to diversify across a wide range of asset classes. The pillar score is based on two components that are indicative of pension fund development – pension fund assets per capita to assess their size, as well as pension fund assets relative to domestically listed securities, weighted by liquidity, to analyse their contribution to the development and activity of local capital markets.

Scores rose in 24 countries and fell in two this year, supported by a general rise in asset valuations over the past year as countries started to re-emerge from the crises of the past few years. Namibia ranks first in the pillar for the fifth consecutive year. It has the highest pension fund assets per capita in the index, which increased further to $4,808 in 2023 from $4,646 a year before (Figure 4.2). Other countries in southern Africa, namely Seychelles and Lesotho, experienced some of the largest increases in pension fund assets per capita in the index.

4.2. Higher value of pension assets across Africa

Pension assets per capita, $



Source: AFMI survey 2024, OECD, national central banks, national stock exchanges, OMFIF analysis

Seychelles is one of the biggest risers in Pillar 4 and moves to fourth place ahead of Botswana, with its score increasing by 3 points to 60. According to Seychelles Pension Fund's 2023 annual report, the 7% increase in its assets was 'driven by dividend income from international and domestic equity investments'.

Additionally, Lesotho's pension fund assets increased by 19%. The growth in assets was 'primarily attributable to favourable investment returns', according to the Public Officers' Defined Contribution Pension Fund's latest annual report – the main pension fund in the country. This was particularly the case for investments in global equities, which comprise over 20% of its overall portfolio and returned more than 30% last year. Lesotho's Pillar 4 score rose by 5 points to 31, and the country moved up four positions into the top 10.

Despite the general rise in the size of pension fund assets, progress has been limited and has not been uniform. Fifteen countries in the index have pension assets per capita that are lower than $100. The average score in Pillar 4 is just 28, lower than for any other pillar, highlighting the stark divergence between the highest-performing countries and the rest in the index.

Furthermore, pension fund assets per capita have fallen in some countries in the index. In many cases, this is due to adverse foreign exchange effects with Pillar 4 considering pension assets per capita in dollar terms.

For instance, South Africa saw the largest nominal decrease in pension fund assets per capita, falling from $2,399 at the end of 2022 to $2,218 at the end of 2023. This decrease can be wholly attributed to the depreciation of the rand against the dollar in 2023. In local currency terms, pension fund assets per capita increased by 8%. Nigeria also saw pension assets fall by 39% in dollar terms from year end 2022 to year end 2023, which again is almost entirely due to the devaluation of the naira against the dollar during the same period.

In both cases, the decrease in pension fund assets has limited impact on overall pillar scores, as both countries score highly on the second component of the pillar, which assesses pension fund size to domestically listed securities. South Africa continues to rank second in the pillar overall, and Nigeria moves down one position to ninth.

Pension fund regulation for repatriation

The score for Pillar 4 is also based on pension assets relative to the size of domestic market capitalisation to gauge the pension sectors' support for local capital market development. This measure is weighted against liquidity in secondary markets to reward pension funds that engage in higher domestic trading rather than pursue buy-and-hold strategies.

In recent years, there has been a concerted effort by some policy-makers to encourage domestic financial market development through pension systems. Namibia, Lesotho and Botswana have all introduced legislation to mandate minimum domestic investments for pension funds to boost the local economy. Pension funds in Namibia are currently meeting their mandated domestic investment target, with 50% of all pension fund assets invested in Namibia at the end of 2023, according to Namfisa, the local regulatory authority.

In Lesotho, the Pension Funds Regulation of 2020 mandates 30% of pension investments to be in domestic markets. However, the main pension fund PODCPF is currently falling short of the target, with 12.8% of its assets invested locally, and over 60% in South Africa, hindered by the limited local investment opportunities.

A survey respondent from Botswana highlighted its pension reforms – which came into effect in June 2023 – require 'a 50:50 investment allocation between offshore and onshore assets from a 70:30 split'. This is set to be a five-year process, with gradual increments to reach 50% domestic investments by December 2027. There has already been a repatriation of more than $400m offshore pension assets. Investors are restricted to long-term bonds and derivatives under certain conditions, though asset owners have imposed stricter limits, hindering the development impact of the repatriated funds.

South Africa has gone the other way. Regulation 28, which came into effect in January 2023, has widened the available scope of investments, including in international markets. The limit for all offshore exposure for funds increased to 45% under the amended regulations, from 30% before, thus allowing funds to seek greater diversification.

31 Lesotho's Pillar 4 score rose by 5 points to 31, and the country moved up four positions into the top 10.

15 countries in the index have pension assets per capita lower than $100.

19 countries in the index have implemented, or are developing, mobile-based or online applications that allow retail investors to access domestic financial assets.

Boosting local investor capacity

AFMI countries are making significant strides in enhancing local investor capacity, recognising its role in driving economic growth and financial market development. While Pillar 4 scores centre on pension funds, we recognise the importance of engaging domestic retail investors to stimulate market activity.

