



FINAFRIQUE RESEARCH

HOW TO MAKE MORE DYNAMIC STOCK EXCHANGES IN SUB-SAHARAN AFRICA?

**CASE OF CENTRAL AFRICA, OF AFRICA
FROM WEST AND EAST**



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ABBREVIATIONS

BVMAC	Central African Securities Exchange
BRVM	Regional Stock Exchange of Securities
CEMAC	Economic and Monetary Community of Central Africa: Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic and Chad
CREPMF	Regional Council of Public Savings and Financial Markets
DSX	Douala Stock Exchange
FCFA	Franc CFA (Local currency of the CEMAC and WAEMU zones)
Kshs	Shilling Kenyan
NSE	Nairobi Securities Exchange
OPCVM	Organization for Collective Investment in Transferable Securities
REIT's	Real Estate Investment Trust
SGI	Management and Intermediation Company
SGO	OPCVM Management Company
SICAV	Variable Capital Investment Company
WAEMU	West African Economic and Monetary Union: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Togo



GENERAL INFORMATION : DSX, BVMAC, BRVM & NSE

DSX - Douala Stock Exchange

Created on December 1, 2001, it is the official securities market in Cameroon. Its headquarters are in Douala (Cameroon).

Its Bond compartment today includes 5 securities and 3 companies are listed in its Equity compartment

BVMAC - Central African Securities Exchange

Created on June 27, 2003 in Libreville (Gabon), where its headquarters are located, the BVMAC's mission is to develop investment in the countries of CEMAC.

Its Bond compartment today includes 8 securities and 1 company is listed on its Equity compartment.

BRVM - Regional Stock Exchange of Securities

Created on December 18, 1996. Its capital is subscribed by regional economic actors from West Africa.

It is common to the eight WAEMU states: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

Its main missions are as follows:

- ▲ The organization of the stock market,
- ▲ The publication of stock market transactions,
- ▲ The dissemination of information on the Stock Exchange,
- ▲ Market promotion and development.

Two stock market indices represent the activity of listed shares:

- ▲ The BRVM COMPOSITE: made up of all the values admitted to the quotation
- ▲ The BRVM 10 is composed of the ten most liquid companies on the market.

Its bond compartment today includes 43 securities and 41 companies are listed in its equity compartment.

NSE - Nairobi Securities Exchange

The NSE is considered today as one of the most dynamic stock exchanges in Africa. It is the symbol of the financial integration of this country with strong economic potential.

Transactions began as early as 1922 in an informal setting. But it was in 1954 that the Nairobi Stock Exchange adopted a regulated environment. In July 2011, the Nairobi Stock Exchange Limited became the Nairobi Securities Exchange (NSE), reflecting a desire to expand the range of products offered (shares, debt securities, derivatives and other related instruments).



Its bond compartment houses 93 debt instruments (33 corporate bonds and 60 government bonds) and 64 companies are listed in its Equity compartment.



INTRODUCTION

Stock exchanges would provide many advantages as follows the contexts:

- ▲ **Private financing** : Today, in Sub-Saharan Africa, more than 85% of private sector financing comes from banks despite a context of bank rate liberalization (application of prohibitive interest rates) that is in no way impacted by central bank injunctions. It thus becomes essential to diversify sources of financing. Which could also lower interest rates due to this new competition.
- ▲ **The independence of public authorities** : Most Sub-Saharan African states are still highly dependent on funding from the Bretton Woods institutions and are therefore subject to the principles of conditionality. Draining local or even international popular savings thru a financial market proves to be a necessary alternative.
- ▲ **A guarantee of transparency** : A stock exchange would require all companies seeking debt or equity financing to demonstrate transparency before and during the listing by regularly publishing their financial statements.

However, should we systematically create them at the risk of seeing financial centers suffer from inactivity? Africa currently has about 24 stock exchanges. But are they really useful to their economies.

We will outline in this study some measures and actions that could be taken to improve the attractiveness of the stock exchanges in Central, West, and East Africa. Furthermore, we will also show that the creation of a stock exchange is not always the best way to diversify the financing methods of one's economy. Because there are other criteria to consider beforehand and other financing alternatives that can be considered initially.



ASSESSMENT AND PERSPECTIVES

ASSESSMENT

The acceleration and better regularity of regional growth for more than 10 years are decisive factors in the steady progress observed by the Regional Stock Exchange in recent years.

