

THE ABIDJAN STOCK EXCHANGE: AN INSTRUMENT FOR SAVINGS MOBILIZATION AND THE INDIGENIZATION OF ECONOMIC ACTIVITY

Andrea Calamanti
Università di Siena

1. Introduction (*)

The Abidjan Stock Exchange is the youngest African stock exchange. It was created by the Government in 1976 after a preparatory and experimental period beginning in 1969 with some public bond issues covered by repurchase guarantee at par value and the foundation of a rudimentary centralized secondary market at the Central Bank, whose operations were guaranteed by a repurchase syndicate.

Unlike other African countries, the Ivory Coast had had no previous experience in organized securities markets, such as the *chambres de compensation* or the *office de cotation des valeurs mobilières*. This is probably because the French considered it a « colonial preserve » and at the time of independence had not yet begun to exploit it. Consequently, the colonial authorities felt no need to promote institutions to facilitate the circulation of securities, as was the case in Morocco and Tunisia.

2. Features of the Ivory Coast's Socio-Economic System

The Ivory Coast, an ex-French colony which attained independence in 1960, covers an area of 322.500 sq. km. and has a population of 7.5 million, including a large foreign contingent of mostly European and Lebanese-Syrian, besides African, origins. Although the population's annual average rate of growth has increased considerably, from 3.1% in 1955-65 to 4.0% in 1966-77, the country is still sparsely populated and is characterized by immigration. Furthermore, the population's average age is very young (50% is less than 20 years old) and is 70% rural with a very rapid tendency to urbanization (1).

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1 For greater detail see: UNIDO, *Summary of Industrial Development Plans*, Vol. 1, p. 34 and the following.

Moving on to the economic system we see first of all that the Ivory Coast is prevalently an agricultural, albeit an industrializing, country. Agriculture, in particular, is the mainstay of economic development, which is based on the transformation and exploitation of local agricultural resources. These resources, furthermore, account for two-thirds of national exports.

Secondly, it should be pointed out that the country has developed fairly rapidly, especially in 1960-70 when it experienced a high growth rate and a fair degree of monetary stability. But after 1970 there was both a slow-down in the rhythm of development with the growth rate dropping and fluctuating between 8.5% and 5.8% (minimum for 1973) and a considerable increase in the general price level, particularly large in 1974 and traceable to the increase in imports of final investment and consumer goods (2) as well as the increased price of oil-based products. However, 1976 brought an appreciable recovery: gross domestic product increased by 12.5% in volume, while inflation remained high at 18.9% (3).

Observing the structure of the economic system we see that although the primary sector (agriculture, forestry and underground resources) is still the most important one in terms of value-added and is closely followed by the services sector, it is progressively losing its predominant position thanks to the high rate of growth of the latter and, especially, to that of the secondary sector (industry). This is seen in the distribution of gross internal production between the primary, secondary and tertiary sectors, which goes from 46.8%, 15.2% and 38.0% respectively in 1960, to 30.7%, 24.0% and 45.3% in 1974-76 as a result of average annual rates of growth of 7.6%, 14.4% and 12.2% (in value) in the respective sectors (4). Thus the Ivory Coast's economy is characterized by a tendency towards industrialization and progressively greater emphasis on the services sector.

The industrialization process can be subdivided into three periods:

- i) *Before independence* the industrial sector was practically nonexistent,

2 To a large degree this seems to have been induced by the characteristics of the economic development process. Consider the meticulous observation made by Samir Amin, *Le développement du capitalisme en Côte d'Ivoire*, J.D.E.P., Dakar, January 1971.

3 Cfr. Ministère de l'Economie, des Finances et du Plan, *La Côte d'Ivoire en chiffres, 1878-1979*, p. 37.

4 Cfr. Ministère de l'Economie, des Finances et Plan, *op. cit.*, p. 38.

except for a few small firms engaged in the transformation of local products, and with negligible overall sales.

ii) *In the period following independence* — 1960-1970 — the actual industrialization process began with the creation of industries oriented towards producing goods to satisfy internal market needs and protected by customs duties. Except in the case of Government initiative, these firms were created predominantly with foreign capital, technology and management. This inflow was encouraged by a liberal Government policy, or one based on free enterprise, both national and foreign (5).

iii) *After 1970* another policy was pursued: the diversification of the industrial system through the creation of a few large to exploit raw materials and to produce, using economies of scale, export goods. Here too they were multinational firms or at least largely financed by foreign capital. In addition to the above policy the Government made clear its intention of promoting smaller firms, created and managed by local entrepreneurs (6).

The relevant features of the ensuing industrial fabric can be summed up in: a) a fairly satisfactory degree of development and diversification with respect to the starting point and the time period involved, but still very limited in comparison with other economies; b) a heavy concentration of production in the larger firms (35 of 388 industries existing in 1976 accounted for 74% of sales); c) a high degree of dependence on foreign capital, and executive and intermediate management. With respect to this feature it can be seen that local capital's share in many sectors is definitely a minority one and is mainly attributable to the State and only in a very limited degree to private investors who only began to hold shares in some of the more important companies (16 in all) in 1968 when the first stock issues were offered for sale to the public.

In any case, foreign supremacy is not limited to capital but includes other productive factors such as technology, organization, specialized labor and management. In other words, the sector's decision and control centers, as government

5 In this framework should be included some fiscal provisions to encourage the installation of new firms (see the *Code des investissements privés*, instituted with *La Loi du 3 septembre 1959*, as well as *la Loi n. 73-368 du 27 juillet 1963* and the *Décret n. 73-401 du 22 Aout 1973*.

6 Cfr. Ministère de l'Économie, des Finances et du Plan, *op. cit.*, p. 36-38 and p. 149 and following.

officials themselves affirmed, are abroad and most of its profits flow in the same direction. These aspects are very important for the effective scope and the future prospects of the development process. In all probability the Ivory Coast has only partially benefited from the considerable growth of its national economy.

To complete this brief analysis of the Ivory Coast economic system, it will be useful to cursorily examine savings formation. First, it has grown fairly continuously, except in 1975. Its formation, however, is subject to significant changes, identifiable in a considerable reduction, both in absolute and relative terms, in business savings and an increase in public sector savings. On the other hand the house-hold sector's share is fairly stable (see. Table 1). Overall domestic savings is still less than investment and foreign financing has filled in the gap, accounting for an average of 16% of the total over the past five years.

