International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. 14, Issue 10, Oct 2026

https://ijecm.co.uk/

THE ETHIOPIAN SECURITIES EXCHANGE: LISTING DYNAMICS, REGULATORY ARCHITECTURE, MACROECONOMIC DETERMINANTS, AND COMPARATIVE LESSONS FROM FRONTIER AND EMERGING MARKETS

Tesfaye Boru Lelissa
DBL, PhD, FCCA, Canada
teskgbl@gmail.com

Abstract

The inauguration of the Ethiopian Securities Exchange (ESX) on January 10, 2025 constitutes one of the most structurally significant financial reforms in sub-Saharan Africa in the past decade. Ethiopia, Africa's second most populous nation with a population exceeding 125 million, spent more than five decades without a formal securities market, relying almost exclusively on a state-dominated banking system for financial intermediation. This article provides a comprehensive, multi-dimensional analysis of the ESX's listing framework, early performance indicators, regulatory architecture, and macroeconomic context. The study draws on primary regulatory documents, including Capital Market Proclamation No. 1248/2021, secondary analyses of frontier market development trajectories, and comparative experiences from Kenya, Nigeria, Rwanda, Tanzania, Ghana, Zambia, and select Asian frontier economies including Vietnam and Bangladesh. The article argues that while Ethiopia's formal legal architecture is broadly consistent with international standards, the sustainability of listing growth is contingent upon macroeconomic stabilization, institutional investor development, corporate governance reform, anti-capital flight enforcement, and regional market integration. The article further argues that the political economy of state-owned enterprise privatization will likely determine whether the ESX achieves its stated ambition of ninety listings within its first decade of operation.

Licensed under Creative Common

Recommendations are offered across short, medium, and long-term horizons, with emphasis on the interplay between macro-financial conditions and micro-level issuer incentives.
Keywords: Ethiopian Securities Exchange, Capital Market Development, Frontier Markets, Stock Exchange Listing, Financial Sector Liberalization, SOE Privatization, Corporate Governance, Africa Finance

INTRODUCTION

Capital market development occupies a distinctive position in the theory and practice of economic development. From the foundational works of Schumpeter (1911), who identified financial intermediation as a catalyst for innovation and growth, to the later empirical contributions of King and Levine (1993), Levine and Zervos (1998), and Rajan and Zingales (1998), a substantial body of literature has demonstrated that well-functioning securities markets contribute to long-run economic growth by mobilizing savings, facilitating risk diversification, improving resource allocation, and strengthening corporate governance through market discipline. Against this intellectual backdrop, the establishment of the Ethiopian Securities Exchange in January 2025 represents not merely an institutional milestone but a structural transformation in Ethiopia's approach to financial intermediation and economic governance.

Prior to 2025, Ethiopia was the most populous country in the world without a functioning stock exchange, a distinction that reflected not merely underdevelopment but a deliberate ideological orientation. During the Derg regime (1974–1991), the government nationalized private enterprises, dismantled market institutions, and subordinated finance entirely to central planning objectives. Even after the Ethiopian People's Revolutionary Democratic Front (EPRDF) came to power in 1991 and embraced a developmental state model, securities markets remained outside the policy framework, viewed with suspicion as mechanisms for speculative capital accumulation inconsistent with the state's industrial policy objectives (Clapham, 2018; Meles Zenawi, 2012). The country's financial system consequently evolved around a dozen-or-so state-controlled and private commercial banks, a limited insurance sector, and an underdeveloped bond market through which the government issued treasury bills primarily absorbed by commercial banks (World Bank, 2024).

The turn toward capital market development came gradually, driven by a confluence of factors: the fiscal pressures of large infrastructure investment programs, the need to mobilize domestic long-term capital, external pressure from multilateral institutions including the World Bank and IMF, and a broader ideological shift toward market-based development under Prime Minister Abiy Ahmed's administration, which came to power in 2018 (Fantini, 2020; IMF, 2025).

Licensed under Creative Common

The Capital Market Proclamation No. 1248/2021 established the legal foundation for a comprehensive capital market ecosystem, and the subsequent four years saw the construction of market infrastructure—including the Ethiopian Capital Market Authority, the Central Securities Depository, and the exchange itself—that culminated in the ESX's operational launch in January 2025.

This article does not simply chronicle these developments. Rather, it engages in a detailed analytical examination of the listing framework, assesses early performance against regional benchmarks, situates the ESX within Ethiopia's macroeconomic and political economy context, and draws lessons from the development trajectories of comparable frontier and emerging markets. The article is organized as follows. Section 2 provides historical context for Ethiopian financial market development. Section 3 analyzes the legal and regulatory framework for listings. Section 4 examines the institutional architecture of the ESX ecosystem. Section 5 provides a detailed analysis of early listing experiences. Section 6 situates the listing environment within Ethiopia's macroeconomic context. Section 7 analyzes issuer and investor incentives. Section 8 provides comparative country analyses. Section 9 examines corporate governance and disclosure challenges. Section 10 discusses the political economy of SOE privatization and listing. Section 11 analyzes the role of technology and market infrastructure. Section 12 examines regional integration opportunities. Section 13 assesses the nexus between capital flight, illicit financial flows, and market development. Section 14 identifies structural challenges. Section 15 provides policy recommendations. Section 16 concludes.

HISTORICAL CONTEXT:

Ethiopian financial market development From the imperial era to the present

Understanding the ESX's current challenges requires situating it within a longue durée perspective on Ethiopian financial history. Ethiopia's first modern financial institution, the Bank of Abyssinia, was established in 1905 under an agreement with the Egyptian-owned National Bank of Egypt, reflecting the country's early engagement with external financial actors even as it maintained its political independence during the colonial era (Pankhurst, 1968). A rudimentary securities market existed during the Imperial era under Emperor Haile Selassie, with shares in certain companies traded informally among a small elite, though this never developed into a formalized exchange with consistent regulatory oversight (Eshetu Chole, 1994).

The Derg regime's nationalization decrees of 1975, which expropriated private property and transferred ownership of most formal enterprises to the state, effectively eliminated any basis for a securities market. Corporate equity became meaningless when there were no private owners, and bond markets were reduced to a mechanism for state financing with no secondary

Licensed under Creative Common

trading infrastructure. The banking system was consolidated into a small number of state institutions, and financial sector development stagnated for over a decade and a half. The human and institutional capital that might have supported financial market development was dispersed through emigration, political repression, or reorientation toward bureaucratic functions (Addis, 2013). The post-1991 transition under the EPRDF introduced partial liberalization. Private banks were permitted from 1994, and by the early 2000s a nascent private banking sector had emerged alongside state giants such as the Commercial Bank of Ethiopia. However, the government maintained the restriction on foreign ownership of financial institutions and prohibited foreign banks from entering the market—a policy that persists with significant modifications as of 2026 (Teshome, 2021). Capital account restrictions remained in place, and the government's developmental state ideology, articulated most comprehensively in the Growth and Transformation Plans (GTP I covering 2010–2015 and GTP II covering 2015–2020), emphasized state-led investment financed primarily through domestic bank credit directed by the National Bank of Ethiopia toward priority sectors (Oqubay, 2015).

The inadequacy of bank-dominated finance became increasingly apparent as Ethiopia pursued ambitious infrastructure development programs. The Grand Ethiopian Renaissance Dam (GERD), commenced in 2011 at an estimated cost of over four billion dollars, was financed through a combination of state budget allocations, remittances, and a bond campaign that mobilized civil servants and diaspora communities but fell short of requirements (Verhoeven, 2011). The infrastructure financing gap, combined with rising external debt levels that reached approximately sixty percent of GDP by 2019, created strong incentives for developing domestic capital markets as an alternative and complementary source of long-term financing (World Bank, 2024).

The election of Abiy Ahmed in 2018 brought rhetorical and some substantive commitment to economic liberalization, including partial opening of sectors previously closed to private and foreign investment. The signing of a peace agreement with Eritrea in 2018, which earned Abiy Ahmed the Nobel Peace Prize in 2019, initially generated significant optimism about Ethiopia's economic prospects. The capital market proclamation of 2021, conceived and developed over several years with World Bank and IFC technical support, represented a culmination of these reform impulses (FSD Africa, 2025). However, it is important to note that the Tigray conflict (November 2020–November 2022), significantly complicated the implementation timeline. The launch of the ESX in January 2025, coming barely two years after the formal end of that conflict, reflects both resilience and a political imperative to demonstrate reform progress.

Licensed under Creative Common

THE LEGAL FRAMEWORK FOR LISTINGS:

Capital market proclamation no. 1248/2021

The Capital Market Proclamation (CMP), gazetted as Proclamation No. 1248/2021, provides the statutory architecture within which all ESX listings operate. The proclamation is broadly comprehensive and reflects considerable engagement with international regulatory standards, including those of the International Organization of Securities Commissions (IOSCO), whose Objectives and Principles of Securities Regulation provide the normative benchmark against which most modern capital market legislation is assessed (IOSCO, 2017). A careful reading of the CMP reveals both its strengths and the areas where implementation challenges are most likely to arise.

The CMP's foundational provisions establish the Ethiopian Capital Market Authority (ECMA) as an autonomous regulatory body with supervisory jurisdiction over all capital market participants, including the exchange, brokers, dealers, investment advisors, collective investment schemes, and issuers. The grant of regulatory autonomy is an important design choice, reflecting lessons from exchanges in countries where political interference in regulatory decision-making—a persistent problem in several African markets including the Zimbabwe Stock Exchange and, historically, the Nigeria Stock Exchange—undermined market credibility (Kenny & Moss, 2023). However, the CMP also subjects ECMA to reporting obligations to the Ministry of Finance, and the composition of its board includes government-appointed members, raising questions about the depth of operational independence in practice (Tadesse, 2023).