The capitalization of the equity market, which had reached CFAF 5 trillion in 2011, exceeded CFAF 7.5 trillion in 2015. The ranking of African stock exchanges reveals that the West African Economic and Monetary Union (WAEMU) regional stock exchange (BRVM) was the best performing African stock exchange in 2015, with its composite index rising by 17.77% (achieving the best performance on the African continent) and an 18.67% increase in its stock market capitalization.

The BRVM saw the volume of its transactions increase by +47% in 2015 to 336 billion FCFA driven notably by good growth figures in the sub-region and particularly in Côte d'Ivoire.

In 2015, the BRVM distributed 87 billion FCFA of dividends for shareholders and 96 billion FCFA for interest on bonds.

The BRVM offers opportunities for returns as well as diversification for international investors who are increasingly interested in frontier markets, the "emerging of the emerging." "Frontier Market" which it has actually just joined this month of November 2016.

In order to popularize financial information and increase financial education among the population, the BRVM has undertaken several communication campaigns in recent years. We can mention, for example, the "Stock Market Days" and the "Media Days" organized in various countries of the sub-region. On the other hand, the BRVM conducts numerous activities to attract international investors, such as the "BRVM Investment Days" which were respectively organized in Paris, London, New York, and Dubai. The BRVM has a web application and a website that disseminate financial information on a daily basis.

The Nairobi Securities Exchange, for its part, has taken several measures to attract more domestic and foreign savings and thus improve the liquidity of the Kenyan capital market.

A strong emphasis was placed on the adaptation of these measures to the local environment:

- ▲ The launch of an SME compartment in January 2013. Starting from the observation that SMEs are the engine of the local economy, this compartment (Growth Enterprise Market Segment - GEMS -) offers SMEs a way to finance themselves, develop and therefore promote the growth of this stock exchange.
- ▲ The promotion of appropriate and effective mobile and internet trading platforms in a country where 93% of the population uses a mobile phone. This mainly allows to massively capture the savings of local individuals.
- ▲ The launch of a compartment for real estate investments (REITs) which allows to support construction projects effectively, both by offering the possibility to investors to access properties through different channels and by providing capital to companies.
- ▲ The establishment of the University Investment Days titled "NSE Investment Challenge," which work to popularize finance in universities.



On the other hand, the derivatives market will emerge by the end of 2016/early 2017, where futures on exchange rates and stock indices will be traded. The progressive expansion of the range of products offered contributes to ensuring the depth of the market.

With regard to the **DSX and the BVMAC**, the market capitalization of their equity segments has not really taken off since their creation. In addition, the bond segment is much more active, with regular listings. However, it should be noted that CEMAC countries are poorly represented. Apart from Gabon, Cameroon, and Chad, the other countries do not appear to be active issuers on this market.

On the other hand, few promotional and outreach activities have been initiated. These bonds are certainly known in the economic landscape of the sub-region, but their usefulness is completely unknown to civil society, which does not encourage the collection of public savings. Nevertheless, it is worth noting the initiatives taken by COSUMAF (Central African Financial Market Supervisory Commission), which between 2006 and 2010 launched a number of initiatives to raise awareness of the stock market, such as the Central African Financial Market Days.

PERSPECTIVES

We can note some recent developments within the BRVM, the BVMAC, and the DSX. In 2016, several companies joined the BRVM, including the Société Ivoirienne de Banque and Bank of Africa Mali. Also, the BRVM plans to finalize its project to create a section for small and medium-sized enterprises (SMEs), the launch of which has been discussed for several years but is pending authorization from the Regional Council for Public Savings and Financial Markets (CREPMF). At BVMAC, a new trading room has just been inaugurated, and DSX announces the imminent listing of 13 new companies.

According to a BRVM official

«CAPITALIZATION SHOULD REACH 8,000 BLN CFA IN 2016, WHILE TRANSACTIONS SHOULD INCREASE FROM 336 BLN CFA TO MORE THAN 400 BLN CFA ».

It is also planned to launch bonds for the diaspora in order to finance infrastructure investment works.

To overcome the current limits faced by regional stock exchanges, certain reforms are essential.



