



UNIVERSITY OF CAPE TOWN
DEPARTMENT OF FINANCE AND TAX

**The emergence of the Angolan equity market:
Main limitations and recommendations**

MASTERS DISSERTATION

BY

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(OLVSHE002)

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i. Plagiarism Declaration

I know plagiarism is wrong. Plagiarism is the use of another's work and pretending that it is one's own. This paper entitled: "The emergence of the Equity Market in Angola" is my own work. Each significant contribution to, and quotation in, this paper from the work(s) of other people has been attributed, and has been cited and referenced. I have not allowed, and will not allow, anyone to copy my work with the intention of passing it off as his or her own work.

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iii. Acknowledgements

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To all of them, my sincere gratitude!

iv. Acronyms and abbreviations

GDP – Gross Domestic Product

AFE – Arab Federation of Exchanges

AOA- Kwanza (Angolan currency)

ASEA- Africa Securities Exchange Association

ATS – Automatic Trading Statistics

BAI – Angolan Investment Bank

BCI – Bank of Commerce and Industry

BCV – Cape Verde Stock Exchange

BFA – Banco de Fomento de Angola

BFA GA – BFA Asset Management Fund

BNA – National Bank of Angola

BODIVA – Bolsa de Valores e Derivados de Angola

Bpd - barrel per day

BRVM – Bourse Generale des Valeurs Mobiliere

BVM – Mozambique Stock Exchange

CDS – Central depository system

CEVAMA – Central Securities of Angola

CEMAC – Economic community of Central African States

CMC – Commission of Capital Market of Angola

CoSSE – Committee of SADC Stock Exchange

CPI – Consumer Price Index

DSE – Dar Es Salaan Stock Exchange

EASEA – East African Securities Exchanges Association

ESE – Eswatini Stock Exchange

GHc – Ghanaian Cedi

GSE – Ghana Stock Exchange

IFC-International Finance Corporation

IFRS – International Financial Reporting System

JSE – Johannesburg Stock Exchange

LUIBOR – Luanda Intermarket Offered Rate

LuSE – Lusaka Stock Exchange

MERJ – Seychelles Stock Exchange
MINFIN – Ministry of Finance
MT – Mozambican metical
NSE – Nigerian Stock Exchange
NSE_k – Nairobi Securities Exchange
NSX – Namibian Stock Exchange
OPEC – Organization of the Petroleum Exporting Countries
OT-NR – Bonds denominated in domestic currency
OT-TXC – Dollar linked Treasury Bond
OECD - Organization for Economic Co-operation and Development.
PEP – Politically Exposed Person
PROPRIV- Privatization Program
SEM – The Mauritius Stock Exchange
TZS – Tanzania Shilling
UNSD – United Nations Statistic Division
WAEMU – West African Economic and Monetary Union
WAMIC – West African Capital Markets
WFE – World Federation of Exchanges
Yetu – Angolan commercial bank
ZSE – Zimbabwe Stock Exchange

v. Abstract

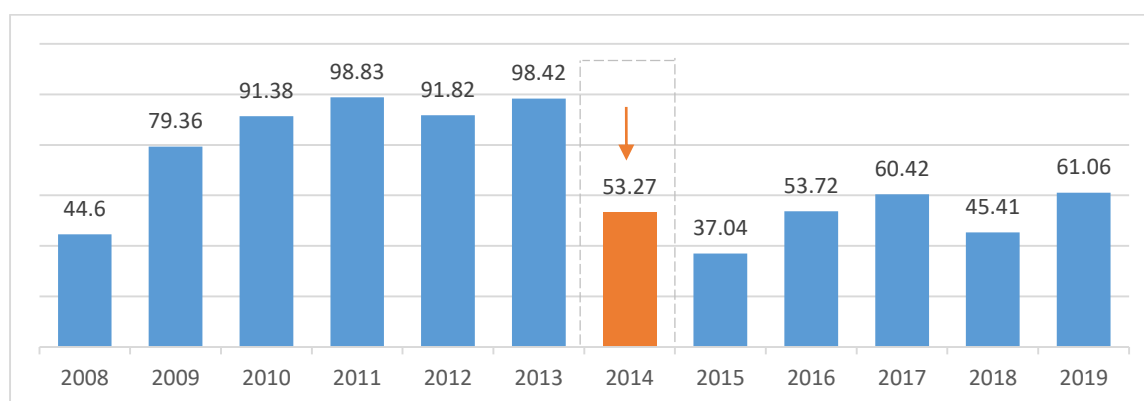
This dissertation investigates the limitations on the emergence of the Angolan stock market. It also examines the strategies developed by sub-Saharan African stock exchanges when facing similar issues. It uses information obtained from participants to recommend actions to be taken by the Angolan government and institutions related to capital markets. The analysis shows that some prerequisites must be prepared to establish any equity market and enhance the continued development of capital markets. Determinants of capital markets show that macroeconomic and institutional approaches are critical tools for stock market development. Results of this study tell us that stock markets do not follow a linear path. No such formula exists to apply to have the same results as other geographies because market characteristics are different. However, some conditions must be conceived to host the stock market. Additionally, the collaboration of the government, regulators, policymakers, and other stakeholders has been crucial for developing capital markets.

Keywords: capital markets, equity market, limitations, strategies, development.

Chapter 1 – Introduction

The Republic of Angola is in Africa and is bordered by the Democratic Republic of Congo (DRC), Zambia, Namibia, and the Atlantic Ocean. The country is the second-largest oil producer in sub-Saharan Africa and has the third-largest financial sector in the region. The Gross Domestic Product (GDP) is the seventh-highest among African countries (USD101.30 billion, 2018) for a population of ~30 million. (Bloomberg Terminal, 2018). Angola is recovering from a crash in crude oil prices that occurred in 2014. As we can see in the graph below, since the crash, oil prices have followed a downward pattern, so the overall economy has been affected. However, there is an ongoing consultation agreement with the International Monetary Fund (IMF) to improve economic stability through different reform programmes (IMF Country Report, 2019).

Graphic 1- International Oil Prices (USD/barrel)



Source: Bloomberg (2019)

The capital market in Angola is relatively new and in an embryonic phase. Angolan Securities Exchange [Bolsa de Divida e Derivados de Angola, SGMR, “BODIVA”] was established in 2012 and started operations in 2015 with the government being the predominant issuer of debt. The exchange does not host equity securities yet; however, there is one corporate bond issued by Standard Bank Angola (SBA). Therefore, financial needs mostly depend on the traditional banking sector (BODIVA Business Department, 2020).

Thus, the emergence of stock markets is necessary as an alternative to traditional funding sources. Savers would have different options to profit from their investments due to plenty of companies available in the stock market. Medium-sized enterprises (SMEs) would also benefit, as the capital market is more accessible for them. Additionally, the equity market

would reduce the pressure on foreign currency, positively affecting inflation; hence, the whole macroeconomic context.

1.1 Statement of the research problem

Funding in Angola has been concerning issue for private companies looking for funds to develop, expand, or even start a business. Commercial banking agencies are more conservative regarding credit concessions. In recent years, credit to the private sector has been stagnating for two reasons:

(i) Banking institutions' unwillingness to lend privately because of debt repayment failures. As of 2018, nonperforming loans (NPLs) in the economy reached ~35%. (IFC Private Sector Analysis, 2018). Additionally, the large stakes of NPLs are concentrated in state-owned banks, which have given loans to bank shareholders and their relatives, Politically Exposed Person (PEP), and politically related people, with a low capacity of repayment.

(ii) Commercial banks attractiveness to the risk-free asset, as it provides low probability of default and greater returns compared to other assets. (International Monetary Fund Research, 2017). The Government of Angola has large deficits of fiscal debt and as such, seeks to raise funds to meet their financial needs. Thus, offers high rates of return to attract investors. Private sector issuers cannot compete with those high rates. Consequently, investors, which are predominantly commercial and investment banks, choose to invest in risk-free asset rather than lend privately.

From the investors' perspective, when thinking of investing in Angola, the options available (term deposits, treasury titles) are sometimes unattractive because of the instability of macroeconomic indicators (high inflation, exchange rate depreciation), resulting in low returns. However, from the issuer's point of view, requesting a loan through banking agencies is expensive and time-consuming because of the long process to follow. It is even harder when it comes to start-ups with no track-record. The rejection rate is above 80% (IFC, 2019). Because of all funding problems encountered in traditional banking, issuers and investors look for alternative sources of financing in the capital market. However, other challenges arise when they look to raise money in the stock market. Companies cannot meet the requirements demanded by the stock exchange to list their companies, due to a number of limitations: (a) lack of financial capacity to pay initial fees and financial advisory services (b) low capacity

to meet international standards of corporate governance (c) financial reporting, etc. The market itself presents some inefficiencies that concern investors of capital markets, such as the small number of qualified accountants and financial experts, high levels of financial illiteracy, weak macroeconomic context. (BODIVA, 2019).

After all the problems mentioned to raise money in traditional banking and the limitations found by investors and issuers to enter the capital market together with market inefficiencies, it is clear that all market intervenient such as, the Government, regulators, companies, have to work out this challenges so that the stock market can happen.

1.2 Aim of the research

This research aims to:

- identify the main limitations to the emergence of the Angolan equity market.
- research the strategies developed by African exchanges when faced common stock market limitations.
- provide some recommendations to capital market intervenient in Angola.

1.3 Significance of the research

This paper will be significant for the Angolan stock market as it will identify the main barriers preventing the equity market to happen allowing BODIVA and CMC to focus on main problems of the market. This study will also show the strategies developed by other African stock markets when found similar limitations, which will enable Angola to learn from their experiences, successes, and failures. The good experiences will serve as lessons to adapt in our reality while the failures will be lessons to be aware and not repeat. Finally, the recommendations given in this work will lead the path to follow by the Angolan capital market intervenient, as well as, other stock markets seeking development.

The research will also be of interest to the Ministry of Finance, CMC, BODIVA, politicians, and other policymakers seeking to create a strong and successful equity market in Angola. It will also be of interest to students, scholars in the economic fields, foreign investors willing to invest in the country, and companies searching for alternative/complementary funding sources. Another reason why this investigation is important is that it will make greater publicity of the Angolan Securities Exchange, BODIVA, as this dissertation will be shared with other stock exchanges participating in the study.

1.4 Research question

This research aims to answer the following question:

- **What the main limitations encountered in the Angolan stock market?**
- **What the strategies developed by other stock exchanges around Africa to surpass this barriers?**
- **What recommendation can be given to the Angolan capital market intervenient in order to become a successful exchange?**
- **What environment is necessary for the emergence of a successful stock market in Angola?**

In summary, this chapter describes briefly Angola and gives a small overview on the capital market in the country. The problem stated under 1.1 refers to the challenges encountered by companies to fund their business in traditional banking. Likewise when investors look at other alternative sources of funding, like the capital market, they face other challenges regarding the requirements demanded by the stock exchange to list their companies. Therefore, the aim of the research in 1.2 is to identify these limitations, look for solutions based on Participants opinions and experiences from African stock exchanges and recommend the Angola capital market intervenient.

The rest of the paper is organized as follows: chapter 2 - Literature review which will describe African stock exchanges with special highlight to the Angola Securities Exchange economy and explores the determinants of stock markets, including common limitations of African capital markets. Chapter 3 - Methodology, is reserved for research approach, research design and data collection followed by Results in chapter 4, that will share the responses given by participants of this investigation and recommendations. Chapter 5 provides the final conclusions.

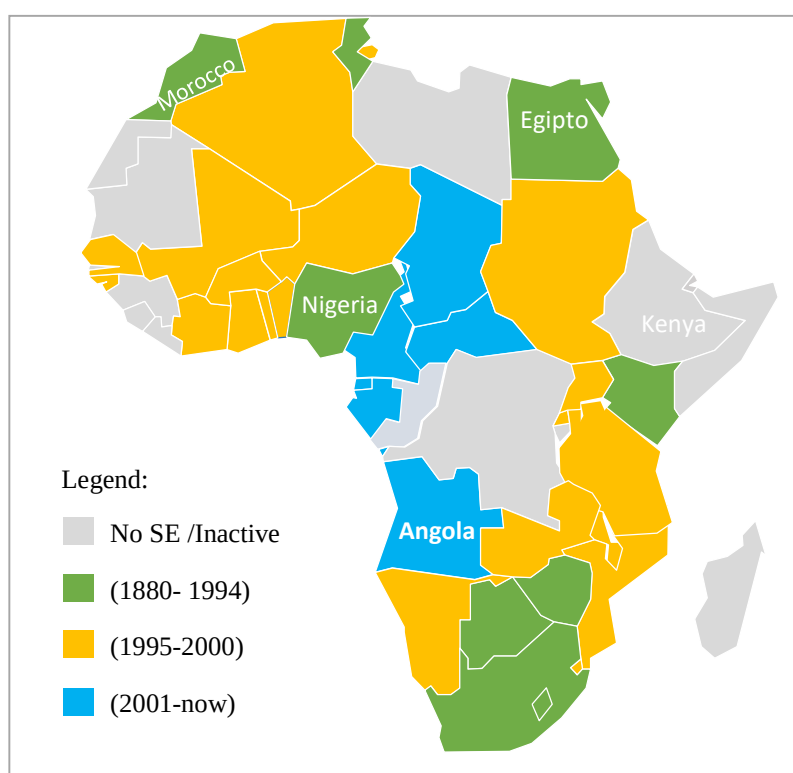
Chapter 2 – Literature review

This topic will depict about African stock exchanges, its organization according to geographic location, followed by a review of successful and unsuccessful exchanges in sub-Saharan Africa. Then it will describe the Angola Securities Exchanges and explain its political and economic situation. The chapter ends with determinants of stock market development including common limitations of Africa markets.

2.1 African stock exchanges overview

Originally, the first stock exchange emerged in the 14th and 15th centuries, trading commodities by merchants in Venice and voyagers to the East Indies. In the 19th and 20th centuries, major stock markets emerged in developed countries, led by the London Stock Exchange and New York Stock Exchange. Present stock exchanges are vastly different compared to those days. Previously, humans were critical to making the exchanges; today, stock exchanges use automatic trading platforms to allow trading activity (CFA Institute Research, 2019). Africa is the second-largest continent in the world in both population and size, comprising of 54 states, of which 49 are in the sub-Saharan Africa (United Nations Statistics Division, UNSD, 2019). The continent consists of 29 stock exchanges representing 39 nations. (African Securities Exchange Association - ASEA, 2019). The oldest stock exchange in Africa is the Egypt Stock Exchange (EGX), founded in 1883, whereas the Johannesburg Stock Exchange (JSE) is the largest (JSE and EGX, 2019).

Figure 1: Stock Exchanges by African Country



The African map in figure 1 shows countries without a bourse or inactive painted in grey for the last five (5) years.

Meanwhile, countries painted in green have the oldest stock exchanges in Africa.

However, the exchanges in blue hold the exchanges opened in the last decade.

Source: Stock Exchange5 websites, 2019

Stock exchanges by geographic region

There are different organizations responsible to seek the capital market and help in its development. Their main focus is to ensure the best practices in the market and contribute to its development. In Africa they are organized according to each region and supervises a group of countries (named as members). However there is a global institution that supervises all the exchanges.

Globally, the International Organization of Securities Commissions (IOSCO) is the entity responsible for the world's securities and future markets. IOSCO was established in 1983, in Madrid, Spain, and seeks to develop and implement consistent regulatory standards. Currently, the organisation has 129 ordinary members and regulates more than 95% of securities in the world (IOSCO Factsheet, 2019). Another global industry and clearinghouse for stock exchanges is the World Federation of Exchanges (WFE). Founded in 1961 in London, it seeks to ensure regulatory outcomes and establish the best practices and standards for the industry. Its members predominantly come from Europe, the Middle East, and Africa (WFE website, 2019). According to its website, BODIVA started the process to adhere to WFE membership in 2016.

Within the region, ASEA, established in 1993 in Nairobi, Kenya, is the organisation facilitating financial integration, ensuring communication among members, and empowering African capital markets. The ASEA's membership consists of 27 stock exchanges (ASEA Financial Report, 2019). BODIVA started a process to adhere to ASEA's membership in September 2016, as per its website.

Beyond ASEA, other associations are important in different regions of Africa, such as the Committee of SADC¹ Stock Exchanges (CoSSE) Stock Exchanges, the West African Capital Market Integration (WAMIC), the East African Securities Exchange Association (EASEA), and the Arab Federation of Exchanges (AFE).

The capital market authority in Angola, the Commission of Capital Market (CMC), is an IOSCO ordinary member since 2017 (CMC website, 2019). Besides this, the country is member of ASEA and CoSSE.

¹ Southern African Development Community

Geographically, the continent is split into two main zones: the Saharan and sub-Saharan regions. The first one consists of countries in North Africa, whereas the second one consists of West, East, Middle, and Southern African countries (the focus of the study).

- Saharan region: North Africa

The following information was gathered from the various stock exchanges websites and was summarized in table 1. Based on the table below we can see that the Saharan region consists of seven Islamic countries with single stock exchanges. All are members of AFE, except for Algeria. The outstanding stock exchange is the Casablanca Stock Exchange (CSE) in Morocco, with a total market capitalisation of USD58,5 million (see table 17 under section 4.2), followed by the Egyptian Stock Exchange (EGX). (CSE and EGX websites, 2019).

Table 1 - North Africa Stock Exchanges

Country	Exchange	Location	Founded	Listings	Indices
Egypt	Egyptian Stock Exchange (EGX)	Cairo, Alexandria	1883	248	EGX 30
Morocco	Casablanca Stock Exchange (CSE)	Casablanca	1929	81	MASI
Tunisia	Bourse des Valeurs Mobilières de Tunis (BVMT)	Tunis	1969	56	TUNIN-DEX
Libya	Libyan Stock Exchange (LSM)	Tripoli	1994	7	LSM
Algeria	Bourse d'Algerie (SGBV)	Algiers	1997	5	DSAIR
Sudan	Khartoum Stock Exchange (KSE)	Khartoum	2007	54	KSE

Source: EGX, CSE, BVMT, LSM, SGBV websites (2019).

- Sub-Saharan Africa region:
 - West Africa

The Western African region comprises 17 countries, of which 8 are part of the West African Economic and Monetary Union (WAEMU)² (UNSD, 2019). These eight countries are represented by one regional stock exchange known as Bourse Regionale des Valeurs Mobilières (BRVM). The remaining three countries (Nigeria, Ghana, and Cape Verde) are represented by single exchanges, whereas the other six does not have a stock exchange. The region is regulated by WAMIC, an institution founded in 2013 to regulate the capital market environment in the region. Table 2 shows that the Nigerian stock Exchange is the outstanding exchange in the region and hosts 184 listings.

Table 2 - West Africa Stock Exchanges

² WAEMU countries: Benin, Burkina Faso, Guinea Bissau, Cote d'Ivoire, Mali, Niger, Senegal, and Togo.

West Africa	Exchange	Location	Founded	Listings	Indices
Nigeria	Nigeria Stock Exchange (NSE)	Lagos	1960	184	NGSE
Ghana	Ghana Stock Exchange (GSE)	Accra	1990	39	GSE-CI
Cape Verde	Cape Verde Stock Exchange (BVC)	Praia	2005	4	n/a
WAEMU	Bourse Regionale des Valeurs Mobilières (BRVM)	Cote d' Ivoire	1998	46	BRVM-CI

Source: NSE Strategy & EPMO Department, GSE Finance and Admin Division, BVC Market operation Division, BRVM operations department (2019).

○ East Africa

This geographic area is covered mostly by the Indic Ocean, consisting of 20 countries, of which 10 have established stock exchanges (UNSD, 2019). EASEA is the organisation helping develop this region. The Nairobi Securities Exchange (NSEk) in Kenya is the largest and most advanced bourse in this region, followed by the Tanzania Stock Exchange (DSE). Table 3 illustrates the overall exchanges in the East Africa region.

Table 3 - Eastern African Stock Exchanges

East Africa	Exchange	Location	Founded	Listings	Indices
Kenya	Nairobi Securities Exchange (NSEk)	Nairobi	1954	166	NSE ASI
Rwanda*	Rwanda Stock Exchange (RSE)	Kigali	2005	8	RSE ASI
Malawi*	Malawi Stock Exchange (MSE)	Blantyre	1995	14	MSE ASI
Mauritius*	Mauritius Stock Exchange (SEM)	Port Louis	1989	63	SEMEDEX
Mozambique	Mozambique Stock Exchange (BVM)	Maputo	1999	10	IBVM
Seychelles	Seychelles Securities Exchange (SSE)	Vitoria	2012	38	n/a
Uganda*	Uganda Securities Exchange (USE)	Kampala	1997	17	USE LCI
Tanzania	Dar Es Salaam Stock Exchange (DSE)	Dar Es Salaam	1996	27	DSE ASI
Zambia	Lusaka stock Exchange (LSE)	Lusaka	1994	24	LuSE ASI
Zimbabwe	Zimbabwe Stock Exchange (ZSE)	Harare	1948	64	ZSE Ind
Somali*	Somali Stock Exchange (SSE)	Somalia	2015	2	SSE

Source: NSEk Clearing Operations Department, BVM Research department, DSE Market Operations Department, LuSE Business Department, ZSE Equity market Division (2019); *Stock exchange website (2019)

○ Middle Africa

This region holds two exchanges, one single and one regional. Angola Securities Exchange, internally known as BODIVA, is the single bourse in Angola and, therefore, the object of this study. Its history will be discussed in the next section. Second, BRVM d'Afrique Centrale

(BVMAC) is a regional stock exchange representing CEMAC³ countries. The Exchange was previously housed in Gabon and is now moved to the capital of Cameroon (Newspaper Business in Cameroon, 2019). The table below summarizes information of the exchanges present in Middle Africa.

Table 4 - Middle Africa Stock Exchanges

Middle Africa	Exchange	Location	Founded	Listings	Indices
CEMAC	Bourse des Valeurs Mobiliere de l'Afrique Centrale (BVMAC)	Gabon	2003	3	—
Angola	Angola Securities Exchange (BODIVA)	Luanda	2012	n/a	n/a

Source: BODIVA Trading and Market Development Division, 2019 and Newspaper Business in Cameroon, 2019.

- Southern Africa

Southern Africa is home to five countries with single stock exchanges and members of ASEA, except for Lesotho (ASEA, 2019). According to the table below we can see that JSE is by far the largest, both in market capitalisation and the number of listed companies (JSE, 2019). The Namibian Stock Exchange is the second-largest in this geographic region, with good development prospects.