Table 1
SAVINGS AND INVESTMENTS
(in millions of francs CFA)

Year	1971		1972		1973		1974		1975		1976	
<i>Domestic Savings</i>												
Households	21.332	27,1%	22.877	27,4%	25.300	23,4%	38.579	24,2%	40.649	33,9%	54.731	25,4%
Firms	36.765	46,8%	35.847	42,9%	38.105	35,2%	41.975	26,3%	39.956	33,4%	14.642	6,7%
Financial Institutions	(4.654)		(5.411)		(4.227)		(3.585)		(4.951)		(4.951)	
Public Administration	20.560	26,1%	24.878	29,7%	44.853	41,4%	78.875	49,5%	39.159	32,7%	148.522	68,9%
Total	78.657	100,0%	83.602	100,0%	108.258	100,0%	159.429	100,0%	119.764	100,0%	215.423	100,0%
<i>External Financing</i>												
	17.345		13.776		21.465		3.376		63.092		36.188	
Total Savings	96.002		97.378		129.723		162.805		182.856		251.611	
<i>Gross Net Capital Formation</i>												
Total GNCF	92.364	96,2%	94.250	96,8%	121.960	94,0%	143.655	88,2%	183.947	98,2%	240.303	95,5%
Variations in Stock	3.638	3,8%	3.128	3,2%	7.763	6,0%	19.150	11,8%	3.446	1,8%	11.308	4,5%
Total Fixed Investments	96.002	100,0%	97.378	100,0%	129.723	100,0%	162.805	100,0%	187.393	100,0%	251.611	100,0%

Source: Ministère de l'Economie, des Finances et du Plan, *La Côte d'Ivoire en chiffres*, 1978-79, p. 41.

Also, in estimating the effective potential of domestic savings, we must keep in mind its probable distribution within each sector, and the possible forms of in-

vestment it might take given the structure of the socio-economic system and income distribution between nationals and foreigners. Naturally this applies to the business sector where the foreign presence is sometimes considerable and to the household sector where there seems to be a high concentration of wealth. The main features of the economy of the Ivory Coast can be summarized in: (a) a large degree of dependency on foreigners; (b) an underdeveloped industrial sector; (c) inadequate domestic savings; (d) an inequitable distribution of wealth among the local population.

3. Domestic Institutions for Promoting Economic Development

In an attempt to promote economic development through the mobilization of local capital and, equally important, to further the indigenization of the productive sector, the Government has set up various *ad hoc* boards and a stock exchange. This study is most directly concerned with the activity and functioning of: the *Fonds National d'Investissement* (FNI) the *Société Nationale de Financement* (Sonafi) and the *Caisse Autonome d'Amortissement* (C.A.A.).

Le Fonds National d'Investissement was created in 1962 and partly reformed in 1973 and is a public agency under the jurisdiction of the Ministry of the Economy and Finance. Its function is the forced mobilization of savings for the direct financing of investments, or the financing of organisms that support the productive system (only Sonafi so far). In addition it attempts to attract investors to and make them receptive to securities. These objectives are easy to see in the mobilization mechanism. FNI is funded by an annual surtax of 10% on certain direct taxes. In return each « contributor » receives from the Fund non-trasferable, non-negotiable registered certificates which can be used in the following ways.

First, the holder can redeem certificates by making those investments outlined in a special set of rules and that have been approved by the *Comité d'Agrément du Fonds*. These certificates can also be used to subscribe, by depositing a third in cash, non-trasferable, non-negotiable Sonafi bonds with a ten year maturity and a 7% interest rate (7); otherwise he can purchase, with no additional cash pay-

7 Until 1972 the interest rate was 6%. Furthermore, before 1974 the cash share was 50%.

ment, securities issued by State authorized and guaranteed Investment Companies. However, at the end of 1978 this alternative was not yet feasible.

Table 2

ANNUAL AND CUMULATIVE ISSUES AND USES OF F.N.I.
CERTIFICATES FOR THE PERIOD 1963-1976
(in millions of francs CFA)

		Issues		Reimbursements for Investments		Subscriptions of SONAFI Bonds		Subscriptions of Government Bonds		Unused or Unwithdrawn Certificates	
		annual	cumul.	annual	cumul.	annual	cumul.	annual	cumul.	annual	cumul.
1963	Total	1.370	1.370	—	—	352	352	—	—	1.018	1.018
	%		100				25,7				74,3
1964	Total	833	2.203	249	249	50	402	—	—	534	1.552
	%		100		11,3		18,2				70,5
1965	Total	813	3.016	271	520	132	534	440	440	—	1.522
	%		100		17,2		17,7		14,6	30	50,5
1966	Total	2.241	5.257	381	901	118	652	370	810	1.372	2.894
	%		100		17,1		12,4		15,4		55,1
1967	Total	1.568	6.825	377	1.278	75	727	259	1.069	857	3.751
	%		100		18,7		10,6		15,7		55,0
1968	Total	672	7.497	642	1.920	—	727	470	1.539	—	440
	%		100		25,6		9,7		20,5	440	3,311
1969	Total	845	8.342	729	2.649	157	884	441	1.980	—	482
	%		100		31,7		10,6		23,7		2,829
1970	Total	2.031	10.373	1.080	3.729	90	974	320	2.300	541	3.370
	%		100		35,9		9,4		22,2		32,5
1971	Total	587	10.960	1.467	5.196	—	974	153	2.453	—	1.033
	%		100		47,4		8,9		22,4		2,337
1972	Total	1.696	12.656	1.126	6.322	163	1.137	113	2.566	294	2.631
	%		100		49,9		9,0		20,3		20,8
1973	Total	3.398	16.054	1.653	7.975	—	1.137	355	2.921	1.390	4.021
	%		100		49,7		7,1		18,2		25,0
1974	Total	3.239	19.293	2.095	10.070	421	1.558	472	3.393	251	4.272
	%		100		52,2		8,1		17,6		22,1
1975	Total	4.317	23.610	2.638	12.708	356	1.914	262	3.655	1.061	5.333
	%		100		53,8		8,1		15,5		22,6
1976	Total	4.884	28.494	2.311	15.019	524	2.438	176	3.831	1.873	7.206
	%		100		52,7		8,5		13,4		25,3

Source: F.N.I., *Rapport d'activité*, 1976, p. 25.

Certificates not used within two years of these alternatives are officially converted into forty year Government bonds at a 2.5% interest rate. The funds thus obtained are turned over to Sonafi which reinvests them in the productive sector, and assumes the responsibility of progressively reimbursing the C.A.A. in conformity with the conditions of the original Government loan. The Government keeps the amount relative to certificates not withdrawn within seven years. Table 2 shows the results obtained with this system. Over the entire period that the FNI functioned (1963-1976) 52.7% of total surtaxes collected went to investments and subsequent redemptions, 8.5% and 13.4%, respectively, went to Sonafi bonds and Government bonds, and the remaining 25.1% to certificates never withdrawn. In particular, the share used to finance direct investments increased steadily while the share invested in Sonafi bonds declined progressively, in keeping with a cyclical conversion into government bonds and a pronounced decline in certificates not withdrawn, which remain high.

The explanation for these tendencies lies in the different behavior of individuals and corporate bodies. Since individuals have fewer opportunities for making investments, rarely being entrepreneurs, they generally find the alternatives open to them limited to Sonafi bonds and Government bonds. The fact that Sonafi bonds not only entail a cash deposit equal to one third of their value but are not negotiable and that Government bonds are so long-term and offer a negligible return, generally induces these investors to consider the surtax a proper tax and not to withdraw the certificates or else use them to buy Government bonds that do not require ulterior cash outflows. Corporate bodies, instead, use the certificates especially for the reimbursement in the case of new investments.

The situation has been improving, also because taxpayers understand the mechanism better, but this behavior is still common and corporate bodies are still affected less adversely than individuals.