We can cite, for example, the following tracks:

- ▲ Promote the development of stock market culture thru the dissemination of economic and financial information on the financial market. Operation in progress at the BRVM with the launch of "Info Bourse," a concept that allows mobile phone holders to receive messages about stock market information and education.
- ▲ Finalise the effective implementation of the segment intended to accommodate SMEs/SMIs on the stock market. This compartment is quite active on the Nairobi stock exchange, however, in almost 4 years of existence it only has 5 listed companies (SMEs) today.
- ▲ Establish tax incentives for companies applying for listing through a reduction or exemption of taxes to increase the number of listed companies. At the level of transaction costs and from a fiscal standpoint, the NSE seems more attractive than the BRVM. Transaction fees amount to 0.18% on the NSE and 0.4% on the BRVM. While the tax rate on capital gains is 5% on the NSE, making this financial hub very attractive (around 35% on average across the exchanges that make up Euronext), and for comparison, the interest rate on capital gains from movable assets realized on the BRVM is 12%.
- ▲ Improve financial communication: In the CEMAC zone, the absence of market data (financial databases, macroeconomic databases, market news, etc.) that is exhaustive, reliable, up-to-date and especially grouped together in one place (DSX, BVMAC, etc.) is a real brake on the development of financial markets, one of the postulates of which is that a market is efficient if the prices of the securities traded there reflect at all times all the available information on these securities. Moreover, free and on-line access to market information of the type methodology for calculating and reallocating representative stock market indices (example BRVM 10 or composite BRVM) or transaction fees for example would strongly participate in attracting foreign, international capital on the stock markets of French-speaking sub-Saharan Africa thus increasing the market capitalization.
- ▲ Prevent risks by establishing a legal framework conducive to protecting savers in order to increase investor confidence. The bankruptcy of many microfinance institutions (Benin, Cameroon, Madagascar, ...) has undermined the confidence of many small savers in Sub-Saharan Africa who for the vast majority have lost all their savings.
- ▲ Improve the responsiveness of regional stock exchanges to requests for bond issuance, capital increase. The appearance of new stock market listings would also be a decisive factor in convincing companies in the region of the performance of the market and the opportunity to use it. This process can be accelerated by government initiatives that would list (at the disposal of investors) part of the public portfolio.



- Expand the range of products offered. Past advancements, such as the creation of a few SICAVs or FCPs, are still insufficient, and the proliferation of OPCVM (products still absent from Central African Financial Markets) is very likely to increase transactions across all segments thanks to an enhanced role of professionals. Another avenue for expansion could be a market specifically reserved for Start-ups in a few sectors of activity recognized as promising.
- Strengthening liquidity through interconnectivity between stock exchanges. The process is underway with the BRVM and the financial markets of Accra and Lagos. This would also enable less developed stock exchanges to benefit from the experience of their counterparts. In the same vein, demonstrating political will to work towards the success of the integration project, particularly in the case of the BVMAC, to end its competition with the DSX, will make the regional stock exchange more efficient.
- The SME (GEMS) segment of the NSE has only half a dozen listed companies, which is undoubtedly very few in a country where the SME sector accounts for around 45% of national GDP. The promotion and dissemination of the benefits of the stock market as an alternative source of financing (such as SME FEST days) should be further emphasized. Another avenue for improvement in the longer term could be to ensure continuous trading in this market to boost volume. It might also be appropriate to relax the eligibility criteria for companies operating in a well-targeted sector. The NSE is fully aware of the relative weakness of this segment and measures are being taken to address this. It aims to have 19 companies listed by the end of 2017 and 39 by 2023.

If these additional openings are necessary, it is also necessary to consolidate safeguards to prevent speculative or risky operations as much as possible. Any negative impact related to such operations would have devastating effects on the confidence that is beginning to take hold and would create spaces of turbulence avoided so far

Summary comparative table (numbers 2015)

	Number of companies listed	Number of listed bonds	Transactions action 2015 (billion FCFA)	Capitalization equity markets (billion FCFA)
DSX	3	6	0,4	166
BVMAC	1	8	4,9	6
BRVM	41	36	149	7 500
NSE	64	93	1 500	12 000



KNOWLEDGE AND TRUST : TWO MAJOR CHALLENGES

We can establish a regulatory framework for a multitude of financial products, OPCVM, foreign exchange products, etc. (which, incidentally, would be nothing more than a slightly adapted copy-paste of existing regulations), but this will not make our financial markets more dynamic. This is because it will not create enthusiasm for the use of these new financial products as long as our financial ecosystem does not include the largest segment of our savings, i.e., small savings, popular savings, those found under our mattresses, in our tontines, in our markets, and for good reason: our context is dominated by an informal economy.

