

# THE BUSINESS SIDE.



## UNDERWRITTEN UNPROTECTED

ETHIOPIA'S SHALLOW INSURANCE  
INDUSTRY FACES FOUNDATIONAL  
RECKONING

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## LIFT OFF

**Tilahun E. Kassahun (PhD)**

Chief Executive Officer, Ethiopian  
Securities Exchange



## SHOCKWAVES FROM HORMUZ:

ETHIOPIA'S HOUSEHOLDS FEEL  
THE SQUEEZE

## ETHIOPIA'S 16% PROBLEM:

INVESTORS STILL WON'T TOUCH  
ONE-YEAR T-BILLS

## BITCOIN GAMBLE:

ETHIOPIA'S ACCIDENTAL FOREX  
MACHINE FACES TOUGHEST TEST.

# THE BUSINESS SIDE

STRATEGY. ANALYSIS. GROWTH.

## ABOUT THE BUSINESS SIDE

The Business Side was born from the Bloomberg Media Initiative Africa — one of the most rigorous financial journalism programs on the continent. Our team didn't just complete the training. We owned it.

We refused to let the skills, the network, and the momentum fade away. Instead, we channelled it into something permanent — a publication that carries the Bloomberg standard into every story we tell about Ethiopia's economy.

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## EDITORIAL

# An Inaugural Verdict: Information Is Not Just a Right, It Is Ethiopia's Next Economic Engine

For the past seven years, Ethiopia's effort to update its Access to Information framework has languished in legislative limbo. The draft Freedom of Information Proclamation tabled for discussion at parliament in early May represents a long-overdue attempt to modernize Proclamation No. 590/2008. For a new digital magazine forged in a financial journalism training program, however, the stakes go far beyond legal reform. The central question is whether this draft will deliver the credible data flows that markets demand, or entrench the opacity that continues to tax growth, deter investment, and hobble Ethiopia's private sector.

The draft appears as a study in contradiction in certain areas. It introduces welcome provisions, including designated information officers in public bodies and private entities performing government-linked work, mandates for proactive disclosure, and penalties for non-compliance. These measures could ease access for journalists, analysts, and executives. Yet broad exceptions risk swallowing the rule. The bill carves out cabinet documents, internal deliberations, commercial activities of public bodies, economic and financial information, and virtually all third-party data. National security exemptions, framed around "activities conducted to monitor and control the activities of enemies or insurgents", are vaguely worded, raising concerns among

opposition that they could shield misconduct in defense, intelligence, and security institutions.

For business, these are not abstract legal technicalities but concrete risk factors. Reliable procurement data, contract details, budget execution reports, and audit findings form the raw material of efficient capital allocation. When hidden, they breed rent-seeking, inflate the cost of doing business, and erode trust. Ethiopia's investment climate already contends with foreign exchange constraints, regulatory unpredictability, and conflict-related risks. Systematic information asymmetries only multiply the hurdles for both domestic entrepreneurs and foreign investors. International evidence is clear: greater transparency correlates with higher FDI inflows, especially in emerging markets where credible signals are scarce. Opacity functions as a stealth tax on growth.

Ethiopia's standing in the Reporters Without Borders World Press Freedom Index, 148th out of 180 countries, underscores the broader chill. This is more than reputational damage, even as the state claims that it only goes after misinformation and violence incitement. In a country striving to attract manufacturing, agribusiness, and services investment, weak information flows signal elevated governance and political risk.

## EDITORIAL

Lenders and equity investors price in the added difficulty of due diligence, while domestic businesses operate in a fog, unable to benchmark performance or scrutinize state-linked competitors.

This pattern is familiar. Article 29 of the 1995 Constitution enshrines access to information of public interest, yet implementation has repeatedly faltered amid legacies of control from imperial and Derg eras. The 2005 post-election crisis decimated independent media. For years, Ethiopia was known as one of the world's leading jailers of journalists. The 2018 political opening, releasing prisoners, unblocking websites, and liberalizing licensing, sparked genuine optimism and a surge in private media activity. That momentum, however, proved fragile. Subsequent conflicts, security priorities, and tightening controls have reversed much of the progress.

A flourishing private sector has the most to lose from this cycle. Market economies thrive on predictable rules, competitive neutrality, and scrutiny of public procurement and state-owned enterprises, areas where opacity has long fostered inefficiency and favoritism. Financial journalists trained to trace fund flows, dissect balance sheets, and assess policy impacts cannot fulfill their role without reliable primary data. Nor can analysts, rating agencies, or portfolio managers. In the digital age, information is infrastructure as vital as roads or power.