Table 5 - Southern Africa Stock Exchanges

Southern Africa	Exchange	Location	Founded	Listings	Indices
Botswana*	Botswana Stock Exchange (BSE)	Gaborone	1989	35	BSE
Swaziland*	Eswatini Stock Exchange (ESE)	Mbabane	1990	10	SSX
Lesotho*	Maseru Securities Exchange (MSE)	Maseru	2016	—	MSM
Namibia	Namibia Stock Exchange (NSX)	Windhoek	1992	51	NSX
South Africa	Johannesburg Stock Exchange (JSE)	Johannesburg	1887	354	JSE

Source: JSE Market data information services, 2020. NSX Information Office Department, *Stock exchange's website, 2019

This section seek an overview of African stock exchanges, illustrated countries without stock exchanges, as well as, inactive stock markets. It also elucidates the old stock exchanges in the continent and those opened in the last decade. Additionally, it indicated number of stock exchanges by region and pointed the entity responsible to seek the region. Then it explained

³ CEMAC countries: Gabon, Cameroon, the Central African Republic, Chad, the Republic of Congo and Equatorial Guinea.

how the exchanges are organized geographically and provide some indicators in terms of number of listings, year of foundation and location.

2.1.1 Review of successful and unsuccessful stock exchanges

Table 6 indicates the stock exchange and indicators that shows whether it is a developed exchange or not. Based on the following indicators, we will analyse the exchanges that shares more perspective of development: number of listings, market capitalization to GDP, turnover ratio, current GDP and GDP per capita,

Table 6 - Stock Market Development Indicators (December 2019)

#	Exchanges	No. of listed companies	Market capitalization (% of GDP)	Turnover ratio (%)	Current GDP (USD billion)	GDP per capita (USD)
1	JSE	352	122	26.9	351.4	6,001
2	NSE	184	7.9	13.7	448.1	2,301
3	SEM	63	60.5	n/a	14.0	11,099
4	NSEk	62	27.6	16.1	95.5	1,817
5	ZSE	61	5.6	n/a	21.4	1,464
6	NSX	51	21.1	4.5	12.4	4,957
7	GSE	39	5.9	n/a	67.0	2,202
8	MERJ	38	66.7	n/a	1.7	17,448
9	LuSE	24	5.8	n/a	23.3	1,305
10	BVM	10	8.6*	3.9	15.3	504
11	ESE	8	6.5	7.8	4.5	3,224
12	BCV	4	n/a	3.9	2.0	3,908
13	DSE	27	n/a	n/a	63.2	1,122
14	BRVM	46	12.0	1.9	675.0	1,985

Source: Bloomberg and stock exchanges

*Data as of 2018

The JSE shows a higher market capitalisation to GDP ratio in the region (122%), followed by MERJ (66.7%), and SEM (60.5%). Meaning that the JSE is significantly overvalued, whereas the other two are modestly undervalued. Analysing the number of listings and trading value, JSE also leads the ranks with 352 listings, followed by NSE (184) and SEM (63). An increase in listed companies increases the traded value, increasing market liquidity, making it easy to exchange securities in the market. Income levels also matter to develop capital markets only

if the country can transform its income into economic development. The SEM, for example, has the second-highest GDP per capita among all countries analysed (USD11.099), which explains its stock exchange development because there is a positive correlation between the two variables. The JSE has the second-highest GDP per capita among countries analysed. Income levels positively correlate with stock exchange development and therefore, affects savings and investments in the respective stock exchanges.

Successful stock exchanges

1. The JSE leads the number of companies listed in the exchange across sub-Saharan Africa. It is common sense that, the more investors and issuers trading at the exchange, the more liquid it will be. It is by far the most developed exchange in sub-Saharan Africa. The JSE is also successful by its market capitalisation (approx. USD 1 trillion), which is the largest in the region (JSE market data department). Market capitalisation to GDP ratio is above 100%, meaning that the market is currently overvalued (Bloomberg, 2019). Regarding IPOs, the country has raised more than USD4.7 billion with high exposure to financial services (86%), followed by the information technology sector (10%). (RisCura, 2019). The JSE requires the use of IFRS for all listed companies, boosting investors' confidence in the market. Therefore, the JSE is successful because of its positive indicators which leads to a ranking position in Africa.

2. The NSX was established in 1992 in Namibia and is the second-largest in sub-Saharan Africa regarding market capitalisation. Its equity market splits into (i) NSX main board (which subset into overall, secondary and primary listings). (ii) NSX development capital board (DevX), and (iii) over-the-counter (OTCN). The main board is the most liquid market, with a ratio of 0.58% (NSX, 2019). In 2019, two companies were delisted and six new companies joined the exchange, increasing the number of listings to 51 (NSX Information Office Department). The strong relationship with the JSE has been a greater contribution to the exchange with impact in the level of trading volume. Other features that have contributed to the good performance of the exchange are the transparency index (rank 56/180), being the least bureaucratic places to do businesses in the region (score 60.5/100), the stability of macroeconomic indicators, such as inflation (6.97% in 2019) and exchange rate (14.31NAD/USD, 2019). (Central Bank of Namibia). It also requires using IFRS to enhance

transparency among financial reporting. Thus, the country's great macroeconomic environment combined with NSX indicators result in a second successful stock exchange in southern Africa based on the market capitalization.

3. The NSE is the most powerful in West Africa. Its success is attributed to the combined effort between the government of Nigeria and the NSE, which develops continued reforms to improve the investment climate and stimulate investor participation. The World Bank has identified Nigeria as the next country to be part of the emerging market group. Its GDP growth performance over the years and strong external position make the country attractive for many investors. The number of listings rose from 160 in 2015 to 184 in 2019 and the value traded is explained by the diversified products offered by the exchange. (NSE Strategy & EPMO Office). Market capitalisation to GDP ratio is still small at 9% (Bloomberg, 2019). This weak representation can be attributed to the informal nature of business in the economy of this country. (CFA research, 2019). From 2014 to 2019, Nigeria raised USD1.3 billion in IPOs with great exposure to communication services (RisCura, 2019). The NSE continuously focuses on the latest technology of its trading platforms and channels to communicate with customers.

4. Mauritius has the most accommodative business environment in Africa, characterised as having transparent macroeconomic policies, low tax rates, and low levels of political risk. The Mauritius stock exchange is ranked as the third-largest exchange regarding market capitalisation in sub-Saharan Africa. Market capitalisation to GDP ratio is at 60.5% (Bloomberg, 2019). The exchange hosts 63 equity issuers trading in the official market. The dominating industry sector is financials, followed by consumer services. Foreign investors are attracted because SEM can list securities in both local and foreign currencies (USD, EUR, GBP, and ZAR). Also, international investors benefit from numerous incentives regarding the tax environment and, return on shares can be freely repatriated. The robust regulations on investors' protection and compliance with international standards are features characterising the long-term success of the exchange.

5. MERJ Exchange Limited is a recent exchange founded in 2011 in Seychelles known for its innovative digital listings. It has eliminated unnecessary costs and bureaucracy, simultaneously maintaining the highest governance standards and latest technology. Its

success is attributed to the digital products offered (digital assets, securities token, crypto currencies, and other digital instruments). In a short time, MERJ made progress in number of listings, which increased from four listings in 2015 to thirty-eight in 2019. The same progress can be seen in market capitalisation that rose from USD40,70 million (2015) to USD1,202 million (2019). (MERJ Market Regulation Division, 2019). Its capitalisation ratio to GDP is at 66.72% (Bloomberg, 2019), meaning that the market is trading below its fair value. In February 2020, MERJ was named the Exchange of the Year at an industry awards ceremony in London, beating tough competition of the respected Swiss national exchange (SIX). Seychelles has recently joined the group of high-income economies because of its GDP per capita (USD17,448 in 2018), the highest among all African nations. (World Bank Country Report). A high GDP per capita is a greater contribution to stock exchange development, as the population can make savings and investments.

6. Kenya has the largest economy in East and Central Africa and is the fastest growing in sub-Saharan Africa. The growth rate resumed at 5.7% during the last five years. Inflation is manageable at 4.6% (2019), and other indicators, such as competitiveness index, investors' confidence, and doing business show positive progress. Also, the country is categorised as highly skilled, with the highest educated workforce (80%) among African countries. (KPMG, 2018). The NSEk hosts 63 listings in the stock market and the largest market capitalisation in Eastern Africa of approx. USD23 billion. (NSEk Clearing and Operations Department). The turnover ratio is placed at 16% (Bloomberg, 2019). Most investors are attracted by the good indicators presented by the country which reflects in the success of the exchange.

7. Tanzania is located within the Great Lakes and has had sustainable economic growth, despite the slowdown in neighbouring countries, while inflation is expected to remain low at ~4% (2019). The DSE established in 1996 and demutualised in 2016. It is a self-listed company currently owned by the government (15%), public (55%), and corporate investors. Currently, the exchange hosts 27 companies of which 6 are cross-listed from Kenya and one from London. Number of domestic companies totalize 21 and foreign companies sums 7. (DSE Market Operations Department). The equity market is structured as the main investment market segment for well-established corporate entities and the enterprise growth market segment for small and medium growth-oriented companies. DSE has the best tax environment

for listed companies in the region. It includes tax reductions and allowable expenses for IPOs, making it attractive for both domestic and foreign investors.

8. The GSE has two categories of listing: The Main board and Ghana Alternative Market (GAX). The latter category was created in 2013 to focus on SMEs with potential growth, from start-ups to developed companies. The GSE accomplished 39 listed companies, of which 33 are ordinary shares and six cross-listed. (GSE finance and Admin division). The main sector prevailing in the exchange is the mining sector (69%), followed by financials (21%). Ghana is the fifth-least fragile state in Africa and the 64th least corrupt in the world. (Corruption Perception Index, 2019). This make her attractive for the international investment portfolios. The growing and powerful middle-income country has one of the top five strongest African currencies. The exchange rate is trading at USD/5.8GHc (Bank of Ghana, 2019). Inflation continues to be in the single digits (~9%). Additionally, this exchange has investor protection provisions, rules against insider trading and a fund to compensate investors for losses incurred because of malpractice. Like other stock exchanges, GSE requires IFRS for all listed companies to ensure efficacy on financial reporting.

9. The BRVM in Cote d'Ivoire is a limited liability company representing WAEMU countries. The exchange decentralised electronic trading in 1999 and has been integrated into S&P Dow Jones and MCSI indices since 2014. The BRVM accessed the MSCI Frontier Market Index in 2016. BRVM moved from 36 companies in 2013 to 46 listed companies (2019), the best performance among other exchanges. The value traded was ~USD400 billion (2018) (BRVM Operations Department). Economically, GDP growth has averaged 6.5% per year since 2012, making it one of the best performing economic zones. The agriculture sector accounts for 43% of GDP and the service sector is the main job provider. The inflation rate is under control below 2%, whereas the exchange rate is still an issue. BRVM is noted by the high penetration of mobile money and stimulation of financial inclusion. Digital finance boosted by mobile money services providers and money transfer market have placed two WAEMU countries in the top 10 African countries receiving the most formal transfer from migrants, proving its success. (World Bank Country Report, 2019).

Successful exchanges have a number of factors that put together contributes for the good performance of the exchange. The adoption of the international standards of reporting seems

to be one factor of success, as it enhances confidence among the investors in the market. Benefits regarding the tax environment, policies to protect investors, also contributes with long-term success of the exchanges. Some of them are investing in digital assets, mobile money and investing in financial inclusion. These are the most relevant aspects of the stock exchanges mentioned.

Unsuccessful stock exchanges

The following stock exchanges are unsuccessful because their indicators show low progress among other exchanges investigated. We analysed the following indicators, low number of listings, low market capitalisation and trade value to GDP ratio, lack of market activity, a decrease in the performance index, etc. Despite the current state of the exchange, it does not mean it will not develop in the meantime. Some have greater macroeconomic environment, which, combined with further actions, will grant development which will therefore translate into a better performance of the stock exchange. They are as follows:

1. The Kingdom of Eswatini, previously known as Swaziland, is one of the smallest countries in Africa, with a population of no more than 1.2 million. Agriculture and manufacturing sectors are the main employees. Inflation year-on-year is low at 2.7%. The Eswatini Lilangeni (SZL) is the domestic currency paired with the South African Rand. The exchange rate against the US dollar is 14.41SZL/USD. (Central Bank of Eswatini, 2019). The ESE did not welcome any new listings in 2018, as listed companies remained at eight. The ESE trend is analysed by following three indices: a) SSX All Share grew 3.93% in 2019 representing a decrease compared to the previous year. b) SSX Corporate Bonds saw less activity in the market and traded 17 bonds of which seven matured. c) SSX government bonds had an upward performance, reaching highs in the last quarter. Market capitalisation to GDP is at 6.5% and turnover is at 7.8% (Bloomberg, 2019).

2. Mozambique is located in Southeast Africa, with a population of ~29 million (2018), almost the same size as the Angolan population (~30 million). The economy is largely agriculture, chemical manufacturing, and petroleum. GDP growth is estimated to reach 2% in 2020 and the annual inflation rate is set at 5.7% (World Bank country report, 2018). The exchange rate against the US dollar is at 63,9MT/USD. (Bank of Mozambique, 2019). The BVM was founded in 1998 under Decree 49/98 and is supervised by the MINFIN and Bank of Mozambique. Companies trading in this market are mainly state-owned companies, which

brings concentration to the stock market. Number of listings stands at 10 in 2019. Market capitalisation to GDP ratio is low at 8.6% as of 2018, which does not allow to evaluate the market following Buffet's indicator⁴. The turnover ratio has been decreasing since 2015 from 26.9% to 3.88%. (BVM Research Department).

3. The Republic of Zimbabwe is a landlocked state located in southern Africa. The actions taken by the government regarding taxes and price controls have led the country into a decline. Since 2000, the country began experiencing moments of hardship, severe foreign exchange shortages, and hyperinflation. The inflation rate stands at 785.55% as of June 2020, as of World Bank Database. The Zimbabwe Stock Exchange Limited (ZSE) is a licensed securities exchange according to the Securities and Exchange Act (24:25). As per the ZSE financial report of 2018, the equity market reflected the performance of macroeconomic indicators and policies. The volume of shares traded decreased 29% to USD2.52 billion, turnover increased 33% to USD926 million, and market capitalisation to GDP is low at 5.6%. The number of foreign investors decreased from 56% (2015) to 31% in 2019. (ZSE Market and Corporate Affairs). According to Zimbabwe Independent Newspaper, in June 2020, the government of Zimbabwe suspended trading on the ZSE for five weeks. Subsequently, several companies delisted from the exchange because they lost confidence in the exchange. Over the last decade, around 20 companies exited the ZSE. The paralysation of market activity makes the stock exchange unavailable for trading, proving its weaknesses.

4. The Republic of Zambia also share borders with Angola and Namibia. Its economy was based on the mining industry until 1998, then the government focused on tourism, agriculture, hydropower. The Zambian population is ~17 million (2018), with GDP growth of 3.7% (World Bank Database, 2019). The annual inflation is set at 9.3%, whereas the exchange rate Zambian Kwacha against the US dollar is at 13.99ZWD/USD (Bank of Zambia, 2019). The Lusaka Securities Exchange (LuSE) was launched in 1993, with the collaboration of IFC and the World Bank. LuSE was part of government reforms to stimulate the private sector and boost economic growth in Zambia. Market capitalisation is low at USD4,017 and the number

⁴ Warren Buffet evaluated stock markets using market capitalisation to GDP ratio, also known as Buffet's indicator. It says if market capitalization ratio is between 50% and 75%, in the market is modestly undervalued. Also, the market might be fair valued if the ratio falls between 75% and 90%, and modestly overvalued if it falls within the range of 90 and 115%.

of trades reduced to 996 between 2018 and 2019, and the volume traded decreased from around one million to 83 thousand. The low indicators mentioned makes the exchange unsuccessful. (LuSE Business Department).

5. The Republic of Cape Verde is considered one of the most democratic countries in Africa. Its economy focuses on tourism and foreign investment. Its population is ~543 000 (2018) and GDP growth was predicted to 0.56% in 2018. (World Bank database, 2019). Since 2007, the country has been classified as a developing nation rather than the least developed (United Nations, 2019). The annual inflation is the lowest among the countries analysed (1.52%) and the exchange rate Cape Verdean Escudo against the US dollar is at 98.49CVE/USD. (Bank of Cape Verde, 2019). Despite its good economic prospects, the stock exchange (BCV) is still undeveloped. The number of listings is low at four and it does not have an index to measure the performance of the exchange. The equity market capitalisation stands at USD69 339.87 and represents only 9% of the total activity of the exchange. (BCV Market operations Department).

2.2 Angola Securities Exchange (BODIVA)

This section provides an overview of the Angolan Securities Exchange, its market structure and trading activity. Also, it explains the privatization programme, listing requirements and strategic plans taken by BODIVA. The Angolan presentation and its political and economic context follows next.

Angola Securities Exchange (BODIVA) is a public limited company established in 2012 by Presidential Decree 97/14 of 07 May, that started operations in 2015. BODIVA's goal is to promote capital in the market and ensure infrastructure for trading activities contributing to economic sustainability. Its membership consists of 22 entities, of which 2 brokerage firms and 20 commercial banks. (BODIVA's website, 2019). Membership splits into trading members, clearing/settlement members, and associate members. The exchange is supervised by the Commission of Capital Market (CMC), a legal entity created in 2005, with financial autonomy and patrimony under the Securities Code (CodVM).

Market structure

Its market is subdivided into two: (i) The Official Market: trades bonds, shares, and participation units in the scope of public offerings. This segment demands high requirements to list securities and trade under an order-driven method. (ii) The organised Over-the-Counter Market: less demanding regarding listing requirements because securities are traded through different methods, including a quote-driven method. This market also admits unsettled businesses previously arranged in the other markets.

Currently, BODIVA offers treasury bills (BT), bonds denominated in domestic currency (OT-NR), dollar-linked T-bonds (OT-TXC), and one corporate bond issued by SBA. Services provided include trading, custody, clearing, and settlement. The central depository system is CEVAMA⁵, whereas the trading system in use is SIMER (Integrated System of Regulated Market). The settlement period is done on a T + 1 and T + 2 basis. Extra services offered by the exchange include real-time information, daily market summary, training, and consultant services (BODIVA website, 2019).

⁵ CEVAMA is the Central Depository System (CDS) of Angola, responsible for opening and closing accounts, as well as, deposit of securities. It provides, among others, the following services: encoding, income distribution events, refunds and amortizations, equity law events, updated list of holders, etc.

The table below shows the average price, maturity and yield of instruments traded in the exchange. For example, for T-bills with maturity of 28 days pays in return 13.4% (in average).

Table 7 - Traded Instruments in the Exchange

Instrument	Average price (AOA)	Maturity	Yield/interest rate
T-Bills (BT)	984,27–890,27	28–364 days	13.45%–26.47%
T-bonds not indexed (OT-NR)	95,89–67,09	1.5–4 years	22.50%–24.50%
Dollar-linked T-bond (OT-TXC)	100,62–105,56	5–7 years	5%–5.50%
SBA corporate bond	-	3 years	17%

Source: BODIVA X-Ray Magazine, 2020)

Investors preferred instruments ensuring hedging against the devaluation of the domestic currency, hence the instrument OT-TXC with maturity of three years were the most sought representing 73.6% of the traded amount. (BODIVA X-Ray Magazine, 2020). These were purchased predominantly by companies looking for protection against exchange rate depreciation while waiting for transaction settlements. Investors chose short-term financial instruments because of the uncertainty of the market in the long-term.

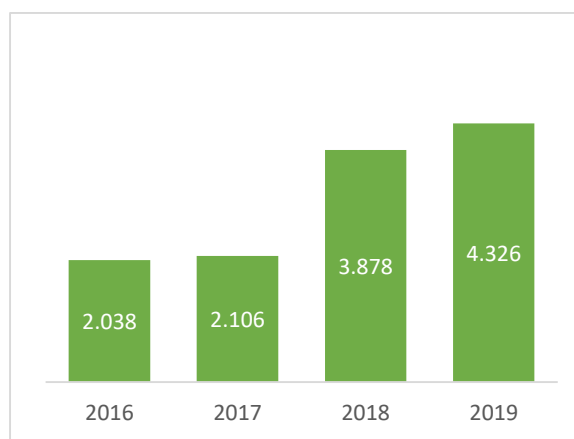
Regarding typology of participants, banking agencies are the main contributors, accounting for more than 53% of trade. The best banking performers are, commercial bank Banco de Fomento de Angola (BFA), Banco Angolano de Investimentos (BAI), and Millennium Atlantico Bank (BMA). Corporate participants are highlighted in the following sectors: oil & gas, wholesale, retail, and construction, which together accounted for 39% of trading volumes. Individual investors represent the smallest part of the trading activity (6.62%). (BODIVA X-Ray Magazine, 2020).

Trading activity

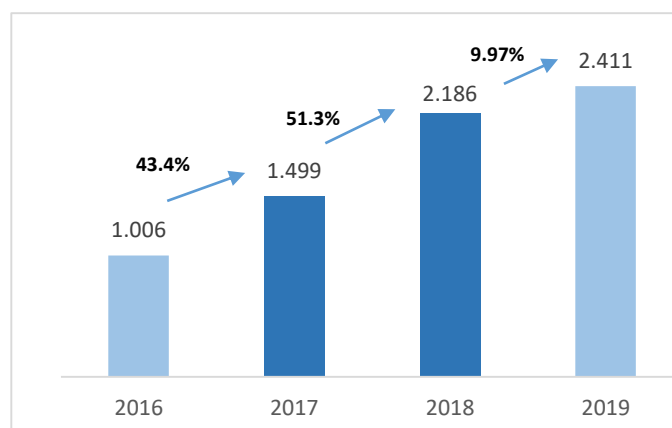
Despite the context of a challenging economy (lower economic growth, exchange rate depreciation, high inflation rate), this exchange has performed well. Between 2016 and 2019, the average growth rate of the exchange in terms of revenue was 34.94%. Referring to the number of deals, BODIVA registered an 11.5% increase to 4.326 deals (see graphic 4) below). Referring to the market segment, most trading volumes (~84%) were negotiated in the official market. In 2019, trading volume in the primary market of fiscal debt (the market where

securities are first issued) reached AOA751 billion compared to AOA874 billion in the second market, where securities are effectively traded. (BODIVA X-Ray Magazine, 2020)

Graphic 2 - Number of Trades (#; 2016-2019)



Graphic 3 - Volume Traded (USD million)



Source: BODIVA X-Ray Magazine, 2016–2019

According to BODIVA Magazine, market liquidity has decreased during the last years. The turnover ratio⁶ reduced from 48% to 34% between 2016 and 2017. Despite a smaller increase of 5% in the following year, the ratio registered low levels in 2019 and stood at 23% in 2019. Even though trading volume increased, it did not exceed the amount in custody, meaning only a quarter of the debt stock held by CEVAMA was negotiated. (X-Ray Magazine, 2020)

The privatisation programme

In Angola, the state aims to reduce its influence on the economy to guarantee the profitability of the national treasury. Therefore, the government developed a privatisation programme known as PROPRIV under Act 10/19 of 14 May – Privatisation Law, aiming the sale of state-owned entities and entities in which the state has a stake. The programme started in 2020 and will last until 2022. About 195 companies will be privatised, 20 will be privatised through the stock exchange. Procedures will follow three models: auction in stock exchanges, initial public offering (IPO), and public tender.