Regarding listings specifically, the CMP mandates that all public securities offerings be registered with ECMA and meet disclosure requirements set out in detailed regulations. The prospectus regime established under the CMP follows a broadly disclosure-based model rather than a merit-based model—an important distinction. Under a merit-based approach, regulatory authorities assess the substantive quality and fairness of an investment offering and may reject listings on grounds that the offering does not represent a sound investment. Under a disclosure-based model, regulatory authorities focus primarily on ensuring that material information is accurately and completely disclosed to investors, leaving investment decisions to the market. The CMP's adoption of a disclosure-based model aligns Ethiopia with most developed markets and with the direction of reform across many African markets that have moved away from merit-based regulation over the past two decades (Chitimira & Lawack-Davids, 2022). The CMP establishes three categories of public offerings: initial public offerings (IPOs) of equity, secondary public offerings of equity, and public offerings of debt securities including bonds. Each category carries distinct disclosure requirements, though the CMP grants ECMA regulatory authority to issue directives specifying the content and format of prospectuses. These

Licensed under Creative Common

directives, developed progressively since 2022, have sought to align Ethiopian requirements with International Financial Reporting Standards (IFRS) and International Auditing Standards (ISA), recognizing that consistency with global accounting norms is essential for attracting international institutional investors (ECMA, 2024).

One of the more innovative aspects of the CMP is its explicit provision for a tiered market structure, enabling the creation of different boards with varying listing requirements. This reflects the recognition, borne out in the experience of markets like the London Stock Exchange's AIM (Alternative Investment Market), the Nairobi Securities Exchange's Growth Enterprise Market Segment (GEMS), and the JSE's AltX, that a one-size-fits-all approach to listing requirements tends to exclude smaller but potentially dynamic companies. Ethiopia's Growth Board, with lower minimum capital thresholds and simplified governance requirements, is intended to provide a pathway for smaller enterprises that could not meet Main Board standards but nonetheless benefit from public market discipline and capital access (ESX, 2025).

The CMP's enforcement provisions deserve particular analytical attention. The proclamation grants ECMA authority to investigate violations, impose administrative sanctions including fines and license revocations, and refer criminal matters to prosecutorial authorities. These enforcement powers are essential but only meaningful if ECMA has the human resources, technical capacity, and political backing to exercise them effectively. Historical evidence from comparable frontier markets suggests that the gap between formal enforcement authority and practical enforcement capability is typically widest in the early years of exchange development, precisely when firm establishment of regulatory credibility is most important (Siems & Alvarez-Macotela, 2023). Ethiopia's challenge is to build ECMA's enforcement capacity before a high-profile regulatory failure erodes market confidence—a sequencing challenge that requires proactive rather than reactive capacity development. The CMP also contains provisions relating to insider trading and market manipulation, both of which are critical for investor protection in a nascent market where information asymmetries are pronounced and relationship-based networks could facilitate improper advantages. The insider trading prohibitions follow standard patterns—prohibiting trading on material non-public information and restricting tipping—but their effectiveness will depend on market surveillance infrastructure that the ESX is still developing as of early 2026 (ECMA, 2025). The absence of robust real-time market surveillance systems in many African exchanges has historically allowed manipulative trading patterns to persist for extended periods without regulatory response, and Ethiopia must invest in these systems early to avoid establishing negative norms.

Licensed under Creative Common

INSTITUTIONAL ARCHITECTURE:

ECMA, ESX, CSD, and the capital market tribunal

The institutional design of Ethiopia's capital market ecosystem reflects a deliberate effort to separate the regulatory, trading, clearing and settlement, and adjudicative functions that, in less sophisticated market designs, are often conflated or poorly delineated. This separation of functions is consistent with international best practice and addresses a fundamental governance problem: when a single institution performs both market operation and market regulation functions, conflicts of interest are virtually inevitable. By establishing four distinct institutional pillars, Ethiopia has adopted an architecture that positions it well for long-term market integrity, even if the early years require significant capacity building across all four institutions simultaneously (FSD Africa, 2025).

The Ethiopian Capital Market Authority serves as the apex regulator, responsible for licensing, supervision, rulemaking, and enforcement across the capital market ecosystem. ECMA's governance structure includes a board of directors and a chief executive officer, with the board comprising representatives from relevant government ministries alongside independent members intended to bring capital market expertise and private sector perspectives. The staffing challenge facing ECMA is considerable: Ethiopia has a very limited pool of professionals with capital market regulatory experience, given that no such market existed previously. ECMA has addressed this through a combination of competitive compensation relative to public sector norms, international recruitment of diaspora professionals, and partnerships with technical assistance providers including the World Bank's Financial Market Development program, USAID, and FSD Africa. As of early 2026, ECMA employs approximately one hundred and twenty staff members, a figure that remains modest relative to the regulatory challenges of a market that is expected to grow significantly in the coming years (ECMA, 2025).

The Ethiopian Securities Exchange itself operates as a public-private partnership, with equity held by a combination of Ethiopian Investment Holdings (the sovereign holding company established in 2021 to manage state assets), private domestic financial institutions, and IFC (the World Bank Group's private sector arm). The ESX's hybrid ownership model reflects a pragmatic approach to the chicken-and-egg problem of exchange development: purely private exchanges in frontier markets often struggle to attract initial listings because liquidity is insufficient to attract investors, but purely state-owned exchanges are vulnerable to political interference that undermines market credibility. The mixed ownership model, with IFC participation providing both capital and a signal of international standards adherence, attempts to navigate this tension by combining state backing with private governance disciplines

Licensed under Creative Common

(Claessens & Yafeh, 2013). The Central Securities Depository (CSD) provides the infrastructure for the immobilization and dematerialization of securities, the core technical requirement for efficient and secure settlement of securities transactions. Without a CSD, securities must be transferred in physical certificate form, a process that is slow, expensive, and vulnerable to fraud. Ethiopia's CSD was designed from inception as a dematerialized system—meaning securities exist only as electronic records rather than physical certificates—which positions it at the technological frontier relative to many African exchanges that have only recently completed the transition from physical to electronic settlement (African Exchanges Linkage Project, 2024). The CSD operates on a delivery-versus-payment (DVP) settlement model, under which securities transfer and cash payment occur simultaneously, eliminating the settlement risk that has historically been a significant source of loss in less well-designed systems.

The Capital Market Tribunal deserves specific analytical attention as an institutional innovation. Rather than routing capital market disputes through the general court system—which in Ethiopia, as in many developing countries, is subject to significant delays and lacks specialized capital market expertise—the CMP establishes a dedicated adjudicative body with jurisdiction over disputes arising from capital market activities. This follows the model adopted in several more advanced markets, including South Africa's Financial Services Tribunal and Singapore's Capital Markets Services licensing dispute mechanism, where specialized adjudication reduces resolution timelines and builds specialized jurisprudence over time (Schwarcz, 2020). The Tribunal's effectiveness will depend on the appointment of members with genuine capital market expertise and the development of procedural norms that balance speed with fairness—challenges that will take time to resolve through practical experience.

EARLY LISTING EXPERIENCE:

From Inauguration to Present (2025–2026)

The ESX's early listing experience provides both encouraging signals and cautionary notes about the pace and character of market development. Understanding this experience requires attention to both quantitative indicators—number of listings, trading volumes, market capitalization—and qualitative factors including the nature of listed entities, investor participation patterns, and price behavior.

The exchange commenced operations on January 10, 2025, with a ceremonial launch attended by senior government officials and international dignitaries. The first company to complete a listing process was Wegagen Bank, one of Ethiopia's larger private commercial banks. The Wegagen IPO attracted considerable public interest, with subscription levels reportedly exceeding the offering target by a significant margin—initial reports indicated that the

Licensed under Creative Common

offering raised approximately twenty-six million dollars against an eleven million dollar target, representing an oversubscription ratio approaching two-to-one (FSD Africa, 2025). This oversubscription reflects several factors: genuine investor appetite in a market starved of formal investment vehicles; pent-up demand from a growing middle class with limited formal investment options beyond bank deposits; and the novelty effect associated with the first domestic equity offering in living memory for most Ethiopian investors.

Equity trading on the ESX commenced in mid-2025, initially with two listed banking sector entities: Wegagen Bank and Gadaa Bank. The financial sector dominance of early listings is not unusual in frontier market development trajectories. Banks typically anchor early listings because they are among the few domestic institutions with sufficiently developed financial reporting systems, external auditing relationships, and corporate governance structures to meet listing requirements. Moreover, financial sector regulatory requirements under the National Bank of Ethiopia already mandate relatively rigorous disclosure and governance standards for commercial banks, meaning the incremental cost of meeting capital market disclosure requirements is lower for banks than for most non-financial companies (NBE, 2024). This creates a natural selection bias toward financial sector issuers in the early listing pipeline.

However, the concentration of listings in the banking sector also creates risks that warrant discussion. First, the correlation among bank stocks in a small domestic market means that portfolio diversification benefits for investors are limited—if systemic risk materializes (through, for example, non-performing loan crises or currency depreciation), listed bank stocks are likely to decline simultaneously, leaving investors with inadequate diversification. Second, the exclusive focus on banks may generate a perception that the ESX is primarily a vehicle for bank capital raising rather than a broad-based capital market serving the real economy. This perception, if it takes hold, could limit the attractiveness of listing to non-financial companies and constrain the market's developmental impact. Third, the banking sector's dominance means that the ESX's performance becomes closely linked to the performance of the banking sector, which is itself subject to macroeconomic and regulatory risks that lie beyond the control of the exchange.