The draft's requirements for proactive publication of budgets, tenders, contracts,

and performance reports, along with better records management, point in the right direction. Private entities handling public-adjacent functions would face similar obligations. These steps recognize that transparency serves efficiency, not merely rights. Yet the provisions must be strengthened. Parliament should narrow national security exemptions with clear, proportionate tests and reject blanket exclusions for economic and financial data.

Third-party protections deserve calibration, safeguarding genuine commercial secrets without immunizing public-private dealings from legitimate oversight.

Ethiopia's business leaders should see robust information freedom as core self-interest. Capital allocation improves when investors can assess risks transparently. Competitive markets strengthen when state entities cannot hide behind veils. A credible access regime would lower the risk premium that currently discourages long-term commitment and bolster Ethiopia's appeal as a reforming economy committed to good governance—essential for attracting the patient capital needed for industrialization.

As this magazine launches, our commitment is unwavering. We will track public resource use, contract awards, policy execution, and their bottom-line consequences—not for confrontation, but for national prosperity. We owe our readers, executives, investors, policymakers, and citizens, actionable intelligence grounded in rigorous analysis.

**EDITORIAL**

Our financial journalism graduates are equipped for exactly this task: bridging governance and growth through data-informed scrutiny.

The verdict for Ethiopia's lawmakers is straightforward. In an era of capital mobility and digital scrutiny, opacity is a self-imposed brake on prosperity. Genuine information freedom, properly balanced but presumptively open, ranks among the highest-return investments the country can make. It will not resolve every macroeconomic challenge, but it will build the trust, accountability, and market discipline vital for a dynamic private sector and sustainable expansion. The draft is a milestone. Its final form will reveal whether Ethiopia intends to power its economy with facts, or continue subsidizing stagnation with secrecy

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# Underwritten, Unprotected: Ethiopia's Shallow Insurance Industry Faces Foundational Reckoning



BY AKSAHITALO

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Moustefa Mohammed has farmed coffee in Southern Oromia for most of his life. The land came from his father, as it had from his grandfather before him, a small plot that feeds a family of eight, pays school fees, and, in good years, leaves just enough to settle debts and prepare for the next harvest.

Lately, there have been fewer good years.

The rain no longer arrives when it should. Prices move in ways that feel detached from effort. Last season, after months of labour, the harvest generated just enough to repay a bank loan and restock the household. This year, coffee prices fell by nearly 30 percent, erasing what little margin remained.

Moustefa anxiously pondered for hours upon hearing the market price, trying to calculate how he would cover costs, clear debts, and begin again with almost nothing left.

He eventually tried to buy insurance. It seemed, at least in theory, like a way out of the cycle, some buffer against erratic weather, collapsing prices, and the quiet accumulation of risk that defines farming. He approached several insurers, explaining the uncertainties he faced each season. None offered him a policy.

*"They were unwilling to reach an agreement,"*

— he told *The Business Side*

The rejection confirmed a suspicion that had been building for years. Insurance, in his experience, was not designed for people like him.

That view hardened long before he attempted to insure his crops. Years earlier, a vehicle he relied on for transporting goods was badly damaged in an accident. He filed a claim with one of the country's leading insurers. Compensation took months. During that time, the vehicle sat unused, cutting off a critical income stream while expenses continued to mount. By the time the insurer paid, the immediate financial damage had already been done.

*"They seem uninterested in service,"*

— Moustefa said. *"Just profits."*

His experience is not an outlier but the rule. It is representative of a system that, despite three decades of private-sector expansion, remains distant from the majority of the population it nominally serves.

Insurance penetration in Ethiopia sits below 0.6 percent of GDP, among the lowest rates on the continent and a fraction of the global average. Fewer than one in ten Ethiopians hold any form of coverage. In a country of more than 120 million people, where agriculture contributes roughly a third of the output and employs more than 70 percent of the workforce, the gap between risk and protection is not marginal. It is foundational.

Modern insurance in Ethiopia dates back more than a century. In 1905, the Bank of Abyssinia began offering fire and marine insurance on behalf of foreign firms, marking the sector's formal introduction. For decades, the industry remained small and externally oriented, dominated by European insurers operating through agents and branches. By the mid-20th century, a handful of domestic firms had emerged, but the market remained thin, serving a narrow slice of urban commercial activity.

The socialist revolution of 1974 abruptly ended that model. Private insurers were nationalized, their assets and liabilities consolidated into a single state-owned entity, the Ethiopian Insurance Corporation (EIC). For nearly two decades, insurance operated as a state monopoly, focused largely on general insurance with limited product diversity and minimal outreach.