The management team of PROPRIV consists of the following institutional entities: the Ministry of Finance (MINFIN), CMC, BODIVA, investment banks, financial advisors, auditors, IGAPE (Programme Manager, monitoring, and implementation), and AIPEX⁷.

⁶ Turnover ratio is calculated by dividing the traded amount by amount in custody.

⁷ Angolan Private Investment and Export Promotion Agency

Entities to privatise are benchmarked companies from different economic sectors (see table 8). The Angolan Stock Exchange is also on the list of companies to be privatise, as it seeks demutualisation in the next period.

Table 8 - List of Companies to Privatise

#	Company	Sector	Procedure	State ownership
1	BCI commercial bank	Financial	IPO	100%
2	ENSA Insurance	Financial	IPO	100%
3	Angola Stock Exchange	Financial	IPO	100%
4	BCGA, SA	Financial	auction	8.5% ⁸
5	Economic bank	Financial	auction	30% ⁹
6	SDZEE	Economic	auction	100%
7	Aldeia Nova	Agriculture	auction	59% ¹⁰
8	MS Telecom	Telecommunications	auction	100%
9	Sonangol (national oil company)	Oil & gas	IPO	100%
10	Sonagalp	Oil & gas	IPO	51% ¹¹
11	Endiama (national diamond company)	Natural resources	IPO	100%
12	Sonair	Transportation	auction	100%
13	TAAG Airlines	Transportation	auction	100%
14	Angola Telecom	Telecommunications	auction	100%
15	Angola Cables	Telecommunications	auction	60%
16	Multitel	Telecommunications	auction	50%
17	Sonamet	Oil & gas	IPO	40%
18	TV Cabo	Telecommunications	IPO	49,50%
19	Sonangol Cabo Verde	Oil & gas	IPO	99%
20	ACS	Telecommunications	auction	100%

Source: Privatisation Law Act no. 10/19 of 14 May

The following information seeks to give an overview on what has been done by the Angola Securities Exchange in terms of initiatives that have been taken to develop the Exchange together with strategies to consolidate the market.

BODIVA initiatives¹²

- Partnership with IFC, a sister organisation of the World Bank who opened its first office in Angola (November 2019). Its strategic priority is to strengthen the local capital market and promote the private sector. It represents a significant sign of

⁸ The State have an indirect participation on BCGA through Sonangol holding and Sonangol E.P

⁹ Indirect participation through Sonangol Holding who owns 30% of Economic bank

¹⁰ Indirect participation of Angolan State through Gest (59%)

¹¹ Indirect State participation via Sonangol E.P

¹² Source: Department of Market development, 2020

international confidence in Angola's potential to attract the international investment community.

- Another partnership agreement with London Stock Exchange, through the MINFIN, to provide a training programme called the Readiness Programme that aims to support senior managers in the process of preparing companies to privatise.
- A direct channel known as the Investor Portal created to access treasury titles. It is an online platform developed by MINFIN to allow small investors to have access to the trading of securities normally available in the primary market.
- The availability of the book order on the BODIVA and CMC websites, making the information disseminated to the market even more public, as well as the entire regulatory framework, newsletters, and market developments.

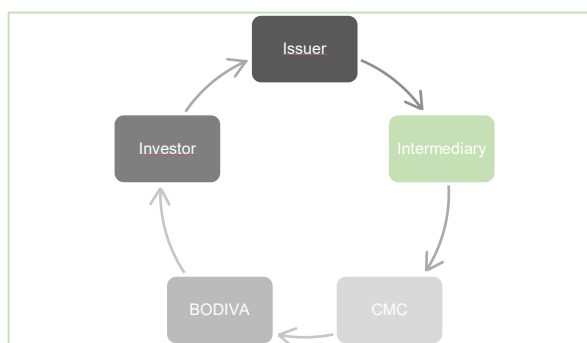
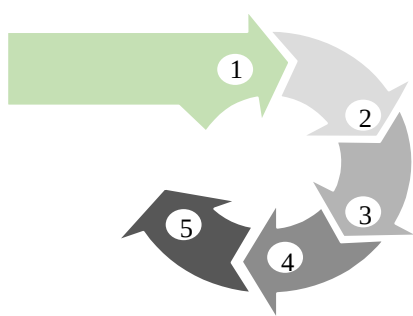
BODIVA strategic plans¹³

- Modernise and expand the communication and institutional image and improve the level of computer security and application solutions.
- Ensure the consolidation of the Treasury Securities Market, develop a market for hedging instruments and implement REPO's¹⁴ market.
- Ensure the training and capacity-building of staff, improving access to markets in BODIVA and post-trade services.

Listing process requirements

The process to offer securities to the public must follow the legal criteria according to the Securities Code and BODIVA's rules of public offers.

Flow Chart 1: Listing Process on BODIVA



¹³ Source: BODIVA X-Ray Magazine, 2020

¹⁴ REPOs-repurchase agreement

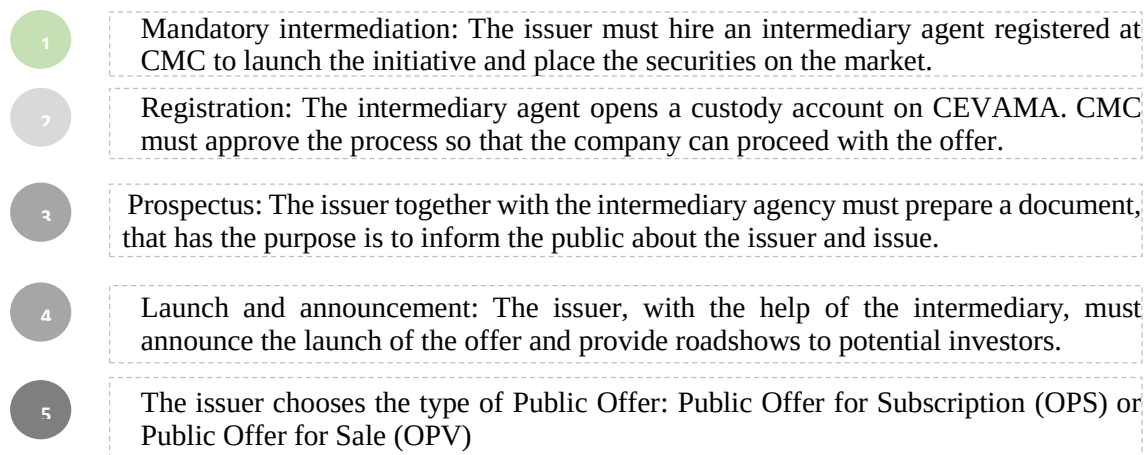
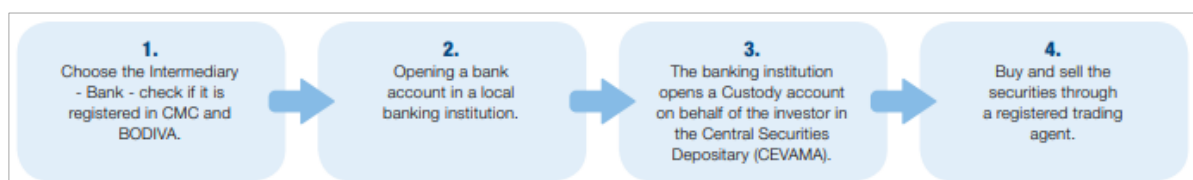


Figure 2: Process Requirements for Non-resident Investors



Source: CMC Investment Guide

1. Intermediary agencies are financial institutions legally authorised by CMC to provide services in the securities market, where these must be able to access the Angolan payment system.

2. The non-resident investor must open a bank account in any institution registered at CMC and BODIVA, with the capacity to execute foreign exchange transactions and provide custody services.

3. As for documentation to open a bank account, the non-resident investor should fill in a registration form to obtain a Tax Identification Number (NIF). The operations of non-residents involving the purchase of government debt securities are subject to previous licencing by the Angolan Central Bank. Using the bank account to conduct investments in the local securities market should meet the following requirements:

- The financial resources from abroad appointed for investment should be transferred to a sub-account, and the resources should be used for that purpose only.
- Payments to residents, including purchasing shares listed in the stock exchange, except foreign currency instruments, can only be settled in domestic currency.

- Return on investments (dividends, interests, and capital gains) can be kept to enter new investments or exchange in the foreign market.
- Cash of non-residents is liable to repatriation, as per the foreign exchange legislation.

4. Opening a custody account requires an individual to register an account on CEVAMA so that non-resident investors can trade on BODIVA on his behalf. An Intermediation Agreement must be signed with the intermediary/bank. Deposits and withdrawals occur whenever there are any buying/selling transactions. The investor can also seek an international custodian that can open a custody account on CEVAMA on behalf of the end client.

5. Regarding the licencing of cross-border financial flows, transactions of non-resident investors are subject to the rules issued by the Angolan Central Bank (BNA Notice n° 15/2019). Capital imports/exports to buy/sell securities and exports of income related to dividends or interest gains from investments in securities have no prior registration in the BNA. However, purchasing public debt securities, the sale of shares/stocks with a stake over 10% of the voting rights, and securities listed in the Over-The-Counter market, when the amount exported does not come from abroad is subject to prior registration in the BNA (CMC Investment Guide).

2.2.1 Angola overview

Political context

The current political structure consists of President Joao Lourenço, head of the government with some legislative powers, and Vice-President Bornito de Sousa. Historically, Angola achieved independence from the Portuguese rule in 1975. Then, the country lived intense periods of civil war between two political parties, the Popular Angola Liberation Movement (MPLA) and the National Union for the Total Independence of Angola (UNITA) until 2002 when the peace agreement was signed.

A current goal of the President is to reduce the influence of his predecessor, promote non-oil growth, and fight corruption. In 2018, two laws were created with aim to repatriate financial resources that are transferred abroad illegally which are known as Voluntary Repatriation Law 15/18 of 26 December and Coercive Repatriation Law 9/18 of 26 June. Among other strategies is an ongoing project to implement the United Nations Convention against Corruption, as per Presidential Decree No.176/19.

More recently, rating agencies raised concerns about the evolution of Angolan sovereign debt. Fitch and Standard & Poor (S&P), international rating agencies, maintained their notes in B– and CCC+ which is a speculative level (see table below) but, reduced their prospects for the evolution of the country's debt. Fitch highlighted a deterioration in debt/GDP because of a continued drop in international reserves, whereas S&P cited concerns over high government debt and the risk of larger twin deficits.

Table 9 - Angola Risk Assessment (Standard & Poor)

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
Apr-02	CCC+	CCC	CC	CCC	CC	CCC

Source: The Economist Intelligent Unit (EIU) (2020)

Regarding the country's investment climate, according to the Global Transparency report, the Corruption Perception Index was placed at 165/180 (2018), below the acceptable average. Despite efforts put in charge by the President to reduce corruption, Angola still has a long path to follow. According to the Global Competitiveness Index, the Country ranked at 134/148 economies, meaning little practical application of competition law and soft penalties

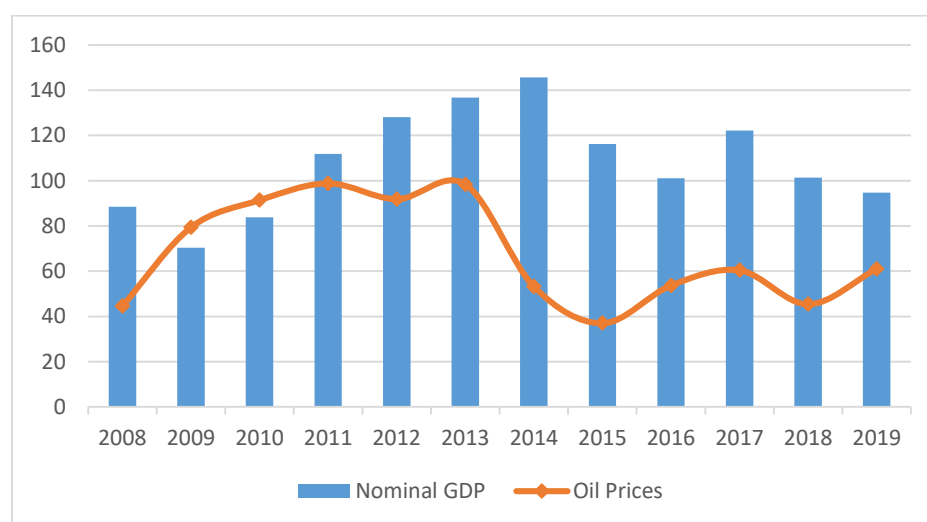
for offenders (World Economic Forum, 2018). Another important indicator, the ease of doing business, that compares business regulation for domestic firms in 190 economies, placed Angola at 173, meaning it is challenging to create businesses in the country (World Bank Group, 2018).

Demographically, the country shows low living standards. Approximately 70% of the population that live below the poverty line and the unemployment rate is high at 53.8% (UNSD, 2019). However, a programme known as PAPE¹⁵ is developed to promote employment growth among young people. The goal is to create 500 000 jobs by the end of 2022 (Minister for Public Administration, Labour and Social Security).

Economic context

The Republic of Angola, like many other African countries, is rich in natural resources, including diamonds, petroleum, and hydric stocks, making the country extremely attractive for foreign investment because of some of the unexploited mineral reserves. Petroleum is by far the most important mineral resource in the economy, making the country the second-largest producer in sub-Saharan Africa, just behind Nigeria. The oil sector is the main government revenue, accounting for more than 1/3 of the GDP and 90% of exports. Currently, Angola has a production output of 1.3 barrels per day. (IMF Country Report, 2018). (

Graphic 5 - Nominal GDP (Billion USD and Oil Prices; USD/Barrel)



Source: Bloomberg Terminal (2019)

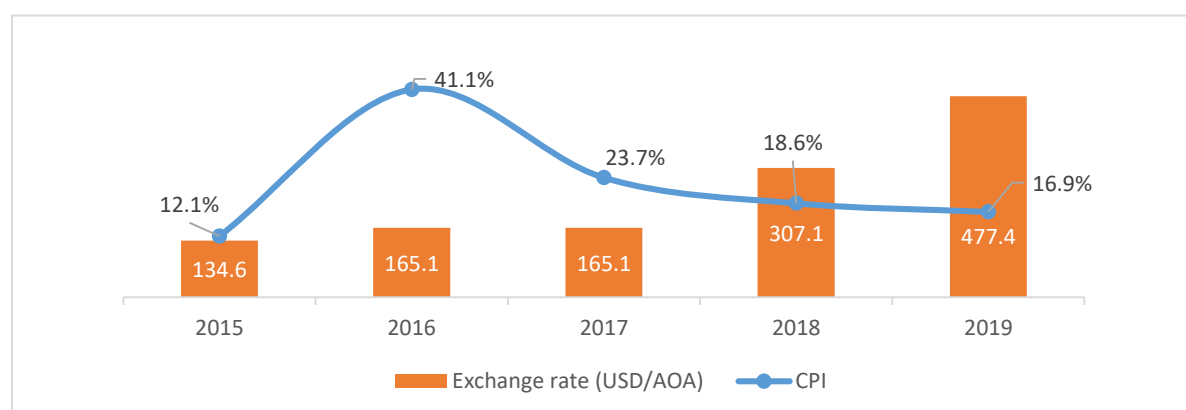
¹⁵ PAPE: Action Plan for Employability Promotion

The country is still recovering from the 2014 crisis in oil prices, as international crude oil prices dropped drastically (from \$100 to ~\$50), forcing OPEC (Organization of the Petroleum Exporting Countries) members to cut production, affecting the economic activity. Angola will face a recession for the fourth consecutive year as IMF projected growth to contract at 0.7% in 2019, followed by a shrink of –1.4% in 2020. (IMF report, 2019).

The debt to GDP ratio should increase to 110% in 2020, mostly because of the rapid depreciation of domestic currency. Therefore, the fiscal debt of the country totalized USD10.97 billion, including both the internal and external debt (Annual Debt Plan, MINFIN, 2019). MINFIN also benefits from IMF consultation, following an expansionist fiscal policy aiming to bring fiscal gains, reducing the debt burden. The measures include tax increases, implementing Value-Added Tax (VAT), several cuts in government employers' benefices, and reduction in fuel subsidies.

Angolan dependency on the oil sector makes the economy overly sensitive to commodity prices. The 2014 drop in the international oil prices affected reserves in foreign currency drastically. This increased the demand for foreign currency, depreciating the domestic currency Kwanza (AOA). The exchange rate against the US dollar went from AOA103/USD in December 2014 to AOA477/USD in December 2019 (BNA) (see Graphic 6).

Graphic 6 - Exchange Rate (USD/AOA) and Consumer Price Index (CPI); (%)



Source: Own manipulation; Angolan Central Bank (BNA)

Despite a sharp increase in the price index from 2015 to 2016, a downward trend has been following. The slowdown in the price index is because of implementing several macroeconomic stabilisation measures taken by the BNA. The BNA has adopted a monetary restrictive policy and allowed exchange rate liberalisation to normalise the exchange market

and reduce pressure on the exchange rate. According to Instructive no.2/2020 of 30 March, the sale of foreign currency will occur under the Bloomberg platform called FXGO, allowing commercial banks to buy foreign currency directly from oil and diamond companies. Previously, the BNA intermediated the sale through auctions. Among other strategies are reducing the settlement period for foreign exchange sales, introducing a floating exchange rate system, and eliminating the 2% margin in foreign exchange sales made by commercial banks (BNA Instructive no.16/2019).

2.3 Determinants of the stock market development

This topic identifies the main determinants of the equity market, including the International Financial Reporting Standard (IFRS) and common limitations faced by stock exchanges in Africa when established their exchanges.

Recent research on capital markets has focused in the link between the stock market and economic development. The stock market is drawing the attention of developing countries to realise economic growth. Some scholars defend that macroeconomic development is crucial for success in capital markets (Garcia & Liu, 1999). Others believe that institutional and legal factors are the main tools to lead capital market development (Chimpango, 2017). Another says that macroeconomic development itself does not lead to success; both macroeconomic and institutional approaches are necessary to develop any capital market (Yartey, 2008, Sin-Yu 2019, Naceur. S., Ghazouani, S. and Omran, M. 2007, Aduda J., Masila J., & Onsongo N., 2012).

Garcia and Liu (1999) analysed 15 industrial developing countries from 1980 to 1995 and found that a sound macroeconomic environment and sufficiently high-income levels, such as high GDP per capita, domestic savings, and investments are important determinants of successful capital markets. Likewise, Yartey and Adjasi (2007) in their research on sub-Saharan Africa stock markets, refer to a well-developed banking sector, transparent and accountable institutions, stock market liquidity, and shareholder protection as necessary conditions for the efficient functioning of stock markets in Africa. However, Chimpango (2017), who studied the development of African capital markets, defends that reliable legal and institutional factors are necessary to induce sustainable growth in capital markets. He quotes, “Countries must find an optimal legal and institutional framework, tailored to the informal rules prevalent in each country rather transplant from developed countries”. Meaning, once policymakers and advisors become aware of legal and institutional approaches, they can develop reforms and strategies that will help the capital markets in these countries. Yartey (2008), in his research on determinants of stock market development, examined 42 emerging economies during 1990 to 2004 and found that macroeconomic factors, such as gross domestic investment, banking sector development, private and capital flows, liquidity and; institutional factors, such as political risk, law and order, and bureaucracy are the main determinants of developed equity markets. Although both approaches are important, the macroeconomic approach is broadly defended by scholars when it comes to

studying the development of stock markets, as it provides more accurate information through its indicators. Sin-Yu (2019) examined the macroeconomic determinants of stock market particularly in South Africa during 1975-2015. His study confirms that macroeconomic and institutional factors are the main determinants of stock market development. It cites the following macroeconomic factors as the main influencers to stock market development: banking sector, inflation rate, interest rate, exchange rate and private capital flows, and trade openness. Meanwhile, the institutional factors identified are the legal protection of investors, corporate governance, market liberalisation, and market integration. In the same line, Naceur. S., Ghazouani, S. and Omran, M. (2007) studied the determinants of stock market development in Middle-Eastern and North Africa region (MENA). It suggests that to promote stock market development is important to encourage saving, improve liquidity, develop financial intermediaries and control inflation. The study concludes that well working financial intermediaries reduce transaction costs, improve allocation of resources and risk diversification. Aduda J., Masila J., & Onsongo N., (2012) examined the determinants of stock market development in the Nairobi Stock Exchange (NSEK) for the period of 2005 to 2009, report that institutional factors such as, law and order, bureaucratic quality, democratic accountability and corruption index, political risk, are important factors as they provide viability for external finance. Therefore the macroeconomic factors representing are stock market liquidity, income per capita, domestic savings and bank development are important factors for the NSEK. On the other perspective, Sin-Yu (2019) refers that income level and real income growth have a positive impact in stock market development. It means when the economy develops, occurs a decrease of fixed costs demanded in the stock markets, thus number of participants in stock market increase. It adds that, in South Africa the banking sector is well developed and regulated as it follows the international standards. It has improving over the decades placing the country in the top 10 in financial sector development, such improvement has positively affected the stock market and the overall economy. About the relationship between banking sector and stock market, the study shares two views: they can be either substitutes (in providing financial functions to the economy) or complements (in providing financial services to investors). As regards institutional factors the Sin Yu suggests that policymakers should encourage the use of external finance through main exporting industries to promote long-term development. The Central Bank of South Africa has adopted the policy to keep inflation between 3% - 6% since 2000. This policy is also beneficial to the interest rate promoting market growth.

In conclusion, most of academics states that a number of factors contributes to stock market development. These determinants are a combination of both macroeconomic and institutional factors. The macroeconomic factors found in literature are a banking sector development, incoming level, private capital flows, saving, stock market liquidity, stable macroeconomic indicators, IFRS adoption. Some academics shared this based on their analysis that macroeconomic indicators such as inflation and private capital has not impact in stock market development. (Aduda J., Masila J., & Onsongo N., 2012). While other says that control inflation plays an important role in stock market development (Naceur. S., Ghazouani, S. and Omran, M., 2007). Meanwhile important institutional factors that leads to an efficient market are good corporate governance, market liberalisation, investors' protection, market integration, low political risk, low corruption index, reliable law and order.

Stock market measurement indicators

Stock market development is a multi-dimensional concept measured by indicators, such as stock market size, liquidity, volatility, concentration, integration with world capital markets, and legal rules. Garcia and Liu (1999) used market capitalisation as a good proxy to measure stock market development, considering it less arbitrary than other individual measures. Similarly, Yartey and Adjasi (2007) chose three main indicators to measure the success in the equity market, namely market capitalisation relative to GDP, the value of shares traded relative to GDP, and turnover ratio. Likewise, Sousa et al. (2016) used three other factors to measure success in the stock market, as follows number of listings, market capitalisation, and trading activity. Banking sector development and development of national savings are two other reliable predictors of success. Warren Buffet evaluated stock markets using market capitalisation to GDP ratio, also known as Buffet's indicator, to determine whether the market is overvalued, undervalued, or traded at its fair price.