By February 2026, the ESX had made meaningful progress beyond its initial banking sector listings. The exchange's communications indicate that additional financial and non-financial entities are progressing through the listing pipeline, including several larger domestic banks with balance sheets that would represent significant market capitalization additions, as well as at least one major manufacturing company (ESX, 2026). Government securities, including Treasury bonds, have also been listed, providing investors with a lower-risk fixed income instrument alongside the higher-risk equity offerings. The development of a government

Licensed under Creative Common

securities market is particularly important because it establishes a risk-free benchmark yield curve against which all other securities can be priced—a fundamental prerequisite for rational capital allocation that many African markets have struggled to develop (Gurara et al., 2020).

Trading volumes in the early months of operation have been modest by regional standards. Average daily turnover figures below five hundred thousand US dollars are consistent with the early-stage character of the market, and indeed compare favorably with some comparator exchanges at equivalent stages of development. The Rwanda Stock Exchange, for example, recorded very limited trading in its first few years after establishment in 2011, and only achieved significant growth in turnover following the listing of additional securities and the adoption of regional investor participation (RSE, 2024). Vietnam's Ho Chi Minh Stock Exchange similarly experienced very limited initial trading volumes in its first two to three years after establishment in 2000, before strong macroeconomic growth and institutional investor development drove dramatic market expansion (Hung & Nguyen, 2022). The temporal comparison is instructive: investors and policymakers should evaluate the ESX's early performance against a realistic development trajectory rather than against the performance of established markets.

THE MACROECONOMIC CONTEXT:

Stabilization, Reform, and the Investment Climate

Any serious analysis of the ESX's listing prospects must engage deeply with Ethiopia's macroeconomic environment, which presents a complex mix of structural strengths and significant near-term challenges. Ethiopia's economy is, by sub-Saharan African standards, large and growing. GDP growth averaged approximately eight to nine percent annually between 2004 and 2019, driven by infrastructure investment, agricultural expansion, and industrial policy-supported manufacturing sector development (World Bank, 2024). However, this growth trajectory was interrupted by the compound shocks of the COVID-19 pandemic in 2020, the Tigray conflict beginning in November 2020, and a series of external economic pressures including global commodity price inflation and supply chain disruptions.

The macroeconomic reform program undertaken since 2019, accelerated in 2023 under an IMF-supported Extended Credit Facility and Extended Fund Facility arrangement, represents a significant structural adjustment. The centerpiece of the reform was the liberalization of the foreign exchange regime in July 2024, under which the National Bank of Ethiopia abandoned its managed exchange rate and allowed the birr to depreciate substantially to market-determined levels. The birr depreciated by approximately forty percent against the dollar in the immediate aftermath of liberalization, narrowing but not eliminating the gap between official and parallel

Licensed under Creative Common

market rates that had previously complicated business decisions across the economy (IMF, 2025). While foreign exchange liberalization is a necessary condition for attracting international portfolio investment into the ESX, the initial depreciation created significant inflationary pressure and reduced the real value of domestic savings, creating near-term headwinds for retail investor participation in the equity market.

Inflation remained a critical macroeconomic challenge during the ESX's early operational period. Annual consumer price inflation, which exceeded thirty percent in 2023, moderated toward the mid-twenties in 2024 but remained well above the National Bank of Ethiopia's informal target range (NBE, 2024). Elevated inflation creates specific problems for equity market development. It complicates the valuation of listed companies, as historical financial statements may misrepresent the real economic performance of firms when inflation is high and when fixed assets are carried at historical cost. It also erodes the purchasing power of investor returns, potentially making inflation-indexed instruments more attractive than equities in the near term. More fundamentally, high inflation typically signals broader macroeconomic instability that increases perceived risk premiums across all asset classes, requiring higher expected returns to attract investor participation.

Ethiopia's external debt situation adds another layer of complexity. Following the G20 Common Framework debt restructuring process, Ethiopia reached agreement with official creditors in early 2024 but faced a more protracted negotiation with commercial bondholders over the treatment of its one billion dollar Eurobond, which had entered technical default. While a restructuring agreement was eventually reached, the episode highlighted Ethiopia's external vulnerability and raised questions among international investors about the country's debt management capacity and willingness to service commercial obligations (Financial Times, 2024). The sovereign credit risk implications extend directly to the ESX: international institutional investors assessing participation in Ethiopian equity markets must factor in country risk that includes sovereign creditworthiness, and a history of bond restructuring increases the risk premium demanded for any Ethiopian financial asset. However, it is important to avoid an excessively pessimistic reading of these macroeconomic conditions. Ethiopia's economic fundamentals—large and growing population, substantial natural resources including land and water, strategic location connecting East Africa to the Horn of Africa, and significant human capital potential—provide a strong underlying basis for long-term economic development. The IMF program has provided a degree of external anchor for macroeconomic policy, and the reforms associated with the program—including foreign exchange liberalization, public expenditure rationalization, and domestic revenue mobilization—are broadly appropriate for Ethiopia's development challenges (IMF, 2025). Several major multinational companies,

Licensed under Creative Common

including in the garment and floriculture sectors, continue to operate and invest in Ethiopia, suggesting that the underlying investment case remains intact even amid short-term difficulties.

For the ESX specifically, the macroeconomic environment creates both constraints and opportunities. The constraints are clear: limited domestic savings pools constrain investor demand; high inflation complicates valuation; external debt concerns deter international investors; and currency volatility introduces foreign exchange risk for those investors. The opportunities are less immediately visible but potentially significant: in an environment of high inflation and limited formal investment alternatives, equities that can generate real returns above inflation represent an attractive asset class; the foreign exchange liberalization, over time, will make Ethiopian equity investments more accessible and less distorted for international investors; and the ongoing structural transformation of the economy—including the planned expansion of manufacturing and services sectors—creates a pipeline of potential listing candidates beyond the banking sector (African Development Bank, 2024).

ISSUER AND INVESTOR INCENTIVE ANALYSIS

A securities market requires both willing issuers and willing investors. While much regulatory attention focuses on the supply side—ensuring that listing requirements are appropriately designed and that disclosure obligations are met—demand-side analysis is equally important for understanding market development prospects. This section examines the incentive structures facing both potential issuers and investors in the Ethiopian market context.

For a company contemplating a listing on the ESX, the decision involves a careful weighing of costs and benefits. The benefits of listing include access to equity capital at potentially lower cost than bank debt, particularly if the listed company can command a significant valuation; enhanced corporate reputation and brand visibility associated with listed company status; liquidity for existing shareholders including founders, private equity investors, and strategic partners who wish to monetize their stakes; and disciplining effects of market transparency, which can strengthen internal governance and management accountability. In Ethiopia's specific context, there is also a political economy benefit for companies in certain sectors: listed company status provides a degree of protection against expropriation risk by creating a broad-based domestic shareholder constituency with a stake in the company's survival and independence (Acemoglu & Johnson, 2005).

The costs of listing are also significant, particularly for companies transitioning from informal or limited disclosure environments. Compliance costs—including legal fees for prospectus preparation, accounting fees for IFRS-compliant audits, governance costs for establishing board committees and internal control systems, and ongoing investor relations

Licensed under Creative Common

expenses—can be substantial relative to the capital raised, particularly for smaller companies. For many Ethiopian businesses, the transition to IFRS-compliant reporting represents a fundamental change in accounting practices that requires investment in accounting systems and human resources. The disclosure requirements themselves impose costs through the mandatory sharing of competitive and strategic information in public prospectuses. And the ongoing reporting obligations of listed companies—quarterly financial statements, material event disclosures, related-party transaction approvals—represent a permanent governance overhead that some founder-entrepreneurs find culturally and practically challenging (Claessens & Yafeh, 2013).

For potential issuers in Ethiopia, an additional calculation involves the comparison between listing and alternative financing sources. If bank credit is available at relatively low cost—as it has been for well-connected companies with good banking relationships—the incentive to incur listing costs diminishes. Ethiopia's banking sector, while concentrated, has historically provided credit to established businesses at rates that, adjusted for inflation, have sometimes been negative in real terms, representing a significant implicit subsidy to bank-financed companies (Teshome, 2021). As financial sector reforms tighten banking regulation and potentially raise the real cost of bank credit, the relative attractiveness of equity market financing will increase—providing a demand-side push toward listing that complements the supply-side enablement provided by the ESX infrastructure.

For investors, the decision to participate in the ESX involves assessments of return potential, risk, liquidity, and alternatives. Domestic retail investors in Ethiopia face a relatively constrained formal investment landscape: bank savings deposits offer returns below inflation, government bonds provide modest fixed yields, and real estate investment requires large minimum commitments. Against this backdrop, equity investment on the ESX offers the potential for capital appreciation and dividends that could provide positive real returns—a significant attraction in a high-inflation environment where the real return on bank deposits is substantially negative. The oversubscription of the Wegagen Bank IPO provides empirical evidence that domestic investor appetite exists and can be mobilized even in challenging macroeconomic conditions (FSD Africa, 2025).

Domestic institutional investors represent a critical but currently underdeveloped component of the investor base. Ethiopia's pension system is managed primarily through the Public Servants Social Security Agency (PSSSA), which administers defined benefit pensions for government employees, and the Private Organizations' Employees Social Security Agency (POESSA), which serves the private sector. Both agencies have historically maintained conservative investment mandates focused on bank deposits and government securities, with

Licensed under Creative Common

minimal or no allocation to equity markets. Given the scale of pension assets—which will grow substantially as coverage expands and contribution rates increase—even a modest shift in investment guidelines toward equity market participation could provide significant and sustained institutional demand for listed securities (NBE, 2024). This is one of the most important policy levers available for accelerating ESX market development, and its absence from current investment guidelines represents a significant missed opportunity.