Liberalization in the 1990s reopened the sector to private domestic investors, ending the monopoly but not fundamentally transforming the market. Foreign participation remained prohibited. Regulation was folded into the National Bank of Ethiopia, where insurance supervision became one function among many in a system primarily focused on banking stability.

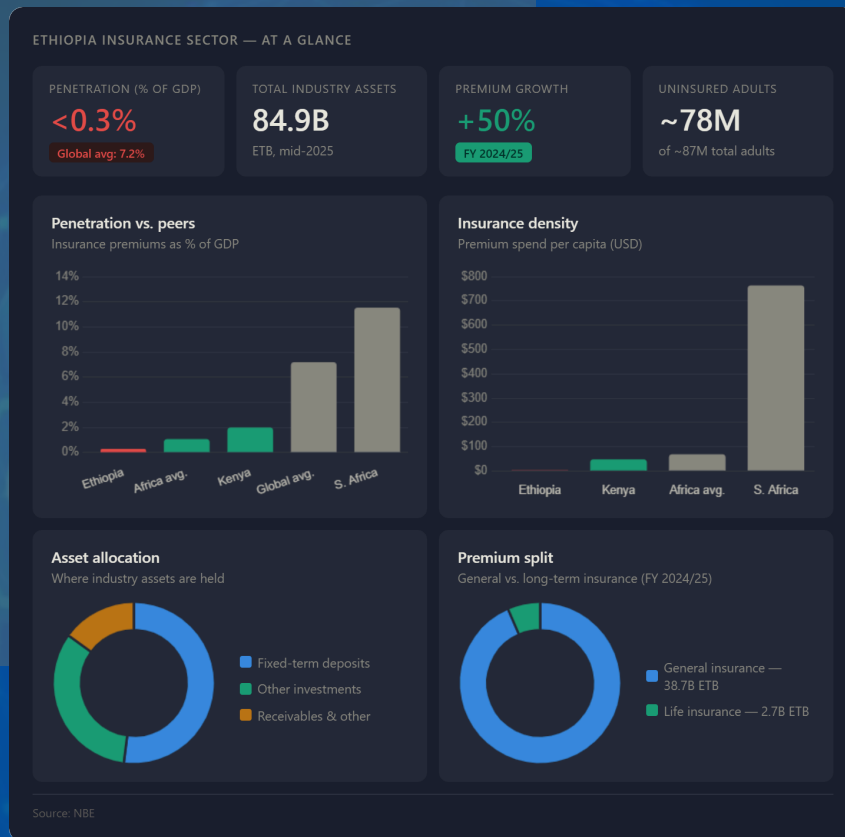
What emerged over the next thirty years was a hybrid: a growing number of private insurers operating within a closed market, expanding balance sheets without significantly expanding access.

Today, Ethiopia has 19 insurers and a single domestic reinsurer. Premium income has grown rapidly in recent years, increasing by around 50 percent in 2024/25 to reach 41.1 billion Birr. Total industry assets have reached roughly 84.9 billion Birr. More than half of those assets remain parked in fixed-term bank deposits, a conservative strategy that reflects both regulatory caution and a lack of viable investment channels.

The industry has indeed grown, led by a state-owned insurer (EIC) which accounts for nearly a third of premiums, but it has certainly not deepened.



**In Ethiopia sits below 0.6 percent of GDP, among the lowest rates on the continent and a fraction of the global average.**



Across much of the country, risk continues to be managed the way it has been for generations: through informal networks, savings, and borrowing. Systems like edir, community-based mutual aid associations, remain more trusted and more accessible than formal insurance products. For farmers like Moustefa, the idea of transferring risk to an institution remains largely theoretical.

The reasons lie as much in structure as in history.

For most of its post-reform life, Ethiopia's insurance sector has operated inside a protected environment. Without foreign competition, with limited regulatory pressure to innovate, and with a captive market in compulsory motor insurance, firms had little incentive to expand beyond familiar lines of business.

Motor insurance today still accounts for

more than half of total premiums. It is not necessarily the most profitable segment, loss ratios can approach 90 percent, but it is mandatory, predictable, and liquid. It generates steady cash flow in a way that agricultural, life, or liability insurance does not.

The rest of the market remains thin. Life insurance penetration is negligible. Agricultural insurance is fragmented and largely confined to pilot programs. Liability and income-protection products are rare outside large corporate clients.

***"The sector has remained protected for a long time, but its contribution to the market has remained limited,"***

— Martha Hailemariam, a senior advisor at the National Bank of Ethiopia, told *The Business Side*.