The financial markets of Sub-Saharan Africa will therefore not primarily emancipate themselves through the intervention of banks and insurance companies. It is also surprising to regularly see at major conferences and forums on African financial markets, the presence of speakers coming almost exclusively from banks, insurance companies, and other financing and investment companies. What about civil society? From the small and medium-sized enterprise sector? These, by the way, provide more than 60% of the jobs on the African continent.

There are today two major challenges to address:

THAT OF «KNOWLEDGE » AND THAT OF « TRUST ».

KNOWLEDGE

It is about financial education, the popularization of financial culture in a single goal which is to achieve total financial inclusion. This financial inclusion is today below 20% (see International Monetary Fund) in francophone sub-Saharan Africa. In other words, with such a low rate of financial inclusion, it is not pretentious to say that less than 10% of our active populations have understood the role and usefulness of a financial market. Kenya, for its part, succeeded thanks to Mobile Banking which reached a penetration rate of 60%. What has largely contributed to boosting banking access, which is currently around 45-50%. On this point, which is mobile banking, West and Central Africa are still searching because the proposed offer is struggling to establish itself despite a mobile telephony penetration rate of more than 80%. It must be said that the population most affected by these services, which is de facto the population with the least access to banking services, is located in rural areas. And for many of these rural people, they are not literate and even though they would be, they do not have a financial culture. This therefore involves extensive financial education work that should have been done by the private operators, providers of this service and by the financial administrations.

The lesson to be learned from this situation is the need to adapt our economic and financial infrastructures to our societal model, in other words, the «inputs» of our model of economic development cannot be those of another region or another continent but must be essentially constituted, impregnated with our social and environmental contexts. The development of financial inclusion tools that are both innovative and familiar seems to best meet the needs. Indeed, thanks to the mobile phone, Information and Communication Technologies (ICT) are both at the heart of innovation and in 90% of the pockets of Africans.

It is in this sense that the Kenyan stock exchange, the Nairobi Securities Exchange, is today relying on the tools that have made financial inclusion a success to attract savings to its financial market. A recent example of digital financial inclusion is the launch of the M-Akiba bond thru the mobile platform with an investment threshold of 3,000 Kshs (18,000 FCFA) compared to a usual threshold of around 50,000 Kshs. Which allows for a massive draining of individual savings.



TRUST

The financial market can be synonymous with "Casino" for the uninitiated. And for the very initiated, such as financial directors or institutional types like insurance companies, pension funds, the question of the credibility of managers, advisors and financial intermediaries arises. It is almost more relieving for them to invest with managers in Europe or America and close their eyes, because they think nothing abnormal can happen on that side. Or, we could recall the case of a defective investment by the central bank of the CEMAC zone with a major French bank in a guaranty capital fund that resulted in a record loss of more than 16 billion FCFA in 2008.

What should be done about this?

FINANCIAL AND TRAINING INFORMATION

Financial training for managers, advisors, and financial intermediaries: This would be the key to avoiding a dialogue of the deaf between subscribers (savers—individuals and professionals) and investors (savings managers, intermediaries, and financial advisors), as it concerns both parties.

On one hand, the underwriter, who may be a banker, an insurer, or a treasurer, must be familiar with the investments they make because one of their roles in monitoring their investments will not just be to collect data and reports from their managers, but to be able to periodically revalue their investments using simple work tools (such as Excel spreadsheets) to regularly ensure the consistency of the figures communicated to them.

On the other hand, it is in the market operator's interest to train in adopting good practices, which would enhance their credibility and, moreover, reassure their clients and potential clients. In this sense, it must demonstrate transparency and have a communicative spirit. By providing regular and thorough reports, by developing its information center thru efficient data archiving (that is, by preserving data quality) because its role is also to justify its good economic analysis and market knowledge thru the production of studies or public speaking.

This trust relationship would allow for an increase in intra-regional transaction flows, which is also a determining factor for the expansion of our markets.

Financial information

In line with the above, the lack of availability of financial information constitutes a real obstacle and hindrance to local and foreign investment. From small savers to large investors, everyone needs to be informed about what they have bought or what they could buy.

It would therefore be essential to have reliable sources of information that could provide a reasoned assessment of the attractiveness of African sectors, resources, and regions. It is unclear where to turn for information that could improve our analysis or study of an investment choice. Having a centralized financial database that is accessible to as many people as possible. These data census works are partly carried out by institutions such as the ADB (African Development Bank) in the form of research notes, but it will be necessary to go even further by having regular studies and analyses on trends in African values.