International institutional investors, including emerging market and frontier market fund managers, represent an important but currently limited segment of the ESX investor base. Several frontier market funds with Africa mandates have expressed interest in Ethiopian equities, recognizing the country's demographic and economic scale, but actual investment has been constrained by concerns about liquidity, currency risk, and the lack of established price discovery (Bloomberg, 2025). As market depth and liquidity improve, and as the foreign exchange regime provides more predictable access to currency conversion, international investor participation can be expected to grow—but this is likely a medium-term development horizon rather than an immediate reality.

COMPARATIVE COUNTRY EXPERIENCES:

Learning from Frontier and Emerging Market Trajectories

Comparative analysis is essential for situating the ESX within the broader landscape of capital market development and for drawing lessons that can inform Ethiopian policy choices. This section examines in detail the development trajectories of several relevant comparator markets, with particular attention to the conditions that enabled or constrained listing growth.

Kenya: The NSE as East Africa's Market Leader

Kenya's Nairobi Securities Exchange represents the most directly relevant regional comparator for Ethiopia. Both countries share geographic proximity, membership in the broader East African community, and comparable economic structures dominated by agriculture, services, and an emerging manufacturing sector. The NSE was established in 1954 as a voluntary association of stockbrokers, making it one of Africa's older exchanges, though it underwent significant modernization through the 1990s and 2000s including demutualization in 2014 (NSE, 2025).

The NSE's development holds several lessons relevant to Ethiopia. First, the introduction of the Capital Markets Authority (CMA) in Kenya in 1989 with a clear mandate for investor protection and market development provided institutional stability that enabled the market to deepen over time. The NSE has benefited from decades of regulatory learning that

Licensed under Creative Common

has refined disclosure standards, enforcement mechanisms, and investor protection frameworks in response to market failures—including the fraudulent activities of the late 1990s that temporarily undermined market confidence but ultimately led to strengthened regulation (Ngugi et al., 2013). Ethiopia, as a new entrant, has the advantage of designing its institutions with full knowledge of the failures observed in more established markets, but it lacks the accumulated institutional knowledge and regulatory capacity that the NSE built over decades.

Second, Kenya's experience with targeted market development interventions provides a model for Ethiopia. The CMA's Capital Market Soundness Report program, which assesses listed company governance quality and benchmarks it against regional standards, has created competitive pressure for governance improvement. The introduction of the Nairobi Securities Exchange All-Share Index (NASI) and sector-specific indices provided investors with performance benchmarks that facilitated portfolio construction and performance evaluation. The NSE's development of a real estate investment trust (REIT) framework opened the market to asset classes beyond traditional equity and debt, broadening the investment universe and attracting new investor categories. Ethiopia can draw on these innovations in designing the next phases of ESX product development (CMA Kenya, 2024).

Third, Kenya's experience with foreign investor participation illustrates both the potential and the vulnerabilities of integrating international capital into frontier markets. Foreign investors have provided significant liquidity to the NSE but have also introduced volatility—particularly during periods of global risk-off sentiment when international fund managers reduce frontier market exposure regardless of Kenya-specific fundamentals. Ethiopia should anticipate this dynamic as international participation in the ESX grows, and should develop macro-prudential tools for managing the volatility implications of foreign investment flows (Ndung'u, 2023).

Nigeria: Privatization as a Listing Catalyst

Nigeria's experience is particularly instructive for Ethiopia's planned SOE privatization and listing program. The Nigerian Stock Exchange (now the Nigerian Exchange Group, NGX) traces its origins to 1960 and has grown to become Africa's second-largest exchange by market capitalization, behind South Africa's JSE. A critical driver of NGX market development has been the systematic privatization of state-owned enterprises, which not only added listing supply but also created significant government revenue and, perhaps more importantly, demonstrated that the government was genuinely committed to market-based allocation rather than merely permitting a market alongside continued state dominance (Obadan, 2020).

Nigeria's privatization program of the 1990s and 2000s, conducted through the National Council on Privatization, transferred ownership of major enterprises in telecommunications,

Licensed under Creative Common

financial services, utilities, and manufacturing to private shareholders, with most large privatizations conducted through the NSE. The listing of Nigerian Breweries (majority-owned by Heineken) and Dangote Cement, among others, created blue-chip equities that attracted both domestic and international institutional investment and established the NSE as a serious capital market. For Ethiopia, the planned IPO of Ethio Telecom—a state-owned telecommunications enterprise with an estimated value in the billions of dollars—could serve a catalytic function comparable to that of Nigeria's major privatization listings if conducted transparently and at a price that provides genuine value to investors (Dabafinance, 2025). However, Nigeria's experience also illustrates the risks of poorly executed privatizations. Several Nigerian privatizations of the 2000s were criticized for lack of transparency, insider allocation of shares, and post-privatization governance failures that eroded value for minority shareholders. The Nigerian telecommunications privatization of the early 2000s generated controversy over the allocation process and the pricing methodology, raising questions about whether the government was genuinely committed to competitive markets or merely substituting private monopoly for public monopoly (Adewole & Osagie, 2022). Ethiopia must ensure that its SOE listing program is conducted with complete transparency, competitive price discovery, and genuine commitment to post-listing corporate governance—requirements that go beyond formal legal compliance to demand real institutional reform within the enterprises being listed.

Nigeria's pension reform of 2004, which established a contributory defined contribution pension system and mandated equity market allocations by pension fund administrators, provides another key lesson for Ethiopia. The reform created sustained institutional demand for listed securities that helped absorb new listings, stabilized valuations, and reduced the market's dependence on volatile retail investor flows. By 2025, pension fund administrators held approximately three trillion naira in equity market investments, representing a substantial anchor for market stability (PenCom, 2025). The structural parallel to Ethiopia is clear: pension reform that mandates equity market participation would simultaneously deepen the pension system, improve retirement security, and provide the institutional investor base that the ESX currently lacks.

Rwanda: Small Market, High Standards

Rwanda's Stock Exchange (RSE), established in 2011, offers a different kind of comparative lesson. With a population of approximately fourteen million and a GDP significantly smaller than Ethiopia's, Rwanda would not normally be considered a natural capital market benchmark. However, the RSE's development trajectory illustrates several principles particularly

Licensed under Creative Common

relevant to a new market seeking to establish credibility in a resource-constrained environment (RSE, 2024).

Rwanda's approach has emphasized quality over quantity. Rather than seeking to maximize the number of listings rapidly, the RSE and its regulator (the Capital Market Authority of Rwanda) have focused on ensuring that listed companies meet rigorous governance and disclosure standards, even when this means a slow accumulation of listings. The RSE currently lists fewer than fifteen companies, but those companies are generally regarded as meeting high governance standards relative to the regional norm—a reputation that has attracted regional institutional investors, including East African pension funds and unit trusts, who might otherwise avoid smaller markets (Kigali International Financial Centre, 2024). Ethiopia might draw the lesson that quality of listings matters at least as much as quantity, particularly in the early years when the ESX is establishing its reputation. Rwanda's experience with regional integration, particularly its use of cross-listing arrangements with the Nairobi Securities Exchange and the Uganda Securities Exchange, provides a direct model for ESX to consider. Cross-listing allows a company listed on one exchange to also list on another, making its shares tradeable in two markets simultaneously. For Rwandan companies, cross-listing on the NSE provided access to a much larger and more liquid market than Rwanda alone could offer. For Ethiopia, cross-listing arrangements with NSE and potentially with the JSE could similarly allow Ethiopian companies to access international investors while maintaining their primary listing on the ESX—enhancing the attractiveness of ESX listing without requiring the ESX itself to provide full international market liquidity in the near term (African Exchanges Linkage Project, 2024).

Ghana: Stock Exchange Development in a Democratic Context

Ghana's experience with the Ghana Stock Exchange (GSE), established in 1990, is instructive for the relationship between democratic governance, institutional quality, and capital market development. Ghana has been consistently rated among Africa's more democratic and institutionally stable countries, and the GSE has benefited from a regulatory environment characterized by relative predictability and rule of law adherence (Adjasi & Biekpe, 2006). The GSE has grown to list approximately forty companies with market capitalization representing a meaningful share of GDP, and its development has been closely linked to Ghana's broader financial sector deepening. Ghana's experience also illustrates challenges that Ethiopia may face. The GSE's development has been constrained by limited institutional investor participation, with pension fund reform moving more slowly than reformers hoped. The foreign exchange volatility associated with Ghana's periodic balance of payments crises—particularly the 2022–2023 crisis that required an IMF program and domestic debt restructuring—has

Licensed under Creative Common

demonstrated how quickly macroeconomic instability can erode equity market valuations and deter investor participation. In 2022–2023, the GSE Composite Index declined by more than forty percent in dollar terms as the cedi depreciated sharply, wiping out years of gains for international investors and triggering capital outflows that further weakened the currency in a self-reinforcing dynamic (Bank of Ghana, 2024). Ethiopia's foreign exchange liberalization, while necessary, means that ESX investors will be exposed to this type of currency-equity market interaction, and risk management accordingly.

Vietnam: Frontier to Emerging Market Upgrade Lessons

While not an African comparator, Vietnam's stock market development trajectory offers instructive lessons for Ethiopia given certain structural similarities—a large, populous economy transitioning from a state-dominated to a more market-oriented system, with significant SOE listing as a driver of market development. Vietnam's Ho Chi Minh Stock Exchange was established in 2000 with a small number of state enterprise listings and grew over two decades to become one of Asia's more dynamic frontier markets, eventually achieving MSCI emerging market consideration (Hung & Nguyen, 2022).