In conclusion, the objective of savings mobilization is fully met, thanks to the coercive nature of the surtaxes, as is, to a significant degree, the objective of promoting direct investments, which in 1971-1976 amounted to 12.7% of gross capital formation. But the goal of attracting investors to securities does not seem to have been met. This is largely due to the low return and liquidity of the available securities.

A necessary, if not sufficient condition, for the diffusion of both Sonafi bonds and Government bonds, through FNI certificates, might be to raise interest rates,

especially on Government bonds, render them fully negotiable, and perhaps list them on the Stock Exchange. But besides being incompatible with the objectives of low cost financing, these changes could have very negative repercussions on the secondary securities market, which is not yet sufficiently mature or consolidated to handle securities with different technical characteristics from those already in circulation. In fact, this would almost certainly result in strong selling pressures with obvious results. Offering the securities of authorized investment companies might be an improvement, if their economic-technical characteristics are sufficiently appetizing.

Certainly, in its present form this system does nothing valid to promote securities' investments, nor can it or could it fund a Stock Exchange. On the contrary, there is the risk that through a psychological association of negative experiences it could generate an aversion to securities in the less financially knowledgeable investors.

The Société Nationale de Financement is a State company endowed with legal status and financial autonomy. It was created in 1963 to promote economic development, the progressive indigenization of the productive system and the spread of securities' investments. Operationally it can be likened to both a merchant bank and a development bank. In fact, its objectives are to buy shares in different economic sectors, either on its own initiative or at Government urging, and to grant medium- and long-term credit, even under special conditions.

To better understand how Sonafi operates it is useful to recall its sources of financing. These can be divided into ordinary resources and endowments.

The first are funds from:

- a) the issue of its own bonds guaranteed by the State and subscribed by the public and by institutional investors;
- b) the issue of those bonds involved in the mechanism of the FNI certificates;
- c) the receipt of funds from FNI certificates not employed within two years and automatically converted into government bonds.

Endowment funds, come from:

- a) owner's capital given by the State, increases in it and undistributed profits destined to reserves;
 - b) a special fund for small and medium firms set up in 1970;
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c) an endowment fund for particular economic or deferred income transactions, on behalf of the State.

Sonafi employs these financial means, as has been said, in different ways depending on their nature. Ordinary resources are used to purchase shares according to the criteria of the investment's return and risk. These shareholdings can be minority interest and even symbolic, or majority interest and can be in companies just being set up or in already existing ones.

In the case of new companies Sonafi can enter directly into partnership with national or foreign entrepreneurs or it can provide partners for them. In the case of existing companies Sonafi's intervention, should a foreign capital company be at stake, would undoubtedly have an indigenization affect on productive activity. But it would also run the risk of slowing down economic development to the degree that the sums paid out for the shares might turn out to be a net disinvestment for the national economy. To avoid this Sonafi usually prefers to subscribe to capital increases. If this is not possible it tries to persuade the sellers to reinvest the amount in new operations.

Endowment funds are invested in equity capital on Government initiative, and even jointly, in loans or advances on current account. These are generally large-scale investments or deferred income investments and are motivated less by economic criterion, as in the case of ordinary funds, than by public policy with regard to the productive sector. The last category of investments is long-term credit to small and medium firms run by local businessmen, in order to encourage development in that sector.

Finally, Sonafi is also interested in restoring capital shares to national businessmen, as a means of encouraging indigenization and investments in securities. It also, as will be discussed later on, deals directly on the stock exchange in the securities it holds in its portfolio to correct imbalances in their supply and demand. Last, but not least, it can take steps to have those firms in which it holds shares admitted to quotation.

The Caisse Autonome d'Amortissement, created in 1959, is a public institution with legal status and is independent of the Treasury. This autonomy is intended to guarantee the entrepreneurs that fund the C.A.A. This is founded on legal provisions that, on one hand, bar the C.A.A. from current account dealings with the Treasury or from making loans to the Treasury and, on the other hand, ensure that most of its operations are guaranteed by the State.

From an operational point of view, the C.A.A. performs two administratively separate activities. The first (*gestion des dépôts*) is the acceptance of public sector deposits and security deposits and their subsequent investment in both short- and longer-term credit to the extended public sector, and, to a much lesser degree, to private firms, in conformity with pre-established rules. A few financial intermediaries operating in the long-term are also recipients of this credit. Through these operations which complement the banking system, the C.A.A. pursues the objective of economic development and in this sense can be linked to a development bank.

Its second activity, public debt management, is more directly related to the subject of this paper and includes floating and servicing bond issues and converting FNI certificates. In this field the C.A.A. played a very important role during the experimental period preceeding the creation of the stock exchange.

4. The Experiences Preceeding and Preparatory to the Creation of the Abidjan Stock Exchange.

The origins of the Ivory Coast's Stock Exchange can be traced back to 1969. Before 1969 what few bond issues there were, were almost exclusively Government bonds and were mostly placed abroad and with institutional investors. Actually, the first internal issues were floated in 1963, with Sonafi bonds, and in 1965, with 40 year Government bonds, both of which were to be converted into certificates. But the first real securities issue offered for sale to the public without recourse to coercive means took place in 1969 through the C.A.A. In so doing the C.A.A. was not aiming exclusively at mobilising internal savings, but also wanted to test the feasibility of creating a regular primary and secondary securities market and, in particular, to attract the run of investors to securities.

In accordance with these objectives the loan — issued at par for a total value of 500 million francs cfa, repayable in ten annual uniform installments and at a 7% rate of interest — was guaranteed redeemable at par value at any moment on request of the subscribers. This guarantee was provided by a syndicate composed of the C.A.A., Sonafi and most of the banking establishment.

Table 3**GROSS ISSUES OF C.A.A. BONDS**
(in francs CFA)

	Year	1969	1970	1971	1972
Subscribers					
Number of Subscriptions		9.140	1.227	1.148	855
Amounts Collected		494.715.000	540.050.000	461.235.000	481.895.000
Intervention of the Placement Syndicate		5.285.000	—	38.765.000	18.105.000
Cessions of Securities by the Guarantee Syndicate		—	40.050.000	—	—
Total Amount of Issues		500.000.000	500.000.000	500.000.000	500.000.000

	Year	1975		
Subscribers		C.A.A. 10%	C.A.A. 10% INST	C.A.A. 10% PPM
Number of Subscriptions		300	19	74
Amounts Collected		464.000.000(2)	1.527.270.000	46.130.000
Intervention of the Placement Syndicate		36.000.000	—	—
Cessions of Securities by the Guarantee Syndicate		—	—	—
Total Amount of Issues		500.000.000	400.000.000	

(1) The nominal value anticipated was 500.000.000, but the issue was limited to 300.000.000.

(2) Of which 315 million were subscribed by 9 institutional investors.

(*) The loan was still open when the table was compiled.

Sources: *Compte-rendu de l'émission des emprunts C.A.A. 7% 1974 and C.A.A. 10% 1974 à lots*, p. 4-5 (for 1969-1974); *Compte-rendu de l'émission de l'emprunt C.A.A. 10% 1975* (for 1975) and *C.A.A. 6.5% and 10% 1976* (for 1976) and *Arrêté n. 2880 du 29 décembre 1977* (for 1977).