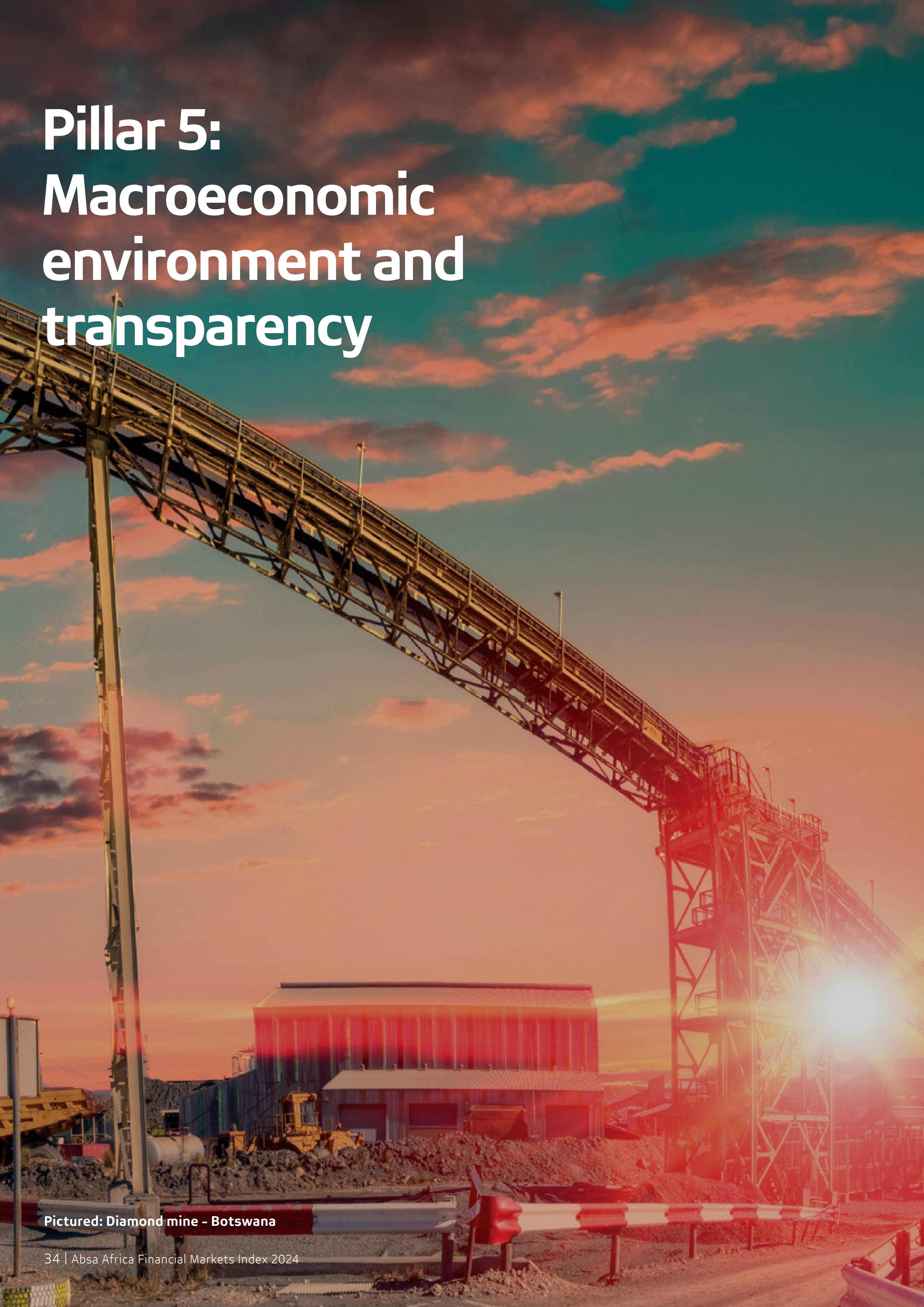
Survey respondents from Uganda and Zambia highlighted that holdings by retail investors have increased over the past year, yet it remains relatively limited at less than 6% of outstanding market size. This indicates room for growth in expanding the local investor base.

To tap into retail investors' potential, countries across the continent are leveraging technology and digital platforms to improve financial inclusion and boost local investor participation. More than half of the countries in the index have implemented, or are developing, mobile-based or online applications that allow retail investors to access domestic financial assets. In the past year, this includes the West African regional stock exchange Bourse Régionale des Valeurs Mobilières rolling out the BRVM Mobile app. This provides real-time stock market information to retail investors in countries including Benin, Côte d'Ivoire and Senegal.

Elsewhere, a new retail digital trading app has been introduced in Kenya to facilitate direct stock trading. The country has also introduced a mobile-based Collective Investment Scheme solution and a retail investor aggregator platform for real estate investment trusts. A similar initiative is being explored in Uganda. Policy-makers there are considering expanding Project Okusevinga, an initiative to enable trading of government securities on mobile phones, to include micro-pensions.

Several other countries are in the process of developing similar platforms to boost local investor capacity. Lesotho is working on an e-trading platform to improve remote investor access to market assets and facilitate secondary market trading. In Cabo Verde, webinars have been launched over the past year to educate investors on using the Blu-X platform, aimed at expanding the investor base, including residents abroad. The DRC has initiated activities under a grant agreement with the African Development Bank to develop capital markets and enhance financial inclusion. Overall, these initiatives demonstrate a growing commitment across the continent to harness technology and education to empower local investors and strengthen domestic financial markets.

Pillar 5: Macroeconomic environment and transparency



Pictured: Diamond mine – Botswana

Pillar 5 considers countries' macroeconomic environments and the transparency of economic data and policy decisions.

KEY FINDINGS:

1. Scores increased for 17 countries as most economies are recovering from the shocks of the pandemic, rising global interest rates and geopolitical tensions.

2. Headline inflation rates have fallen in 19 AFMI countries, helping Pillar 5 scores to rise. Angola, Egypt and Nigeria are notable exceptions to this trend.

3. External debt as a share of gross domestic product rose for 18 countries, with many in, or at risk of, debt distress according to the International Monetary Fund.