That protection has shaped behaviour. Insurers optimised for survival rather than expansion, building portfolios around low-risk, short-term products and holding significant portions of their assets in bank deposits. Innovation, where it appeared, was incremental.

By mid-2025, the numbers reflected that equilibrium. Net earned premiums in general insurance reached 20.5 billion Birr, with net claims at 10.5 billion Birr. Both rose at nearly identical rates. The claims ratio stood at 51 percent, while the expense ratio climbed to 35.4 percent, reflecting rising operational costs. Solvency remained high but declined to 284 percent as balance sheets expanded faster than paid-up capital.

For regulators, the picture is one of stability without dynamism. For consumers, it is one of absence.

That balance is now poised for a structural disruption.

A draft insurance proclamation, running 159 articles across 17 parts, proposes the most comprehensive overhaul of Ethiopia's insurance framework in its modern history. It does several things at once: creates a new regulator, opens the sector to foreign investment, formalises previously absent product categories, and introduces a modern resolution regime for failing insurers.

At the center of the reform is the creation of the Ethiopian Insurance Regulatory Authority (EIRA), an institution designed to operate with operational independence, accountable to the Ministry of Finance but insulated from day-to-day political direction. Its board structure, bringing together the central bank governor, the capital markets authority, and independent

appointees, is intended to address a long-standing weakness in regulatory oversight: the risk of capture by the institutions it supervises.

***“Industry players have been requesting many of the proposed reforms,”***

— Martha says.

The proclamation also introduces risk-based solvency requirements, moving away from the current model toward a framework that ties capital adequacy more closely to the risks insurers take on. It establishes a resolution regime aligned with international standards, giving the regulator authority to place failing insurers under administration, transfer assets and liabilities to a bridge institution, or proceed to liquidation with limited scope for shareholder obstruction.

For a market that has never experienced a formal insurer failure under a structured resolution process, the shift is significant.

Equally consequential is the decision to open the sector to foreign investment. Under the proposed framework, a single strategic investor, defined broadly to include foreign insurers, insurance groups, development finance institutions, or private equity funds, may hold up to 40 percent of a domestic insurer. Non-strategic foreign investors face lower caps, and total foreign ownership cannot exceed 49 percent.

It is a carefully calibrated opening, designed to attract expertise and capital without ceding control.

***“The reforms may separate companies that are genuinely prepared for a modern insurance market from those that are not,”***

— Yared Mola, president of the Association of Ethiopian Insurers and chief executive of Nyala Insurance, told *The Business Side*.

Yared’s assessment of the sector’s underlying problem is blunt. Insurance in Ethiopia, he argues, evolved as an urban product, disconnected from the agricultural economy that defines the country.

He points to agricultural loans, fertiliser distribution, and cooperative systems as potential entry points, with premiums structured around harvest cycles rather than upfront payments.

***“The insurance sector cannot continue operating with very small capital bases while expecting to underwrite increasingly sophisticated risks,”***

— Yared said.

He believes the shift requires more than product design. It demands coordination across banks, cooperatives, government agencies, and development partners. It requires data systems capable of pricing rural risk, actuarial expertise that the industry has yet to fully develop, and capital buffers large enough to absorb systemic shocks, according to the veteran CEO.

None of those conditions are fully in place.

Among private insurers, a few have begun to scale. Awash Insurance has emerged as one of the largest players, with paid-up capital exceeding 3.3 billion Birr and assets above 11 billion Birr. Nyala and United Insurance have

expanded through corporate relationships, while some have begun experimenting with Takaful products aimed at Ethiopia’s large Muslim population.

According to Amanuel Kumsa, a sales agent at Africa Insurance S.C., some firms are beginning to prepare incrementally for a more competitive market. His company has started strengthening its capital base and investing in technical capacity ahead of liberalization, though diversification beyond core products remains limited.

Efforts to expand into agricultural insurance have been tentative. The company has explored opportunities, but structural constraints continue to discourage broader participation.

“The appetite to take that sort of risk is limited,” Amanuel told *The Business Side*,

***“The appetite to take that sort of risk is limited,”***

— Amanuel told *The Business Side*,

pointing to fragmented farming systems, weak data availability, and the absence of coordinated agricultural financing mechanisms that make rural risk difficult to price and underwrite. He argues that years of weak regulatory pressure allowed insurers to remain concentrated in familiar, lower-risk products rather than investing in innovation. Even now, expectations that foreign entrants will rapidly transform the market may be overstated.