Table 10 - Warren Buffet indicators

Ratio = Total Market Cap/GDP	Valuation
Ratio $\leq$ 50%	Significantly Undervalued
50% < Ratio $\leq$ 75%	Modestly Undervalued
75% < Ratio $\leq$ 90%	Fair Valued
90% < Ratio $\leq$ 115%	Modestly Overvalued
Ratio > 115%	Significantly Overvalued

Source: Warren Buffett parameters

This way, if the ratio is between 50% and 75%, in the market is modestly undervalued. Also, the market might be fair valued if the ratio falls between 75% and 90%, and modestly overvalued if it falls within the range of 90% and 115%. (Kenton, 2020). Naceur. S., Ghazouani, S. and Omran, M. (2007) refers that stock markets are a small part of the overall financial system because it is dominated by banks, and as such, the stock market is measured based on banks-based measures of financial development like bank credit to GDP, total lending by non-bank public per capita and broad money to GDP. The study adds trading volume as it has a strong incidence on economic growth; stock market liquidity because of its strong association with long-run economic growth and market capitalization to GDP together with total value traded to GDP. Aduda J., Masila J., & Onsongo N., (2012) indicates that stock market liquidity as one of the factors that explains stock market development. According to his study, it calculate value shares traded as percentage of GDP to explain how easy a company can buy or sell its shares on the market. Meaning when share prices represents all the information available in the market, transaction costs of this company reduce having a positive impact in the stock market. For example, in the NSEK the study noted a downward trend since 2006 who stabilized in 2008, reflecting lack of information among the companies listed in the stock market.

International Financial Reporting Standard (IFRS)

The International Financial Reporting Standard (IFRS) is another key ingredient of a successful stock exchange. The American Institution of Accountants in the US first created accountant standards in 1930 after a stock market crash, followed by the Great Depression. Investors and market professionals felt that financial reports were insufficient and misleading. Afterwards, the Financial Accounting Standard Board was established to restore investors' confidence and created accounting principles designated as General Accepted Accounting Principles (GAAP) for private and public companies in the US.

In 1973, the UK and Europe created a new International Accounting Standard Committee that was restructured in 2001 to become the International Accounting Standards Board (IASB). IASB adopted all 41 IAS and created a new series known as IFRS. In the same year, IOSCO approved using IAS/IFRS for all listings and offerings.

Financial information is a key requirement for financial markets. Foreign investors decide where to invest based on information they can understand and trust. IFRS are trusted by most because of the three essential benefits they bring for investment decision-making, namely:

- Transparency allows investors to have high quality and comparable information.
- Accountability helps people outside the company to understand financial information.
- Efficiency – companies and markets operate efficiently by having a singular global trusted standard for financial information.

Overall, IFRS allows companies to lower the cost of capital and reporting. All these elements together contribute to the global economy by fostering trust, growth, and long-term financial stability. This is the only way to ensure transparency and quality in the company's financial reports (IFRS, 2019). The following information is provided by Deloitte IAS Plus and IFRS institution and discusses the financial reporting framework used in each country, as well as IFRS adoption.

Angola IFRS profile

Currently, the Angolan private and state-owned companies must use the General Accounting Plan (PGC), adopted by Presidential Decree 82/01 of 16 November 2001. The central bank is the entity with authority to adopt accounting standards in the country. It announced full adoption of IAS/IFRS for institutions under his supervision from 1 January 2016. Thus, IFRS is required only for financial institutions regulated by the central bank.

South Africa IFRS profile

The South African Institute of Chartered Accountants is the professional organisation to develop accepted accounting practices and issue statements of SA GAAP. The JSE requires domestic listed companies to use IFRS since January 2005. It is also required or permitted for listings by foreign companies. IFRS or IFRS for SMEs is also required or permitted.

Mauritius IFRS profile

The financial reporting Council in Mauritius is a statutory body established under Act 2004. It operates under MINFIN and Economic Development supervision. Mauritius has fully adopted IFRS for domestic companies, listed companies, financial institutions, unlisted companies, and public interest entities.

Ghana IFRS profile

The Institute of Chartered Accountants, established under Act 1963 (Act 170), is responsible for the accounting framework in Ghana. They issued an internal accounting system known as Ghana National Accounting. As of January 2007, Ghana adopted IFRS for all listed companies, government business enterprises, commercial banks, insurance companies, security brokers, pension funds, and public utilities.

Tanzania IFRS profile

In Tanzania, the National Professional Accountancy organisation is the accountancy body operating under the MINFIN and Economic Affairs. IFRS are required for all companies since 2004. However, some are permitted to use IFRS for SME's if they have less than 100 employees or stated capital below USD400 000. Government entities that do not qualify as publicly accountable can use the International Public Accounting Standards.

Namibia IFRS profile

The Institute of Chartered Accountants of Namibia (ICAN) sets the financial reporting framework in Namibia. IFRS standards have been effective since January 2005 under the Namibian Stock Exchange Act based on Circular 1/2005. All domestic listed companies are required to comply, whereas unlisted domestic companies can choose between IFRS or the Namibian GAAP (the internal accounting system). ICAN adopted IFRS for SMEs in February 2010.

WAEMU IFRS profile

The accounting framework in Cote d'Ivoire is determined by two accounting bodies: WAEMU and the Organisation for the Harmonisation of Business Law in Africa (OHADA). The accounting system adopted by OHADA is called Sycohada and applies to SMEs, excluding the financial sector and social security institutions, to which the specific regulatory framework applies. Since January 2019, OHADA has required IFRS standards for listed companies and companies seeking financing in the public market.

Across the world, 144 jurisdictions require IFRS for most publicly listed companies and 12 jurisdictions permit its use. In 2005, all listed companies in Europe adopted IFRS. In 2013, 34 countries adopted IFRS in Africa. To summarise, successful stock exchanges require IFRS for all listed companies to ensure transparency and enhance confidence in the financial reports provided by them.

The table below shows a list of countries who adopt IFRS standards. All jurisdictions accept IFRS standards. Some has partial adoption as is the case of Angola, meaning it is not fully adopted by all economic sectors. In some countries IFRS are required for specific companies while other countries require the standards for all companies.

Table 11 - List of Countries that have adopted IFRS in Africa

SN	Jurisdiction	IFRSs not permitted	Partial Adoption	IFRSs permitted	IFRSs required for some	IFRSs required for all	Year Legally accepted/star ted to adopt
1	Angola		X				2009
2	Algeria		X				2009
3	Benin			X			2008
4	Botswana					X	2007
5	Burkina Faso				X		2012
6	Burundi		X				2004
7	Cameroon		X				2009
8	Egypt					X	2006
9	Eritrea				X		2010
10	Ethiopia		X				2009
11	Gambia	No stock exchange in the Gambia			X		2007
12	Gabon		X				2009
13	Ghana					X	2007
14	Kenya					X	2002
15	Liberia				X		2012
16	Lesotho			X			2001
17	Libya					X	no date
18	Mali			X			2010
19	Madagascar				X		2005
20	Malawi					X	2001
21	Mauritius					X	2005
22	Morocco				X		2004
23	Mozambique			X			2006
24	Namibia					X	2005
25	Nigeria					X	2010
26	Rwanda					X	2008
27	Seychelles			X			2009
28	Sierra Leone					X	2006
29	South Africa					X	2005
30	Swaziland			X			2009
31	Tanzania					X	2004
32	Uganda			X			2003
33	Zambia					X	2005
34	Zimbabwe			X	X		2009

Source: International Financial Reporting Standard (2013)

2.4 Common limitations of African capital markets

According to the literature, many African countries face challenges when seeking to establish capital markets. It reveals constraints regarding formal and informal rules as the main problem when establishing capital markets in developing countries. Chimpango (2017) cites political instability caused by a history of civil wars and dictatorship; hence, some actions contradict democracy. In some developing countries, governments have too much power, which could result in inefficiency or lack of control, which could result in unregulated markets and corruption (Moyo, 2009). The challenge here is to develop institutions that can facilitate the transition from old systems to an open access system so that new models of governance and democracy could be in place. Corruption also scares away investors because it blurs transparency, hides information, affects the dispute resolution process and undermine investors' trust. Ashwin¹⁶ (1995) says corruption corrodes any system put in place to promote developing capital markets.

Another problem SADC countries usually have when starting the capital market is a lack of initial capital. Usually, the population of developing countries does not have enough savings to participate in the capital market. In some countries poverty is high and access to capital is limited (De Soto, 2000). Most people live from pay-check to pay-check; there is not enough to consume, save or invest. It forces the participation of investors from abroad. Given that, only a small stake of the population is able to participate in the stock market.

The lack of investment opportunities is also concerning for new capital markets. Most companies in developing countries are not formally registered. Formal businesses are limited to state-owned companies and a small number of SMEs with the potential to list (Mwenda, 2001). Some large companies operate in the natural resources industry and bring high-capital volumes, helping them qualify for being listed (Mboya, 2006). This feature makes the capital market in these countries relying on the privatisation of state-owned entities because other companies do not meet the requirements of the stock exchange. Thus, this limitation could result in thin-market capitalisation.

The lack of specialised knowledge also negatively affects developing countries. This feature slows the pace of development of these markets and benefits cannot materialise. Capital markets require trained practitioners, including regulators, brokers, lawyers, judges,

¹⁶ Ashwin, M. Alternative approaches to the theory of choice in risk-taking situations (1951)

accountants, and auditors. To have an efficient and effective market, a strategy must be developed to counterbalance the shortage of skilled professionals on this subject (Cohn, 1998).

Social-cultural barriers is another challenge for capital markets when some entrepreneurs and investors place capitalism above cultural society values. However, many traditional families are sceptical about the idea of giving away their family enterprise stakes to the public. Hence, few companies will disperse ownership, adversely affecting the liquidity of the market. According to Gottlieb¹⁷ (2001), another facet of cultural barriers to capital markets is the anti-colonialist sentiment that manifests whenever a foreign concept is introduced. As the large sector of society will be out of the market for the reasons mentioned before, it will leave the perception that the capital market is a neo-colonial idea aimed at exploiting national resources by foreigners.

Poor financial reporting and limited access to information reduce the attractiveness of both domestic and international investment portfolios. Ledeneva¹⁸ (2001) shares that this problem has traits with a lack of honesty and integrity. Together with false reporting and document falsification as practices of market participants. Barry and Lockwood¹⁹ (1995) find that in many developing countries, security markets are lacking entirely or are poorly developed. Therefore, financial reporting might be unreliable and access to information highly limited.

Regarding information asymmetry, Chimpango (2017) says it is more accentuated in developing countries because of the quality of technology and low capacity to disseminate information to the public, especially to people living in rural areas. In some countries, the government and political elites control the information to be released by market investors, which is dangerous for the market, as most of this information does not translate to the real state of the market.

On the other hand, the lack of financial literacy significantly reduces the number of investors participating in the market; hence, liquidity. Most of the population is illiterate in developing countries, learning basic skills to trade in the capital market will require a certain level of literacy; otherwise, they will be automatically excluded from market activities (Chimpango,

¹⁷ Gottlieb researched the legal framework for launching a stock exchange in an undeveloped country.

¹⁸ Ledeneva, J. *Launching the Unwritten rules: how Russia really works* (Centre for European reform, 2001).

¹⁹ Barry & Lockwood¹⁹ (1995) in their study about 'New directions in researching emerging capital markets' observed that "In many developing countries security markets are lacking entirely or poorly developed.

2017). Thus, policymakers must invest in massive education, so that they can fight high rate of illiteracy.

A study made by the South African company RisCura²⁰, root the causes of market failure relating to IPO's and revealed that underperformance and low IPO activity has complex origins that differ according to geography. It grouped these factors into regulation, market infrastructure, and maturity of the overall ecosystem.

In the regulatory landscape, issues affecting both suppliers and users of capital exist. The challenges arise with investment in government bonds that present lower cost, time/effort, and risk associated versus listed stocks. Another concern cited by the company as a critical barrier is the weak regulatory oversight and enforcement. (RisCura, 2019).

Regarding market structure challenges, the research highlights low liquidity caused by large institutions adopting a buy-and-hold strategy. Excessive stock concentration indicates a limited universe of securities and lack of sectorial diversification. In some realities, one company alone accounts for over 50% of the stock market capitalisation.

From a market development perspective, two aspects were relevant in the study: (i) the reporting ecosystem around IPOs (ii) sellers of shares having more and better information than buyers, causing the problem of information asymmetry. Therefore, adequate sell-side research for most African public equity markets must be issued. On the side of brokers and users of money, problems arise with the fear of loss of control and ownership, causing resistance to public listings and market illiquidity, resulting in undervaluation.

After all limitations identified Chimpango (2017) argues that Africa need reforms that include changes in the government policies and legal rules because economists behave according to systems formed in experiences and this system are perpetuated by informal institutions.

Overall, chapter 2 described African stock exchanges and its organization based on geographic location, then the section classified successful and unsuccessful exchanges in sub-Saharan Africa according to their indicators. It shows that stock markets with more listings and high market capitalization ratio combined with high GDP per capita are more developed and therefore more successful. Then, this section provided an overview of the Angolan Securities Exchange and shared some information regarding the current state of BODIVA.

²⁰ RisCura is an independent consultant firm that provides advisory services in different investment areas. Research: Market failure analysis: IPO on selected African stock exchanges (2014–2019).

Also an overview of Angola was provide including its economic and political context. Determinants of stock markets and common limitations of African capital markets are the final topics of this chapter. The main determinants shared by most of academics were macroeconomic factors combined with institutional factors. Among them, banking sector development, incoming level, private capital flows, saving, stock market liquidity, and stable macroeconomic indicators. The International Financial Reporting Standard (IFRS) is another key prerequisite shared by literature that leads to an efficient market. The chapter ended with common limitation shared by African stock exchanges such as political instability, corruption, undeveloped institutions, lack of initial capital and investment, social-culture barrier, lack of financial literacy, poor financial reporting, etc.

The next chapter will describe the methodology used in this research, as well as, the role of the researcher. Then it will explain the design and sample chosen, research question and how the inquiries were structured to gather the necessary information from interviewers. The section ends with an explanation of how data was collected.

Chapter 3 – Methodology

3.1 Research method

The methodology used in this study is qualitative. The need of qualitative research is to evaluate subjective data produced by the minds of respondents or interviewers. Qualitative researchers use unstructured interviewing and detailed observation processes to gain better information about the views of the subject (Mitchel, W. K., 2005). Other say qualitative research is an inquiry process of understanding based on observations and interpretation of people's perceptions of different events. To construct and answer the research question, the researcher have to get the data and analyse them until data saturation was occurred. (Khan, S., 2014).

3.2 Role of the Researcher

While in quantitative studies role of the Researcher is theoretically non-existent and data is collected without regards to the participants or the person collecting the data; in qualitative research, the researcher is considered an instrument of data collection. Therefore, to fulfil this role, the qualitative researcher should describe some aspects of self, including any bias and assumptions. (Simon, M. 2011). In the process to gather and interpret data, the researcher should be neutral to avoid biasness. It needs to have ability to conceptualize data. (Khan, S., 2014). The researcher should use the standards provided by the supervisor to conduct the research which includes to be neutral, never deviate from the study sequence of questions, or the topic, never suggest an answer or share its personal views on the topic, nor adding questions categories.

The researcher of this study graduated in Economics specialized in Financial Management at Catholic University of Angola. Currently, the researcher is completing a Masters in Financial Management by coursework Capital Markets and Corporate Finance & Valuations. The researcher worked for an Angolan investment bank, as a Leader Financial Analyst during the period of 2016-2018. Previously worked for a multinational firm of consulting services, as Junior Analyst (2013-2016). The researcher pursue previews experience in financial market and capital market and so in research fields. Therefore, understands the subject and is capable of conducting this study, make a contribution to literature and fulfil the unexplored areas. In this paper, the researcher plays a role of an outsider viewer or objective viewer. It observes the market, asks questions, listen to participant's opinions, in order to construct a solid output

based on a variety of sources. The student did not include in the sample participants of organizations in which the researcher were part to avoid biases, given the proximity with respondents. The assumptions made in this paper were based on the information collected and nor in the individual perspective of the researcher.

3.2 Research Questions:

- **What the main limitations encountered in the Angolan stock market?**
- **What the strategies developed by other stock exchanges around Africa to surpass this barriers?**
- **What recommendation can be given to the Angolan capital market intervenient in order to become a successful exchange?**
- **What environment is necessary for the emergence of a successful stock market in Angola?**

The research is split into two sections. The primary research seeks information about the main limitations encountered in the emergence of the Angolan stock market. The secondary research focuses on the strategies developed by African stock exchanges to solve common stock market issues. Therefore, two inquiries were developed to find the information: (i) Inquiry A - directed to the Angolan institutions participating in the capital market and (ii) Inquiry B, designed to sub-Saharan African stock exchanges.

Inquiry A – limitations for the emergence of the equity market (sent to Angolan entities)

1. How do you characterise the current state of the capital market in Angola?
2. In your perspective, what are the main constraints/limitations/restrictions encountered in the emergence of the equity market in the country?
3. What initiatives or measures could be taken by policymakers and other market participants to encourage this market?
4. What other strategies created would strengthen investors and issuers regarding corporate governance/financial reporting/financial literacy?
5. What other critical factors should be considered at this stage and where should the main efforts be?

Inquiry B – strategies developed by African exchanges (sent to the stock exchanges)

I. Opinion request:

- a) What initiatives or steps were taken to develop your equity market?
 - Promotion by the government by way of act or grants
 - Promotion by the stock exchange itself.
- b) What strategies can be used to strengthen market participants (governments, regulators, corporate, and private investors)?
- c) What financial indicators do international investors usually look at when searching for markets to invest in?
- d) Have you found any of the following common stock market issues during your development path? If yes, what policies did you develop to address the matters?
 - Low liquidity/lack of transparency/competent financial reporting/low financial literacy.

II. Information request:

- a) Equity market background and trading information for the last five years, including:
 - All share index performance
 - No. of companies listed and delisted
 - Market capitalisation
 - Trading volumes
- b) Legal requirements for equity listing, including:
 - Minimum capital
 - Admission and trading fees

Expected output:

- Identify the main restrictions/limitations encountered in the emergence of the Angolan stock market (Inquiry A).
- Research the strategies developed by sub-Saharan African stock exchanges (Inquiry B).

3.3 Design and sample group

Sampling is a method of deducing information about the whole population instead of measure every unit of the population. The sample is a small set of cases a researcher selects from a large pool and generalize to the population (Khan, S., 2014). He adds that, we cannot study everyone, everywhere doing everything. The sample size depends upon population characteristics, type of data, accuracy and degree of confidence. It is not the matter of small or large but, representativeness. It should therefore represent the whole population on the characteristics of interests.

The sample of stock exchanges was taken from a universe of 29 sub-Saharan African exchanges. To choose a representative sample, 25 bourses were selected to ensure satisfactory results. The sample selected shares relevant characteristics of interest that represents the population, as its geographic location, development path, history, etc. Therefore, from West Africa, all four stock exchanges were investigated (GSE, NSE, BCV, and BRVM). From the Southern African region, four of five exchanges (JSE, ESE, LuSE, and NSX) were equally selected. In East Africa, the researcher investigated six exchanges out of ten (ZSE, DSE, NSEK, BVM, MERJ, and SEM). Finally, BODIVA in Middle Africa is the only exchange analysed.

Locally, the author of this dissertation interviewed eighteen capital market intervenient. Among them are regulators, policymakers, brokerage firms, and commercial/investing banking institutions. Policymakers investigated includes CMC, MINFIN, and Ministry of Economy and Plan (MINEC). From the two existent stock brokerage firms, one participated in this study (Madz Global, SA). Furthermore, from the two investment funds integrated at BODIVA, one was chosen for this investigation (BFA Asset Management). Three of five investment/commercial banks in Angola were chosen (Standard Bank Angola, Millennium Atlantico Bank and the Angolan Investment Bank). Finally, two commercial banks researched, one is in the top five largest commercial banks in the country (BFA Bank, SA, and Yetu Bank, SA).

3.4 Data collection

The research seeks to explore the fields where information is limited. Four techniques of qualitative data collection were identified by Creswell (2007). These are field work, observations, interviews or group interviews and document analysis. This study uses two methods for data collection which are interviews and document analysis. The interview data will be transcribed by quotations in the passive voice and constant comparison process, whereas documented data refers to information collected in previous studies by literature.

First the researcher sent letters and emails to the participants inviting them to participate in the study (refer to appendix D). Once they agreed, a questionnaire was sent to those locations where the participant could not be present physically. Then the researcher travelled to Angola to make face-to-face interviews. Some could not be possible because of the first cases of Covid-19 started to appear in the country forcing companies to paralyse their activities.

Therefore, data was collected through structured interviews where the researcher had time to prepare the relevant questions for the study. Some opinions were obtained via email and conference calls, whereas others from face-to-face interviews and zoom video calls. This method provided an opportunity to uncover detailed information from participants, as well as opinions, views and experiences. (see list of participants in the next table).

The researcher granted privacy and secrecy of data and results shared. The researcher got consent and approval before proceeding the interview with participants. The researcher followed ethical standards while collecting information from respondents.

Thus, the statistical data presented in the literature review were collected from stock exchange departments and from reliable international databases, such as Bloomberg, IMF, World Bank, and local recognised sources, among them, MINFIN of Angola, Commission of Capital Markets, and BODIVA.

Whereas data presented under research results were also provided directly by the different departments of each stock exchange analysed and Angolan capital market participants. Answers provided by Participants represent the individual views of the specific departments inside the organizations interviewed rather than the view of the whole organization.