1973			1974		
C.A.A. 7%	C.A.A. 9%	Total	C.A.A. 7%	C.A.A. 10%	Total
374	232	606	351	168	519
196.260.000	158.700.000	354.960.000	131.150.000	48.330.000	179.480.000
3.740.000	141.300.000	145.040.000	68.850.000	51.670.000	120.520.000
—	—	—	—	—	—
200.000.000	300.000.000	500.000.000	200.000.000	100.000.000	300.000.000 (1)

1976			1977		
C.A.A. 8%	C.A.A. 6,50%	Total	C.A.A. 10% INST	C.A.A. 10% PPM	Total
38	63	194	(*)	(*)	(*)
12.630.000	9.640.000	1.595.670.000	(*)	(*)	(*)
—	—	—	(*)	(*)	(*)
—	—	—	—	—	—
100.000.000		500.000.000	400.000.000	100.000.000	500.000.000

Furthermore, a quotation committee that met periodically (twice a month) at the Central Bank was set up to insure the negotiability of the securities. The Central Bank functions as a simple observer and does not intervene in transactions which are, in practice, carried out by commercial banks on the order of customers.

Thus a rudimentary secondary market was set up, which was replaced by the stock exchange in March 1976.

Every year until 1972 the C.A.A. loan was matched by new issues for the same amount and under identical conditions with, according to the competent authorities, fairly satisfactory results. Beginning in 1972 the C.A.A. began to experiment more with the market, and went so far as to offer for sale to the public higher interest securities not covered by the repurchase guarantee. Naturally, the idea was to test the public's preference for liquidity over income.

Thus in 1973 and 1974 we have a case of 7% loans with repurchase guarantee, and 9% (1973) and 10% (1974) loans with no repurchase guarantee being floated simultaneously.

A comparison of the volume of subscriptions for each loan shows a high preference for liquidity. In fact, subscriptions to guaranteed securities are greater than those to nonguaranteed securities in both absolute and relative terms (8). Overall subscriptions declined steeply forcing a rare intervention by the placing syndicate which was saddled with 29% of the 1973 issue and 40% of the 1974 issue, in comparison with 3.6% in 1972, 7.7% in 1971 and 1% in 1969.

This situation seems to be due to a series of factors, such as: the high rate of inflation, the fact that anonymous subscriptions were not accepted and, especially, a certain market saturation, especially in the case of individual investors who were beginning to be attracted to the first stock issues offered for sale to the public.

The only positive results the C.A.A. found were: a) a numerically increasing participation by small savers (but on the whole very limited); b) a relatively higher rate of participation by Ivory Coasters; c) a decentralization tendency of placements towards the interior. However, the Abidjan area still accounts for 78% of subscriptions (9).

8 See Table 3 for 1973 and 1974.

9 Cfr. *Compte-rendu de l'émission des emprunts C.A.A. 7% 1974 à lots et C.A.A. 10% à lots*, p. 15.

Given this crisis of receptivity the C.A.A. decided to make certain modifications in the issues without, however, abandoning them altogether. In 1975 it launched a new loan at 10% and allowed institutional investors to subscribe. And in 1976 it differentiated the technical characteristics of its securities into three categories: i) two-year at a 6.5% rate of interest; ii) five-year at 8%; iii) ten year at 10% with a tranche reserved for institutional investors.

Thanks to the intervention of these investors subscriptions were very close to the total of 1975 issues and were a good deal greater in 1976. But individual investors still account for very little in spite of the range of available choices. On the basis of the empirical results obtained in 1969-76 with these loans, following its first experiences with public stock issues and encouraged by an *ad hoc* study coordinated by the Minister of the Economy and Finance, the Government decided to create a stock exchange.

These experiences, however, did not fully corroborate the existence of valid prerequisites for the effective creation and functioning of a stock exchange.

Not only are there very few companies large enough, but they are not very diversified and are largely dependent on foreign capital. The result is that the number of firms eligible for listing is minimal as are the volume and the sectoral variety of the stock potentially available for trading. But even ignoring these factors, there are serious doubts about the volume of capital that investors would be inclined to put into securities given the level and distribution of internal savings, the degree of concentration of wealth, as well as the investment preferences and entrepreneurial skills of the local well-off classes.

Nor were the results of the post 1968 stock issues particularly impressive. Besides being, on the whole, small and easily absorbed, in some cases they came from companies with Sonafi participation which were and are very susceptible to pressures exerted by the monetary authorities to publicly place part of their securities.

A look at the sales of the C.A.A. bonds raises other doubts. They would indicate an essentially thin potential market that would quickly reach the saturation point. In fact, after the first two issues an ever larger quota of successive loans cannot be placed. A recovery is seen only after the entry of institutional investors and even if the last, more appetizing issues stimulate more interest on the part of non-financial investors, this interest must be qualified because in the mean time guaranteed securities were being phased out.

So much so that according to the available data for the last sessions of the quotation committee the repurchase syndicates were left holding portfolios containing 34.47%, 71.43%, 56.28%, 80.56% and 5.62% of the total of each outstanding issue. In addition, a not insignificant percentage of subscriptions came from foreign investors and, judging from the distribution of subscriptions by par value tranches and by professional categories, the contribution of small savers, even though numerically high, was relatively very low. This is probably due to an index of the thinness of internal savings and its concentration in the medium-high income classes, which are also the most literate in financial matters.

It, therefore, would be legitimate to conclude that the Abidjan Stock Exchange was not created in response to the direct or indirect requirements of the various investors, and even less on the basis of the existence of the necessary pre-requisites. Rather, it would seem to be result of the Government's intention to use it in the pursuit of its objective of transferring control of the economic system to the local populace. Thus, in the present context, the stock exchange becomes a non-coercive tool for substituting domestic private capital for foreign capital and, secondarily, for financing firms and the State, and, more importantly, for increasing the liquidity of securities wealth.

5. The Birth of the Stock Exchange and Its Functions

Officially the process of creating the Stock Exchange began in 1974 with law no. 74-353 of 24 July and decree no. 74-717 of 27 November (10) regulating, respectively, the structure of the financial market and the general organization of the Stock Exchange (11). In their wake came, after about a year, the ratification of the new institution's internal regulations (12) and its official opening on the 7 April 1976 with the first quotation session.

10 Modified by the *Décret n. 75-609 du septembre 1975*.

11 Furthermore, in 1973 provision was made to regulate savings collection with public appeal (cfr. *Décret n. 73-26 du 17 janvier 1973*).

12 Cfr. *Arrêté n. 0282-MEF-BV du 30 mars 1976*.

As of that date the Stock Exchange is part of the financial system of the Ivory Coast and has the following functions, as defined by the same law that created it:

- to organize and direct the securities market (13);
- to check the regularity of transactions under the best security conditions;
- to make raising of capital easier for companies.

To these functions, typical of any stock exchange and conditioned by all the factors mentioned previously, can be added that of the indigenization of the economic system. According to official declarations, this is the stock exchange's ultimate objective and is firmly grounded in the regulations governing the securities market.