5.1. Scores rise from lower inflation and better transparency

Pillar 5 overall score and pillar components, max = 100

Country	2024 score	Change v. 2023		GDP growth	Inflation	NPL ratio	External debt	Macro data standards	MPC transparency	Budget releases
Botswana	88	▲	1	50	93	90	100	90	91	100
Uganda	87	▲	2	78	90	84	74	93	91	100
Tanzania	85	▲	5	79	93	81	69	92	83	100
Rwanda	80	▲	6	92	98	88	35	92	53	100
Eswatini	79	▲	0	48	89	68	86	67	91	100
South Africa	78	▼	0	15	87	78	83	93	91	100
Namibia	77	▲	0	26	88	76	87	73	91	100
Seychelles	77	▼	-1	44	100	60	72	81	83	100
Kenya	76	▲	0	68	88	32	62	92	91	100
Zambia	75	▼	-2	56	59	84	52	92	83	100
Mauritius	74	▼	-3	38	95	79	83	72	53	100
Nigeria	74	▼	-4	39	10	85	98	93	91	100
Mozambique	74	▲	5	75	93	54	10	92	91	100
Côte d'Ivoire	74	▲	2	81	90	66	59	66	53	100
Egypt	73	▼	-1	63	26	95	36	93	100	100
DRC	73	▼	0	73	42	70	90	55	83	100
Benin	72	-	-	82	99	66	51	56	53	100
Morocco	70	▲	1	37	96	46	38	92	83	100
Lesotho	70	▼	-1	17	83	88	41	70	91	100
Zimbabwe	70	▼	-2	33	10	100	81	80	87	100
Cameroon	70	▲	5	54	90	29	70	66	83	100
Senegal	70	▲	3	77	98	50	47	66	53	100
Madagascar	68	▲	7	49	81	64	58	38	83	100
Ethiopia	67	▲	7	92	47	90	88	42	10	100
Ghana	62	▲	2	56	39	10	46	93	91	100
Malawi	62	▼	-1	49	10	80	72	71	53	100
Cabo Verde	62	▲	1	49	96	53	10	69	57	100
Tunisia	60	▲	6	17	81	26	10	93	91	100
Angola	52	▼	-12	16	10	29	92	87	100	100

Sources: IMF, LSEG Data & Analytics, national central banks, national finance ministries, OMFIF analysis

Note: Overall Pillar 5 scores represent the average score across each of the Pillar 5 components. Average scores may differ to those implied by the individual components shown due to rounding. Arrows (▲▼) reflect changes in scores to 1 decimal point. Scores from 2023 are updated to incorporate any potential data revisions and may differ from those published in AFMI 2023. More information on pp.44-46.

The median inflation rate for AFMI countries fell to 4.6% in June 2024 from 7.9% a year before.

PILLAR 5 evaluates the stability of the macroeconomic environment and the transparency of economic data and policy. After the past few years of shocks from the pandemic, geopolitical tensions and rising global interest rates, most AFMI economies have stabilised and are recovering.

This has been most evident with the broad-based fall in inflation across the continent. Headline rates have fallen in 19 AFMI countries, pushing up their scores in Pillar 5. The fall in inflation was enabled by the pass-through from earlier monetary tightening, the stabilisation of currencies and a decline in commodity inflation over the past year. As a result, the median inflation rate for AFMI countries fell to 4.6% in June 2024, from 7.9% a year before.

Botswana retains its top position in the index with a score of 88, up 1 point from 87 in 2023. This is due to a fall in inflation to 2.8% in June 2024, from 4.6% in June 2023, and the country improving its non-performing loans ratio last year. Uganda, ranked second overall in the pillar, saw a 2-point increase in its score to 87, spurred by the same two factors.

Rwanda is one of the biggest risers in the pillar, primarily due to the dramatic decline in inflation from 20.4% to 1.1% over the period considered (see Figure 5.2). This led to a 6-point increase in its Pillar 5 score to 80, from 74 and the country is now ranked in fourth position in the pillar.

While the trend of disinflation was broad-based, many countries still grapple with high headline rates. Only Ghana experienced a sharper decline in inflation than Rwanda, down 19.8 percentage points in the year to June 2024, but inflation remained well above target at 22.8%. There were also significant falls in headline rates in Egypt and Ethiopia but inflation remained close to, or above, 20%. Persistently high inflation is one of the factors contributing to Ghana, Egypt and Ethiopia remaining outside of the top 10 positions in Pillar 5.

Nine countries bucked the regional trend and experienced a rise in inflation over the past year. Angola is the most notable as inflation rose to 31.5%, from 11.3%, primarily due to the scaling back of fuel subsidies and the depreciation of the kwacha against the dollar. This was a significant reason for Angola slipping to last position in Pillar 5 with a score of 52, down from 63 last year.