The new proclamation formalises Takaful as a distinct category, alongside conventional insurance, and introduces a dedicated licensing regime for inclusive insurance providers. It also creates a regulatory

sandbox, allowing firms to test new products under controlled conditions.

For policymakers, these provisions signal a recognition that the market will not evolve organically without intervention.

For businesses, the stakes are immediate.

Ephrem Melaku, general manager of industrial machinery supplier E Mecce, says the credibility gap in insurance has cost his company millions of Birr in lost contracts. Customers purchasing machinery on deferred payment terms routinely reject insurance guarantees as sufficient security, demanding bank-backed collateral instead.

"We have lost millions of birr worth of potential business because customers do not trust insurance guarantees," Ephrem told *The Business Side*. "They insist on bank-backed collateral instead."

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***"They insist on bank-backed collateral instead."***

That distrust has accumulated over years of delayed claims, inconsistent underwriting, and weak enforcement of standards. For firms operating with limited capital, the inability to substitute insurance guarantees for physical collateral constrains growth, limits access to financing, and narrows the range of transactions they can undertake.

Some insurers are trying to respond.

Nib Insurance has pushed to reduce its reliance on motor coverage, expanding into

property, project, and liability lines while developing microinsurance products. Its chief executive, Zufan Abebe, supports opening the sector to foreign participation, arguing that international partnerships could bring technical expertise and more sophisticated products.

***"At this stage, we need both capital and knowledge transfer,"***

— she told *The Business Side*.

She has also raised concerns about proposals that would require insurers to separate life and general insurance operations, warning that such a move could weaken an already fragile life segment.

"Life insurance is still very small. Fragmenting it further could slow its development," she said.

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— she said.

Even the strongest firms face structural constraints. Nib's paid-up capital stands at around 1.5 billion Birr, above current regulatory thresholds but modest relative to the risks associated with large-scale infrastructure, agriculture, or industrial projects. The CEO disclosed plans to raise a significant amount of capital in the coming years.

Across the sector, the foundational gap is becoming more visible.

Bekalu Tilahun, Chief Advisor to the CEO of the Ethiopian Insurance Corporation (EIC), has emerged as a leading advocate for deeper structural reform in the sector.

He argues that the industry's future hinges on whether it is treated as a priority within Ethiopia's financial system or continues to operate as a secondary segment.

While broadly supportive of liberalization, Bekalu is critical of the new proclamation's emphasis on regulatory control over long-term development.

"There is a lack of a growth-oriented mandate in the proclamation," he told The Business Side.

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— he told TheBusiness Side.

The reforms are expected to tighten supervision, introduce risk-based capital requirements, and accelerate consolidation. But Bekalu sees a more fundamental constraint: the industry's continued reluctance to underwrite complex and unfamiliar risks.

Most insurers remain concentrated in urban, low-risk products, prioritising premium collection over expanding meaningful coverage into underserved sectors.

"There is a painful lack of innovation," he said. "The industry has remained trapped in traditional products."

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— he said.

***"The industry has remained trapped in traditional products."***

EIC, which controls roughly 34% of the market and offers more than 45 products across life and non-life segments, is positioning itself

for the transition. With only six insurers currently meeting proposed minimum capital thresholds, consolidation across the industry appears increasingly likely.

To stay ahead, EIC is expanding its capital base, with longer-term plans that include a potential initial public offering and joint ventures with foreign insurers.

For Yonas Tufa, an insurance consultant with more than two decades of experience, the issue is not just capital but culture.

***"Competition has been driven by price rather than value,"***

— he told The Business Side.

***"There has been very little incentive to improve service quality or develop new products."***

He points to what he calls a persistent "pilotitis" in agricultural insurance, programs launched with donor support or government backing that fail to scale nationally.

***"There is a „pilotitis“ disease in the country,"***

— he said.

***"Projects start, they show promise, and then they disappear without becoming part of the system."***

The obstacles are well known: fragmented landholdings, limited data, climate variability, and the absence of coordinated financing mechanisms. But for Yonas, the deeper issue is institutional.

Without sustained commitment from both government and industry, agricultural insurance will remain experimental.

He argues that subsidies will be necessary to make rural coverage viable, at least in the early stages, and that governance reforms are needed to ensure insurers are led by professionals with technical expertise rather than shareholders prioritizing short-term returns.

On capital requirements, his position is more radical. He proposes raising minimum thresholds to five billion Birr, ten times the current proposal, to force consolidation and create a smaller number of stronger firms.

***“A smaller number of well-capitalised companies would be better for the market than many weak ones,”***

— he said.