Table 12 - Inquiry A: Angolan Participants

#	Entity	Department	Contact	Inquiry status	Date received
1	BODIVA (Angola Securities Exchange)	Trading and Market Development	Face-to-face meeting and conference call	Received	15/04/2020
2	CMC (Capital Market regulator)	1. Market Surveillance 2. Research Development	Face-to-face meeting	Received	11/06/2019
3	MINFIN	Public Debt Management Unit (UGD)	Face-to-face meeting	Received	19/03/2019
4	Standard Bank Angola (SBA)	1. Investment banking 2. Global Markets	Face-to-face meeting	Received	20/06/2020
	Madz Global (brokerage firm)	Market Development Division	Email	Received	15/04/2020
5	BFA GA (Asset Management Fund)	Business Development	Email	Received	27/04/2020
7	BFA (Banco de Fomento de Angola)	Finance and International Market	Email	Received	30/04/2020
9	Banco Yetu (commercial bank)	Finance	Email	Received	03/06/2020
10	Banco BAI (commercial and investment bank)	Investment banking	Email	Received	08/07/2020
11	Banco Millennium Atlantico	Treasury and Markets	Email	Not received	-
12	Growth-SCVM (brokerage firm)	Business Development	Email	Not received	-
13	Banco Economico (commercial bank)	Capital Market	Email	Not received	-
14	Banco Keve (commercial/ investment bank)	Financial Markets	Email	Not received	-
15	BNA (Central Bank)	Mercados	Email	Not received	-

Table 13 - Inquiry B: Stock exchanges Participants

#	Stock Exchange	Participants	Department	Contact	Date received
1	1.BCV	Riolando Sousa (Technician)	Market Operations	Email	16/03/2020
2	BVM	Gloria Janeiro (Manager)	Research & Market Development	Email	21/05/2020
3	BRVM	1. Herman Traore (Manager) 2. Ismael Diop	Financial Information and Issuers Relations	Zoom video call	25/06/2020
4	DSE	Ibrahim Mshindo (Head of operations)	Research & Market Development	Zoom video call	18/05/2020
5	ESE	1. Joyce Dlamini (Manager Director) 2. Vulincwala Nhabatsi	Automated Trading System & Central Securities	Email	27/03/2020
6	GSE	Frank Y. Berle (Head of Finance)	Finance and Control	Email	14/04/2020
7	JSE	Noncebo Zwane (Sales Support Administrator)	Market Data Information Services	Email	16/06/2020
8	LuSE	Lenganji Nanyinza (BD Administrator) Lina Lungo (Assistant)	Business Development	Email	26/03/2020
9	MERJ	Brenda Bastiene (Head of Market Regulation)	Market Surveillance	Email	01/07/2020
10	NSX	Johene Saal (Chief Officer)	Information Office	Email	11/03/2020
11	NSE	Okon Onuntuei (Head of department Ginikachukwu Okereke (Analyst)	Strategy & EPMO)	Email	01/05/2020
12	NSEk	Emily Kigen (Financial Analyst)	Clearing Operations	Email	22/06/2020
13	ZSE	Tinashe Mapara (Senior Equity Market)	Market and Corporate Affairs	Email	30/03/2020
14	SEM	Vickram Ramful	Vendor	Email	Not received
15	RSE	Grace Twagira (officer)	Client relations Office	Email	Not received
16	BSE	Tshiamo tetong (General Manager)	Market Development	Email	Not received
17	USE	Andrew Mwima (Manager Trading)	Trading	Email	Not received
18	BVMAC	General contact	-	Email	Not received

Limitations

Data collection was hindered by the lack of readily available due to Covid-19 pandemic that started in the first quarter of 2020, same that this research was started. Some stock exchanges and institutions were paralysed or working in a low basement to avoid contamination among employees. It delayed the information for at least 6 months after the deadline. The University

itself was shut down and students had to go back to their countries. This restricted access to the library which forced the researcher to base in the internet sources to fulfil the investigations as libraries in home country have limited resources. Further, the unwillingness of some Angolan entities to answer the inquiry slowed the expected progress and results of this study. The results nonetheless are justifiable under any rigorous review.

With regards to the stock exchanges some did not respond to emails or calls because they require a fee to provide any kind of information or interview, this was the same case with Uganda and Mauritius Stock Exchange. The researcher was not sponsored by the University or any local institution interested in the results of this study, so it was not possible to pay the required fees to collect the information from these specific exchanges. Notwithstanding, the information was covered by other exchanges with relevant progress in sub-Saharan Africa region. The same occurred when looking for information on Bloomberg, it required payment to access specific data, as is the case of Johannesburg stock Exchange. However, this was surpassed after contacting the exchange and proven that the information required was for research purposes. Some African exchanges analysis do not have any information on Bloomberg (BVM, BCV, BRVM, LuSE, ZSE, etc.) which required to contact them to obtain statistical data as well.

Locally, from eighteen institutions contacted only fifteen were willing to respond and participate in the study. The culture to provide data to students to fulfil research studies is almost non-existent in Angola. Companies usually claim do not have time to provide the information. Some of the letters sent were not responded, some never got to the respective department due to the bureaucracy process with letters. The networking of the researcher in the Ministry of Finance, some commercial banks and people related to the financial sector, accelerate the responses given by the related departments in the organization. Without this link the study would not be concluded.

On the other side Angolan institutions hardly share or update information on their websites which make researchers so dependent on the organization to obtain data. The same was noted with some African stock exchanges, the lack of information or updated information on their websites made the researcher to depend on the information provided directly by them.

The next chapter will depict about the responses received from participants of the research.

Chapter 4 – Research Results

This chapter splits into two subsections. First, it presents the responses received from local market participants on the main limitations encountered in the Angolan stock market (Inquiry A), whereas the second focuses on the responses provided by the stock exchanges on the main strategies developed by sub-Saharan Africa exchanges (Inquiry B).

4.1 Limitations encountered in the Angolan capital market.

Local market intervenient, also referred as participants, interviewers, provided opinions on limitations of the market. Among participants an investment bank (SBA, S.A), one of the top-largest commercial banks (BFA, S.A), another top-largest commercial and investment bank (BAI, S.A), asset management fund (BFA GA), commercial bank (Yetu, S.A), stock brokerage firm (Madz Global, S.A), and the regulators: Commission of Capital Market (CMC), Angola Securities Exchange (BODIVA), and Ministry of Finance (MINFIN), also referred as policymakers.

When asked to characterise the current state of the capital market in Angola, all participants interviewed agreed that the Angolan capital market is still in an embryonic phase, of which the government is the main debt issuer of finance fiscal debt. Despite its embryonic stage, some significant steps were taken with the first corporate bond issued by SBA, registration of some mutual funds and shares not yet offered. The PROPRIV, a government programme, is another significant contribution to the emergence of the stock market. Regarding the regulatory framework, interviewers shared that it is robust, as policymakers have sought a match with international standards. On the other side, CMC has been an IOSCO member since 2017, it promotes confidence and transparency in the market. (CMC, 2020). Notwithstanding, the equity market is challenging but also promising.

When inquired about the main barriers conditioning the emergence of the equity market in Angola, policymakers and other market intervenient pointed out the following:

1. Macroeconomic instability and unpredictability of the investment climate;
2. Low levels of financial literacy, poor financial reporting and weak corporate finance;
3. High cost to access capital market and small number of financial experts;
4. Dealers and broker conflicts on portfolio management;
5. Information disclosure and typology of anonymous societies;
6. Restrictions affecting foreign investors.

The researcher will lean over some that appeared repeatedly during the interviews.

1. Macroeconomic instability and unpredictability of the investment climate

Talking about the macroeconomic environment, interviewers said the Angolan economy is undiversified because of its oil-dependency. The dependence on international commodity prices affects reserves in foreign exchange (the exchange market), causing a continuous instability in the domestic currency. Another feature is the heavy reliance on imported goods and services, causing also dependence on international food prices, affecting the consumer price index (CPI) and inflation, shaking economy stability. This situation discourages both the domestic and international investment community willing to enter the capital market. (BAI, BFA, BODIVA, SBA Departments)

Also, the interviewer at BAI claims that the weight the State carries in the economy is a limitation for capital market development. It says, there is no clear separation between the roles of government and business interests. (Investment Banking Division, BAI). On the other side, the participant from BFA GA said a lot service companies depend on the State to survive because they were created specifically to provide services to the government; hence, they end up with a high level of debt receivable. However, the strong presence of the State in the economy to fulfil its financial needs does not help stock market development. (Business Development Department, BFA GA).

Regarding investment climate, the participant at BODIVA referred an improvement of all business environment as necessary tool to develop capital markets. Within the investment climate, country indicators are still low. (Trading and Market Department, BODIVA). The corruption index ranks 165/180 of all countries analysed. Although the government has made some efforts to fight corruption, the path is still long. The Global Competitiveness Organisation placed Angola at 134/148, meaning the competitiveness law in Angola has not been enforced and strongly inspected. Risk assessment is at a speculative level and ease of doing business is out of expectations (score 173/190). This board scares away the international investment portfolio because it is the first indicator they examine when researching markets to invest. However, IFC, a sister organisation of the World Bank, opened its office last year, providing a great sign of international confidence in the country. (IFC report, 2018)

2. Low levels of financial literacy, poor financial reporting and weak corporate finance

Regarding financial literacy, participants shared that the main problems on the base of a low level of financial literacy in general are the shortage of skills and training in stock market fields and also insufficient technical and professional courses in related topics. One referred that sometimes highly educated individuals can be just as ignorant about financial issues as the less-educated and lower-income people. Many people are either unwilling to learn about financial issues or fail to take any action once learned. (OECD, 2021).

The interviewer from the brokerage firm investigated and believes that financial institutions must promote financial literacy, as they have the domain of the topic and are able to share the necessary skills. (Market Development Division, Madz Global). A person at commercial bank Yetu, highlights the lack of knowledge on the stock exchange products and services, lack of interconnection between the stock exchange platforms and commercial banking systems are the main concerns regarding the poor levels of financial literacy. Also mentioned that, the accountant and auditor body should encourage companies and individuals to comply with international requirements rigorously. (Financial Division, Yetu). On the other side, the participant at BODIVA said the lack of financial literacy of potential issuers is also an obstacle to overcome, as it is still unknown that the stock market, despite its requirements, is also a source of business financing and an alternative for the sale of companies (Trading and Market Department, BODIVA).

Meanwhile the interviewer at BFA said the only way out of this problem is to share formative information to the issuers and lenders through workshops and seminars. At BFA GA the participant reported that three main pillars must be implemented: (i) adopting best practices of corporate governance, starting from state-owned companies and enforcing the CMC Guide of Corporate Governance, (ii) develop a sanitation plan of state-owned companies to prepare them for the privatisation process and, (iii) adopting international standards of reporting, full adoption of IFRS, not only for the financial sector but also other sectors in the economy. (Finance and International Market Division, BFA).

Poor quality of financial reporting

The quality of financial reporting in Angola is another issue limiting companies wanting to enter the stock market. The participant at BFA GA attributes the conditioning of the emergence of equity markets to two factors: (i) financial reporting/organised accountability for both public and private companies and (ii) low levels of savings. It believes the last one is

related to low levels of financial literacy and restrictions imposed for non-resident investment portfolios (Business Development Department, BFA GA). The participant at Yetu cited suspicion in the quality of shareholders of government businesses, low confidence in the company's financial results, especially from foreign investors, and few initiatives from policymakers to stimulate savings. (Finance Department, Yetu). Whereas, Madz Global affirmed the reporting and accounting systems are not adjusted with international standards; therefore, companies provide information with poor quality. It also stated that financial institutions should provide training on IFRS to measure the foreseeable impacts. (Market Development Division, Madz Global).

The interviewer at BODIVA revealed that there are several issues to overcome for the consolidation and participation of investors and issuers. A strategy to adopt consists of leading companies to disclose timely, following the standards required by the regulator (Trading and Market Development Division, BODIVA). Therefore, the participant at BAI states the best way to improve quality in the financial reports provided by companies is to extent the adoption of IFRS to all domestic companies or at least companies listed in the stock exchange. (Investment Banking Division, BAI). Likewise, SBA also attributes the solution to poor financial reporting to the full adoption of IFRS for all listed companies. (Global Market Division, SBA).

Poor levels of corporate governance and lack of transparency

The department interviewed at MINFIN mentioned the following challenges as the most concerning when it comes to the corporate governance: compliance and ethical standards, typology of companies/business, dematerialisation process and money laundering (Public Debt Unit, MINFIN). According to the participant at BODIVA, corporate governance is the company's internal management standards, the way in how the company is structured is conducted according to company's needs. However, one way to encourage these changes is by communicating new practices to the market allowing them to achieve this goal easily. From the perspective of CMC's participant, low levels of corporate governance are linked with the company's strategic plan, administrative practices, structural matters, timely reporting, international standards, and saving's culture. For Madz's interviewer the highlight goes to the small number of training centres and professional management schools monitored by external auditors to promote corporate governance culture. Additionally, it says the regulator must

enforce international rules of transparency and quality, as prerequisites to operate in the stock market (Market Development Division, Madz Global).

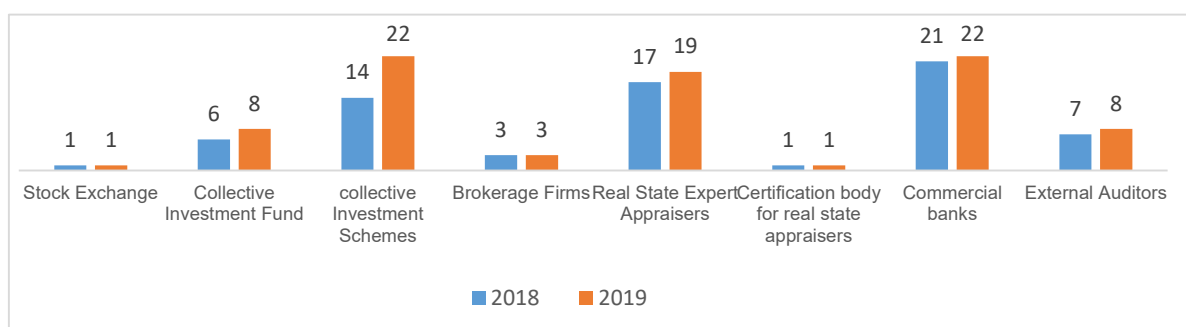
As regards transparency, the participant contacted at BFA affirmed that this is another sensitive one-off issue. State-owned enterprises, which should serve as an example, do not present their accounts timely or at all. Also, they finance themselves through bank loans or via government bond issuance. It adds a custom of secrets and a culture of not sharing sensitive information to undermining creditors' trust (International and Finance Market Division, BFA). It also attributes lack of transparency to the aggressive tax policy applied by the government which resulting the phenomenon of one company having two accountabilities. On the other side, the participant at SBA said lack of transparency is linked to the lack of mandatory reporting and auditing for domestic companies. It adds that this situation happens because companies are not yet listed on the stock exchange. It believes the emergence of the equity market will force an alignment with international standards, including displaying information. (Global Markets Division, SBA).

3. High cost to access the equity market and low number of financial experts

Interviewers revealed high costs to access the capital market, especially for SME's. According to BODIVA's participant, costs to access this market are seen as constraints, since the issuer incur in costs with the financial intermediary, law firms, consultancy companies, and admission fees. It also affirmed that fees charged by CMC and BODIVA the smallest within the cost structure. An individual at BFA mentioned the need for more experienced accountants and consultants who can present the advantages of capitalisation via the capital market instead of traditional banking (Finance and International Market Division, BFA). The participant at BAI believes the absence of professional association of traders and derivative markets is another concern the interviewers mentioned. Insufficient qualified human resources in corporate finance who can present the advantages of capitalisation via capital markets instead of traditional banking is also an issue. It revealed that because of the small number of experts and specialised firms to provide advisory services to companies, prices are extremely high. Therefore, the challenge would be to increase the number of financial experts to bring competitiveness into the market to force prices down (Investment Banking Division, BAI). However, the participant at BFA said that the absence of a profit track-record and managers' ability/capacity to run a business, increase non-confidence in its shareholders, making

investors reluctant to invest in the projects. The lack of reliable historical information on companies' managers brings challenges to savers, as they do not know whom to trust (International and Finance Market Department, BFA). See in the chart below current number of financial experts in Angola.

Graphic 7 - Number of Capital Market Financial Experts



Source: BFA Asset Management

4. Dealers and broker conflicts on portfolio management

Referring to equity market issues, a few market players quoted that the capital market authority must change the model in which banking institutions participate in the capital market to avoid conflicts of interest.

The interviewer at Madz Global said that currently, there is no separation between own portfolio management and third parties' portfolios. Trading units are not segregated as the same division has traded both portfolios. Technicians/operators who receive third parties' orders also manage own portfolio orders. Additionally, it says there is no information barrier between the internal structures of commercial banks. Thus, it is necessary to create independent agencies where brokers and dealers are separated (Market Development Division, Madz Global).

5. Information disclosure Typology of anonymous society and family-owned businesses

Most companies in the private sector are family-owned, one-man business or politically related. (IFC, 2018). The interviewer at MINFIN cited typology of anonymous society as a limitation to list the company in the stock exchange because shareholders are undisclosed. Some have reasons to keep owners unpublicised and their resistance to list. The fear to list is causally linked with loss of control and ownership, especially for companies with a family legacy. Another reason could be attributed to some who do not want to share their business with the public because they are not following the law. (Public Debt Unit, MINFIN).

On the other side, the participant at BAI revealed that family-owned-businesses do not differentiate personal accounts and company's accounts; they take dividends regularly according to their personal needs rather than the company's needs. Also, poor fund management led them to financial distress or even bankruptcy. The same behaviour is also seen in some public companies with misappropriation of public funds (Investment Banking Division, BAI).

6. Restrictions affecting foreign investors

Most of the participants in this study agreed that restrictions in legislation regarding the repatriation law concerns international investors' as it put limits to repatriate capital gains. Also, competition law is not strongly enforced, allowing the creation of a monopoly, jeopardising competitors in the same sector and not allowing fair competition. There is no clear existence of laws against insider trading and market abuse in the country or strong laws to protect investors' funds in the case of misappropriation of its goods by managers. Additionally, a lack of specialised courts to solve divorces or conflicts between shareholders is one of the constraints for external investors. How impartial and reliable are the courts and their independence from politics are also concerns.

The participant at BFA highlights that the main limitation to attract foreign investors is market liberalization. It says the market is not fully liberalized and stabilized, specifically the exchange rate, considering that we have high interest rates compared to more developed countries. Another impediment is the capital account for foreign investors. It demands that when a foreign investors acquire securities in the domestic market, it is only allowed to exit the investment at the maturity of the asset. However, if investors decide to exit before the maturity date; it can only be possible by selling the asset to another foreign investor (Finance and International Market Division, BFA).

The participant interviewed at brokerage firm states that the main barrier is related to opening a capital account and authorisation of the repatriation of the invested capital (Madz Global). However, the interviewer at BODIVA said to attract non-resident investors, the BNA should redefine the procedures for foreign exchange operations related to direct foreign investment in securities, divestment of assets, and investment incomes. The participant at CMC stressed that regulations must be revised to include incentives and stimulus to stimulate the capital market. Also promote fintech (financial technology) adapted to Angola's situation and

reforms, as it increases pension funds deepest in the capital market. (Research Development Department, CMC).

7. Other impediments also mentioned by participants

Public sector inefficiencies and poor statistics

About the Inefficiencies in public sector management the interviewer at BAI stated this feature occurs because of limited statistical capacity, lack of scope for a strategic and sustainable approach, and the need to broaden access to quality education and skills development. It also referred that, it is challenging to find robust and updated data on the Angolan official websites. There are cases in which the data provided by different entities, such as the Central Bank, the National Institute of Statistics, does not match. This confuses decision-making as investors do not know which one to trust. Thus, timely statistics provided by local official sources in both Portuguese and English language would benefit all domestic and foreign investors (Investment Banking Division, BAI).

On the other side the participant from BFA attributes the quality of bureaucracy as the main cause of inefficiency in companies of the public sector (Finance and International Market Division, BFA), whereas BODIVA considers necessary to restructure the public business sector so that the privatisation programme approved by Presidential Decree 250/19 can work properly. (BODIVA, Trading and Market Department).

Poor savings culture

The interviewer at BAI states that it is common sense that companies should save money for emergencies or financial disasters. In Angola, only banking institutions are enforced by the law to constitute liquid reserves (up to 22% of their assets). It would be good if other domestic companies from different sectors follow the same rule, considering much lower reserve rates. According to the same source, low savings are causally linked to the level of financial literacy and poverty. It adds that saving is a function of investment and consumption thus, the increases in investment in the economy increases household income and therefore savings (Investment Banking Division, BAI). The participant at Yetu quote that the middle class is becoming poor and there is a need to develop measures to help increase families' income and work to reduce the current living costs. However, it is necessary to create products and instruments that encourage savings and stimulate savings in foreign currency (Finance Department, Yetu).

The participant at the brokerage firm, Madz affirmed that savings must be encouraged by insurance companies, pension funds, and mutual funds in the first place to guarantee capture of new internal and external investors (Market Development, Madz Global). From BODIVA's participant viewpoint, savings are linked to financial literacy; therefore, communication with potential investors is crucial to educate them in this regard. (Trading and Market Department, BODIVA). For the SBA interviewer problems such as, a lack of investment culture in Angola requires exhaustive work in people's minds. A change in mind-set and sensitising people to this regard is a challenge Angola must overcome (Investment Banking Department, SBA).

It is believed that low savings levels could also be explained by most of the Angolan population being poor, with ~70% living below the poverty line. The population lives from pay-check to pay-check and do not have enough to consume or save or invest.

Market liquidity

The participant at Yetu said that commercial banks and insurance companies are the most profitable activities in Angola. Currently, they are the largest creditors of government accounts for the securities market. Moreover, the scarcity of foreign exchange makes resources flow into the informal foreign exchange market. Thus, only a massive injection of liquidity in the market can change the picture (Finance Department, Yetu). For Madz Global, the lack of liquidity in the Angolan stock market is because public debt issuance continuous to be more attractive than any other financial product, given the country's deficit payment balance. One of the only solutions would be to attract foreign direct investment by tax incentives and fully opening the capital account.

The participant at the Investment Bank SBA attributes the low liquidity in the market to the lack of various financial instruments with good returns. Consequently, savers choose to invest elsewhere in the world, increasing capital outflows. Another reason is depreciation of domestic currency, high rates on treasury titles, lack of long-term financial instruments, and dollar-linked instruments (Investment Banking Department, SBA). Another reason cited by the same source to justify the low market liquidity is that the central bank adopt certain policies, such as increasing the coefficient of mandatory reserves that a commercial bank should have in national currency (from 17% to 22%). It caused enormous pressure on market dropping liquidity.

Also, some participants shared that there is not a culture market to attribute trading incentives to dealers and brokers through trading commissions. This principle or culture would be highly effective in encouraging or increasing the number of negotiations in the market.

Non-existence of rating agencies

High default rates and non-existent rating agencies cause more risks to financial institutions regarding lending to the private sector. Interviewers shared that in the case of default, guarantees/collateral of loans are extremely challenging to execute because of the law in force. On balance, the banking sector are not accomplishing their job of transferring funds from savers to users of money, as they fear to lose money. The equity market seems to be the escape for the private sector, whereas this situation remains unsolved.

Conclusion

Based on participant's opinions on the main limitations found in the Angolan capital market, we can withdraw that the Angolan's oil-dependency and instable macroeconomic indicators (such as inflation, the exchange rate, etc) scares away international investors interested in the Angolan capital market. Additionally, the poor country indicators regarding the investment climate is another impediment for the international investment portfolio. Other limitations such as, the weight States carry in the economy, inefficiencies in the public sector including excess of bureaucracy are and quality of statistical data provided are challenges that need to be resolved to encourage the capital market.