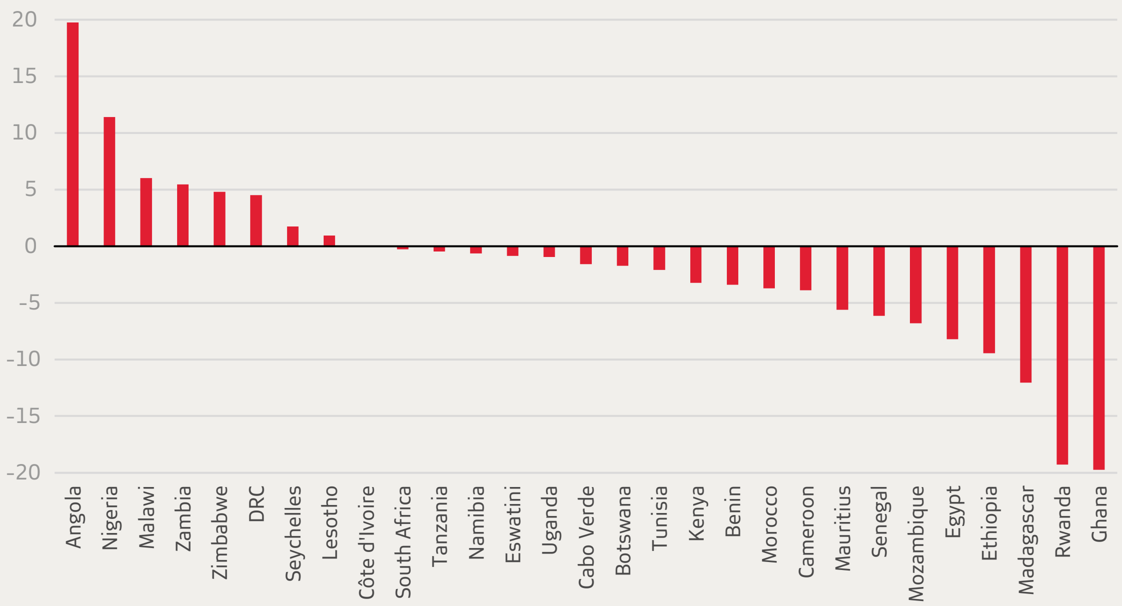
Elsewhere, the fallout from the sharp FX depreciation in Nigeria has led to a jump in inflation by over 10ppts in the past year. A survey respondent from the country noted 'a persistent rise in headline inflation continues to trigger a chain reaction of policy actions including rate hikes and tightening of liquidity conditions, among others, by the monetary authority'. Nigeria's struggle with higher inflation caused its Pillar 5 score to fall by 4 points and it now ranks outside the top 10 in 12th position.

A more positive growth outlook

While inflation figures are diverging across Africa, growth is generally expected to pick up throughout the continent. Based on International Monetary Fund forecasts, the median annual growth rate among AFMI countries will be 4.5% over the next five years, from 2.9% over the

5.2. Inflation falling in most countries

Change in inflation, percentage points, June 2023 to June 2024



Source: LSEG Data & Analytics, national central banks, OMFIF analysis previous five. This implies that GDP will generally return to its pre-pandemic trend across the continent as economies rebound from the global shocks of recent years (Figure 5.3).

Mozambique continues to have the highest projected annual growth rate over the next five years at 7.7%. A survey respondent from the country noted that 'main economic opportunities related to the implementation of structural projects in the mining and oil industry are expected to boost economic growth and contribute to diversification in the economy'. The country's growth prospects, combined with a fall in headline inflation, have led to the country's score rising to 74, from 70 in 2023.

A focus on natural resource sectors to boost economic growth is a common trend across countries, with 19 survey respondents identifying it as a key opportunity for their economies. The discovery of crude oil in Namibia earlier this year is especially hopeful for the country's growth prospects. Elsewhere, survey respondents from Zimbabwe, Botswana and Zambia highlighted opportunities stemming from mining and agriculture sectors.

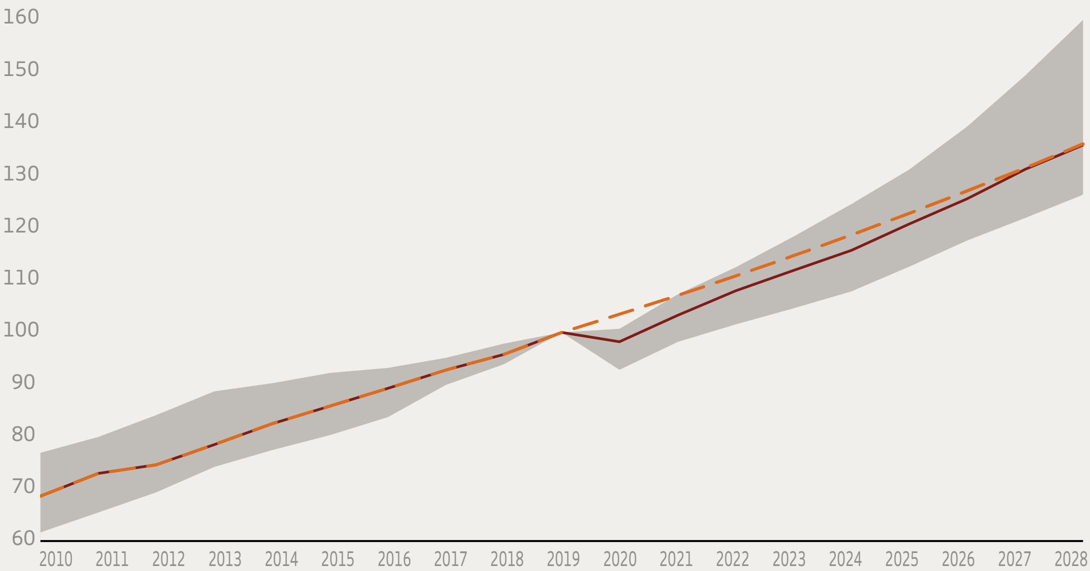
South Africa continues to face relatively challenging growth prospects, with GDP projected to grow at an average of 1.3% annually over the next five years – the lowest in the index. Subdued growth and a rise in external debt has resulted in South Africa slipping out of the top five to sixth place in Pillar 5 this year. On the plus side, a survey respondent noted the government's fiscal consolidation measures aimed at stabilising the public debt-to-GDP ratio, 'can enhance investor confidence and create

Rwanda is one of the biggest risers in the pillar, primarily due to the dramatic decline in inflation from 20.4% to 1.1% between June 2023 and June 2024.