In fact, these last decree that all operations involving public offerings of securities (increases in capital, the transfer of blocks of shares and bond issues) must first be authorized by the Ministry of the Economy and Finance which also has the right to fix the maximum shares that can be bought, even on the secondary market, by foreign investors.

The practical effect of this rule is that anyone can be a seller in the stock exchange, but only citizens and national companies can be buyers. The same holds for the primary equity market. If, on one hand, this means a progressive penetration or substitution of national for foreign capital, on the other, it limits the security market's activity and potential development, which must now depend almost exclusively on that part of domestic savings that investors are willing to put into securities.

This brief overview of the primary goals of the stock exchange is indispensable for identifying the ulterior limits and constraints deriving from them and for evaluating the results obtained. But before facing these issues it is useful to briefly discuss the organization and functioning of the stock exchange.

6. The Structure and Organization of the Abidjan Stock Exchange

The Abidjan Stock Exchange is a commercial public entity, endowed with civil

13 Cfr. *Loi n. 74-353 du 24 juillet 1974*, art. 5.

status and financial autonomy, and is under the supervision and control of the Minister of the Economy and Finance.

Three organs guarantee its functioning: the Stock Exchange Council, the Director General and the stock registrar agent.

The Stock Exchange Council consists of a Chairman proposed by the Minister of the Economy and Finance, a Deputy Chairman and five members representing: the Central Bank, the C.A.A., the Stockbrokers Association, the *chambres consulaires* and the development banks. It is responsible for the general administration of the stock exchange and for a series of specific functions including deciding, even *ex officio*, which securities will be admitted to quotation. Some decisions must be approved first by the organ of control.

The Director General's duties, are of an executive nature and he represents the exchange in contacts with third parties. Finally, the stock registrar agent takes care of the accounting, acts as treasurer, settles transactions by checking them off against the orders.

The situation with regard to stockbrokers is very similar to the Moroccan and Tunisian experiences. In fact, here too — for usual reasons related both to the lack of sufficiently skilled and financially endowed professionals, and to the low income earned by brokers — the stockbroker function is performed exclusively by banks. In the Ivory Coast they are actually recognized by the law as stockbrokers. Legally, in fact, this function is limited to companies alone, and no provision whatsoever is made for individuals.

As for the rights and duties of the stockbrokers, observe first that they have a monopoly position and are directly responsible for the transactions made, for which they must keep full and concise accounts. They must execute orders separately, not directly matching orders to buy with orders to sell, but they are allowed, within the limits of the stock exchange regulations, to directly fill orders to help maintain an orderly market and not for speculative purposes.

Each stockbroker must belong to the Stockbrokers Association and can delegate the exercise of its own functions to some of the *Fondés de Pouvoir* that are under its control. Unlike stock exchanges in other Francophone African countries, stockbrokers are not required to maintain a security deposit or a special fund for this purpose.

7. The Functioning of the Abidjan Stock Exchange

By law, all transactions in listed securities must be effected in the stock exchange through authorized intermediaries. Direct transfers are allowed only for unlisted securities and for a few special operations. This rule, which is less restrictive and more realistic than the one applied in Tunisia, tends to concentrate transactions in the official market and, above all, makes it possible to effectively control the underlying indigenization process. This is reinforced by the law requiring that shares offered for sale to the public be registered.

In accordance with the provisions mentioned at the beginning, the Ivory Coast's securities market is composed of:

- an *official market* for listed securities, and
- a *parallel or free market*, for all the other securities.

Provision has actually been made to create a *marché hors-cote* and its organization would be the responsibility of the Stock Exchange. But at the end of 1978 it was not yet in operation and in two years there has only been one transaction *hors-cote* (17 June 1978), the transfer with public offering of a block of Cacomiaf shares, held by a foreign shareholder (14).

Stock Exchange deals are transacted during weekly sessions (15) and use the system of bids and calls. To avoid speculative maneuvers only cash transactions are allowed and a maximum limit has been set on price variations from one session to another. These fluctuations cannot exceed 3% for fixed income securities and 5% for stocks (16). The Council can also intervene to even up any disequilibrium between the supply of and demand for any particular security (17).

A positive feature of the stock exchange rules regards the procedure and conditions for quotation which are established along the same lines as those applying to public issues.

14 Cfr. Bourse des Valeurs d'Abidjan, *Bulletin de la cote* n. 28 du 12 juillet 1978.

15 Meetings are held on Wednesday or the day after.

16 In the same session the margin between variations in two successive price movements for each security must be at least 5 francs cfa for movements of less than 5,000 francs cfa. and 10 francs cfa in the other cases. (Cfr. *Reglément intérieur de la Bourse des Valeurs Mobilières d'Abidjan*, art. 9).

17 Cfr. *Reglément intérieur*, cit., art. 11, 12, 13, and 14.

The latter call for a preliminary authorization by the Minister of the Economy and Finance and require that the authorized companies publish information on their organization, economic and financial situation and business developments. This information is passed on to the Council which can request clarifications or justifications and that changes and additions be made. It also has the right, usually exercised, to have the company audited.

The same rules apply to the applications for listing received by the Stock Exchange Council. The law defines the requirements the companies must fulfill and the criteria on which the Council must base its decision. These requirements are:

- i) authorized capital must not be less than 100 million francs cfr.;
- ii) the company must present balance-sheets for at least three years;
- iii) at least one dividend must have been distributed;
- iv) it must have good income prospects and, in the case of stock,
- v) it must show that not less than 20% of its capital is in the hands of the public, or else promise to fulfill this requirement within a year of listing.

Needless to say, the Council can *ex officio* promote the listing of a company. But it does not seem to have ever employed this procedure. Obviously, all listed companies must provide the information referred to above.

8. The Ivory Coast Securities Market after the Creation of the Stock Exchange.

With the elements obtained from the above analysis, especially for what concerns the priorities of the Stock Exchange, we will now try to evaluate its overall activity.

To have an overall view of the entire phenomenon we must first have a closer look at the primary securities market.

I. The Primary Market

We can review the primary market very quickly because it is a relatively recent phenomenon, dating from the late '60's. The first bond issues, Sonafi bonds and Government bonds associated with FNI certificates, were floated in 1964-65 and were followed in 1969 by the C.A.A. bonds.

In the years that followed the composition of issues remained unchanged and, if we ignore the forced subscriptions associated with the certificates, boils down to C.A.A. loans and a few Sonafi bonds (18). There is not a single trade involving private firms. The latter have never relied on bonds to satisfy their financial requirements. The situation, then, is one of a very limited supply of securities entirely dependent on the public sector.

This situation will probably not change in the short-term. Most likely, the growth of issues will depend for a long time exclusively on C.A.A. securities and, to a lesser degree, on Sonafi bonds or those of some other financial intermediary.