Another point is to strengthen decision-making tools for investors. There are currently a few African rating agencies. Notably in West Africa (Bloomfield Investment and WARA) and none in Central Africa. However, these agencies currently suffer from a lack of recognition, particularly among foreign investors. How could we proceed so that tomorrow, for any rating of an African asset, alongside a Moody's or Fitch rating, there would be a



Bloomfield or WARA rating? Why not have the African subsidiaries of financing agencies such as IFC, AFD, rated by Bloomfield Investment or WARA? The leaders of these agencies have credibility regarding their interventions and financial reports, however, they will need support, courageous and encouraging actions to establish themselves with local and foreign investors. However, we can specify the recent rating of the State of Côte d'Ivoire for the first time in local currency and by a local rating agency (Bloomfield Investment).



THE NEED FOR INTERNATIONAL OPENNESS

Today, the BRVM and the NSE are on their way to succeeding in the challenge of popularizing stock culture as well as an international reputation through their various promotional campaigns and innovative initiatives. On the other hand, they have not yet succeeded in attracting sufficient large amounts of foreign capital. Many investors participate in all their events with a certain curiosity but do not currently have a real desire to invest in their markets.

An openness to the international is necessary for more than one reason. On the one hand, it makes the stock market more attractive and therefore favorable to the arrival of large investors. From the moment it becomes clear to local companies that their stock exchange is in the sights of international investors, it clearly appears in their eyes (in case of need for financial resources) the interest to enter on the stock exchange.

On the other hand, we can note that African stock exchange companies are generally confined to their country or region. Let's take the case of Management and Intermediation Companies (SGI) as well as OPCVM Companies (SGO). It would be more advantageous for them to forge partnerships with European and American management companies in search of expertise and returns indexed on the growth of African economies. This could take the form of a management mandate, for example. Indeed, today many foreign funds invest in Africa through indices generally composed of companies that do not directly operate in Africa but rather have their interests there. Example: The Lyxor Pan Africa which reproduces the performance of a basket of 30 companies having their interests in Africa. However, the SGO are fully eligible for management under mandate for international funds since they have a deep knowledge of the local financial market. However, they should be able to demonstrate it as stated above through the regular production of studies and financial analyses.

It is also very curious to note that most large European and American management companies have subsidiaries on every continent except Africa. Paradoxically, they still have a small team responsible for relations with Africa (based at their headquarters), which enables them to regularly act as advisors or structurers on large fundraising operations for African governments or large companies. A partnership can therefore be established between these major international financing banks and the African states with which they collaborate, such that they also have the obligation to establish partnerships with one or more African counterparts so that the latter can benefit both from their experience and from working together on an international business opportunity. This process could provide a significant boost to attract more foreign capital to stock exchanges such as the BRVM and the NSE.

The interconnectivity of Stock Exchanges will be a first step to increase liquidity. Furthermore, it will be necessary to readjust the regulations for stock market investments accordingly to allow a UCITS to easily invest in different stock exchanges once they are linked by a collaboration agreement



WHAT ALTERNATIVES BEFORE THE ESTABLISHMENT OF STOCK EXCHANGE?

The creation of a stock exchange should not only result from the size of the economic potential of a country or region. It must also be based on political will and ambition. While it is quite commendable for African states to move towards this type of innovative financial infrastructure, it is not the best financing alternative to diversify its resources by appealing to local or external savings.

Thus, if the priority in terms of financing for states and companies in Sub-Saharan Africa is indeed "debt" as we can see through the characteristics of stock markets which are predominated by bond compartments, it is not always necessary to have to create a stock exchange to achieve this. Without a stock exchange, states or companies can issue bonds that are referred to as "private placements". This fundraising technique concerns companies or states that do not wish to go through a stock exchange. Subscribers to these investments are generally specialized funds, insurance companies or banks. It should be noted that this process escapes the scope of the public offering.

On the other hand, the listing of companies from a state that does not yet have a stock exchange can be done within the stock exchange of a neighboring country. We can for example take the case of the State of Madagascar, which could initially establish a partnership with the Mauritius Stock Exchange (Bourse de l'île Maurice) with the aim of listing some of its securities there.

To move forward progressively, states can therefore initially create the conditions for a favorable fundraising framework for issuing companies and investors. Because when we talk about the financial market in the context of Sub-Saharan Africa, it must be integrated into the daily lives of all social strata by encompassing all economies (small and large). A financial market created without real state or inter-state support, without social awareness, can take on a character of insensitivity toward an economic context that is nevertheless very active.