The risk, he argues, is that liberalisation without sufficient capital will produce fragmentation rather than strength, more firms competing for the same limited market, without the resources to expand into new areas.

For now, the country continues to absorb its own risk.

The reforms underway, new regulations, foreign entry, and tighter governance represent a genuine attempt to change that trajectory. If implemented effectively, they could improve supervisory capacity, strengthen accountability, and introduce the technical depth the sector has long lacked.

But the gap they are trying to close is not the result of a single policy failure. It is the product of decades in which an insulated industry had little incentive to serve the majority of the population.

In Southern Oromia, Moustefa Mohammed will plant again this season. He will prepare the soil, negotiate with traders, take on debt, and hope that the rains arrive on time and the market holds.

He will do so without insurance, without a safety net, and without any expectation that the formal financial system will share in the risks he carries.

## Exclusive Interview:

# Markets are Fundamentally Information Systems

**Tilahun E. Kassahun (PhD)**

Founding CEO ESX

*Building a national securities exchange from a standing start is a high-stakes test of leadership, timing, and trust. Ethiopia is now running that test.*

*In just over a year, the Ethiopian Securities Exchange (ESX) has listed three banks, admitted seven trading members, opened an OTC debt market, and begun secondary trading in T-bills. Overseeing this historic, blueprint-free project is founding CEO Tilahun E. Kassahun (PhD).*

*In a wide-ranging conversation, Tilahun reveals the unexpected leadership dilemmas behind the launch, from managing sky-high expectations leading Ethiopia's maiden exchange, to compressing what should take a decade into months. He explains why the ESX just allowed banks and pension funds to trade debt directly, how Ethiopia's surging interbank market offers a roadmap for equity liquidity, and what a potential Dangote listing would require.*

*He also delivers a rare, candid assessment of local financial journalism, arguing that "markets are fundamentally information systems" and that local reporters must learn to exercise disciplined market analysis to increase market participation and transparency.*

*Looking five years ahead, Tilahun's goal is clear: transform the ESX from a start-up into a regional peer, with 90 listed companies, a deep sovereign bond curve, and meaningful foreign participation. Munir Shemsu of The Business Side caught up with him to find out whether Ethiopia can leapfrog generations of capital market development.*

**The Business Side:** *You are the first CEO of Ethiopia's first securities exchange, a historic position that comes with no local blueprint to follow. What has been the single most unexpected leadership challenge you have faced while building the ESX from the ground up, and how do you personally handle the weight of being a pioneer, knowing that early strategic missteps could affect public confidence in the entire capital market for a generation?*

**Tilahun:** Indeed, the privilege of leading the establishment of ESX alongside my colleagues has come with significant responsibility and equally significant challenges. These challenges are also what make the assignment both meaningful and rewarding. While it is difficult to exhaust them all, a few stand out, and they all share a common thread: a series of trade-offs and dilemmas that must be navigated to move things forward effectively.

The first major challenge has been managing the weight of expectation from the Government of Ethiopia and all stakeholders involved, who quite rightly expect the development of a world-class exchange. This intersects with a very personal question of readiness, particularly given that I did not come from a prior leadership role within a securities exchange or a directly comparable institution. Naturally, one must question whether one has the depth of knowledge and experience required for such a mandate.

My approach to this challenge has been grounded in a simple principle: a commitment to continuous learning, from everywhere and at all times. Over the past close to five years, the role has effectively been an ongoing process of apprenticeship in capital markets. Beyond academic literature and formal industry materials

I have learned extensively from the practical experience of exchanges across the continent and globally, as well as from the growing pool of domestic financial sector expertise. The key lesson here has been to never assume that one has learned enough, and to remain deliberately open, adaptive, and fast in learning.

A second major challenge has been the relatively low level of awareness and market familiarity within the local ecosystem at the outset of the project. When we launched the ESX project office, the level of industry knowledge, technical expertise, and even conceptual understanding of capital markets was still quite limited. This meant that a significant part of the work involved not only building systems, but also building understanding and trust, ensuring that stakeholders were informed, aligned, and ultimately confident in both the strategic direction and the leadership guiding it. This became particularly important in areas such as raising capital for the exchange, encouraging institutions to establish capital market service providers, and engaging potential issuers for listing. Persistence in communication, often through repeated presentations, engagements, and consultations, was essential.