Table 4

GROSS ISSUES AND SUBSCRIPTIONS OF SONAFI BONDS
(in francs CFA)

Year of Issue and Rate of Interest	Total Subscriptions	Cash Subscriptions		Subscriptions with F.N.I. Certificates	% of Issues Subscribed with F.N.I. Certificates (excluding CNPS subscriptions)
		C.N.P.S.	Others		
1963 6%	871.695.000	100.000.000	419.222.985	352.472.015	45,7
1964 6%	161.525.000	0	111.391.500	50.133.500	31,0
1965 6%	320.085.000	55.670.000	132.129.294	132.285.706	50,0
1966 6%	463.750.000	200.000.000	145.956.361	117.793.639	44,7
1967 6%	453.110.000	300.000.000	78.206.153	74.903.847	48,9
1969 6%	644.050.000	300.000.000	186.914.960	157.135.040	45,7
1970 6%	191.535.000	0	101.322.865	90.212.135	47,1
1972 7%	1.485.360.000	1.000.000.000	322.174.463	163.185.537	33,6
1974 7%	706.850.000	0	285.793.502	421.056.498	9,65
1975 7%	585.480.000	50.000.000	179.424.703	356.055.297	66,5
1976 7%	1.346.500.000	500.000.000	320.715.172	525.784.828	62,1
Total	7.229.940.000	2.505.670.000	2.283.251.958	2.441.018.042	51,7
% of Total		34,66	31,58	33,76	

Source: FNI, *Rapport d'activité 1976*, p. 22.

18 To reconstruct the time series of bond issues refer to Table 3 for C.A.A. securities, Table 4 for Sonafi bonds and the next to last column of Table 2 for Government bonds.

In fact, it is correct to assume that firms will not be very active, since the larger ones are mostly financed by foreign capital. To allow these firms to float their debts on the internal market would mean transferring to foreign entrepreneurs a share of already inadequate domestic savings and depriving the indigenization process of a like amount. On the other hand local firms are generally small and unable to operate directly on the bond market. The consequences for the diversification of issuing bodies are fairly obvious.

It has already been mentioned that after the first few issues the supply of funds showed signs of stagnation and even, in some years, of retrogression. However, given the brief period covered, it is too early to make a definite judgement. The market's rapid saturation thus far could also be due to the economic-technical characteristics of the securities.

If, in one sense, they are attractive because they are simple and easy to understand, in another their maturities are not differentiated enough and they are often unresponsive to general market conditions. For example, interest rates have been much less than the rate of inflation and reductions in maturity have been slow in coming. To avoid early liquidations and to encourage subscriptions, it might even have been the case to award increasingly high premiums for longer-term securities, and to repay medium-term loans using the direct reduction method.

These innovations would, at any rate, be useful in the future to stimulate a tendentially apathetic market. In this context it might be useful to examine the composition of fixed-income assets. The data available are for the initial placements of the various C.A.A. loans but can be considered fairly representative of final placements, which, judging from the secondary market's low trade volume, should not be radically different.

The nationality of the subscribers is the first element to be considered. Time series' show a net increase in purchases by nationals. They advanced from approximately 36% of issues in 1969-73 to 60.7% in 1974 and 84.7% in 1976. Post 1974 increases, however, are mostly attributable to institutional investors that, in a period of net decline in purchases by private investors, absorbed a high share of new issues. Parenthetically, most of the institutional investors are insurance companies. There are 31 of these companies and they are, for the most part, foreign. Although they do not trade actively and steadily on the securities market,

they do buy a large volume of securities, particularly fixed-income ones, in compliance with the regulations governing technical reserves (19). This regulation is about to be modified since certain aspects are no longer compatible with the rules of the Stock Exchange. The new version, which also takes into account agreements reached with foreign companies, should permit these intermediaries to play a more active role in both segments of the securities market.

Another point of interest is the geographic and professional distribution of subscriptions. There is a heavy concentration of placements in the Abidjan area. Except for a few years, this tendency has been gaining strength and gives the impression of a market practically confined to the capital and its environs.

Available data for distribution by professional category show the absolute predominance of the middle and upper classes. In fact, the largest, though discontinuous, subscriptions are made by officials, businessmen and entrepreneurs, followed by non-salaried professionals and private sector wage-earners. Farmers and planters, on the other hand, account for very little.

This shows that the Ivory Coast's primary securities market, besides being very thin and largely supported by institutional investors, is still limited to a few categories of private investors residing in the Abidjan area.

Assuming no change in the situation with respect to issuers, the growth potential of the securities market would appear to depend principally on a greater decentralization of placements. It might be worthwhile to pressure banks into assuming a more active educative role with respect to certain social categories (for example, planters), and into distributing securities placements more evenly in the various parts of the country.

Other measures might be provided for. However, the creation of conditions which are too competitive or unfavorable to stocks and might imperil the objectives of indigenization must be avoided at all costs.

For this same reason we would like to see a broader base of subscribers so that those investors inclined to invest in risk capital will be continually exchanged and substituted.

The first equity offering for sale to the public was a 70 million franc Cfa capital

19 Cfr. Arrêté n. 1255 du 1er juin 1963.

increase floated in 1969 by a prevalently State owned company — la Société de Distribution d'Eau de Côté d'Ivoire — and limited to domestic investors.

This was followed in 1971 by the reversion to the public of Sonafi held shares in Société Ivoirienne des Tabacs. These two operations are the first steps in a process that, through increases in and transfers of capital, will place the control of the major firms more and more in the hands of private domestic savers.

When the Stock exchange opened there were already 12 companies offering shares to the public, for an amount equal to about 3,574 million francs cfa. In the second half of 1976 they were joined by another 4 companies, in 1977 by another 3 and in the first six months of 1978 by another 2. With a single exception all of these operations were very successful. This was also thanks to the public authorities who, through the exercise of their authorization rights, tried to select sound companies with good growth prospects. They also saw to it that the companies were audited in order to ensure that the prices offered on the market were just.

In fact, savers reacted positively. It is calculated that at the end of 1977 there were 6,000 domestic shareholders and that they possessed capital shares amounting to about 11.5 million francs cfa. Private savings' spontaneous acceptance of the new financial instrument also helped to speed up the indigenization of the productive system. In this way, in fact, 2.2 billion francs cfa. worth of foreign held shares was transferred to Ivory Coasters (20). But in relation to all companies the share of private national investors is a good deal less.

It should be mentioned that most holders of stock portfolios belong to the well-to-do classes. Although there are no official statistics, data collected by the major banks involved in the securities market (21) show, in fact, that 10% of outstanding shares (excluding those held in the public sector) are held by companies, while the remaining 90% has been placed, fairly well fragmented, with individuals. Of these approximately 60% are public sector officials and employees, 20% are businessmen and entrepreneurs, 15% are private sector employees and

20 Cfr. *Marchés Tropicaux*, 26 aout 1978, p. 2251 and *Quarterly Economic Review of Ivory Coast, Togo, Benin, Niger, Upper Volta*, 4th Quarter 1976, The Economist Intelligence Unit Ltd.

21 This is information received from the responsible persons in the securities' services of a few commercial banks during the author's research mission in August 1978.

the rest belong to other categories. The volume of securities held by farmers and planters is negligible. Once again we see a concentration of securities holdings in the Abidjan area and an inability to attract certain financially eligible social groups (such as planters).

However, the balance can only be positive and nourish the authorities' expectations for the securities market.

But doubts arise as to how long these trends can last. The most serious ones regard the potential supply of securities, since, if we exclude the companies already traded on the market, there are only ten or so large-enough ones. It was not pure coincidence that 1978 witnessed a certain deceleration in the primary market's activity.