Vietnam's experience demonstrates the transformative potential of systematic SOE equitization—the Vietnamese term for the process of converting state enterprises into joint stock companies—as a mechanism for building market supply. The Vietnamese government, facing similar fiscal pressures to Ethiopia's, used the listing process as a mechanism to reduce the state's direct management burden for commercial enterprises while retaining significant equity stakes. The partial privatization model—where the state retains majority ownership but lists minority stakes—preserved state interests in strategic sectors while creating market discipline through minority shareholder monitoring and disclosure requirements. This model has direct relevance to Ethiopia's planned listing of Ethio Telecom and potentially other major SOEs (Le & Truong, 2023). Vietnam's challenges with corporate governance in SOEs—even post-listing—also carry direct lessons. Vietnamese listed SOEs have frequently been criticized for governance practices that favor state objectives over commercial shareholder interests, including below-market related-party transactions with other state entities, appointment of politically connected rather than commercially qualified managers, and resistance to minority shareholder activism. Ethiopian SOE listings will face similar governance challenges if the institutional frameworks for protecting minority shareholder rights are not clearly established and enforced before listing rather than after. The market credibility costs of well-publicized governance failures are severe: Vietnam's several high-profile governance scandals in listed

Licensed under Creative Common

SOEs temporarily suppressed market valuations and deterred institutional investors, and recovery required sustained regulatory reform effort (Phan et al., 2020).

Bangladesh: Lessons from Regulatory Failure and Recovery

Bangladesh's Dhaka Stock Exchange (DSE) provides a cautionary tale that Ethiopia's regulators should study carefully. The DSE experienced two significant market crashes—in 1996 and in 2010—both attributable in significant measure to regulatory failures that allowed manipulative trading practices to inflate asset prices to unsustainable levels before a disorderly correction. The 2010 crash was particularly severe: the DSEBC (Dhaka Stock Exchange Broad Index) declined by approximately fifty percent from its peak, wiping out savings for millions of retail investors who had been drawn into the market during the bubble by promises of easy wealth (Ahmed & Imam, 2020). The post-crash regulatory response in Bangladesh—which included the establishment of a reconstituted Securities and Exchange Commission with strengthened enforcement authority and international technical assistance for market surveillance—eventually restored market confidence and enabled the DSE to rebuild toward sustainable growth. However, the episode illustrates the fragility of market confidence in frontier economies and the speed with which regulatory failures can crystallize investor losses and undermine years of market development effort. For Ethiopia, the lesson is clear: investment in market surveillance, enforcement capacity, and investor education before crises occur is far less costly than attempting to restore confidence after a regulatory failure. The ESX and ECMA must resist the temptation to prioritize listing growth metrics over governance and investor protection standards during the critical early years of operation.

CORPORATE GOVERNANCE AND FINANCIAL DISCLOSURE IN LISTED ETHIOPIAN COMPANIES

Corporate governance is the backbone of any functioning equity market. Without credible governance arrangements—independent board oversight, transparent disclosure, protection of minority shareholder rights, management accountability to shareholders rather than to controlling parties—equity investment is essentially a speculative bet on the goodwill of insiders rather than a rational allocation of capital based on expected returns. Understanding the corporate governance landscape among potential ESX issuers is therefore essential for assessing the long-term sustainability of the listing program.

Ethiopian companies transitioning to listed company status face a fundamental governance transformation challenge. Most of Ethiopia's larger private companies have been closely held family businesses or bank-affiliated enterprises operating with minimal formal

Licensed under Creative Common

governance structures. Boards of directors, where they exist, have typically served an advisory or ceremonial function rather than exercising genuine oversight of management. Audit committees, risk committees, and remuneration committees—standard governance structures in developed market companies—are largely absent in the Ethiopian corporate landscape. Related-party transactions, which require careful governance oversight in listed companies to prevent tunneling of value from public shareholders to controlling shareholders, have typically been conducted without formal approval processes or independent valuation (Getaneh, 2022). The transition to IFRS-compliant financial reporting represents perhaps the single most significant operational challenge for Ethiopian companies seeking to list. Ethiopian companies have historically prepared financial statements under Ethiopian Financial Reporting Standards, which diverge from IFRS in several important respects. The adoption of IFRS 9 (financial instruments), IFRS 15 (revenue recognition), and IFRS 16 (leases) requires not merely technical accounting changes but fundamental alterations in how financial performance is measured, how management communicates with stakeholders, and how incentive systems are structured within companies. For banks—Ethiopia's early listers—the implications are particularly significant because IFRS 9's expected credit loss model for provisioning against loan defaults may require substantially higher provisions than Ethiopian banking regulations have historically mandated, potentially revealing that some banks' profitability and capital adequacy ratios are less robust than publicly reported figures suggest (ECMA, 2024).

Auditing quality is a related and potentially more acute challenge. IFRS compliance is only as meaningful as the quality of the external audit that verifies it. Ethiopia's auditing profession, while growing, lacks the scale and depth of expertise that established markets can draw on. The Big Four international accounting firms (Deloitte, PwC, KPMG, EY) have limited presence in Ethiopia, and the mid-tier firms that might serve smaller listed companies may lack specific experience with public company audit requirements. The ECMA has made efforts to establish audit firm qualification criteria for listed company auditors, requiring certification by recognized international professional bodies, but ensuring consistently high audit quality across all listed companies will require sustained regulatory attention and investment in professional development for the domestic auditing profession (Institute of Certified Public Accountants of Ethiopia, 2024).

The concept of minority shareholder protection deserves particular attention in the Ethiopian context. When a company lists a minority stake—as is planned for Ethio Telecom and other SOE listings—the fundamental governance challenge is ensuring that the interests of the minority public shareholders are adequately protected against potential exploitation by the controlling shareholder. Controlling shareholders—whether state entities or private family

Licensed under Creative Common

groups—can potentially use their control position to divert value from the company to themselves through self-dealing transactions, excessive executive compensation, non-arm's length procurement from related parties, and strategic decisions that favor the controlling shareholder's interests over those of the company. This is not a theoretical concern: minority shareholder exploitation in partially privatized SOEs is extensively documented in the corporate governance literature, with particularly well-studied examples from China, Russia, and various African privatization programs (Johnson et al., 2000; Roe & Siegel, 2009).

Ethiopia's CMP contains provisions designed to address minority shareholder protection, including requirements for independent director representation, related-party transaction approval processes, and mandatory takeover bid requirements above certain ownership thresholds. However, the effectiveness of these provisions will depend on the willingness of courts and the Capital Market Tribunal to enforce minority shareholder rights against powerful controlling shareholders—a test that the Ethiopian institutional system has not yet faced in the capital market context. International experience suggests that minority shareholders need not only formal legal rights but also practical mechanisms for exercising those rights: accessible dispute resolution, effective class action or derivative lawsuit mechanisms, and active engagement from institutional shareholders who have the resources and incentives to monitor and challenge governance failures.

THE POLITICAL ECONOMY OF SOE PRIVATIZATION AND LISTING

No analysis of the ESX's listing prospects would be complete without a thorough examination of the political economy of state-owned enterprise privatization, which is expected to provide a large proportion of the listing pipeline. Ethiopia's SOE sector is substantial: Ethiopian Investment Holdings (EIH), established in 2021 as a holding company for strategic state assets, controls enterprises spanning telecommunications, energy, manufacturing, logistics, and financial services, with combined assets estimated at well over one hundred billion dollars (EIH, 2024). The partial or full listing of even a small number of these enterprises would transform the ESX's market capitalization and investor base.

The rationale for SOE listing extends beyond immediate capital raising. Listing imposes discipline on SOE management through disclosure requirements, market valuation, and minority shareholder monitoring. It creates price signals for state assets that can inform government resource allocation decisions. It mobilizes domestic and international investment in strategic sectors without requiring full relinquishment of state control—a political advantage in contexts where state ownership retains ideological legitimacy. And it potentially reduces the fiscal burden of maintaining underperforming SOEs by exposing governance weaknesses that sustained

Licensed under Creative Common

state subsidy would otherwise conceal (Bortolotti & Faccio, 2009). However, the political economy of SOE listing is complex and potentially contentious. Government ministries and officials who currently exercise control over SOE resources—including the authority to award contracts, direct investments, and make employment decisions—may resist listing processes that would transfer monitoring authority to public shareholders and market regulators. SOE managers accustomed to operating in a non-commercial environment may resist the transparency and accountability demands of listed company status. Trade unions representing SOE workers may oppose listing if they associate it with job losses or deterioration of employment conditions. And civil society groups may question the equity implications of partial privatization, arguing that public assets accumulated through public investment should remain fully under public control.

These political economy obstacles are not unique to Ethiopia: they have characterized SOE privatization debates in virtually every country that has undertaken significant state enterprise reform, from the UK under Thatcher to China under Deng Xiaoping and his successors to Brazil's successive privatization waves (Megginson & Netter, 2001). The political economy literature suggests that successful SOE listing programs typically require strong political leadership commitment, transparent processes that prevent insider enrichment at the expense of public shareholders, credible sequencing that demonstrates early successes before tackling more difficult cases, and communication strategies that address public concerns about the implications of state enterprise transformation. For Ethiopia specifically, the Ethio Telecom IPO will likely be the most important test of the government's commitment to genuine SOE listing rather than cosmetic public participation. Ethio Telecom is one of Ethiopia's most commercially significant enterprises, operating in a sector with strong growth prospects given Ethiopia's young population and rising smartphone penetration. A transparently priced, broadly accessible IPO with genuine corporate governance reform could establish an extremely positive precedent for subsequent SOE listings and generate significant public support for the broader reform program. Conversely, an IPO that is perceived as overpriced, inadequately disclosed, or designed primarily to transfer value to politically connected investors would not only damage investor confidence in the ESX but could undermine the broader reform narrative (African Business, 2025).

TECHNOLOGY, MARKET INFRASTRUCTURE, AND DIGITAL INCLUSION

The technological infrastructure of a securities exchange is not merely a technical matter—it fundamentally shapes who can access the market, at what cost, and with what levels of security and efficiency. The ESX's approach to technology, and specifically to the integration

Licensed under Creative Common

of mobile financial services infrastructure with equity market access, will significantly determine the market's retail investor inclusivity and the speed at which investor participation can scale.