Pictured: Muvumba river valley, Rwanda

5.3. GDP expected to return to its pre-pandemic trend

Real GDP index, 2019 = 100

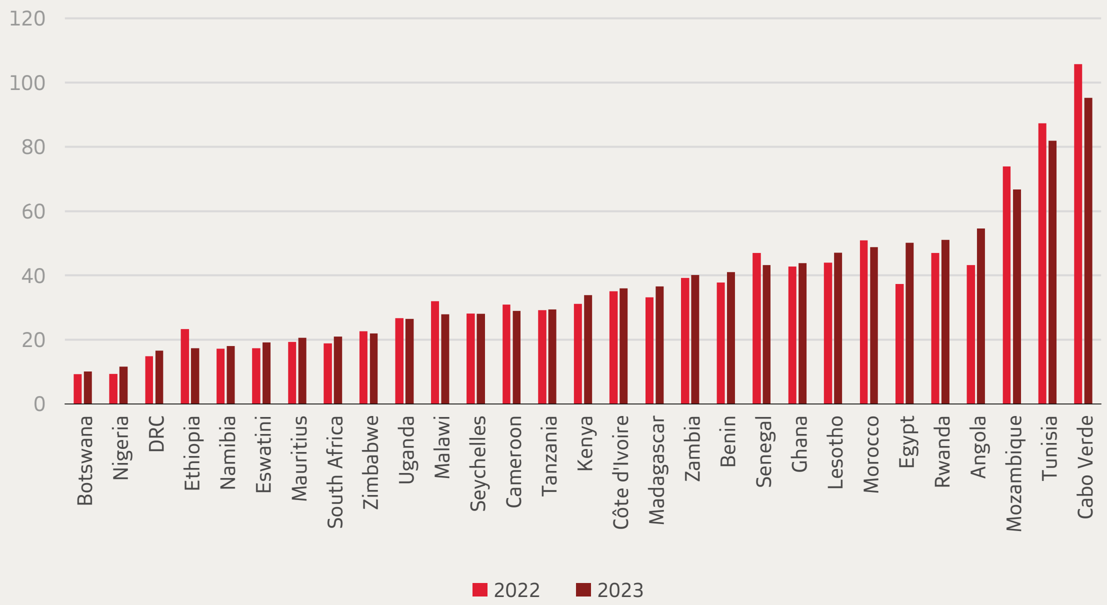


AFMI interquartile range — AFMI median — Pre-pandemic trend

Source: IMF, LSEG Data & Analytics, OMFIF analysis Note: 2024-28 figures based on IMF forecasts

5.4. External debt edging up in AFMI countries

External debt, % of GDP



Source: IMF

a more favourable environment for economic growth'.

External debt rising across the continent

External debt is a growing concern across the continent. As a share of GDP, it rose for 18 countries between 2022 and 2023 (Figure 5.4).

The biggest increase in external debt was in Egypt, where it rose to 50.1% of GDP in 2023 from 37.3% in 2022, linked to its sharp currency depreciation. Angola faces a similar issue, as its external debt increased to 54.6% of its GDP from 43.2% in 2022.

More broadly, the median public debt-to-GDP ratio for AFMI countries increased to 33.9% in 2023 from 32.4% in 2022, the highest since 2006. According to the IMF, there are 18 AFMI countries with at least a moderate risk of debt distress as of September 2024, underscoring the widespread nature of this challenge.

While some countries are dealing with worsening debt situations, others are showing signs of improvement. The external debt ratio has fallen in Mozambique, Tunisia and Cabo Verde – although it remains the highest in the index in these countries. It also declined in Ethiopia to 17.1% in 2023, from 23.3% in 2022, with the country now looking to restructure its obligations with international creditors. The fall in Ethiopia's external debt and inflation pushes up its Pillar 5 score by 7 points, to 67, though it is only in 24th position.

Banking sector and data transparency

Zambia and Ghana are emerging from their recent debt restructurings and there has been mixed performance for their economies and banking sectors. Zambia's non-performing loans to gross loans ratio improved to 4.4% in 2023 from 5.0% in 2022. In contrast, this ratio rose sharply in Ghana to 20.6%, from 14.6%, over this period, suggesting its banking sector is more vulnerable than most. There have been diverging outcomes in this indicator across Africa more generally. NPL ratios have deteriorated for 13 countries in the index and improved in 14. There were stark improvements in Côte d'Ivoire, Cameroon and Tanzania, which bolstered their Pillar 5 scores.

Tanzania also boosted its performance for monetary policy transparency. The country's central bank now has a schedule of monetary policy meetings for 2024 publicly available on its website. This is also now the case for Tunisia and Madagascar. For all three countries, Pillar 5 scores subsequently rose by more than 5 points.

More generally, most countries in the index scored highly for policy and data transparency. All countries consistently publish their fiscal budgets, 21 publish Monetary Policy Committee calendars and meeting results and 21 also release key economic indicators in a timely manner. This access to information allows investors to make more informed decisions and is likely to enhance confidence in financial markets.

External debt is a growing concern across the continent. As a share of GDP, it has risen for 18 countries between 2022 and 2023.

Pictured: Okavango Delta – Botswana

Pillar 6: Legal standards and enforceability

Pictured: Aerial view of container ship leaving Maputo – Mozambique

Pillar 6 considers countries' alignment with international legal and contractual standards for financial markets, centred around the enforceability of standard master agreements.

KEY FINDINGS:

1. Ghana's score increased by 5 points to 90 as it received a clean legal opinion from the International Capital Markets Association for the use of a Global Master Repurchasing Agreement.

