

Speech by Hon. Claver GATETE, Minister of Finance and Economic Planning, during the 20TH AFRICAN SECURITIES EXCHANGES ASSOCIATION CONFERENCE, in Kigali- Rwanda, 28th November, 2016.

***Right Honorable Prime Minister,
Honorable officials (all protocol observed),
Members of the Diplomatic Corps,
ASEA Chairman and Executive Committee Members,
Distinguished Ladies and Gentlemen,***

Rt Hon. Prime Minister, thank you for officiating the opening of this event despite your busy schedule. It is my honor to welcome you all to Rwanda and to this **20th African Securities Exchanges Association (ASEA) Annual Conference.**

Rt. Hon. Prime Minister, the African Securities Exchanges Association is a premier association of leading exchanges in Africa, who have come together to develop Member Exchanges, provide a platform for networking and strategizing on how to develop Capital Markets on our African Continent. This conference is organized every year in different member countries and last year it was held in South Africa following a successful conference in Mombasa, Kenya.

The Association has a Full Membership of 26 vibrant Exchanges – serving 32 economies in Africa – 2 Observer Members and 1 Associate Member. It brings together about 300 delegates from more than 30 countries, comprised of experts and stakeholders in capital market, regulators, law firms and issuers, domestic, regional and international investors, rating agencies, portfolio and investment managers, government representatives, and technology providers.

We are very happy that this year, such a high level conference is taking place in Rwanda.

Right Honourable Prime Minister, distinguished Ladies and Gentlemen.

Africa has continued to witness commendable performance in economic growth and financial stability. This has mainly been supported by ***robust economic and development policies***, and the capital market has played a key role. In view of this, I would like to talk briefly about **four** key aspects of Capital Market on our continent:

To begin with, Capital markets are becoming more important **to African economies**. They continue to be used as a *channel for private and public businesses to raise funds, for long term investment.*

For instance, the report “**2015 Africa Capital Markets Watch**” published by **PriceWaterhouseCoopers (PWC)** in *January 2016*, shows that **105 issuances** on equities were recorded. While **US\$ 41.3 billion** was raised between 2011-2015 and **US\$ 12.7 billion** (or 30.8%) was raised in 2015 alone.

Over the same period (2011-2015), the bond market mobilized capital equivalent to **US\$ 110.2 billion** in **489 issuances** and **US\$ 19.3 billion** (or 17.9% of the amount raised over 5 years) was raised in 2015 alone. *Such high transactions in volume and value channeled through capital markets is evidence of the importance of the development of the capital Markets to Africa.*

Secondly, there is a lot of room for growth, when you compare capital markets developments in Africa to developed economies:

The Stock Market Capitalization to GDP ratio in developed markets is very high, compared to the value of **below 50%** for this ratio in most of the African countries. For instance, in Singapore, this ratio has been **above 100%** over 15 years while it was at **93%** in Japan in 2014 *according to the Federal Reserve Bank of St. Louis statistics.* These numbers shows that we still have a lot of work to do.

Thirdly, let me touch on some of the global and domestic market issues that hinder the development of Capital Markets in Africa:

According to World Economic Outlook published by IMF, in October 2016:

- 1) Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. In Africa , growth is projected at 1.4% for 2016 .
- 2) The June U.K. vote in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the United States have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer time.
- 3) Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain. These uncertainties should be considered in addition to the rebalancing of the Macroeconomic framework undertaken in China.

On underdeveloped African capital markets

- 1) As we all know, one of the main challenges facing the African capital markets is the lack of sufficient supply of appropriate capital markets instruments, even though there is a growing interest from domestic and foreign businesses to invest their capital resources in our financial markets instruments;

- 2) Furthermore, the non-government bond market is still relatively small and under-developed in Sub-Saharan Africa, and the corporate bond issues are mostly dominated by banks.
- 3) This is in addition to the secondary market being illiquid.

This is a major challenge that we need to address.

And on fragmented capital markets given the low income levels, the limited access to financial services by a large portion of businesses, still hinders inclusive economic growth and constrains Africa's economic potential. Additionally, the small size of the African economies and the current fragmentation of our stock exchanges, are among the main issues that delay the development of Capital Markets.

Finally, what is the way forward to address these challenges? African governments should continue to accelerate the development of Capital Markets, in order to stimulate innovations of financial services instruments. Also, all stakeholders in the development of the capital markets should be assured, that all innovations in the financial sector are undertaken in order to provide sustainable financing solutions to the private and public sectors at domestic, regional and global levels.

I urge you to **keep up the momentum in integrating the stock exchanges**, at different levels of African regional economic blocks, so as to make our capital markets viable and globally competitive.

***Right Honorable Prime Minister,
Distinguished Ladies and Gentlemen,***

I would normally go on much longer, with this interesting subject. But let me end my remarks by thanking the African Securities Exchanges Association for giving the Rwanda Stock Exchange an opportunity to host this prestigious conference. It is a vote of confidence in our five year old exchange. I would like to congratulate the RSE and all the organizing team for a job well done to pull this off. Lastly, I would like to express my gratitude to all the sponsors of this event.

To our distinguished guests, I wish you fruitful deliberations and enjoy the rest of your stay in Rwanda.

May God bless you all?