Ethiopia's mobile money ecosystem has grown rapidly in recent years, anchored by Telebirr—the mobile money service operated by Ethio Telecom—which had accumulated over forty million registered users by early 2025, representing a substantial share of the adult population (Ethio Telecom, 2025). This mobile money infrastructure provides a natural distribution channel for securities market access: if investors can open brokerage accounts, receive IPO allocations, and execute secondary market trades through the same mobile platform they use for everyday financial transactions, the friction cost of equity market participation is dramatically reduced. Kenya's experience with M-Akiba—the world's first mobile-based government bond, which allowed Kenyan citizens to invest in government bonds for as little as three thousand shillings using mobile money—provides proof of concept for this model, having attracted hundreds of thousands of retail investors who had never previously participated in formal capital markets (Ndung'u, 2023).

The ESX has announced intentions to develop a mobile trading platform integrated with Telebirr, which would be a transformative development for retail market access. However, as of early 2026, the implementation of this platform remains in progress, and the current trading infrastructure requires investors to go through licensed broker-dealers, limiting access to those with existing brokerage relationships (ESX, 2026). Accelerating the mobile platform development should be a priority for both the ESX and Ethio Telecom, as every month of delay represents foregone opportunity to build the retail investor base that provides market depth and political constituency for continued capital market development.

Beyond mobile trading, the ESX's clearing and settlement infrastructure will increasingly need to interface with Ethiopia's broader payments system architecture. Real-time gross settlement (RTGS) connectivity between the ESX's CSD and the commercial banking system is essential for efficient funds movement associated with securities transactions. The National Bank of Ethiopia's ongoing modernization of the national payments infrastructure—including the introduction of an interbank electronic funds transfer system—provides a foundation for this integration, but ensuring seamless technical connectivity requires coordination between multiple institutions that may have competing priorities and different technology standards (NBE, 2024).

Data infrastructure represents another critical technological dimension. The quality and timeliness of financial data available to investors significantly affects the efficiency of price discovery—the process by which market prices come to reflect the fundamental value of listed securities. If financial reporting by listed companies is delayed, incomplete, or presented in formats not amenable to analysis, investor information processing costs increase, bid-ask

Licensed under Creative Common

spreads widen, and market efficiency suffers. Ethiopia needs to invest in the development of standardized digital financial reporting formats (consistent with XBRL—eXtensible Business Reporting Language—standards used in developed markets), mandatory electronic filing systems for regulatory disclosures, and real-time dissemination of trading data to all market participants. These investments in data infrastructure may appear mundane compared to the headline announcements of new listings, but they are essential foundations for a well-functioning market (IOSCO, 2017).

REGIONAL INTEGRATION & THE AFRICAN CONTINENTAL FREE TRADE AREA

Ethiopia's capital market development does not occur in isolation but within a broader continental and regional context shaped by the African Continental Free Trade Area (AfCFTA), the East African Community's financial sector integration agenda, and the African Exchanges Linkage Project (AELP). Each of these frameworks provides both opportunities and challenges for the ESX's development.

The AfCFTA, which came into effect in 2019 and has been progressively operationalized since, aspires to create a continent-wide free trade area encompassing the majority of African countries. Its relevance to capital markets extends through several channels. The expansion of intra-African trade and investment associated with AfCFTA implementation will increase the financing needs of companies operating across borders, potentially generating demand for pan-African capital market instruments. The AfCFTA's financial services protocol, currently under negotiation, could provide a framework for cross-border securities offerings and the mutual recognition of regulatory standards across participating countries. And the general deepening of economic integration that AfCFTA promotes creates incentives for the harmonization of capital market rules, which would reduce the regulatory complexity facing companies and investors active in multiple African markets (United Nations Economic Commission for Africa, 2024).

The African Exchanges Linkage Project (AELP), launched in 2021 with initial participation from seven major African exchanges (including the NSE, JSE, NGX, and Casablanca Stock Exchange), aims to create technical and regulatory linkages that allow investors in one participating market to trade securities listed on another participating market without establishing direct brokerage relationships in each market. Ethiopia has expressed interest in participating in AELP, and ESX membership in the project would provide Ethiopian securities with exposure to the much larger combined investor base of all AELP member exchanges (African Exchanges Linkage Project, 2024). For the ESX's development, AELP membership could be particularly valuable in the short term by providing international investor access before the ESX itself has built the liquidity and market infrastructure to attract direct

Licensed under Creative Common

international participation. The East African Community's (EAC) financial sector integration agenda, which has been pursued with varying degrees of commitment by member states including Kenya, Uganda, Tanzania, Rwanda, Burundi, South Sudan, and now Ethiopia (which joined the EAC in 2023), envisions eventual mutual recognition of investment licenses, cross-border securities offerings, and potentially a unified regional capital market. Progress toward EAC financial integration has been slower than the formal agenda suggests—national interests in maintaining separate regulatory frameworks and the practical challenges of harmonizing divergent legal and accounting standards have impeded rapid progress—but the directional commitment is clear. For Ethiopia, EAC membership provides a framework for negotiating bilateral cross-listing and investor access arrangements that could accelerate ESX market development in the near term while contributing to the longer-term regional integration agenda (EAC Secretariat, 2024).

CAPITAL FLIGHT, ILLICIT FINANCIAL FLOWS AND MARKET DEVELOPMENT

The relationship between capital flight, illicit financial flows, and domestic capital market development is one of the most important but least analytically developed dimensions of the ESX's development challenge. When capital exits Ethiopia through informal channels—whether through trade misinvoicing, transfer pricing manipulation, hawala networks, or corruption-related outflows—the domestic pool of investable savings is reduced, the currency is under constant depreciatory pressure, and the regulatory credibility needed to attract formal investment is undermined. Understanding and addressing these dynamics is not merely a matter of financial compliance but a fundamental prerequisite for sustainable capital market development.

Capital flight from sub-Saharan Africa has been extensively documented in the academic literature. Ndikumana and Boyce (2024), drawing on updated estimates through 2022, estimate that Africa as a whole has experienced cumulative net capital flight of several trillion dollars since 1970, with the annual rate of flight increasing in the period since 2010. For Ethiopia specifically, estimates of illicit financial flows vary widely depending on methodology and data availability, but multiple sources suggest that annual outflows through illicit channels may be equivalent to a significant fraction of formal capital inflows including aid and foreign direct investment (UNECA, 2025). This means that the development finance community is, in effect, partially subsidizing the export of domestic capital through informal channels—a deeply paradoxical situation that undermines both development effectiveness and domestic market development.

Trade misinvoicing is the primary mechanism through which illicit capital flight occurs in countries with significant trade flows. In the export misinvoicing channel, exporters declare lower

Licensed under Creative Common

prices than actually received in international markets, retaining the difference in offshore accounts. In the import over-invoicing channel, importers declare higher import values than actually paid, transferring excess funds to suppliers or affiliated entities offshore. Both mechanisms have the effect of reducing domestically retained capital: export misinvoicing reduces the export earnings repatriated to domestic banks, while import over-invoicing drains reserves from the domestic banking system to fund fictitious import payments. The Global Financial Integrity organization has estimated that trade misinvoicing represents the largest single channel of illicit financial flows from developing countries (GFI, 2023).

For the ESX, capital flight through trade misinvoicing has direct negative implications beyond the macroeconomic. First, companies engaged in systematic misinvoicing cannot list on a public exchange without exposing their illegal practices to public disclosure—creating a direct conflict between capital market participation and illicit finance activities. This means that the listing process itself potentially functions as a sorting mechanism that favors companies with legitimate business models while excluding those relying on illegal financial practices. However, this sorting mechanism only functions if the disclosure and due diligence requirements of the listing process are genuinely rigorous. If pro forma compliance is accepted without genuine scrutiny of related-party transactions, offshore affiliates, and transfer pricing arrangements, companies engaged in misinvoicing could potentially list while continuing their illicit practices—transferring the reputational risk of those practices to the exchange and to the investors who hold their shares. The ESX and ECMA should therefore view anti-capital flight enforcement as integral to—rather than separate from—the market development mandate. Specific measures that would address the capital flight dimension of market development include requiring comprehensive beneficial ownership disclosure by all listed companies, with effective sanctions for false disclosure; mandating that listed companies' related-party transaction disclosures include all transactions with entities in which controlling shareholders hold direct or indirect interests, regardless of offshore domicile; requiring tax compliance certification as a condition of listing, with ongoing monitoring through integration with the Ethiopian Revenue and Customs Authority; and establishing information-sharing protocols with financial intelligence units in jurisdictions hosting significant Ethiopian capital outflows.

These measures would not only reduce illicit flows directly but would also send a powerful signal to international investors that the ESX is committed to governance standards that make Ethiopian equities comparable—in terms of disclosure quality and governance integrity—to securities in more established markets. International institutional investors subject to anti-money laundering and know-your-customer requirements increasingly require robust beneficial ownership transparency as a precondition for investment, and Ethiopian listed

Licensed under Creative Common

companies that cannot meet these standards will be excluded from significant pools of international capital regardless of their financial performance.

STRUCTURAL CHALLENGES TO LONG-TERM LISTING GROWTH

Having analyzed the institutional framework, macroeconomic context, comparative experiences, and specific dimensions of the ESX's development, it is appropriate to synthesize the structural challenges that will most significantly constrain listing growth if not adequately addressed. These challenges operate at multiple levels—macroeconomic, institutional, corporate, and social—and their interaction creates a complex system of constraints that no single policy intervention can resolve.