A second major challenge has been the relatively low level of awareness and market familiarity within the local ecosystem at the outset of the project. When we launched the ESX project office, the level of industry knowledge, technical expertise, and even conceptual understanding of capital markets was still quite limited. This meant that a significant part of the work involved not only building systems, but also building understanding and trust, ensuring that stakeholders were informed, aligned, and ultimately confident in both the strategic direction and the leadership guiding it. This

became particularly important in areas such as raising capital for the exchange, encouraging institutions to establish capital market service providers, and engaging potential issuers for listing. Persistence in communication, often through repeated presentations, engagements, and consultations, was essential.

A third key challenge has been the very narrow margin for error inherent in such a foundational national initiative. Given the high public expectations in terms of timelines, credibility, and outcomes, there was limited room for missteps, delays, or significant course corrections. As a result, critical decisions around market design, technology architecture, onboarding of the first leadership team and staff, and the development of policies and procedures had to simultaneously meet immediate expectations while also being robust and forward-looking. Balancing speed of execution with institutional durability was not an easy task, but it was necessary to ensure the exchange is built on a sustainable foundation.

Equally important has been the role of people and culture in making this journey possible. From the outset, it was clear that building an exchange is not only a technical or regulatory exercise, but fundamentally a human one. We have been fortunate at ESX to bring together a highly committed and capable team, who have grown with the institution and continue to shape its evolution. Investing in talent development, through structured learning, exposure, responsibility, and initiatives such as the young professionals development program, has been central to building institutional capability. The culture we have aimed to foster is one of ownership, curiosity, discipline, and collaboration, and that

culture has been just as important as any system or policy in driving progress.

Taken together, these experiences have reinforced the importance of disciplined learning, consistent stakeholder engagement, strong team culture, and careful institutional design in building a capital market from the ground up.

***The Business Side: ESX just admitted First Addis Investment Bank and Siinqee Investment Bank as the 6th and 7th trading members on May 8. How will this expansion of intermediaries improve liquidity, competition, and access for both retail and institutional investors in Ethiopia's still-nascent market?***

**Tilahun:** Every new trading member brings a distinct client network, a different geographic, industry, or product footprint, and fresh capacity to intermediate between issuers and investors. More number of intermediaries widen the order flow this market needs to generate real liquidity, i.e. tighter spreads, reduced price volatility, and the depth that serious institutional investors demand before committing meaningful capital.

This expansion is not only about numbers, it is about creating competitive options that strengthen efficiency and choice across the entire market ecosystem. A thin intermediary base serves no one. With seven, and upcoming additional more members, competing members, investors will see better pricing, improved advisory and trading services, and faster onboarding. We will not regulate our way to a vibrant market. We must compete our way there. Our Neway mobile app already allows investors to open trading accounts remotely using a national ID and biometric verification. Pair that with an investment banks that has a presence in

all parts of the country, and you have structural financial inclusion, not a slogan, but a real pathway for millions of Ethiopians into the securities market.

With increasing number of companies being listed our main market, the fundamentals are validating what we set out to build. Seven trading members is progress, it is not the finish line. We will list more companies, bring in more members, and expand our product range. We have set a target of 90 listed companies within ten years, and every intermediary we admit accelerates that pipeline. Ethiopia's capital market is open, it is deepening, and I have no doubt it will be transformative.

**The Business Side:** *Following the successful listing of Awash Bank and with three banks now on the main market (alongside Wegagen and Gadaa), you recently indicated that four additional financial institutions are preparing to list soon, targeting at least nine listings by the end of the Ethiopian fiscal year. What progress has been made on these upcoming listings, and which sectors beyond banking are showing the strongest IPO interest?*

**Tilahun:** In addition to Wegagen, Gadaa and Awash we have received listing applications from several other financial and non-financial institutions which we have already provided an approval in principle for listing, a first step in the listing process. Among these notables ones include Dashen Bank, Bank of Abyssinia, Abay Bank, Amhara Bank, Anbesa Bank, Sidama Bank etc. As part of the AIP process ESX has reviewed most of their listing documentation and have given green light for listing post finalization of the securities registration by ECMA and other minor conditions. Similarly we have given approval in principle for at least one non-

financial entity engaged in construction and real estate.

We think most of these entities will finalize their securities registration process with ECMA, or as some of the entities are already going through, their capital raising activities /follow on offer/, or similar internal approvals required to adopt some policies and procerus that come as a condition of listing.

Meanwhile it is notable that the majority of the listing applications are from financial sector players, banks, insurance and micro-finance institutions, while some other sectors such as construction and real estate and manufacturing, and services are showing interest. This much as to do with the maturity of the financial sector both from structure, considering most financial institutions were organized as share companies that actively sold shares to retail public, but also because of the maturity in governance, transparency and operational track record.