Actually, there is a multitude of small and medium firms which satisfy the legal requirements for quotation, at least in terms of nominal capital. But it remains to be seen how many of them offer the necessary income prospects and investment security, and to what degree they are inclined to go public. Finally, subscribers are generally reluctant to rush into young and unknown firms (22). In other words, we can expect a probable slowdown in new « issues » in the market.

There are also certain reserves concerning the mobilization of increasing quotas of savings. It is true that at the present moment demand for stocks often exceeds supply, but this does not necessarily mean that the market has a high absorption capacity. Undoubtedly it can be improved upon, for example, through investment companies which already enjoy a special legal status (possibly to be revised) and favorable fiscal conditions (23). Here again the repeated observations about the level of domestic savings, the concentration of wealth and the investment choices of the medium-high-income classes play a role. These are factors which create constraints very difficult to overcome in the short-term.

At the present, however, the evolution of the equity market can only be evaluated positively, especially if one considers the point of departure and the structure of the socio-economic system.

22 Witness the case of Sebroko referred to previously.

23 See respectively: *Loi sur les sociétés du 24 juillet* and successive modifications, and *Code général des impôts: nouvelle rédaction du livre cinquième introduite par l'annexe fiscale à la Loi n. 77-1003 du 30 décembre 1977*, art. 975.

9. The Secondary Market.

In the previous section we traced a general outline of the primary securities market and also briefly touched on the secondary market. Furthermore, for the equity sector we did not make the classic distinction between new issues and trades in outstanding securities because, given its objectives and the particular structure of the Ivory Coast's economy, it is natural to include in the primary market pre-stock exchange cessions of blocks of shares in foreign owned companies for sale to the public. We will now analyze those aspects of the secondary market not dealt with so far. The first observation concerns the number of securities listed in the market and the trade volume. This shows that stocks and bonds evolved very differently.

While listed fixed-income securities remained stable at 9 even in the two years following the inauguration of the Stock Exchange, the number of stocks has increased considerably thanks to the steady listing of new companies, which have gone from 6 to 15. This phenomenon is easily seen in the data for the capitalization of the two sectors. The table below shows very clearly that in March 1978 the total volume of stocks, in terms of value, was three times its initial level. But the volume of fixed income securities, with no new listings in the meantime, actually shows a tendency to contract and is only one twentieth of the stock sector.

Thus the securities market of the Ivory Coast was rapidly transformed from its initial status of bond market to, essentially, an equity market, in accordance with the wishes of the public authorities.

This statement is also supported by the volume of transactions. In fact, the largest trades in absolute value involved variable-income securities: 3,373.5 million francs cfa. versus 339.0 million (see table). The inverse is true for the turnover rates, 12.8% for stocks and 20.6% for bonds. However, the greater animation of the bond sector is more apparent than real. On one hand, it is the result of the low volume of bonds in circulation and the unconditional negotiability of loans with repurchase guarantees and, on the other hand, of the different targets and the lower constraints that condition its activity. The Government's indigenization policy makes only Ivory Coast residents eligible to buy stocks on the Stock Exchange. In addition, institutional investors account for approximately three-quarters of

transactions in fixed-income securities. But in the equity market private investors are responsible for 90% of trade and this proportion is increasing slowly but surely (24). Sonafi is the only institutional investor which can intervene on the Stock Market. Sonafii keeps an observer on the floor to follow daily trade movements and trades in its portfolio securities to equilibrate supply and demand or to stabilize price movements within certain limits. It would appear that for a while C.A.A. also performed this function with regard to the stocks of Cfao-Ci, Gonfreville, Blohorn and Peyrissac.

Table 5

Date	Bonds		Securities (in millions of FCA)		Stocks	
	Number of Loans	Capitalization	Number of Companies	Capitalization		
— 7 April 1976	9 (*)	1,694,8	6	12,420,4		
— 8 March 1978	9 (*)	1,596,5	15	38,797,2		
Volume of securities traded between 7 April 1976 - 8 March 1978		339,0		3,272,5		
Turnover rate (Volume of securities traded/Capitalization) (1)		20,6%		12,8%		

(*) Including 6 with repurchase guarantee.

(1) Ratio of the volume of securities traded in this period to the arithmetic average of stock capitalization as of the 7/4/76 and the 8/3/78.

Source: *Fraternité Matin*, Vendredi 10 mars 1978.

The banking system gives no direct support. As in Tunisia and Morocco, the Central Bank is not involved in issues or open market operations. Actually, as things are there is no great need for such a policy since, for most bonds, this job is performed by the guarantee syndicates. However, should there be a growth in issues unaccompanied by repurchase guarantee, given the limited operative freedom of institutional investors, the Central Bank could employ instruments of direct intervention to regulate the Market's activity and price fluctuations.

24 Cfr. *Marchés tropicaux*, 21 avril 1978, p. 1085.

Commercial banks are mostly interested in short-term investments and do not invest very much in either fixed-income securities or stocks. Even ignoring the policies of the single credit institutes, their intervention in the stock market is still limited by the fact that almost all commercial banks are prevalently foreign-owned and thus cannot subscribe to or buy in the exchange public shares reserved for nationals.

Even though the banking system does not directly intervene, it has still made a valid contribution to the development of the securities market. The Central Bank, besides having played an active role in the creation of the Stock Exchange, in 1976 devised a mechanism for refinancing domestic purchases of assets in foreign-owned companies operating within the sphere of the Monetary Union of West Africa (25). This mechanism should further stimulate the indigenization process and the expansion of the equity market, since it also provides for the refinancing of minority holdings in capital companies.

The commercial banks have undoubtedly made the greater contribution. They have actively diffused securities and educated potential investors, through the creation and consolidation of their securities services, and through participation in placement and guarantee syndicates, and finally, through the institution of savings-stock exchange plans. This service is offered by the four largest commercial banks and has shown itself to be very useful in mobilizing and administering household savings and in funding the Stock Exchange.

It has also influenced the maturities and investment choices of the holders of these accounts. In fact, without subordinating the best interests, of their customers, the banks have done everything possible to change their behavior in favor of a steady and gradual increase in circulation and an orderly market growth. From this point of view we should keep in mind that, to a large degree, the conduct of the credit agencies was influenced by the authorities and that it has shown itself to be very responsible.

For a combination of reasons the overall effect has been positive. With the exception of a few securities, which were temporally rejected by investors, all the

25 Cfr. Banque Centrale des Etats de l'Afrique de l'Ouest, *Règlement portant définition du régime des interventions de la Banque Centrale pour les opérations d'acquisition d'actifs cédés par des non-nationaux de l'union Monétaire Ouest Africaine.*

This rule applies to all the countries of the U.M.O.A. area.

others aroused considerable interest (26). Although activity was heaviest at listings or transfers of blocks of shares, it has been fairly continuous. Price fluctuations are characterized by a general upward trend, and variations are contained within the moderate limits typical of a non-speculative market (cfr. Table 6) (27). Finally, returns are fairly attractive (28). In spite of persistent excess demand due to the low volume of outstanding securities, the market has developed pretty well.