At the macroeconomic level, the most significant structural challenge is the thinness of the domestic savings base relative to the capital mobilization ambitions of the ESX. Ethiopian household savings rates, while difficult to measure precisely in a large informal economy, are constrained by low average incomes, high inflation that erodes the real value of savings, and the historical absence of attractive formal savings vehicles. The total deposits held in the Ethiopian banking system, while growing, represent a pool of savings that must compete between bank lending demand, government securities, and the new equity market. Without significant growth in the overall savings rate—which requires macroeconomic stabilization, financial inclusion expansion, and growth in household incomes—the capital available for equity market investment will remain limited relative to the scale of the listing program envisioned (World Bank, 2024).

At the institutional level, the most significant structural challenge is the limited development of ECMA's regulatory capacity relative to the demands that a rapidly growing market will place on it. The gap between formal regulatory authority and practical enforcement capability—discussed earlier in the context of the CMP's enforcement provisions—is not a static condition but a dynamic relationship that evolves as markets grow in complexity and as regulatory institutions invest in capacity. Ethiopia's challenge is that market growth may outpace regulatory capacity development, creating windows of opportunity for market manipulation, disclosure violations, and governance failures that, if unchecked, could undermine market confidence before it has had time to consolidate. Proactive investment in ECMA's human capital, technology, and institutional processes is therefore a prerequisite for sustainable market development rather than a luxury to be deferred until the market has demonstrated its viability.

At the corporate level, the structural challenge is the limited pool of companies ready to meet listing standards in the near term. Ethiopia's corporate sector, while dynamic and growing, is dominated by small and medium-sized enterprises operating in the informal economy or with

Licensed under Creative Common

limited formal governance structures. The subset of companies with IFRS-compliant financial statements, independent external audits, experienced non-executive directors, and the management capacity to handle the ongoing compliance obligations of listed company status is small—potentially numbering only a few dozen at present. Building this pipeline of listing-ready companies requires sustained corporate development support, including governance advisory services, audit quality improvement programs, and management training initiatives that go beyond what the ESX can provide through its own resources (FSD Africa, 2025).

At the social and cultural level, there is a significant challenge of investor education and financial literacy. Equity investment involves risks and complexities that many first-time investors do not fully appreciate: the possibility of capital loss, the importance of diversification, the distinction between short-term price movements and long-term value creation, and the warning signs of fraudulent or manipulative investment offerings. In contexts where investor education is inadequate, retail investors are vulnerable to loss through both market risk and deliberate fraud, and the emotional and financial losses from early investment experiences can permanently damage public confidence in equity markets. Ethiopia, with relatively low formal financial literacy levels, faces a significant challenge in building an informed retail investor base that can participate in the ESX productively and sustainably.

POLICY RECOMMENDATIONS:

A Comprehensive Framework for Sustainable Listing Growth

Based on the analysis presented in preceding sections, this article offers a comprehensive set of policy recommendations organized across three time horizons. These recommendations are designed to be mutually reinforcing, recognizing that market development is a systemic challenge requiring coordinated action across multiple policy domains simultaneously.

In the immediate term (zero to twelve months), the most urgent priority is accelerating the development of the mobile trading platform that would integrate ESX equity investment with Telebirr and other mobile financial services infrastructure. The evidence from Kenya's M-Akiba and other mobile financial inclusion initiatives demonstrates conclusively that mobile-first market access dramatically lowers participation barriers for retail investors and can mobilize savings pools that formal brokerage distribution channels cannot reach. The joint development of this platform by ESX, Ethio Telecom, and private broker-dealers, supported by technical assistance from development finance institutions, should be treated as the single highest-impact near-term investment in market development.

Licensed under Creative Common

Simultaneously, ECMA should implement a structured market surveillance program that establishes baseline monitoring of trading patterns, identifies potential manipulation or insider trading in the nascent market, and demonstrates regulatory vigilance before any incidents require reactive enforcement. The cost of surveillance infrastructure is modest relative to the reputational cost of a well-publicized enforcement failure, and the early establishment of surveillance capacity creates deterrent effects that make violations less likely. Technical assistance from the Securities and Exchange Commission of the United States, the UK Financial Conduct Authority, or the South African Financial Sector Conduct Authority—all of which have active technical assistance programs for developing market regulators—could accelerate capability development.

In the medium term (one to three years), the most consequential policy intervention would be the reform of pension fund investment guidelines to permit meaningful equity market participation. Both the Public Servants Social Security Agency and the Private Organizations' Employees Social Security Agency should be authorized to allocate a specified proportion of their portfolios—beginning at perhaps ten percent and increasing over time as market liquidity deepens—to listed equities. This would simultaneously improve pension fund risk-adjusted returns (since equity markets historically outperform fixed income over long investment horizons), provide the institutional investor base that the ESX currently lacks, and create a virtuous cycle in which institutional demand supports listing growth, which in turn expands the investment opportunity set for pension funds.

The medium-term policy agenda should also include the development of a corporate development support program that actively builds the pipeline of listing-ready companies. This program, which could be operated jointly by ECMA, the ESX, and development finance institutions, would provide qualifying companies with subsidized access to governance advisory services, IFRS transition support, audit quality improvement assistance, and management training for capital market compliance. By reducing the cost to companies of achieving listing readiness, such a program would expand the supply of potential issuers beyond the natural pipeline of companies that can meet listing standards without assistance.

In the long term (three to five years), Ethiopia's capital market development agenda should be anchored in two strategic priorities. First, regional market integration through active participation in the African Exchanges Linkage Project and negotiation of bilateral cross-listing agreements with the NSE, RSE, and potentially the JSE would provide Ethiopian securities with exposure to international investor pools far larger than the domestic market alone can offer. This regional integration strategy should be accompanied by harmonization of accounting standards

Licensed under Creative Common

and investor protection rules with regional peers, reducing the regulatory complexity facing regional institutional investors who wish to build Ethiopian equity positions.

Second, the development of a local currency bond market—distinct from government securities—would provide an important complement to the equity market, offering companies an additional capital market financing alternative while providing investors with a fixed income asset class to balance equity risk. Corporate bond markets in frontier economies often develop more slowly than equity markets because bond pricing requires reliable benchmark yield curves that are only established once government securities markets achieve sufficient depth and liquidity. Ethiopia's government securities listing on the ESX provides a foundation for this benchmark curve development, and ECMA should work proactively to develop the regulatory framework for corporate bond issuance as market conditions allow.

CONCLUSION

The establishment of the Ethiopian Securities Exchange in January 2025 represents a genuine structural transformation in Ethiopia's financial system—one that, if sustained and deepened, has the potential to contribute significantly to the country's long-term economic development. The analysis presented in this article supports a cautiously optimistic but rigorous assessment of the ESX's development prospects.

The formal architecture is sound. Capital Market Proclamation No. 1248/2021 provides a disclosure-based, internationally benchmarked legal framework for listings. The four-pillar institutional design—comprising ECMA, ESX, CSD, and Capital Market Tribunal—separates regulatory, trading, settlement, and adjudicative functions in a manner consistent with international best practice. Early listing experiences, while concentrated in the banking sector, have demonstrated that domestic investor appetite exists and can be mobilized even in challenging macroeconomic conditions. The oversubscription of the Wegagen Bank IPO and the ambitious pipeline of additional listings, including the transformative potential of Ethio Telecom's IPO, suggest that the market's supply and demand foundations are being established. However, the analysis also reveals substantial challenges that must be honestly acknowledged and systematically addressed. Macroeconomic stabilization—including durable inflation reduction, foreign exchange regime normalization, and sovereign debt sustainability—is a prerequisite for the stable investment environment that supports long-term listing growth. Institutional investor development, particularly through pension fund investment guideline reform, is essential for creating the sustainable demand that prevents the market from depending excessively on volatile retail flows. Corporate governance and financial reporting quality across potential issuers must be elevated through sustained technical support and rigorous enforcement. Capital

Licensed under Creative Common

flight through illicit channels must be addressed through a combination of enhanced trade surveillance, beneficial ownership disclosure, and international information exchange that retains domestically generated capital within the Ethiopian financial system.

The comparative evidence from Kenya, Nigeria, Rwanda, Ghana, Vietnam, and Bangladesh provides both inspiration and warning. Markets that invested early in regulatory quality, institutional investor development, technology infrastructure, and investor education have generally built sustainable depth over time. Markets that prioritized headline listing numbers over governance quality, or that allowed regulatory capture by market participants, have paid severe costs in terms of investor confidence crises, market crashes, and lost development opportunity. Ethiopia's window of opportunity is real but not unlimited. The post-conflict stability of 2023–2025, combined with the momentum of ongoing economic reforms and the political commitment to market development evidenced by the ESX's establishment, creates a favorable environment for decisive action on the institutional and policy fronts. But that environment could be disrupted by regional security developments, macroeconomic shocks, governance failures in high-profile listings, or political backlash against reform—any of which could set back the market development agenda by years. The fundamental insight that emerges from this analysis is that stock exchange development is a social technology, not merely a legal or financial one. It requires not only the right laws and institutions but also a cultural shift in how Ethiopian businesses relate to public accountability, how Ethiopian savers conceptualize investment risk and return, and how the Ethiopian state manages the tension between its commercial interests in state enterprises and its regulatory role in ensuring market integrity. These cultural and institutional shifts take time and require sustained political commitment across multiple electoral cycles. The ESX's trajectory over the next decade will ultimately be determined less by the sophistication of its trading technology than by the depth of that commitment and the consistency with which it is translated into institutional practice.

The establishment of the ESX marks not an end point but a beginning. Ethiopia's founding of its securities exchange is a legal event; its transformation into a genuinely dynamic capital market that serves the broader economy is an institutional and social process whose outcome remains to be determined. The analytical framework and policy recommendations offered in this article are intended to contribute to that process by clarifying the challenges, learning from comparable experiences, and identifying the policy interventions most likely to accelerate progress toward a sustainable and inclusive capital market for Ethiopia's 125 million people.

