



## The creation of the Ethiopian Securities Exchange moves a step closer

*A Cooperation Agreement between the Ministry of Finance of the Federal Democratic Republic of Ethiopia, the Ethiopian Investment Holdings and FSD Africa will provide the technical and financial support needed to establish Africa's newest exchange*

**Addis Ababa, May 18, 2022** – Ethiopia's Ministry of Finance, the Ethiopian Investment Holdings and FSD Africa have today signed a cooperation agreement to establish the Ethiopian Securities Exchange (ESX).

Once established, the ESX will become the 30th exchange on the continent. At least fifty companies, including banks and insurance companies, are expected to list at the launch of the exchange. The exchange is designed to provide a fundraising platform for small and medium-size enterprises, which are the backbone of the Ethiopian economy. The exchange will also offer a platform for the privatisation of Ethiopia's state-owned enterprises.

Ethiopia has enjoyed strong economic growth over the past two decades, averaging about 9-10%. With strong fundamentals, such as young and educated labour force and improved infrastructure, the economy has the potential to sustain such a high growth if structural challenges, such as limited access to finance, are addressed. In the past few years, the government has implemented several reforms to open the economy and the launch of a securities exchange will be a catalyst for attracting new investment from the private sector.

A fast-growing economy demands significant amount of capital and more long-term sources of funds for investment. A capital market is therefore crucially important for Ethiopia's economy to connect the financial sector to the real and social sectors.

Through the Exchange, the Government of Ethiopia will be able to finance its budget deficits by issuing long-term bonds in local currency thereby reducing reliance on inflationary and foreign sources of budget financing. An efficient securities exchange will also support the Ethiopian government's stated policy of privatisation by democratising corporate ownership and giving Ethiopian citizens the opportunity to have a direct stake in their country's economic prospects.

Through the cooperation agreement, FSD Africa will fund technical support, legal advice, and the costs associated with getting the exchange operational. FSD Africa has been a strong partner in Ethiopia's quest to develop a securities exchange, having funded a study in 2020 to identify the



structure needed to develop a stock exchange in the country and supporting ongoing efforts on capacity development and development of regulatory frameworks for capital markets.

Commenting on the signing of the MoU:

**H.E Ato Ahmed Shide, Minister, Ministry of Finance,** said:

“The establishment of a securities exchange, the first in our nation’s history, through such a public-private partnership will usher a new era for the Ethiopian financial industry and the economy as a whole. Today’s cooperation agreement between the Ministry of Finance, EIH, and FSD Africa is a first concrete step towards realizing our vision.”

**H.E. Mamo Mihretu, CEO – Ethiopian Investment Holdings**

“The Ethiopian Securities Exchange will provide issuers and investors unique and unseen access to capital markets, promoting efficient capital allocation and utilization. In support of Ethiopia’s ambitious economic development agenda, the exchange will ensure that much-needed capital is availed to businesses, entrepreneurs, and young innovators across Ethiopia. For the first time in the history of our nation, all Ethiopians will have access to long-term finance to build sustainable businesses, create much-needed jobs and be a part of the country’s economic prosperity.”

**Mark Napier, CEO – FSD Africa**

“We are pleased to be collaborating with the Government of Ethiopia in this historic initiative that will accelerate the development of capital markets in Ethiopia. Our assistance for establishing the Ethiopian Securities Exchange will leverage FSD Africa’s vast expertise and experience in developing capital markets infrastructure across Africa. This support signals our long-term commitment to a thriving capital market that is deep, liquid, and efficient.”

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**Notes to editors:**

- The Ethiopia Securities Exchange will provide a medium of exchange between investors and those who require capital to build and expand business. The exchange will provide a regulated, transparent, and secure platform that will promote good corporate governance amongst issuers listed on the exchange and good market conduct with due regard for shareholders rights.
- The exchange will support Ethiopia's economic reform and privatisation agenda and put Ethiopia on a sustainable path to domestic resource mobilisation. Well-functioning securities exchanges promote economic growth by enabling the growth of savings and investments, increasing access to long-term capital, enabling efficient pricing of assets, and creating liquidity which improves the allocation of capital.
- Ethiopia is among the largest economies in Africa with a GDP of about US\$ 111.3 billion and a strong economic growth rate averaging 9% over the last decade. The country's State-Owned Enterprises, other large private enterprises and SMEs will have access to the exchange, providing an opportunity for Ethiopia to exceed other securities exchanges in the region in terms of market capitalisation, number of listings and trading activity.
- FSD Africa, with the support of FCDO, has worked together with the National Bank of Ethiopia (NBE) on Ethiopia's journey to developing capital markets, providing technical assistance for scoping the feasibility of the exchange and providing technical expertise to build the capacity of the market. FSD Africa will continue to work closely with the government on developing the exchange ahead of its launch.