On the other side, participants attributed low levels of financial literacy to the shortage of skills in stock market fields, insufficient technical and professional courses in related topics. Some participants seems a solutions in financial institutions, as they are more skilled people to provide training in financial subjects. We could also see that financial reporting is one of the most important documents in listing requirements demanded by stock exchanges. Therefore, the poor reporting can lead to asymmetric information and can harm investors in the way decisions are made with insufficient information on the company. A solution presented according to participants is to extent IFRS standards to other sectors of the economy or demand it at least for listed companies.

Interviewers concluded that corporate finance concerns are linked with company's strategic plan, its internal structure and how it is managed. Therefore the low number of auditors inside

companies, wrong administrative practices, lack of skills in this subject, and no sharing information are actions that leads to poor corporate governance levels among companies in the country. The challenge is to promote the corporate governance culture and continuous communication of new international practices. Other interviewers added that it must be enforced by law as it helps companies to organize their internal structure.

Moreover, the weak enforcement of competition law and law about repatriation of capital gains, no clear existence of investor's protection law are concerns affecting international investors. Some participants referred the liberalization of the market, revision on the limitations to exit market allowing investors to sell their position and repatriate capital gains freely.

Relating to literature review the common limitations faced by African capital markets seeking to establish capital markets are related to political instability, corruption, unregulated markets, high number of informal companies/businesses, small number of SMEs with capacity to list, and economic factors such as lack of initial capital, lack of investment opportunities, low saving to participate in the capital market, thin markets, social-cultural impediments in the time of IPO, poor financial reporting, low levels of financial literacy, the regulatory landscape. (Chimpango, 2017 and Riscura, 2019).

However, some of these impediments highlighted in the literature emerged from interviews conducted in this study related to Angolan capital market. For example, poor financial reporting, low levels of financial literacy, low saving accounts, informal businesses, social-cultural barriers in the time of IPO, etc. Meanwhile, some barriers found in the Angolan capital markets were not found in the previous studies (weak investment climate indicators, public sector inefficiencies and poor statistics, non-existence of rating agencies in the country, restrictions affecting foreign investors, information disclosure, lack of transparency among investors, etc.). Also other impediments such as lack of transparency among investors, disclosure information, low quality in the financial reporting and corporate finance were not found in other African stock exchanges investigated because they adopts the international standards of corporate finance together with IFRs standards which surpasses this issues.

4.2 Strategies developed by African exchanges to solve common stock market issues.

This section discusses the strategies implemented by sub-Saharan African exchanges to solve common stock market issues. Responses received from interviewers through Inquiry B are divided into two parts: I. Opinion request and II. Information request. For this section contributed the following stock exchanges: BODIVA, NSE, GSE, BRVM, ZSE, DSE, BVM, NSEk, NSX, MERJ, JSE, BCV, ESE, and LuSE.

I. Opinion request

a) Initiatives or steps taken by the exchanges to develop their equity market:

- Government's initiatives to promote the stock market

Most exchanges shared that their governments are granting tax incentives and exemptions for limited years to convince companies to list in the exchange.

For instance, the government of Zimbabwe is providing tax reductions on long-term investment and reduction of market charges for listed companies (ZSE Equity Market Division). In Mozambique, taxation on dividends is subject to 10% tax rather than 20% paid for unlisted companies, providing a favourable system for all listed companies (BVM Research Department).

Tanzania made all expenses undertaken by the issuer in the time IPO allowable expenses. Shareholders enjoy zero capital gain tax on shares income, zero stamp duty when selling shares, and only 5% withholding tax in dividend, as opposed to 10% for unlisted companies (DSE Market Operations Department). The government of Seychelles have exempted investors from stamp duty on share transfers regarding listed companies and exemption from the sanction duty applicable under the Immovable Property Act (MERJ Market Surveillance Division). In Kenya, the government supported financial markets mainly through favourable regulatory policies. (NSEk Clearing Operations Department).

In West sub-Saharan Africa, the federal government of Nigeria has set several legal regulatory and economic reforms to improve the investment climate and stimulate investor's participation. Some highlights are, deregulation of the market and amendment of VAT Act to exempt commissions on capital market transactions (trading fees and compliance cost) and eliminate multiple tax footprints (NSE Strategy & EPMO Department). In Ghana, the government is supporting the stock exchange by encouraging regulatory bodies to introduce rules that facilitate company's listings and convincing benchmark companies to join the

exchange. Additionally, arranging partnerships through its diplomatic activities and obtaining foreign grants via international development agencies. (GSE Finance and Admin Division).

Several stock exchanges in Africa started their equity market through privatisation programmes held by the government (for instance as NSE, DSE, BRVM, and BVM). Angola will not be different, as the government is seeking to reduce its presence in the private sector through privatising some state-owned companies. Around 195 companies are to be privatised, of which 20 through IPO and other stock exchange auctions. This will mark the beginning of the Angolan stock market (BODIVA Trading and Market Development Division).

- Steps taken by the stock exchanges to promote stock market

Interviewers revealed the focus has been on educational campaigns to promote the market and focus on investments in training units and courses. Many exchanges have aired different radio and TV talk shows on various topics, as well as seminars, workshops, webinars, roadshows, to advertise the stock exchange and make it more known.

ZSE highlighted the development of new products such as mobile trading, and market awareness campaigns as major strategies to promote the market. (ZSE Equity Market Division). BVM is adding inter-provincial visits to companies, as well as the different professional classes (BVM Research Department). On the other side, GSE is investing in massive educational campaigns and spending substantial amount on adverts, education, and provide training or security courses at a subsidised fee to the general population. (GSE Finance and Admin Division). NSE has promoted demutualisation of the exchange as key to make it more agile and globally competitive. The NSE is also boosting visibility and unlocking new efficiencies using technology. Some developments are a partnership with NASDAQ to upgrade the NSE trading platform continuously and the promulgation of the exchange to the international community, as allowing foreign brokers to enlist in the NSE (NSE Strategy & EPMO Department).

A case in point is the innovative digital listings developed by MERJ Exchange, including securities tokens and digital assets. Digital security or securities token remove many of the barriers encountered by investors and streamline the entire security process from issuance to oversight. Additionally, they provide new market opportunities to non-liquid investments and are attracting large companies from the US and Asia. In 2019. Moreover, the exchange was considered the Exchange of the Year at an industry awards ceremony in London because of

its success with digital securities. (MERJ Market Surveillance Division). Within other actions, national and international roadshows sensitising market and media press releases informing the public about the exchange, events, forum, and workshops are strategies followed by other exchanges who participated in this study.

b) Strategies developed to strength capital market participants

Stock exchanges that participated in this research are developing different strategies to empower investors and prepare issuers for the capital market, including programmes to improve their internal structure to meet international standards of corporate governance, financial reporting, and disclose information.

Participants stressed that constant communication to the market new practices is key to obtain some achievements easily. For instance, BRVM said that, having yearly market discussions with government members to let them know about the issues of the market and develop appropriate policies. It also referred the government's role as critical, as it creates a congenial atmosphere for the general market, (BRVM Operations Department). Other strategies developed includes developing pieces of legislation requiring specific companies in the regulatory industries to list. NSE referred the need of stakeholder engagement and market-friendly policies hosted periodically with key government stakeholders. Another strategy commonly used is the Inter-agency collaboration with international financial centres to position the country internationally. (NSE Strategy & EPMO Department).

Interviewers cited consistent surveillance to root out those against the rules. Continuous communication between policymakers in the country to cover inexistent regulatory silos to prevent companies from taking advantage of lack of communication. GSE states that, a study should be conducted on current regulatory regimes around the world and reflect in the local market. Regarding the initial cost of listings, regulators can work on reducing these costs to bring more companies to the exchange. (GSE Finance and Admin Division).

Finally, they emphasised that policymakers must be open-minded to digitalisation and take fast decisions when it comes to capital markets. (BRVM Operations Department). Other added the importance of a channel for misconduct, with special attention to insider trading and continuous engagement to ensure market transparency and efficiency. This includes resolution of overlaps in the listing process to reduce the processing times for listing

applications and ensuring compulsory dematerialisation of securities. (GSE Finance and Admin Division).

Regarding corporate and private issuers, most exchanges have developed programmes to assist companies in entering the alternative stock market, which demands less requirements. Several stock exchanges have an alternative market for SMEs and growth companies, as well as developed preparatory programmes to incubate/induce/prepare enterprises.

The Dar Es Salaam Stock Exchange is running a capacity-building programme for executives of SME's. Additionally, it borrowed a programme from the London Exchange known as the ELITE Program, allowing enterprises to access a network of industry experts and investors community (DSE Market Operations Department). The Nairobi Exchange has developed a programme called "Ibuka" - an incubation and acceleration programme for companies seeking the next step in their growth strategy. It has created an alternative market called GEMS - Growth Enterprise Market Segment for mid-sized companies with high potential. (NSEK Clearing Operations Department).

The Nigerian Stock Exchange implemented the Second Tier Securities Market exclusively for SMEs. Most recently, NSE launched the Growth Board, designed for small-cap and growth-oriented companies. It also introduced the Corporate Governance Rating System (CGRS) to strengthen the governance structures of listed companies. (NSE Strategy & EPMO Department). Another case is the Namibian Stock Exchange who developed a corporate governance book named "NamCode" to ensure that issuers comply with international corporate governance standards. (NSX Information Office Department). The Regulator of capital markets in Angola (CMC) also offers a guide of good practices of management, although the document is not mandatory. (CMC research department). For individuals, the key strategy is to empower them with financial market education and provide support to create durable wealth. (GSE Finance Department).

c) Strategies to attract international investors

Exchanges shared that international investors focus on three important directions when searching for markets to invest in, namely macroeconomic environment and key variables, regulatory framework, and political stability.

Most of them agreed that the international investor community is attracted to the strength of the regulatory framework and whether the rules are clear and enforced consistently, also the settlement system and efficiency. They also revealed that long-term survival of the exchange itself and quality of management governance is also attractive. It adds that investors look at the quality of financial reporting and its alignment with international standards and to the extent of local participation, which reflects local confidence in the market. More specifically, the performance of listed companies, various securities listed, profitability, and market depth were also mentioned.

GSE highlighted that, to capture foreigner investment key macro indicators, such as inflation, exchange rates, interest rates, growth rates, and economic policies must point into the right direction. For instance, the exchange rate is an indicator closely monitored by international investors, as large currency fluctuations adversely affect foreign portfolios. Other key factor is robustness of foreign exchange reserves held by the Central Bank because it determines the ease of repatriating capital. Market liquidity is another important factor, as it determines at which rate investors can transfer ownership. (GSE Finance and Admin Division).

As regards political stability, NSE said another key factor that concerns investors is the ruling class of the nation. Other indicators that plays a role to attract foreigner investment are market transparency, ease of doing business, P/E ratio, 10 year-bond yield purchasing manager index, taxation, investor's protection, credit ratings. (NSE Strategy & EPMO Department).

In countries such as Mozambique, international investors benefit from exceptional treatment regarding repatriation of capital and investment proceeds in listed securities. The country has taxation agreements with several countries to avoid multiple taxation. (BVM Research Department).The government of Namibia has made improvement in reducing red-tape because of excessive government regulations, making Namibia one of the least bureaucratic places to do business in the sub-Saharan Africa. (Doing Business Report, 2019). The NSX stated that it is crucial to attract local companies first demonstrating internal stability and attractiveness, so that foreign investors will be interested. (NSX Information Office Department). MERJ exchange is investing in technology of digitalised securities to capture worldwide interest in investment portfolios to attract this class of investors. (MERJ Market Surveillance Division).

In Angola, the market is making the first steps to attract foreign investors, among the measures taken, the amended Notice 15/2019 issued by the Central Bank (BNA) defines the more relaxed procedures for conducting foreign exchange operations by non-residents. (BODIVA Business Department) The presence of international corporations, for example, IFC, who opened an office in Angola, also demonstrates attractiveness in the market and improve confidence among international investors.

d) Strategies to solve common stock market issues

Capital markets in developing countries are plagued with issues of disclosure, a dearth of listings, low financial knowledge, and low trade volumes. Most African exchanges face these persistent challenges. (Chimpango, 2017).

Regarding low liquidity, a range of policy options and concerted actions are recommended to address these issues. DSE said that increasing liquidity is a necessary introduction of an Automated Trading System (ATS), where market makers can enter bid/ask prices in the system. Moreover, the increase in trading hours combined with a reduction of settlement times can also increase the number of trades. (DSE Market Operations Department). Another action cited by GSE is to encourage companies to increase the number of shares through shares split or new issuances. Following the same line, a minimum number of shares for newly listed companies should be set. (GSE Finance and Admin Division).

Concerning the lack of transparency, most exchanges said that this is not really an issue, as the stock exchange has a detailed disclosure requirement to ensure and work according to international standards. However, frequently revising the rules and have additional disclosure on transparency and compliance is never too much.

A case in point is the platform launched by The Nigerian Exchange, a world-class market surveillance platform powered by Nasdaq's smarts technology, to proactively monitor market manipulation (including spoofing and layering) and detect and deter manipulative tendencies. Also, the development of punishment structures for those against the rules is crucial. (NSE Strategy & EPMO Department).

Regarding financial reporting, the regime must be consistent with international standards. Previously, stock exchanges were using internal accountant systems. Therefore, most of the countries interviewed adopted the IFRS or GAAP standards. They also have close

communication with accounting bodies to ensure appliances of these standards, quality of reporting in line with global best practices and help standardise the quality of financial information.

Financial literacy is a persistent challenge faced even by developed exchanges. GSE said the low level of financial education has led investors to fall into Ponzi schemes, causing people to lose their investments. Capital market intervenient work together to educate the population through security courses to improve financial literacy. Given this, Ghana has an ongoing plan to convert security courses into an institute called the Ghana Investment and Securities Institute. (GSE Finance and Admin Division).

Participants also stressed that to fight financial literacy, several institutions must be involved. The development of joint work with government, the Central Bank, Ministry of Finance, Ministry of Higher Education and technicians, among other partners, are necessary to disseminate information on the capital market. Another way used by several exchanges is direct contact with the public through debates and interviews on TV, radios, and newspapers, training, online courses, social media interactions, and visits to high schools and universities. Within other strategies engaging with different sectors to inform about their rights and obligations.

Dar Es Salaam in Tanzania has developed the Scholar Investment Challenge, an annual edutainment challenge programme that aims to create savings and investment culture among the youth in all higher learning institutions. DSE also enables students from higher learning institutions to access its actual data and virtual trading platform to learn how to invest via a stock exchange. (DSE Market Operations Department). The Namibian stock exchange shared that they have encouraged secondary schools to visit the exchange for more information on capital markets. This activity is done in groups of 10–20 on request from the schools. They also have an annual investment competition for six months. Registrations for the competition can be done by both secondary schools (Grade 10–12) and university students. (NSX Information Office Department).

The Nigerian Stock Exchange joined the Financial Literacy Steering Committee to develop and implement the Financial Literacy Framework for Nigeria. Policy options to promote financial literacy include integrating investment education into the national curriculum at tertiary and lower levels. Additionally, outreach programmes and collaborative capital market

education programmes have been taken by the exchange under the X-Academy (NSE Strategy & EPMO Department).

Even though general literacy levels in Kenya stand at 81.5%, financial illiteracy still exist. Within the efforts taken by the Nairobi exchange it is to highlight the first Smart Youth investment challenge, a weekly television programme named Trading Bell Show directed to the overall population, and incubation and acceleration programmes to offer companies the opportunity to grow their business in the capital market.

The NSEk borrowed the ELITE programme from London Stock Exchange) to support companies to scale up their businesses, access a network of industry experts and a community of investors. The exchange also seeks to collaborate with government to incorporate such learning in layman's language (NSEk Clearing Operations Department). Zimbabwe stock exchange provides master class sessions to potential companies, combined with exhibitions and conferences at training institutes launched by them. (ZSE Equity Market Division).

Summary

In conclusion, the stock exchanges shared different strategies used to develop their stock market.s This includes strategies to promote the stock exchange as well as, governments actions, strategies to strength market participants and to attract international investors and strategies to overcome common limitations. Some of these strategies helps to solve some of the problems cited in section 4.1 such as financial literacy, financial reporting and corporate finance standards, foreign investment attraction, costs to enter the market, economic indicators, etc.

- We could see that governments of each country analysis are putting efforts to reduce taxation for the listed companies, convincing companies to list by adjusting the regulations, reducing taxes on capital gains, increasing exemptions in the time of IPO, etc. This actions have reduced costs to enter the capital market and allowing more issuers/lenders to participate.
- Also to promote their stock exchanges they are investing into a massive awareness campaigns, promoting open debates, interviews on TV, radios, social media interactions, visits to high schools and universities. They are developing new products to easy access to the market, such as mobile trading apps, etc.

- We learn from the stock exchanges that they are empowering capital market participants through development of preparatory programmes to incubate/induce/prepare enterprises for the stock markets. They are also creating alternative markets for SMEs and growth companies to guide them into capital market. This strategy have been combined with consistent surveillance, capacity building programs for executives and borrowing programs from other exchanges.
- To attract foreign investment one strategy used by the stock exchanges is to attract domestic companies first so that international companies can be interested. Others are giving exceptional treatment regarding repatriation of capital gains and developing agreements to avoid multiple taxation. They are also reducing bureaucracy in the process of investments to surpass excessive government regulations.
- The stock exchanges revealed that they are not facing many problems with regards to quality financial reporting and corporate governance levels, information disclosure, because they require all listed companies to adopt the international standards such as IFRS and they issued a corporate governance code to help companies to comply with these practices.

Beside the strategies mentioned by the stock exchanges who participate in the research, most of the academics in the literature review states that a number of factors contributes to developed stock market. This determinants are combination of macroeconomic and institutional factors. The macroeconomic factors found in literature leads to a banking sector development, incoming level, private capital flows, saving, stock market liquidity, stable macroeconomic indicators and adoption of IFRS standards. Whereas institutional factors found out these who influence stock market development are strong regulatory framework and political stability, corruption index, market liberalization, law and order, reliable companies. The stock exchanges also agreed with literature when said the main indicators looked by international investors are the macro variables, clear capital market rules enforced consistently, financial reports and alignment with international standards, etc.

Thus, there are several strategies used by some participants that have been proven sucess. The Angola Securities Exchange can learn from these successful strategies and adapt them to the market to obtain similar results. These strategies to work depend on historical factors of the country as well as, market characteristics. For new capital markets actions may take its time to make effect and generate results.

II. Information request

The table below illustrates the trading information provided by the stock exchanges.²¹ The following information was required directly from the specific departments of the stock exchanges because of a number of reasons: no available data in the websites, lack of updated information on Bloomberg, some required payment to access the information on Bloomberg, other were not found in Bloomberg as is the case of LuSE, BCV, BRVM, etc. Therefore the information provided was used in chapter 2 to find the outstanding stock exchanges in each African region based on their indicators and also to highlights successful and unsuccessful stock exchanges based on their indicators.

Table 14 – Johannesburg Stock Exchange (USD; #; %)

JSE equity market	2015	2016	2017	2018	2019
Listed companies	395	388	377	372	354
All Share index	50,693.76	50,653.54	50,504.67	52,736.86	57,084.10
Market capitalization (USD)	781,837,336,152	905,374,580,388.3	1,030,759,987,279	845,467,909,628	1,162,685,213,530

Source: Market data information services at JSE, 2020

Table 15 – Nigerian Stock Exchange trading statistics (USD; #; %)

NSE equity market	2015	2016	2017	2018	2019
Number of listed companies	160	164	167	170	184
Number of new listed companies	3	1	3	1	1
Number of companies delisted	7	4	6	15	5
Equity market capitalization	71,058,642,.3	60,175,924	63,662,620	53,067,966	85.294.145,71
NSE All Share Index	26,842	31,431	38,243	26,875	28,643

Source: Strategy and EPMO department at NSE, 2020

Table 16 - Nairobi Stock Exchange (USD; #; %)

²¹ The tables above were provided by each stock exchange specific departments in their local currency. To allow comparability, all information was converted to US Dollar according to each central bank exchange rate, at point date December, 2019 as follows: Angola (USD/AOA) = 487; South Africa (USD/Zar) = 14.09; Namibia (USD/NAD) = 14.31; Ghana (USD/GHc) =5.8; Mozambique (USD/MT)= 63.9; Tanzania (USD/TZS) =2,2299; Cote D'Ivoire (USD/CFS) =595; Eswatini (USD/SLS) =14.41; Mauritius (USD/MUR) = 36.87; Kenya (USD/KES) =106.54 ; Cape Verde (USD/CVE) =98.49; Zambia (USD/ZMD) =13.99; Seychelles (USD/SCR) =13.70; Zimbabwe (USD/ZWD) = 361.