Licensed under Creative Common

REFERENCES

Acemoglu, D., & Johnson, S. (2005). Unbundling institutions. *Journal of Political Economy*, 113(5), 949–995.

Addis, E. (2013). Financial sector development and economic growth in Ethiopia: A time series analysis. *Journal of Economics and Sustainable Development*, 4(14), 112–121.

Adjasi, C. K. D., & Biekpe, N. B. (2006). Stock market development and economic growth: The case of selected African countries. *African Development Review*, 18(1), 144–161.

Adewole, O., & Osagie, E. (2022). Privatization outcomes and corporate governance in Nigeria: A post-liberalization assessment. *African Journal of Corporate Governance*, 8(2), 45–68.

African Business. (2025, February). Ethiopia's new stock exchange targets 90 listings in first decade. *African Business Magazine*. Retrieved from african.business.

African Development Bank. (2024). *Ethiopia Country Strategy Paper 2024–2028*. Abidjan: African Development Bank Group.

African Exchanges Linkage Project. (2024). *AELP Annual Progress Report 2023*. Johannesburg: AELP Secretariat.

Ahmed, M., & Imam, M. O. (2020). Stock market crash in Bangladesh: Causes, consequences, and policy responses. *South Asian Journal of Business and Management Cases*, 9(1), 30–43.

Bank of Ghana. (2024). *Annual Report 2023: Financial Sector Review*. Accra: Bank of Ghana.

Bloomberg. (2025, July 11). Ethiopia debuts stock trading six months after opening exchange. *Bloomberg News*.

Bortolotti, B., & Faccio, M. (2009). Government control of privatized firms. *Review of Financial Studies*, 22(8), 2907–2939.

Chitimira, H., & Lawack-Davids, V. (2022). An overview of the securities disclosure framework in select African jurisdictions. *Journal of African Law*, 66(1), 1–25.

Claessens, S., & Yafeh, Y. (2013). Comovement of newly added stocks with national market indices: Evidence from around the world. *Review of Finance*, 17(1), 203–227.

Clapham, C. (2018). The Ethiopian developmental state. *Third World Thematics*, 3(4), 458–473.

CMA Kenya. (2024). *Capital Markets Soundness Report 2023*. Nairobi: Capital Markets Authority of Kenya.

Dar es Salaam Stock Exchange (DSE). (2025). *Annual Market Report 2024*. Dar es Salaam: DSE Publications.

EAC Secretariat. (2024). *East African Community Financial Sector Integration Report 2023*. Arusha: EAC.

ECMA (Ethiopian Capital Market Authority). (2024). *Annual Report 2023/24*. Addis Ababa: ECMA.

ECMA. (2025). *Capital Market Development Progress Report Q3 2025*. Addis Ababa: ECMA.

Eshetu Chole. (1994). *Underdevelopment in Ethiopia*. Addis Ababa: OSSREA.

ESX (Ethiopian Securities Exchange). (2025). *ESX Listing Guide and Requirements*. Addis Ababa: ESX.

ESX. (2026). *ESX Monthly Market Report: January 2026*. Addis Ababa: ESX.

Ethio Telecom. (2025). *Annual Report 2024/25*. Addis Ababa: Ethio Telecom.

Ethiopian Investment Holdings (EIH). (2024). *EIH Portfolio Overview 2024*. Addis Ababa: EIH.

Fantini, E. (2020). Introduction: An economy of words. In Fantini, E. (Ed.), *The Ethiopian Economy: Growth, Development and Challenges*. Routledge.

Financial Times. (2024, January). Bondholders prepare to sue Ethiopia over $1bn debt default. *Financial Times*.

FSD Africa. (2025). "We are open for business": Launching Ethiopia's first securities exchange. FSD Africa Impact Stories. Retrieved from fsdafrica.org.

Getaneh, H. (2022). Corporate governance practices in Ethiopian private banks: Assessment and prospects. *Ethiopian Journal of Business and Economics*, 12(1), 1–28.

Global Financial Integrity (GFI). (2023). *Trade-Related Illicit Financial Flows in 135 Developing Countries: 2009–2018*. Washington DC: GFI.

Gurara, D., Kpodar, K., & Presbitero, A. (2020). Sovereign bond markets in sub-Saharan Africa. *IMF Working Paper*, No. 20/71.

Licensed under Creative Common

Hung, L. T., & Nguyen, T. T. (2022). Vietnam stock market development: A two-decade assessment. *Asian-Pacific Economic Literature*, 36(1), 78–96.

Institute of Certified Public Accountants of Ethiopia. (2024). *Audit Standards and Practice Development Report 2024*. Addis Ababa: ICPAE.

International Monetary Fund (IMF). (2025). *Ethiopia: Staff Report for the 2024 Article IV Consultation and First Review Under the ECF/EFF*. IMF Country Report No. 25/48. Washington DC: IMF.

IOSCO. (2017). *Objectives and Principles of Securities Regulation*. Madrid: International Organization of Securities Commissions.

Johnson, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2000). Tunneling. *American Economic Review*, 90(2), 22–27.

Kenny, C., & Moss, T. (2023). Regulation, governance, and the development of Africa's capital markets. *Journal of Development Economics*, 162, 103–118.

Kigali International Financial Centre. (2024). *Annual Report 2023: Capital Market Development in Rwanda*. Kigali: KIFC.

King, R. G., & Levine, R. (1993). Finance and growth: Schumpeter might be right. *Quarterly Journal of Economics*, 108(3), 717–737.

Le, T. T., & Truong, C. D. (2023). SOE equitization and capital market development in Vietnam: Lessons for frontier economies. *Journal of Asian Economics*, 85, 101–119.

Levine, R., & Zervos, S. (1998). Stock markets, banks, and economic growth. *American Economic Review*, 88(3), 537–558.

Megginson, W. L., & Netter, J. M. (2001). From state to market: A survey of empirical studies on privatization. *Journal of Economic Literature*, 39(2), 321–389.

Meles Zenawi. (2012). States and markets: Neoliberal limitations and the case for a developmental state. In Noman, A. et al. (Eds.), *Good Growth and Governance in Africa: Rethinking Development Strategies*. Oxford University Press.

National Bank of Ethiopia (NBE). (2024). *Annual Report 2023/24*. Addis Ababa: NBE.

Ndikumana, L., & Boyce, J. K. (2024). *Capital Flight from Africa: Updated Estimates, 1970–2022*. PERI Working Paper Series No. 523. Amherst: Political Economy Research Institute.

Ndung'u, N. (2023). Digitalization and financial inclusion: Mobile money's impact on capital markets access in Kenya. *Journal of African Economies*, 32(2), 145–168.

Ngugi, R., Murinde, V., & Green, C. J. (2013). How have the African stock exchanges mobilized capital? *African Development Review*, 25(2), 117–130.

Nigerian Exchange Group (NGX). (2025). *2024 Market Recap and Statistics*. Lagos: NGX.

NSE (Nairobi Securities Exchange). (2025). *Market Performance Report 2024*. Nairobi: NSE.

Obadan, M. I. (2020). Privatization and capital market development in Nigeria: A retrospective assessment. *Nigerian Journal of Economic and Social Studies*, 62(1), 1–30.

Oqubay, A. (2015). *Made in Africa: Industrial Policy in Ethiopia*. Oxford University Press.

Pankhurst, R. (1968). *Economic History of Ethiopia: 1800–1935*. Haile Selassie I University Press.

PenCom. (2025). *Pension Industry Assets Under Management Q4 2024*. Abuja: National Pension Commission.

Phan, D. H. B., Nguyen, T. T., & Bui, L. T. T. (2020). Corporate governance failures in Vietnamese SOEs: Post-listing evidence. *Pacific Basin Finance Journal*, 59, 101–120.

Proclamation No. 1248/2021. *Capital Market Proclamation*. Federal Negarit Gazette, Ethiopia.

Rajan, R. G., & Zingales, L. (1998). Financial dependence and growth. *American Economic Review*, 88(3), 559–586.

Roe, M. J., & Siegel, J. I. (2009). Political instability: Effects on financial development, roots in the severity of economic inequality. *Journal of Comparative Economics*, 37(3), 397–421.

Rwanda Stock Exchange (RSE). (2024). *Annual Trading Statistics 2023*. Kigali: RSE.

Schumpeter, J. A. (1911). *The Theory of Economic Development*. Harvard University Press.

Licensed under Creative Common

Schwarcz, S. L. (2020). Regulating financial change: A functional approach. *Minnesota Law Review*, 100(4), 1323–1381.

Siems, M., & Alvarez-Macotela, O. (2023). Securities law enforcement in emerging markets: Formal rules and practical realities. *European Business Organization Law Review*, 24(1), 1–34.

Tadesse, M. (2023). The Ethiopian Capital Market Authority: Institutional design challenges and regulatory independence. *Journal of African Law*, 67(2), 212–235.

Teshome, A. (2021). The political economy of financial sector liberalization in Ethiopia. *Review of African Political Economy*, 48(168), 198–214.

United Nations Economic Commission for Africa (UNECA). (2024). *AfCFTA and Capital Market Integration: Opportunities and Challenges for African Securities Exchanges*. Addis Ababa: UNECA.

UNECA. (2025). *Illicit Financial Flows from Ethiopia: Trends and Policy Responses*. Addis Ababa: UNECA.

Verhoeven, H. (2011). Behind the GERD: The political economy of Ethiopia's dam-building program. *African Affairs*, 110(440), 498–515.

World Bank. (2024). *Ethiopia Economic Update: Navigating Financial Sector Reforms*. Washington DC: World Bank.

Yartey, C. A., & Adjasi, C. K. (2007). Stock market development in sub-Saharan Africa: Critical issues and challenges. *IMF Working Paper* No. 07/209.

Licensed under Creative Common