2. Legal amendments are in the pipeline across Africa to strengthen netting legislation and enhance the use of standard master agreements.

3. There are signatories to the International Organisation of Securities Commission's multilateral memorandum of understanding in 18 index countries, while South Africa's regulator is first on the continent to adopt the enhanced MMoU.

Mauritius and South Africa remain the only two with maximum scores

Pillar 6 overall score and pillar components, max = 100

Country	2024 score	Change v. 2023	Netting enforceability	Collateral enforceability	International standards
Mauritius	100	– 0	100	100	100
South Africa	100	– 0	100	100	100
Ghana	90	▲ 5	100	100	70
Nigeria	90	– 0	100	100	70
Uganda	85	– 0	100	100	55
Zambia	85	– 0	100	100	55
Kenya	55	– 0	10	100	55
Malawi	55	– 0	10	100	55
Mozambique	40	– 0	10	100	10
Namibia	40	– 0	10	100	10
Zimbabwe	40	– 0	100	10	10
Angola	25	– 0	10	10	55
Benin	25	– –	10	10	55
Cabo Verde	25	– 0	10	10	55
Cameroon	25	– 0	10	10	55
Côte d'Ivoire	25	– 0	10	10	55
Egypt	25	– 0	10	10	55
Morocco	25	– 0	10	10	55
Senegal	25	– 0	10	10	55
Tanzania	25	– 0	10	10	55
Tunisia	25	– 0	10	10	55
Botswana	10	– 0	10	10	10
DRC	10	– 0	10	10	10
Eswatini	10	– 0	10	10	10
Ethiopia	10	– 0	10	10	10
Lesotho	10	– 0	10	10	10
Madagascar	10	– 0	10	10	10
Rwanda	10	– 0	10	10	10
Seychelles	10	– 0	10	10	10

Source: AFMI 2024 survey, International Swaps and Derivatives Association, International Organisation of Securities Commissions

Note: Overall Pillar 6 scores represent the average score across each of the Pillar 6 components. Average scores may differ to those implied by the individual components shown due to rounding. Arrows (▲▼) reflect changes in scores to 1 decimal point. Scores from 2023 are updated to incorporate any potential data revisions and may differ from those published in AFMI 2023. More information on pp.44-46.

This year, Ghana became the fourth AFMI country to have received at least one clean legal opinion.

PILLAR 6 primarily examines the legal enforceability of standard master agreements that apply to over-the-counter derivatives, repurchase agreements and securities lending transactions. The three main contracts considered are the International Swaps and Derivatives Association Master Agreement, the Global Master Repurchase Agreement and the Global Master Securities Lending Agreement.

The close-out netting and financial collateral arrangements within these agreements are crucial for enhancing market confidence. They allow market participants to consolidate several transactions into one obligation and reduce counterparty risk in the event of insolvency or default. Legal clarity that these provisions will be upheld can enhance financial stability, ensure the efficient use of capital and foster a greater number of transactions in domestic markets.

Four countries with clean legal opinions

Mauritius and South Africa remain the two economies with a maximum score in this pillar. They are among the seven AFMI countries that have adopted legislation to enforce close-out netting, based on ISDA's assessment. They also have legal provisions to uphold financial collateral. Mauritius and South Africa also stand out in the index for being the only countries to have received clean legal opinions from three global organisations – ISDA, the International Capital Market Association and International Securities Lending Association. These bodies oversee the use of ISDA, GMRA and GMSLA and their external opinions can provide assurances to market participants that standard master agreements are enforceable in local law.

This year, Ghana became the fourth AFMI country to have received at least one clean legal opinion. In August 2024, ICMA published a legal opinion for Ghana that 'covers the enforceability of the netting provisions of the GMRA, as well as the validity of the GMRA as a whole, under the laws of Ghana'. This came after a local survey participant mentioned that 'Ghana has made progress in clarifying the provisions in sections affecting the netting provisions… and the period of temporary stay and setoffs' within domestic legislation. The new legal opinion increased Ghana's score in Pillar 6 to 90, from 85, which is the only change for any index country in this pillar. Ghana moves to joint third position with Nigeria, which also has one clean legal opinion that it received from ISDA in 2022 (Figure 6.2).

Survey respondents from authorities in Nigeria and Ghana highlighted work with external organisations to bolster the use of standard master agreements. In Nigeria, 'there are ongoing conversations with ICMA to modify the GMRA to include a third-party central counterparty to centrally clear all repo market transactions in the Nigerian market'.

In Ghana, 'Frontclear and local market participants have completed initial feasibility work and consultation confirming market demand for an Umbrella Guarantee Facility [a Tradeclear] in Ghana'. Tradeclear Ghana aims to promote transactions on the interbank money market underpinned by standard master agreements, therefore reducing counterparty risk.

6.2. Four countries with clean legal opinions

Status of netting legislation and legal opinions by international trade bodies

Country	Netting legislation status	Clean legal opinions
Mauritius	Adopted	ISDA, ICMA, ISLA
South Africa	Adopted	ISDA, ICMA, ISLA
Nigeria	Adopted	ISDA
Ghana	Adopted	ICMA
Uganda	Adopted	
Zambia	Adopted	
Zimbabwe	Adopted	
Egypt	Under consideration	
Ethiopia	Under consideration	
Morocco	Under consideration	
Seychelles	Under consideration	
Tunisia	Under consideration	

Source: ISDA, ICMA, ISLA

Note: Netting legislation is based on data from ISDA.