Source: Clearing Operations department at NSEk, 2020

ZSE equity market	2015	2016	2017	2018	2019
Number of securities				63	
New listings	2	2	0	3	0
Delisted companies	3	4	0	3	2
average number of trades per day				100	
Turnover/average market cap	6%	6%	10%	8%	
shares traded/shares listed	5%	4%	8%	5%	
% Foreign investors	56%	52%	30%	31%	

Table 17 - ZSE trading statistics (USD; #; %)

Source: The Equity market division at ZSE, 2020

NSEk equity market	2015	2016	2017	2018	2019
NASI	145.70	133.34	171.20	140.43	166.41
Companies listed	63	65	63	63	62
Delisted companies	1	-	3	-	2
Turnover (USD)	1,911,349,933.7	1,344,708,014	1,566,338,566.8	1,603,758,029.5	1,404,896,743.4
Market capitalization (USD)	18,727,243,106	17,651,320,2	23,043,929,062	19,208,749,947	23,210,971,930

Table 18 – Namibian Stock Exchange trading statistics (USD; #; %)

NSX equity market	2015	2016	2017	2018	2019
Number of listings	41	42	44	44	51
New listings-IPO	3	3	2	1	6
Number of de-listings	0	2	0	2	2
Market capitalization	80,234,490	98,603,521	119,390,127	114,482,457	113,163,024
Value traded (USD)	90,749,562	16,066,245	27,342,077.35	50.67298059	53,838,385.64
Volume traded Thousands	22,765,505	4,286,864	6,634,373	15,294,786	13,625,331
Number of deals	4,298	5,112	4,541	4,921	4,839
NSX Overall Index	865	1,069	1,300	1,307	1,306
Overall Liquidity ratio (%)	1.72%	1.18%	0.96%	0.96%	0.58%

Source: Information Office Department at NSX, 2020

Table 19 - MERJ trading statistics (USD; #; %)

Source: MERJ Surveillance division, 2020

MERJ equity market	2015	2016	2017	2018	2019
Number of companies listed	4	9	24	30	38
Market cap in USD million	40,700,000.00	105,400,000.00	258,660,000.00	287,000,000.00	1,202,080.00

Table 20 - GSE trading statistics (USD; #; %)

Source: Finance and Admin division at GSE, 2020

GSE equity market	2015	2016	2017	2018	2019
Number of listed companies	42	41	40	40	39
Volume of Trades	44.61	56.94	19.41	35.39	17.33
Value of Trades (millions)	42.72	518.38	457.25	659.36	101.12
Market Capitalization	-	9,094,282.80	10,149,385.28	10,552,060.50	9,802,114.40
GSE Composite Index	1,689	2,580	2,879	2,572	2,395
Top five equities (% of market cap)	7%	16%	17%	24%	21%

Table 21 - LuSE trading statistics (USD; #; %)

LuSE equity market	2015	2016	2017	2018	2019
Volume traded	116,900,214	105,151,788	852,239,146	1,287,973,266	83,348,249
No. trades	2,582	3,216	3,850	5,463	4,467
Turnover /market cap ratio	2.47	1	0.47	1.98	6.58
Market capitalization (USD)	5,849	5,813	3,850	5,463	4,017

Source: LuSE Business Development, 2020

Table 22 - BVM trading statistics (USD; #; %)

BVM equity market	2015	2016	2017	2018	2019
Number of listings	4	4	6	7	10
De-listed companies	0	0	0	0	0
Number of transactions	151,357,796	28,084,673	981,454	541,750	827,739
Volume traded (USD million)	21422.47	4016.07	8081.52	955.85	5,100,16
IBVM shares index	-	-	-	-	0,09%
Market capitalization USD million)	737,789.35	823,404.95	956,600.80	1,135,155.52	1,359,261.04
Turnover	26,9%	4,5%	7,8%	3,88%	-
As % of GDP	-	-	-	8,6%	-

Source: BVM Research and Market Department, 2020

Table 23 - ESE trading statistics (USD; #; %)

ESE equity market	2015	2016	2017	2018	2019
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SSX All Share index	327.25	380.34	406.45	422.42	444.29
market capitalization	189,991,531	225,390,264	240,858,234.9	250,320,914.7	263,284,645.7

Source: ESE Financial Services, 2020

Table 24 - DSE trading statistics (USD; #; %)

DSE equity Market	2015	2016	2017	2018	2019
TSI index	4,418.05	3,677.82	3,549.44	3,780.55	3,4311
Market Cap	4,004,387,683.24	3,333,440,575.18	4,431,698,585.52	4,181,930,583.54	3,886,248,093.61

Source: Market Operations department, 2020

Table 25 - BRVM trading statistics (USD; #; %)

BRVM equity market	2015	2016	2017	2018	2019
Number of companies listed	39	43	45	45	46
Number of IPOs	1	4	2	0	1
Number of companies delisted	0	0	0	0	0
Number of transactions	59	75	119	113	62
BRVM all share index (Points)	303.93	292.17	243.06	172.24	159.24
BRVM all share index (%)	18	-4	-17	-29	-8
Market capitalization	12,930,000,000	13,290,000,000	11,790,000,000	8,350,000,000	7,860,000,000
Value traded (USD million)	391.6	706	461	400	156
Volume traded (USD million)	114	195	214	123	63
Turnover (%)	3%	4%	3%	4%	2%

Source: BRVM Operations department, 2020

4.3 Recommendations

It would be unfair to highlight the many restrictions encountered in the Angolan stock market without mentioning solutions. The third aim of this paper is to provide some recommendations to Angolan capital market intervenient. Thus, recommendations given here are a combination of the data obtained from literature review and interviews conducted in this study.

The stock market is a result of combined efforts made by economic players, such as governments, issuers, lenders, policymakers, and systems in which, each has own duties. This ecosystem needs constant updates with foremost technology, tools, and skills that lead to development.

1. Recommendations regarding macroeconomic indicators

1.1 To eliminate barriers related to the instability of macroeconomic indicators, the government must invest in the diversification of the economy.

Many participants cited the current macroeconomic situation of Angola as one of the main conditionings to the emergence of capital markets. Both local and foreign investors are scared away when texamine economic and country indicators regarding its impact in future returns. Thus, the diversification of the economy is the only way out of this situation.

It sounds like a cliché because this topic has been playing around for many years. Despite all politics and projects implemented, results are still below expectations. The truth is that Angola's main revenue is petroleum, making the country extremely dependent on this source.

The IFC indicates the main economic sectors whose investment would contribute to the expansion of national production and increase of exportation. Among them, energy, water, roads, agri-business, and telecommunications (IFC research, 2019). The researcher added key social sectors, healthcare, education, and basic infrastructure (public transportation roads, water, electricity, communication) as crucial to lower national production costs and turn domestic goods more competitive. It would have a positive impact in indicators, such as inflation, exchange rate, and national reserves.

Therefore, diversification seems to be the only way to diversify Angola's revenue sources through different economic sectors, improving the stability of economic indicators. For instance, agricultural cultures that provided good performance in the agri-business sector in

the past (such as coffee, cotton, tobacco, cattle, goat, pigs) must be prioritised, in case they still belong to the list of those products highly demanded internationally. Mining is another sector with unexplored areas that would interest several investors therefore increase the country's revenue.

On the other hand, the investment climate indicators are one of main figures international investors examine when searching markets to invest. Thus, to eliminate concerns regarding these poor indicators, the government is encouraged to continue fighting against corruption through penalising public manager's misbehaviours and enhancing compliance and ethics among public companies. Also improving business indicator by revising some policies that impact direct business in the capital market. Additionally, a strong inspection and enforcement of the competition law to avoid monopoly and ensure fair competition in the market is another step to be taken. Moreover, a greater effort is needed to reduce bureaucracy and improve all business environment. It can only be possible through close monitoring and inspection of institutions responsible for these services.

2. Actions to fight illiteracy, poor quality financial reports and weak corporate governance

2.1 To fight against financial illiteracy, CMC and BODIVA should make a massive investment in market awareness campaigns

Lack of financial literacy reduces drastically number of investors participating in the market hence, liquidity. Several institutions must be involved, and different programmes developed to win this fight. For example, the development of joint work with government, BNA, MINFIN, Ministry of Higher Education, and capital market professionals, among other partners, is necessary to disseminate information on the capital market.

We learn from other stock exchanges that a massive investment in educational programmes to reach the masses and increase the number of participants is one way to reduce illiteracy rates. Furthermore, BODIVA can provide training courses to all market participants interested in the market. It should engage schools and universities through establishment of partnerships that would allow students to have access to market data and contact with virtual trading platforms to learn how to invest in the stock exchange. Additionally, encourage visits to the exchange and develop monthly competitions/challenges among universities. It can also work together with the Ministry of Education to include capital markets fields in the curricula of high school students. The same can be applied for domestic companies to elucidate them about capital market subjects. Moreover, the creation of incubators inside the exchange is a good

way to work close to the willing issuers. Scheduling periodical meetings with people with different backgrounds, from the CEO to the low category, would benefit all.

Besides that, there are educational programmes that can be borrowed from other exchanges among Africa and there is the use of social media in which to create sections of lessons can be provided and easily shared. Another idea is to launch a television programme to educate the overall population about subjects regarding capital markets.

Overall, the government is part of the capital market atmosphere and can influence how people think about stock markets. Thus, market discussions with government members to let them know about the issues of the market and the development of market-friendly policies is crucial to create a congenial atmosphere for the general market. In conclusion, the effort should be in market awareness, educational programmes, and communications with all market participants. It should not include Luanda only, but other provinces of the country.

2.2 To eliminate corporate governance weaknesses, CMC should legalise and enforce the code of corporate governance.

CMC has issued a corporate governance code to help the institutions comply with international standards but it is not enforced. Thus, the Authority should make the Corporate Governance Code mandatory for all listed companies and after extent to companies wishing to list. Afterwards, CMC should monitor companies closely to evaluate whether they are implementing the principles or not. Most stock exchanges investigated require companies to strictly follow the corporate governance code if listed in capital market. Then, companies must prove the appliance of corporate governance principles and explain how they are implementing these principles. It helps the issuer to align with the best international practices and improve the quality of its businesses.

This goal requires a series of gradual reforms adjusted to our reality and always using the positive experiences of others. Thus, robust information disclosure rules must be put in place.

2.3 To eliminate poor quality financial reporting, BODIVA should require IFRS standards for all listed companies.

Financial information is the key condition of any stock exchange. IFRS standards are required or permitted by most stock exchanges investigated. Some require the international standard only for listed companies, whereas others require it for all domestic and foreign companies.

There is IFRS especially for SMEs, which are less demanding making it easy for companies to comply.

In Angola, IFRS is required for financial institutions regulated by the Central Bank. Therefore, the extension of IFRS for listed companies and unlisted companies in the long-time include would be beneficial for the market. The success of IFRS is proven as it ensures transparency, accountability, allows comparable information, and everyone can understand both domestic and foreign investors. The participants of this study stated that since they adopted the international standards hardly have problems with the quality of financial reports for listed companies.

Another concern raised from the lack of international standards is transparency. It is one of the most challenging limitations because it is necessary to change mind-sets. If the market participants tend to hide important information from investors or if one has privilege regarding information shared, it will lead to asymmetry information. Therefore, regulators of capital market should make sure everyone receives the information at the same time and reassure that any listed company does not hide sensitive information from investors.

3. Steps to manage the high costs in the capital market

3.1 To overcome the impediments regarding costs to enter the capital market, policymakers should revise down fees charged.

Domestic issuers have presented this limitation as one of the main barriers to issue debt in the equity market. They referred the tax costs, advisory companies, agency fees, and trading fees as being too expensive in the Angolan capital market.

Governments of other African countries are being less demanding with taxes charged in the stock market environment to keep issuers and lenders in the capital market. By following this strategy they are convincing companies to join the exchange by reducing the tax rate in capital market. The strategy has worked as enterprises always foremost to pay as less taxes as possible. Regarding fees charged by the CMC and BODIVA, the policy maker interviewed referred that these occupy the smallest part in the entire fee structure, but it is never too much to revise. Concerning costs charged by advisory companies (financial intermediaries, law firms, and consultancy companies), market participants said they are not capable to pay the fees. The advice is to increase the base of financial service providers and certified companies

by bringing more outside advisory companies to the country. It would increase competitors in the market, which would result in prices going down.

With reference to small number of financial experts in the market, the strategy could be provide periodic training to practitioners. Encouraging universities to stimulate courses related to capital market subjects, providing scholarships for high school students that are interested in these fields, etc. It is the key to counterbalance shortness of skilled professionals in the market.

Also, lack of reliable historical information on companies' managers makes it challenging for investors because they do not know whom to trust. To deal with the absence of profit track-records and managers' ability/capacity to run a business, we proposed the creation of an online platform where companies can upload information on their managers' proficiency. Additionally, there is the Order of Accountants and Expert Accountants who provides periodical training and accountant's certification to operate in the industry. The same could be done for the finance sector, where individuals/institutions would have certifications aligned with international practices and would have an opportunity to promote debates/workshops among financial topics. To strength professionals already in the market one strategy could be establishing partnerships with the CFA Institute to certify financial professionals operating in the market. Therefore, require CFA course as one of the requirement to provide services in the financial sector.

4. Directions to solve conflict of interest between dealers and brokers

To solve conflict of interest between brokers and dealers operating in the same place, banking institutions should create independent brokerage firms

One of the problems regarding the way banking institutions participate in the capital market is that, they trade own portfolio and third parties' portfolio at the same time, meaning they act as a brokers and dealers at the same time, which brings conflict of interest. They should operate as brokers or dealers but never both. Therefore, the Authority for banking institutions should demand the creation of independent structures that enhances information barrier between operators of third party and own portfolio management. This can be made through the development of brokerage firms owned by banking institutions in which the same operators of this specific department would move to the new structure to trade third parties' portfolio. Therefore, banking institutions would operate as dealers by trading own portfolio and brokerage firms would trade third parties'. This would be fair competition to the existence

brokerage firms in the country, as they claim do not have access to the market as banking institutions have done their work.

The Dar Es Salan Stock Exchange for example have got 13 licensed trading members and commercial banks trade mostly in bond market while brokerage firms are more active in the equity market. The BRVM Stock Exchange has 29 brokerage member firms operating in the market and 10 custodian banks.

5. Suggestions to fight of information disclosure and typology of anonymous society

5.1 To eliminate the barriers regarding typology of anonymous society and family-owned businesses, the government should influence them to disclose by granting tax incentives

Many companies in the private sector are family-owned; thus, their reluctance to open capital in the stock exchange. Many reasons arise when it comes to listing their company in the stock market. Some fear losing control and ownership, especially for enterprises with a family legacy. Other do not want to disclose because they think that showing their books to the market, would make them vulnerable to competition.

One way out of this, is to enhance the benefits of listings through periodical meetings with company's managers and owners. Explain the benefits offered in capital markets regarding interest rates charged compared to the traditional banking sector. Also, elucidate tax benefits for listed companies and overall improvement in the company's internal structure and governance.

We learn from the stock exchanges around sub-Saharan Africa that most of them are convincing companies to list through tax reductions and incentives. They are also providing zero stamp duty and zero capital gains on shares income. Additionally, there is no taxation charged on the sale of shares and no market charges at the time of IPO in some countries. Moreover, exchanges have amended Value Added Tax to exempt commissions in capital market transactions and eliminate multiple tax footprints. These strategies have resulted in more listings, as many companies joined the stock exchange.

On the other hand, taxation must be inclusive for investors, issuers, dealers, brokers, and financial intermediaries. A less aggressive tax position from the authority could perfectly work for Angola, as companies are willing to pay as less taxes as possible. It would also have a good effect on companies with double accountabilities to escape from the tax authority. Also, it would be a win-win gain, as more companies would join the exchange while

benefiting from tax gains and the government would have closer control and monitoring of companies. The first step could be convincing benchmark companies to list their shares in the stock market and encourage regulatory bodies to introduce rules that facilitate the company's listings.

6. Measures to attract foreign investment

6.1 To eliminate restrictions affecting foreign investors, the government should revise the legislation and make the law more flexible

Angola attracts investors from many parts of the world because of its richness in mineral resources, of which many are unexploited. Given the current macroeconomic situation and its effect on savings, the domestic market might not be able to absorb, for example, the privatisation programme issued by the government. Therefore, it is necessary to capture as much international investment as possible. One of the strategies to attract international investors is to attract domestic companies first. If domestic companies enter the stock market, international companies will too.

Foreign investors are attracted by good economic indicators and investment climate, as well as robust legislative framework. Regarding the macroeconomic environment and its key variables, the exchange rate is an indicator closely monitored by international investors, as large currency fluctuations adversely affect foreign portfolios. Therefore, the government should ensure stability of domestic currency, robustness of foreign exchange reserves held by the central bank, and easy the repatriation of foreign investment gains.

Regarding the regulatory framework and political stability, the government should enforce competition law and make sure it is applied. Also, establish liability regimes to people engaging with insider dealing and market abuse. This would assure investors that they have sufficient resources in case of misappropriation of their investments. To boost investors' confidence, the regulator should be able to recover the value of their investment in the event of misappropriation by its managers. Additionally, the judiciary regime and prosecutors should create specialised courts to timely solve shareholders' conflicts and divorces.

On the other hand, the Central Bank should revise Notice no.15/19, which defines the procedures regarding foreign investments for non-residents, direct foreign investment in securities, divestment of assets, and investment incomes. Restrictions imposed by the regulator states that foreign investors can only exit the capital market at maturity of the asset

or if transferred to another foreign investor. This specific point in the law must be revised. The investor should be able to exit the market and access its savings at any time. Also, revising the repatriation law is necessary to facilitate authorisation to repatriate capital gains.

Notwithstanding, the country aims to attract foreign investment it faces another challenge to keep the money in the country. The premises must be to attract quality private investment, foster national business, and greater openness in the search for financing by companies. The government should not only attract domestic and foreign investment to the stock market but also establish programmes and policies to keep them in the businesses. For that to be possible is necessary programmes to promote the economy and incentives to the capital market.

7. Other actions to resolve the impediments found in the market

7.1 To eliminate concerns on public debt issuance and reduce the presence of the state in the economy, the government should lower rates of return on fiscal debt and materialise the PROPRIV

The government offers high rates of return on treasury titles to fulfil their financial needs on fiscal debt. Therefore, investors prefer the riskless asset rather than lend to the private sector. This situation harms both the stock market and the overall economy because issuers have a reduced base of investors. Thus, the government must lower return rates on fiscal debt and find additional ways to fulfil its needs. This would promote competitiveness between public and private sector and, banking agencies would focus on their duty, which is to transfer money from savers to those in need of funding. Many issuers and investors would come to the equity market because it would offer more competitive rates than commercial banking institutions, and risk-takers would prefer to take more risks to experience larger returns.

On the other perspective, the government is currently developing strategies to reduce his presence in the economy. The privatisation programme is an example that businesses will be left to the private sector and the government will concentrate on its duty of developing policies that creates a proper environment to attract as many businesses as possible. Thus, the government is encouraged to continue with its strategy of privatising state-owned enterprises and companies in which it has assets. Furthermore, the main effort should be on the materialisation of this programme. The government should work together with the capital market intervenient and policymakers to eliminate the challenges faced in the concretisation of this goal.

7.2 To eliminate inefficiencies in the public sector, the government should invest in training education

Inefficiencies in the public sector include limited statistical capacity, scope for a strategic and sustainable approach, and the need to broaden access to quality education and skills development. To eliminate the gaps between statistical data provided by the different official sources, the government should invest in training courses in the fields of statistics and econometrics to update the skills of public service providers. Also, facilitate periodical meetings between official sources producing the same data information to standardise calculation methods and avoid large mismatches. Thus, timely statistics provided by local official sources in both local language and English would benefit all domestic and foreign investors.

The strategy to solve problems regarding a lack of skills is to provide training to professionals executing public services. Some lack in knowledge, whereas others lack in motivation. So, develop annual training would serve to freshen the minds of service providers. Also, an improvement on remuneration basis and work conditions would motivate the workers.

Another solution is to create channels to report misbehaviour in public institutions, misappropriation of public goods, white-collar crimes, and money laundering. This channel must ensure the confidence of information, as many people might fear retaliation if they report such cases. Furthermore, these channels must constantly be promoted in different communication channels so that even the laity people can understand. For instance, the BNA has an effective channel to receive complaints from customers of banking institutions. This strategy could be extended to other sectors to report complaints or misconduct. It would help to reduce inefficiencies in the public sector, ensure the quality of public companies, and strengthen the system.

7.3 To eliminate the poor savings culture is necessary to increase levels of financial literacy, living standards, and develop new profitable instruments to capture savings

Saving is linked with living standards, financial literacy, and available instruments in the market that can be attractive to savers. The government should provide basic infrastructures to guarantee living standards and salaries adjusted to market conditions (inflation, exchange rate depreciation), so that people can have enough to consume and save. However, financial institutions must develop diversified financial instruments with attractive rates capable of stimulating investors. For example, the securitisation market is an unexplored market in

Angola, it allows creation of products that have underlying receivables from banks. The effective use of domestic savings allows companies to obtain capital from domestic sources. Foreign companies can raise capital in the local market, encouraging their businesses to develop without expenditures of foreign exchange.

8. Other strategies developed by the stock exchanges

8.1 Empower all market participants (issuers, investors, policymakers, and regulators) through training and incubators programs.

Regarding corporate and private issuers, one strategy is developing preparatory programmes to incubate/induce/prepare enterprises. The role of incubators inside stock exchanges or is well recommended worldwide including programmes to improve their internal structure to meet international standards of corporate governance, financial reporting, and disclosure information. Other strategies are developing programmes to assist companies entering the alternative stock market, which demands fewer requirements and develop alternative markets for SMEs and growth companies.

For individuals, the key strategy is to empower them with financial market education and provide support to create durable wealth. Converging all people to the capital market and assuring they can have better returns investing in this market rather than banking institutions.

Regulators and policymakers are also part of the stock market atmosphere, as such, they must issue fairly and consistent regulations. The constant communication to the market new practices is key to make these achievements. The continuous communication between policymakers to cover inexistent regulatory silos; therefore, prevent companies to take advantages of lack of communication. Also, continuous training and exchange of experience with other stock exchanges are the main strategies.

The role of the government is critical, as it creates the congenial atmosphere for the general market. Development of pieces of legislation requiring specific companies in the regulatory industries to list is one of the strategies to put into practice. Hold yearly market discussions with government members to let them know about the issues of the market; therefore, develop appropriate policies is another strategy to follow. Also, policymakers must be open-minded to digitalisation and take fast decisions when it comes to the capital market.

8.2 Promote the stock exchange itself

More than advertise the services provided by the Exchange, BODIVA must advertise itself to be known locally, regionally, and internationally. Greater advertising of the image of the institution should be the focus of its next strategy. The development of seminars, workshops, webinars, and roadshows, both local and international, should be part of the strategy as well. Several exchanges across the continent make good use of communications channels, such as radio, television, YouTube, and social media to communicate with investors, issuers, and the public. With a click, they know what is happening in the exchange as market synapses are provided periodically through these channels.

Also, create greater publicity on the benefits of IPOs regarding employment, tax revenue, and turnover; compare interest rates with the ones provided by commercial banking agencies. The stock exchange should make a good investment in digitalisation to disseminate information to investors and issuers. Some exchanges in Africa are fully digitalised and has attracted as many international investors as possible. MERJ stock exchanges is a good example to follow in this regard.

8.3 Enforce English disclosure information from listed companies

Companies should be encouraged to disclose information in English so that international investors can easily understand their information. The stock exchange and the regulator must have an English option available in their websites, as well as translate regulations affecting international investors. Language cannot be a barrier to attract international capital. The BNA, MINFIN, and other policymakers are also encouraged to have an option to view information in English on their websites. One strategy is to close contracts with internationally recognised platforms to include information of the Angolan capital market. Access to the worldwide platform would ease access to information in English language.

Understanding the linkages between different segments of the market and their building blocks is critical to ensuring a proper sequencing of policy and regulatory reforms. The experiences of countries across the globe show that capital market development is a gradual process requiring strong leadership from government authorities and a significant commitment of time and resources. If done correctly, the payoffs can be substantial and long-term. The strategic imperative, however, is to develop strategies that fit the specific country's circumstances.

8.4 Development of partnerships with successful stock exchanges in Africa

Different partnerships can be develop in different areas to allow the exchange of experiences, borrowing programmes, request monitoring in specific matters, as well as consultations to solve issues overtaken by them. The contribution of these partnership agreements will have a greater impact in the Angolan Securities Exchanges, boosting his development. It is also a way of publicising the exchange to attract regional investors.

8.4 Bring informal institutions to the formal market

Bringing informal institutions to the formal market is one of the most challenging actions for policymakers. Informal institutions do not meet the requirements of capital markets and therefore, their integration is challenging. Specific solutions should be developed, including reforms on the regulatory framework to build sustained capital market growth. This feature makes capital market rely on the privatisation of state-owned entities because other companies do not meet the requirements of the stock exchange. Consequently, it can result in thin-market capitalisation. So, their transition to the formal sector and legalisation of procedures should be a priority to avoid stock market concentration.