BETTER MANAGE THE ADEQUACY BETWEEN SUPPLY AND DEMAND

The stock market, whether it is a stock market or a bond market, a primary market (equivalent to the new market) or a secondary market (equivalent to the second-hand market), is like any other market, a meeting place for supply and demand.

The lack of liquidity in the markets of most stock exchanges in Sub-Saharan Africa can be explained by a mismatch between supply and demand.

ON THE DEMAND SIDE, IN WEST AFRICA, IN EAST AFRICA AS IN CENTRAL AFRICA, INVESTORS, WHETHER THEY ARE INSTITUTIONAL, PORTFOLIO MANAGEMENT COMPANIES OR INDIVIDUALS, MAINLY HAVE A STRATEGY OF BUYING AND HOLDING FINANCIAL SECURITIES AT MATURITY. THIS SO-CALLED « BUY AND HOLD » STRATEGY FOCUSES MAINLY ON INCOME IN TERMS OF DIVIDENDS FOR STOCKS AND COUPONS FOR BONDS, FORGETTING THE POTENTIAL CAPITAL GAIN LINKED TO THE VARIATION OF FINANCIAL SECURITIES PRICES ON THE MARKET.

Generally, in the most liquid stock markets, investors who are most experienced in financial markets often intervene to reallocate their portfolios or replicate a market index, to protect themselves from risk, or simply to speculate. These types of interventions require investors to take a portfolio construction approach based on a risk/return strategy that results in a strategic allocation (i.e., according to a specific risk level and investment horizon) and a tactical allocation (i.e., according to a defined geographic or sector allocation) of their portfolio.

The fact that there are very few offers and almost no liquidity in most financial markets in sub-Saharan Africa may indicate a lack of portfolio formation (by institutional investors and management companies) based on the analysis of risks on equities on one hand and credit risks for bonds on the other hand that are traded in these different markets. Financial analyses and valuation models of listed companies do not seem to be part of the investment decision-making tools for many investors in sub-Saharan Africa today due to their strategy essentially based on a purchase followed by a retention of securities over the very long term (Buy and Hold strategy described above). Similarly, the credit qualities and their changes over time, summarized by the credit ratings assigned by the rating agencies, do not yet seem to be fully taken into account by these same investors.

Moreover, this state of affairs also denotes for institutional investors a lack of Asset/Liability Management (ALM) tools that would allow them to define a rigorous allocation of their portfolios.

Finally, the portfolio management companies, which are increasingly numerous in West and East Africa and on the other hand almost non-existent in Central Africa, seem to be satisfied with the so-called strategy « Buy and Hold » (that is to say, in the purchase of bonds that are maintained until their maturity and in the purchase of equity securities only for dividends paid). However, with the fees they receive from their clients, they should implement active bond portfolio management strategies that would automatically lead them to be more active in buying and selling on bond markets.

On the supply side, the young bond markets of the WAEMU and CEMAC zones present some characteristics that do not help to have a functioning and efficient financial market.

We distinguish in particular the modes of operation of issuers that are states, banks and companies:

- ▶ The majority of sub-Saharan African states having short-term management of their budget, tend to issue only short-term bonds and notes. This offer of short-maturity government bonds is not in line with the needs of financial investors most likely to intervene massively on stock markets (institutional



investors, portfolio management companies, pension funds) because of their profile and their management method based on the long term.

- ▶ *On the other hand, in Francophone West Africa, the majority of state issues are repayable by annual amortization of the borrowed nominal (gradual repayment of the nominal over the years), thus reducing the total return for the investor, whereas on the international financial markets, they are characterized by a repayment at maturity.*
- ▶ *It should also be noted that it is quite common to find two issues of treasury bills or bonds with very different maturities, released within a very short time interval and having the same yield rates. In general, due to the risk taken by short-term and long-term investors, the latter require a higher yield from the issuer for a long-term loan compared to a short-term loan. These emission anomalies do not allow for the creation of sub-regional yield curves (a kind of reference level to determine the required yield levels, demanded on bond issuances of lower or higher credit quality than the states).*
- ▲ Regarding large or medium-sized companies, they do not have true internal and external growth strategies, as they do not want to disseminate complete, faithful, and fair information about their financial situation as required by financial market regulations and practically do not issue financial securities (Stocks and/or Bonds).



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