Table 6
EVOLUTION OF OUTSTANDING SHARE PRICES

Stocks	Admission to Quotation		Price as of 29-12-1976	Maximums and Minimums in 1976		Relative Variations		
	Date	Price (1)	(2)	Minimum (3)	Maximum (4)	(2) — % (1)	(3) — % (1)	(4) — % (1)
BICICI	7-4-1976	16.800	17.400	16.800	17.750	+ 3,57	—	+ 5,65
SGBCI	7-4-1976	6.400	8.700	6.530	8.700	+ 35,93	+ 2,03	+ 35,93
SAFCA	7-4-1976	11.460	13.000	11.000	13.000	+ 11,68	— 4,18	+ 13,43
CFAO-CI	7-4-1976	5.000	5.000	4.990	5.180	—	— 0,20	+ 3,60
Peryssac-CI	14-4-1976	7.400	7.820	7.400	7.820	+ 5,67	—	+ 5,67
Gonfreville	7-4-1976	3.000	3.010	2.600	3.010	+ 0,33	— 15,38	+ 0,33
SITAB	7-4-1976	10.000	11.620	10.000	11.750	+ 16,20	—	+ 17,50
Blohorn	18-8-1976	6.200	(*) 6.200	(*) 5.800	6.540	—	— 6,89	+ 5,48

(*) Ex-cedola 1976.

Source: Bourse des Valeurs d'Abidjan, *Rapport 1976*, p. 25.

26 However, their trend does not fully reflect the free interplay of supply and demand. Banks, as a result of pressure exerted by the public authorities, generally apply moral suasion to investors to avoid rapid decreases or increases in the quotations.

27 Cfr. Bourse des Valeurs d'Abidjan, *Rapport 1976*, p. 6 and the following.

28 Cfr. Bourse des Valeurs d'Abidjan, *cit.*, p. 17-18 and 26-27.

10. Conclusion

The short time period that has elapsed since the creation of the Abidjan Stock Market renders premature any analysis of its activity and repercussions. Consequently, the opinions about to be expressed are to be considered anything but final. On this basis we can attempt to summarize the major points of the analysis. Although the securities market of the Ivory Coast initially dealt in fixed-income securities, it very quickly evolved into, essentially, an equity market. In particular, it is above all a primary market, or one characterized more by a large volume of issues and in-block stock transfers than by stock trades. The thinness of the latter can be seen from the turnover rate of securities: in the course of one year barely 10% of listed securities were traded.

This situation is anything but anomalous given the objectives pursued and the youth of the Stock Exchange. In fact, it is normal that in this initial phase the primary securities market is more active than the secondary, since the growth in trading generally takes place when there is a sufficiently large volume of securities in circulation.

In the Ivory Coast this process will probably take more time because placements are very stable and because the objectives of the indigenization of the economic system induce the Government to give priority to stock issues reserved for nationals and to block transfers of stocks held by foreign investors (29). In other words, a real securities market will be created, assuming existing objectives and rules remain constant (30), only when a considerable volume of shareholdings has shifted from foreign to domestic portfolios. At the present, it is only a non-coercive instrument for the promotion of the indigenization of the capital of companies.

From this viewpoint the results are satisfactory enough. The securities market immediately met with the public's favor and grew steadily, in spite of the absence of institutional investors. It was positively influenced by:

- a) the behavior of the banks, which in response to the wishes of the public authorities, took active steps to encourage the diffusion of securities;
- b) the same behavior by the C.A.A. and Sonafi;

29 These last, as shown in the previous section, can be considered primary market transactions.

30 This refers to the complex of regulations which *de facto* limit Stock Exchange transactions (and in some cases increases in capital) to national investors alone.

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- c) the shrewd mediation of the central authorities during the initial foundation of the market and in the subsequent control and management of the same;
 - d) the validity of the companies listed and those that made public securities offerings, in terms of yield and investment security;
 - e) the favorable tax treatment of securities.

The only negative aspects found so far are:

- a) not having continued to fully exploit the bonds sector;
- b) the difficulty involved in decentralizing placements and in attracting certain social categories possessing large incomes, for example, planters;
- c) the high degree of competition offered by investments in real estate, plantations, and trade activities;
- d) the limited number of potentially available securities;
- e) the poor development of local entrepreneurial expertise and the excessive fragmentation of shares held by private national investors. Although in a normal securities market this fragmentation might be desirable, in this context it makes control more difficult to the advantage of foreign equity, thereby partly limiting the effective range of the indigenization process.

With regard to the future, although it is very difficult to make forecasts, there will probably be an initial slow-down in the market's rate of growth, mostly due to the scarcity of companies qualified to make public stock offerings. But even leaving aside this obstacle, the evolution of the securities market seems to be strongly conditioned by such factors as the development of the industrial sector, the thinness of domestic savings, the great difficulties involved in breaking free of foreign capital, and by the other socio-economic factors mentioned repeatedly above.

It would be wrong to think that these factors can be modified through the Stock Exchange. Most likely, it is only through their elimination that the Exchange will be able to take hold and operate in a significant way within the context of the financial system.

From the technical side, however, we must stress the need to revise certain, by now obsolete, aspects of the regulations regarding capital companies, to improve information and to promote the creation of investment companies and other institutional investors. In any case, the Ivory Coast's experience is undoubtedly interesting and deserves to be followed with attention.

LA BOURSE DE VALEURS D'ABIDJAN: UN INSTRUMENT POUR LA MOBILISATION DE L'ÉPARGNE ET L'INDIGENISATION DE L'ACTIVITÉ ÉCONOMIQUE

RESUME

L'article se propose le but d'analyser les origines et l'évolution du marché mobilier ivoirien.

Dans la première partie, on décrit les caractéristiques principales du système socio-économique de la Côte d'Ivoire dans le but de vérifier l'existence des conditions nécessaires au développement du marché mobilier et d'identifier les contraintes éventuelles qui pourraient affecter les composantes de la demande et de l'offre de fonds. L'Auteur décrit ensuite l'activité des organismes chargés de promouvoir le développement économique et de favoriser l'africanisation du secteur productif, tout en soulignant le rôle qu'ils jouent dans le marché mobilier.

Dans la deuxième partie on analyse et on évalue les résultats de la période « expérimentale » (1969-1976) qui a précédé la création de la Bourse des Valeurs et pendant laquelle on avait émis des obligations avec garantie de rachat dans le but de familiariser les épargneurs avec les valeurs mobilières et d'en étudier les réactions.

Finalement, après avoir décrit l'organisation, les modalités de fonctionnement et les buts attribués à la Bourse des Valeurs, l'Auteur nous donne une analyse détaillée des caractéristiques de la structure et de l'évolution du marché mobilier primaire et du marché mobilier secondaire, avec une attention particulière pour l'évaluation des résultats du point de vue de la mobilisation de l'épargne, du financement des investissements, de la diffusion des titres et surtout de l'africanisation graduelle des activités économiques à travers un processus de substitution des capitaux privés nationaux aux capitaux étrangers. L'article se conclut avec quelques considérations sur les perspectives futures du marché mobilier ivoirien et sur les contraintes principales qui en entravent le développement.