Plans to strengthen local laws

Frontclear is working with other countries across the continent on similar projects. Tradeclear was launched in Uganda in June 2024 allowing repo transactions under local GMRA and various derivative products under the standardised ISDA to be quoted on the platform and be eligible for the Frontclear guarantee through the Framework Agreement. The Bank of Uganda is drafting the Uganda Netting of Financial Agreements Bill and, once completed, it is expected to lead to a clean legal opinion from ISDA.

Elsewhere, the Bank of Zambia granted a letter of approval to implement Tradeclear Zambia to deepen its interbank money market. There is, however, 'uncertainty around complete enforceability of… master agreements among market players', according to one survey respondent, though the central bank's 2024-27 strategic plan includes plans to enforce GMRA and ISDA in local law.

In Tanzania, a feasibility study for Tradeclear Tanzania has been completed with the support of the United Nations Economic Commission for Africa. This 'currently does not allow netting arrangements and full title transfer for repurchase transactions', said a local survey participant. Hence authorities there are looking to amend existing regulation. Similarly, the Bank of Botswana is working with Frontclear and the UNECA to identify legal constraints to money market development in the country. The Banking Act has been amended to address netting issues and ensure the enforceability of GMRA and ISDA, and it is currently awaiting promulgation into law.

A similar story is playing out in Rwanda. The law overseeing its central securities depository has been amended and is awaiting enactment. This change would allow for the provision of close-out netting and implementation of GMRA and ISDA standards. Egypt is also planning to introduce derivative products to the domestic market through a new netting law, 'which is currently in its final phase before being submitted to the parliament for approval', a local survey participant said.

While there are plans in the works to amend laws in some countries, there are still significant legal barriers elsewhere. A survey respondent in Kenya mentioned the 'absence of a domestic netting law and the restrictive provisions of Section 46 of the Kenya Deposit Insurance Act', which hinders market confidence. These concerns were echoed by a respondent from Seychelles who explained the 'problematic provisions of the Insolvency Act 2013'. More generally, a survey participant from Lesotho mentioned a continued delay in implementing a robust legal framework as an obstacle to attracting international investment.

This is a common area for development as the average score for Pillar 6 is just 38 across all index countries.

IOSCO's memorandum of understanding

The international standards component of Pillar 6 considers the existence of clean legal opinions as well as a country's signatory status to the International Organization for Securities Commissions' memorandum of understanding. This benchmark provides a global baseline for information sharing and international co-operation to enforce securities and derivatives law.

There are signatories – either a regulatory authority, securities exchange or central bank – to IOSCO's MMoU in 18 AFMI countries. As was the case in 2023, there are no signatories in 11 AFMI countries. This total includes Seychelles, where a local survey participant highlighted 'The need for the Seychelles regulators to be recognised by international bodies… to be an ordinary member of IOSCO' in order to foster greater investor confidence in capital market regulations.

While not directly impacting Pillar 6 scores, a noteworthy development is that South Africa's Financial Sector Conduct Authority became the only organisation on the continent to have signed IOSCO's enhanced MMoU in May 2024. This enhanced agreement commits signatories to greater regulatory efforts to safeguard markets against misconduct in light of new risks imposed by financial globalisation and new technologies. A survey respondent from Cabo Verde stated it is looking to follow suit and 'is creating conditions to join the IOSCO's EMMoU'.

There are signatories – either a regulatory authority, securities exchange or central bank – to IOSCO's MMoU in 18 AFMI countries.

Pictured: Boat in Kalangala - Uganda

Africa Financial Markets Index indicators

Using a variety of qualitative and quantitative data, the Absa Africa Financial Markets Index records the openness and attractiveness of financial markets in 29 African countries. Countries are scored on a scale of 10-100 based on six pillars comprised of over 25 components (in bold) and 40 indicators (listed below).

Pillar 1: Market depth

Size of markets

Domestically listed equity market capitalisation, as a share of GDP
Domestically listed sovereign bonds outstanding as a share of GDP

Domestically listed corporate bonds outstanding as a share of GDP

Liquidity

Annual turnover of domestically listed equities as a share of market capitalisation

Annual turnover of domestically listed sovereign bonds as a share of bonds outstanding

Annual turnover of domestically listed corporate bonds as a share of bonds outstanding

Product diversity

Financial asset classes available

Sustainable financial products available

Currency denominations available for domestically traded assets

Hedging products available

Depth

Ability to clear local currency government securities in international markets

Existence of secondary market makers for bonds

Existence of closing auctions for fair tradeable market prices

Primary dealer system

Existence of primary dealer system

Average daily horizontal repo turnover

Pillar 2: Access to foreign exchange

FX reserve adequacy

Foreign exchange reserves in months of import coverage

FX liquidity

Annual interbank market foreign exchange turnover as a share of total merchandise trade

FX arrangement and controls

Restrictions on capital transactions

Existence of multiple, dual or unified exchange rate

Adoption of FX Global Code

Official exchange rate reporting

Frequency of reporting and publishing exchange rate data

Pillar 3: Market transparency, tax and regulatory environment

Financial stability regulation

Basel Accords implementation stage

Climate stress testing

Corporate reporting standards and governance

Use of international accounting and reporting standards (IFRS)

Existence of corporate action governance structure

Tax environment

Level of withholding taxes on interest and dividends

Number of double taxation treaties

Financial information transparency

Existence of fixed dates and times for market reporting

Publishing of data on sector and domestic versus non-resident ownership of domestic assets

ESG initiatives and standards

Incentives for issuing sustainable finance products

Initiatives integrating ESG into financial market standards

Existence of credit ratings

Existence of international sovereign credit rating (Fitch, Moody's, S&P)

Number of international corporate credit ratings (Fitch, Moody's, S&P) and coverage by regional ratings agency (GCR)