8.5 Reforms needed in political and legal context

Based on the previous studies Chimpango (2017) argues that Africa need reforms that include changes in the government policies and legal rules because economists behave according to systems formed in experiences and this system are perpetuated by informal institutions. He proposes some policy reforms that would affect the capital market, as follows:

- Enforcement of African institutions to enhance confidence among investors and lenders, as they should be able to recover the value of their investment in the event of misappropriation by its managers. Therefore, investigators, prosecutors, and judiciary should be strengthened to avoid scaring away investors.
- Market transparency is another factor that must be strengthened in Africa to attract both local and international investors and issuers. If market participants do not have full information about securities being offered, they will be driven away. Policymakers in Africa should put in place robust information disclosure rules, not only at the IPO moment but during the trading life of any security.
- Market abuse and anti-insider dealing are another concern that policymakers should be aware of. There is a need to establish liability regimes for people engaging with insider dealing and market abuse. This rule would be to assure investors that they have

sufficient resources in case of misappropriation of their investments. Currently, the regime is not robust in Africa. Policies that would deal sufficiently with this issue must be prioritised.

- Investor's education is another important ingredient to develop capital markets. A lack of knowledge of capital markets has resulted in thin markets because only a small proportion of the population is trading. Converging all people to the capital market and assuring them that they can have better returns investing in this market rather than in a bank would enlarge the base of investors and boost liquidity. Therefore, an investment in educational programmes to reach the masses and increase the number of participants should be the goal of policymakers.

Markets have their specific characteristics and nature that vary from country to country. Therefore, we cannot transplant the strategies applied in other geographies expecting it will work the same way. They must be adapted according to each market characteristics. Notwithstanding, a better understanding of what has been done in other geographies gives us lines to develop tailored policies adapted to our country.

Chapter 5 – Conclusion

Research questions:

- **What the main limitations encountered in the Angolan stock market?**
- **What the strategies developed by other stock exchanges around Africa to surpass these impediments?**
- **What recommendation can be given to the Angolan capital market intervenient in order to become a successful exchange?**
- **What environment is necessary for the emergence of a successful stock market in Angola?**

At the beginning of this dissertation we aimed to explore the main limitations preventing the Angolan stock market to happen. This was made through gathering information from participants of the Angolan capital market. We also looked at literature to see what academics says about common stock market limitations in Africa market. Next, the paper aimed the strategies developed by sub-Saharan African exchanges to surpass common equity market problems. Again was made a revision of literature to find out the determinants of developed stock exchanges and its main indicators. Finally, the third aim of the research was to provide recommendations to Angolan capital market participants.

The research developed (about the limitations encountered in the emergence of the Angolan equity market) found that, the main conditioners are linked with country's macroeconomic situation due to high volatility of economic indicators, low levels of corporate governance, financial literacy and poor quality in financial reporting. In addition, high costs to enter the market, as well as restrictions imposed to non-resident investors. However, most of the limitations faced by Angolan capital market were found in the previous studies about African markets when established their stock markets. The majority of the exchanges dealt with similar issues at beginning of their capital markets while others are still dealing with such problems. So, the impediments experienced by Angola Securities Exchange at this embryonic stage are perfectly common and, this is a learning process for all market intervenient.

Furthermore, the secondary research (about the strategies develop by African stock exchanges to solve common stock market issues) found that, to overcome stock market matters the stock exchanges developed several strategies with efforts of the policy makers, regulators, government, issues/lenders. This includes strategies to promote the stock exchange and make it known, for example, government actions regarding favorable regulatory policies, tax incentives and exemptions, strategies to strength market participants and empower issuers and

lenders, strategies to attract as much foreign investment, as well as, strategies to solve common stock market problems. Also we found in literature that macroeconomic factors (such as, banking sector development, incoming level and private capital flows, stable macroeconomic indicators and adoption of the international standards) and institutional factors (such as, regulatory framework and political stability, corruption index, market liberalization, law and order, market transparency, etc) are crucial to develop any stock market.

Therefore, some recommendations were provided based in the data taken from literature review combined with data obtained from the interviews conducted in the research. Therefore, the necessary environment that needed for the emergence the stock market based in a combination of strategies that put together will help the capital market to develop. This strategies should be combined with participation of all market intervenient specially the government, policy makers and regulators.

However, Angola will have to wait a few more years to consolidate the equity market and a few more to become successful. Some exchanges took at least 15 years to develop, even so some never got off the ground. Although, a lot have been done for the development of capital markets in Angola, many steps still need to be accomplished. The Angola Securities Exchange will have to follow the natural path of development which will take several years.

To conclude, capital market development rarely follows a linear path. Developing local capital markets and making greater use of them to fund private/public institutions tends to happens in stages. Some determinants are crucial to its development, as well as necessary conditions to host this market. However, the emergence of stock market cannot be done isolated. The combined effort of all market participant is essential to lead the path to success. Not all limitations in the Angolan equity market identified in this dissertation can be addressed in the short-term, but the work to achieve long-term results should start now.

Future research

- Study the strategies developed by international stock exchanges to solve common capital market issues.
- Study the future reforms and policies to increase the performance of capital markets, as well as, policies to stimulate and increase levels of domestic savings.

- Study the investment of Fintech (financial technology) in the Angolan capital market development.

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vii. Appendix

Appendix A

The table below provides economic data on the countries analysed in this study. The macroeconomic information shared seeks to give an overview of economic indicators that characterize a country.

Table 1 – Country's economic indicators (2019)

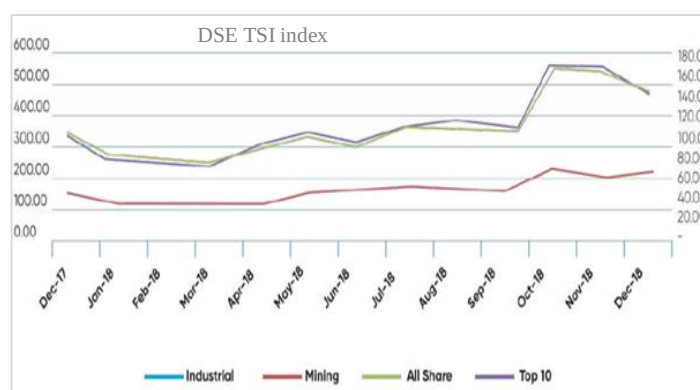
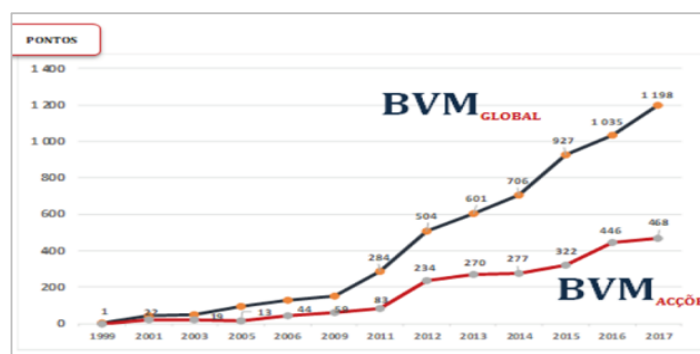
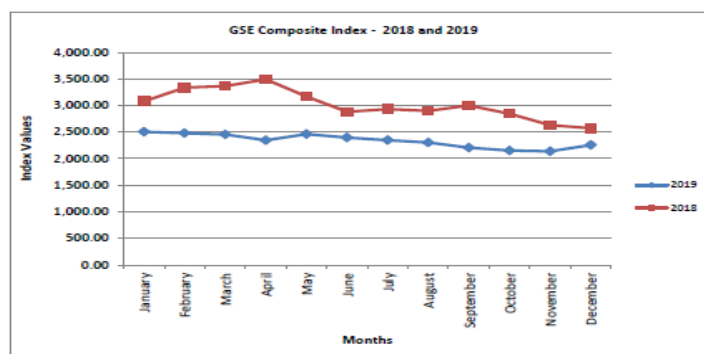
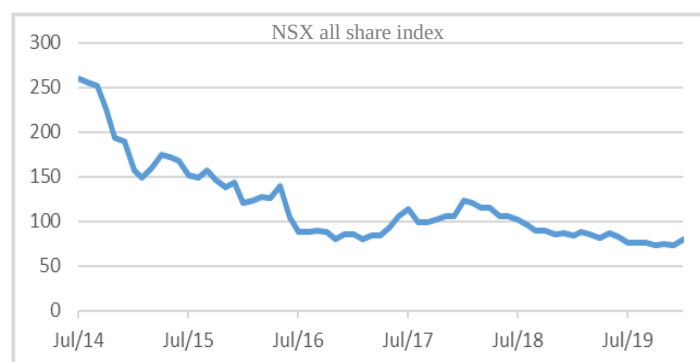
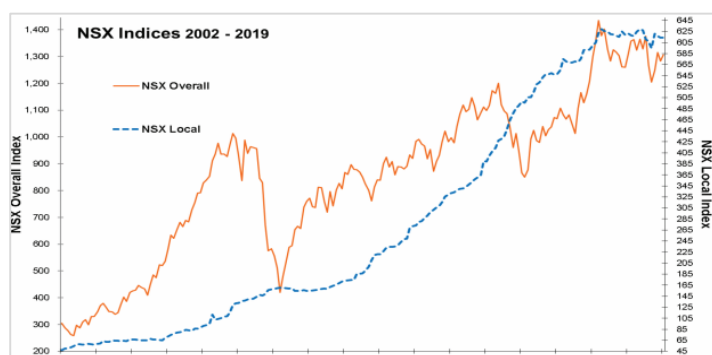
No.	Country	population (~ million)	current GDP (billion)	GDP growth	GDP per capita (\$)	Inflation rate	exchange rate
1	 Angola	30	\$105,751	-2.13%	\$3,432	16.32%	487AOA/USD
2	 WAEMU*	349	\$675,000	6.5%	\$1,985	1%	595CFA/USD
3	 Eswatini	1,2	\$4,711	2.7%	\$3,224	2.70%	14.41SLS/USD
4	 Cape Verde	549**	1.982	5.66%	\$3,908	1.52%	98.49CVE/USD
5	 Ghana	30	\$65,556	6.00%	\$2,202	9.00%	5.8GHC/USD
6	 Mauritius	1,2	\$14,220	3.70%	\$23,750	1.70%	36.87MUR/USD
7	 Mozambique	29	\$14,717	3.40%	\$504	5.70%	63.9MT/USD
8	 Nigeria	196	\$397,270	1.40%	\$2,301	10.23%	360NGN/USD
9	 Namibia	2,4	\$14,400	-0.54%	\$4,957	6.97%	14.31NAD/USD
10	 Kenya	51	\$87,90	5.7%	\$1,710	4.6%	106.54KES/USD
11	 Seychelles	97*	\$1,703	5.13%	\$17,448	1.80%	13.70SCR/USD
12	 Tanzania	56	\$58,001	5.40%	\$1,122	4.70%	2.2299TZS/USD
13	 South Africa	58	\$368,290	-0.57%	\$6,001	4.12%	14.09ZAR/USD
14	 Zambia	17	\$23,31	1.44%	\$1,305	9.3%	13.99ZMK/USD
15	 Zimbabwe	14	\$21,441	-8.1%	\$1,464	785.55%	361ZWD/USD

Source: World Bank database, 2019. *WAEMU countries: Benin, Burkina Faso, Guinea Bissau, Cote d'Ivoire, Mali, Niger, Senegal and Togo. *Values in thousands

Appendix B

The information below was gathered from the stock exchanges websites and shows the index performance over the years of the exchanges analysed in this study.

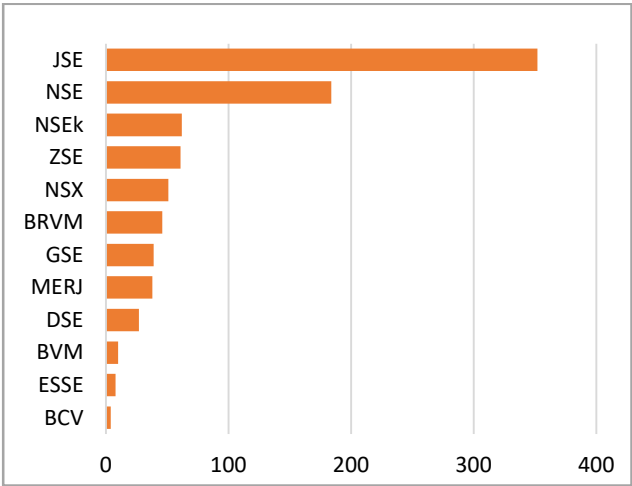
Graphic (1 - 6) – Stock exchange index performance



Source: stock exchanges, 2020

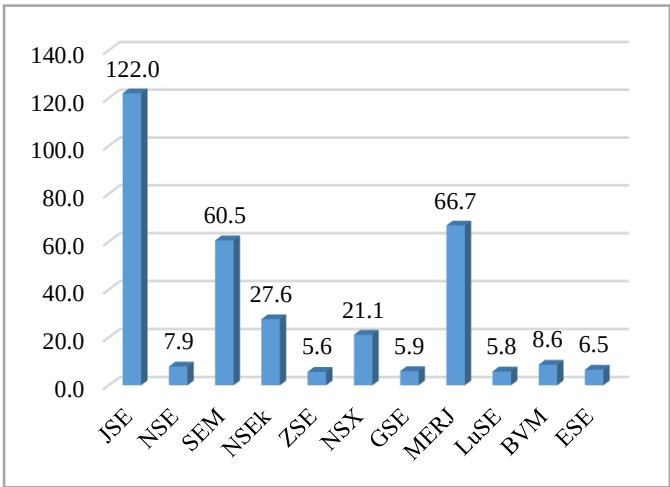
The following charts represents a summary of exchanges presented in section 2.1. It shows number of listed companies during the period of 2015-2019. From that we can see that JSE represents the major number of listings. The next chart on the right show market capitalization of a group of exchanges analysed. JSE, MERJ and SEM are the top three exchanges in the lead of market capitalization to GDP in sub-Saharan Africa region. The last graphic represents money raised in IPOs per country during the period of 2014-2019.

Graphic 7 - Listed Companies (2015–2019)

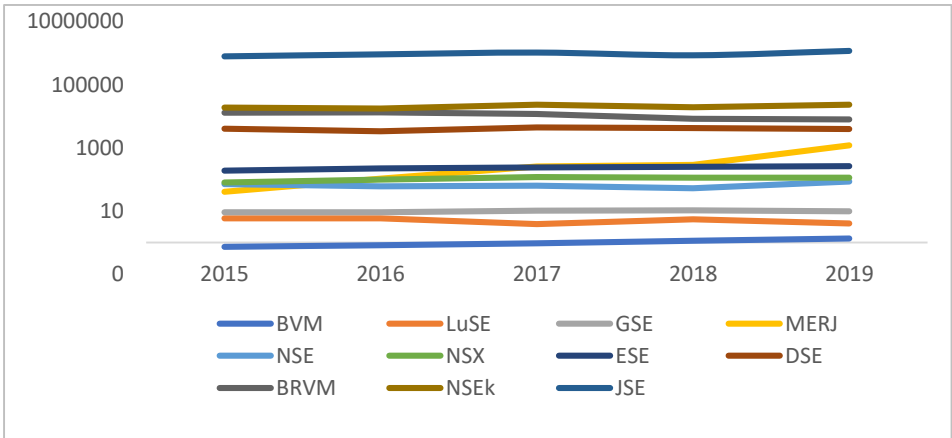


Source: Bloomberg, stock exchanges data (2015–2019)

Graphic 8 –market capitalisation/GDP (% ; 2015-2019)

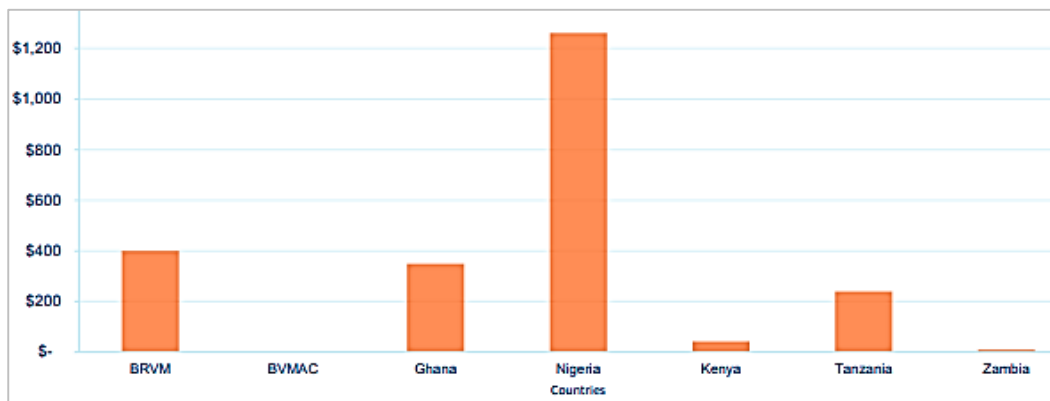


Graphic 9 - Market Capitalisation (USD million, 2015–2019)



Source: Bloomberg database

Graphic 10 - Capital raised per country in IPOs (2014–2019)



Source: RisCura

Appendix C

The following table gather information on listing requirements demanded by the stock exchanges analysed. It compares minimum amount charged to list shares in the stock exchange together with number of shares issued. For instance, the minimum amount to list shares in JSE is USD 4,7 million for a minimum of 20% of shares held by the public. At BODIVA a company needs an amount of USD 1,5530 to list and this need to have at least 25% of shares held by the public. In terms of financial information requires we can see from the table that most of the exchanges require at least three years of audited financial reporting or profit history. Some demands that the statements are prepared according to IFRS standards. Other requires that issuers comply with corporate governance code together with steps implemented. This can be an example to BODIVA because requiring IFRS from the companies ensure transparency and efficiency in the market while demand the appliance of corporate governance code help companies to be well oriented in terms of structural organization.

Table 1 – Stock exchange listing requirements (1/2)

	BODIVA	JSE	NSX	NSE	DSE	NSEk
	At least USD1,530 (AOA 1 million)	USD 4,7 million (ZAR 50 million)	USD68,2160 (NS 1 million)	USD787,203 (NGN 300 million) for standard A	Issued and paid up capital USD862 (TZS 1 billion)	Minimum issued of USD 456,918 (Kes 50 million)
	At least 25% of the share capital	A minimum of 20% of the shares must be held by the public	20% of its shares must be held by the public	Standard A – minimum of 15% Standard B – minimum of 20%	At least 25% of its shares being not less than 1 million shares in hands of the public	At least 25% of shares issued
	25 million	25 million	1 million	n/a	n/a	n/a
	3 years financial reports audited by institutions registered at CMC	3 years audited profit history for three financial years and last year must report an audited profit before tax	3 years audited reports prepared in accordance with IFRS	- Standard A – 3 years' operating track records; pre-tax profit not less than (USD 1.9 million); - Standard B - 3 years' operating track records pre-tax not less than USD3.7 million; - Standard C - minimum of 3	3 years track-record of existence, annual accounts audited and financial statements must be IFRS compliance	3 years audited financial statements complying with IFRS

				years' operating track records		
	There is a non-mandatory corporate governance code issued by CMC	Issuers must comply with King code on corporate governance of south Africa	Listed companies must comply with NamCode of corporate governance	NSE encourages all companies to comply with SEC's code of corporate governance	All applicants must comply with corporate governance principles as per CMSA	Issuers must set out mandatory principles of the Kenyan code
	•MINFIN •CMC •BODIVA	•South African FSB •JSE and JSE board	•NAMFISA •NSX	•Nigerian SEC •NSE •Nigerian council	•CMSA •DSE	•Kenyan CMA •NSEk •NSEk committee •NSEk board
	No restrictions	Foreigners have exchange controls	Exchange controls in place	No exchange controls	Foreign investors are allowed to invest up to 60% in any listed company	No restrictions

Source: Stock Exchanges listing requirements, 2020

Table 1 – Stock exchange listing requirements (2/2)

SEM	BVM	LuSE	ZSE	GSE	BRVM
n/a	USD 212,920 (MT 16 million)	USD40,860 (ZMW250 million)	n/a	USD172,603 (GHc 1 million) for first listing	USD921,377 (CFA 500 million) to list on 1 st board
	At least 15% of shares held by the public	25% of its equity securities held by the public	At least 30% of equity securities must be held by the public	25% of shares issued must be held by no less than 100 shareholders	20% of shares issued
n/a		One million	10 million	At least 100 shareholders	between two and ten shares
Published audited accounts for a period of at least 3 financial years	2 years financial reports and audited accounts	3 years financial statements audited	Satisfactory profit history for the preceding 5 years	3 years annual audited report prepared in accordance to Act 179 company's code. IFRS required	Minimum 5 years
Mauritius code which applies to companies listed on the SEM	n/a	Corporate governance practices contained in the Cadbury or King code	Issues must include a statement that proves appliance of the King code or Cadbury report of corporate governance	n/a	n/a
• SEM • Listing executive committee	• Ministry of Finance • BVM	• Zambian SEC • LuSE • LuSE committee • LuSE board	• Securities commission • ZSE • ZSE committee	• Ghana SEC • GSE	• CREPMF • CIMA • CBUMOA • BRVM
No restrictions	n/a	No restrictions	Foreign investors transactions are limited to 15% per shareholder and 49% collectively on each listed company	n/a	n/a

Appendix D

See bellow the invitation letter sent to the Angolan institutions and stock exchanges together with the approval and supportive letter issued by BODIVA.

RE: Information Request_ Masters Thesis _equity markets

From: Sheila Oliveira <OLVSHE002@myuct.ac.za>
Sent: Tuesday, 12 May 2020 15:33
To: Ibrahim Mshindo <imshindo@dse.co.tz>
Subject: Information Request_ Masters Thesis _equity markets

Good Morning Dear Sir/Madam,

Trusting you are well.

I got your contact from Mrs Sarah Mrema from Market Surveillance Department.

I am currently completing a Master's degree in Financial management at the University of Cape Town, South Africa, where I am conducting a research thesis about the creation of equity market in Angola.

In this context, I would be grateful if I could have the contribution of Dar Es Salaan, a leading stock exchange in East Africa in this study. As soon the research is complete, it will be shared with DSE and will be available for further clarifications.

Please, find attached the approval letter from BODIVA and Information request.

I look forward to your response, and trust this request will receive your consideration.

Contact:
Sheila de Oliveira
+27 (0) 63 082 5723/+244 929 342 838



Rua Marechal Brás Tito, Nº 41, Sky Business Tower, 8º Andar. Luanda, República de Angola.
NIF: 5417277886

To
Nigerian Stock Exchange
Stock Exchange House, 2-4 Customs
Street | Lagos, Nigeria

LUANDA

N/REF.º CE 207/BODIVA-SGMR, SA/03-20

SUBJECT: Master's Thesis Approval and Support

Dear Nigerian Stock Exchange,

The Angolan Stock Exchange (SGMR) approves and supports the Master's Thesis on the topic "Creation