Pillar 4: Pension fund development

Pension fund size

Value of pension assets per capita

Pension fund assets to domestically listed assets

Pension fund assets as a share of listed equities and bonds, weighted by market liquidity

Pillar 5: Macroeconomic environment and transparency

GDP growth

Five-year average annual GDP growth, historical and projected

Inflation

Year-on-year change in consumer price index

Non-performing loans

Non-performing loans as a share of gross loans

External debt

External debt as a share of GDP

Macroeconomic data standards

Publication and frequency of GDP, inflation and interest rate data

Monetary policy committee transparency

Publication and frequency of MPC decisions and meeting schedules

Budget release

Publication of annual fiscal budget

Pillar 6: Legal standards and enforceability

Netting enforceability

Existence of legislation for close-out netting

Collateral enforceability

Existence of legislation for financial collateral provisions

International standards

Clean legal opinions for ISDA, GMRA and GMSLA master agreements

IOSCO multilateral memorandum of understanding signatory

Methodology

Data and survey

THE data informing the scores for each pillar and their indicators stem from a mixture of quantitative and qualitative analysis. The quantitative data collected are from the latest year available. For full year statistics, (e.g. external debt, pension fund assets, non-performing loan ratio) this is 2023 data. For statistics covering the previous 12 months, (e.g. market liquidity) this is July 2023 to June 2024. In cases where the data refer to current conditions, such as for the Basel implementation stages, international accounting standards and credit ratings, the data are as of June 2024.

Quantitative data were collected using London Stock Exchange Group Data and Analytics and publicly available sources, including websites of central banks and securities exchanges, as well as survey responses. Where no such official data are available, OMFIF uses reliable sources from the financial industry and research community.

The survey was conducted between June and September 2024, covering more than 50 organisations operating throughout Africa. Participants included central banks, securities exchanges, regulators, international organisations, banking associations and accounting firms.

Scoring

Countries are scored based on their relative, not absolute, performance on each indicator.

Raw data for each variable are rebased to fit a harmonised scale of 10-100. This allows for comparability between indicators that are originally measured on different scales. Outliers in the data, defined as two standard deviations from the mean, are removed. Values greater than the upper bound are replaced by the next highest data point, while values below the lower bound are replaced by the next lowest data point. This means that more than one country can receive the maximum or minimum score within each indicator.

Once outliers are removed, scores for each indicator are rebased such that the maximum value is scored at 100 and the minimum value is given 10. All other values are rebased within this range to create their harmonised score.

Simple averages are used to calculate scores across relevant levels:

- Pillar component scores (e.g. size of markets in Pillar 1) = simple average of the scores for relevant indicators (i.e. the size of equity markets, sovereign bond markets and corporate bond markets).

- Pillar scores = simple average of the scores for the pillar components.

- Overall scores = simple average of each pillar score.

Note that, in previous years, the pillar scores were calculated as a simple average of all indicators without grouping them into pillar components. The additional calculation outlined above has been introduced to improve the transparency and presentability for the breakdown of pillar scores used in tables throughout the report. This causes minor revisions to scores for Pillar 1 and Pillar 3, though no change to Pillars 2, 4, 5 or 6.

Changes to indicators and data revisions

This year, the indicator for interbank FX liquidity in Pillar 2 has been amended. It is now measured in annual terms relative to total annual merchandise trade (exports plus imports) in the latest full calendar year. In previous editions of AFMI, annual interbank FX liquidity was taken in nominal terms alone. This updated measure aims to provide a more accurate gauge of access to FX for economic agents and market participants given the size of the economy.

The change to the interbank FX liquidity indicator mentioned above for Pillar 2 was applied to 2023 data to neutralise the impact of this methodological change, thus allowing for accurate year-on-year comparisons. Accordingly, Pillar 2 and overall scores for 2023 published in this report may not correspond with those published in last year's AFMI report.

Moreover, 2023 data may differ to those published last year as we incorporate any revisions, newly available data and/or improved data collection methods. This includes:

Cabo Verde: the latest survey clarified that interbank FX liquidity is insignificant as 'banks generally carry out interbank foreign exchange transactions with the central bank'. The value is adjusted to zero, from the previous survey estimate of $766.7m.

Côte d'Ivoire: New surveys show the existence of a primary dealer system and corporate action governance rules. These were previously marked as 'no'.

Eswatini: New survey data show that pension fund assets were $2,476m in 2022, compared to $2,882m previously used.

Lesotho: Data availability on domestic and foreign asset ownership was updated to 'yes', from 'no' last year.

Malawi: Enforceability of close-out netting legislation is marked as 'no' this year based on the latest data from International Swaps and Derivatives Association. This was marked as 'yes' based on previous survey responses.

Mozambique: This year's survey confirmed that provisions for financial collateral are in local law. This was previously marked as 'no'.

Senegal: New surveys show the existence of a primary dealer system and corporate action governance rules. These were previously marked as 'no'.

Tanzania: This year's survey confirmed that provisions for financial collateral are not enforceable in local law. This was previously marked as 'yes'.

All countries: The latest IMF data used in this report include revisions to previous years' data for foreign exchange reserve adequacy, NPL ratios, external debt and GDP growth.

Pictured: Indian ocean Praslin beach – Seychelles

Absa Group Limited
15 Troye Street, Johannesburg, 2001, South Africa
T: +27 (0) 11 350 4000
www.absa.africa
@Absa

Official Monetary and Financial Institutions Forum
6-9 Snow Hill, London, EC1A 2AY. United Kingdom
T: +44 (0) 20 700 27782
www.omfif.org
@OMFIF