While a lot needs to be done to diversify the issuer base, especially to areas that play key role in the Ethiopian economy, such as agriculture and manufacturing, we believe the opportunity of building the market with the exiting available, and low hanging fruits, should also be taken as a good opportunity not only to create a liquid market but also a trusted one. Other private entities, especially those that are family owned, SMEs and start ups will take important lessons from these entities.

**The Business Side:** *Recent reports indicate that Africa's richest businessman, Aliko Dangote, is considering listing parts of his business empire on the ESX as part of a broader pan African IPO strategy. What stage are those discussions at, and what specific regulatory or operational adjustments would be required for the ESX to accommodate a multi jurisdictional listing of that scale?*

**Tilahun:** The opportunity of bringing a large issuer as Dangote Refinery to market is exciting for African capital markets. This is in particular important at the time where our markets, with the exception of South Africa are often criticized for being small, fragmented, illiquid etc. Hence as an ESX we are excited about the opportunity of supporting this major IPO as it is a major transaction in the continent will be a key learning experience.

In terms of how the transaction will be implemented a lot of it is still under consideration. Obviously as an exchange we are keen if such IPOs cross list, however considering the more than 50 jurisdictions in the continent this may be cumbersome to do so for the issuer. Hence alternative ways of capital raising efforts may possibly be considered by the issuer. This will be more clarified in the coming weeks, but overall keen to support the transaction in any way we can.

**The Business Side:** *The ESX has just amended its over the counter market rules to allow banks and pension funds to participate directly in debt trading without a separate capital market service provider licence. What prompted this revision at this specific moment, and how do you expect the direct participation of these institutional players to transform the depth and liquidity of the OTC debt market?*

**Tilahun:** The revision was prompted by a very deliberate policy choice: we wanted to ensure that Ethiopia's debt market develops on the right foundations from the outset, rather than inheriting structural inefficiencies that many markets later struggle to unwind. One of the key lessons we have drawn from studying more mature markets across Africa, Europe, and Asia is that OTC debt markets tend to function best when major institutional liquidity providers, particularly banks, pension funds, and large asset owners, can participate directly, efficiently, and transparently in trading activity.

Historically, in many jurisdictions, excessive layers of intermediation created unnecessary friction in the OTC market. Institutions that were already sophisticated, regulated, and naturally active in fixed income products were still required to transact through additional intermediaries solely for licensing purposes. That often increased transaction costs, slowed execution, fragmented liquidity, and ultimately reduced market depth. In some cases, it discouraged participation altogether.

For Ethiopia, although the debt market is still at an early stage and there remains significant work ahead in terms of product diversification, benchmark yield curve development, investor participation, and secondary market activity, we believed it was important to establish an enabling structure from day one. The amendment reflects a pragmatic and market-oriented approach: if banks and pension funds are already among the largest holders, issuers, and natural traders of debt instruments, then allowing them to participate directly in the OTC market – under the existing prudential and regulatory oversight they are

already subject to – creates a more efficient ecosystem.

We expect this to have several positive effects. First, it should materially improve liquidity by increasing the number of active counterparties in the market. Second, it enhances price discovery because more institutions can quote, negotiate, and transact directly. Third, it reduces operational friction and costs, which is particularly important in an emerging market environment where liquidity is still developing. And finally, it helps create the institutional habits and market culture necessary for a deeper domestic fixed income market over the long term.

At ESX, our objective is not simply to launch markets, but to build markets that are resilient, efficient, and scalable from the outset. This amendment is therefore complemented by investments we have made in market infrastructure and trading technology specifically designed for OTC-style institutional markets. In developing these frameworks, we have also drawn important lessons from the evolution of Ethiopia's interbank money market and the ongoing reforms in the foreign exchange market, where efficiency, direct participation, transparent price discovery, and streamlined execution are all critical to market effectiveness.

***The Business Side: The interbank money market appears to have significantly exceeded initial expectations. What key lessons from its strong performance (including high transaction volumes) can be applied to the equity and broader securities markets?***

**Tilahun:** The strong performance of the interbank money market has been an encouraging development, not only for the banking sector, but also for the broader evolution of Ethiopia's capital markets. One of the most important lessons has been that when markets are designed around genuine participant needs, supported by credible infrastructure, and backed by regulatory alignment, liquidity can develop much faster than many initially anticipate.

A key takeaway is that there is substantial latent institutional liquidity within the Ethiopian financial system. For many years, liquidity management and short-term funding activities were taking place in a fragmented and largely bilateral manner with limited transparency and operational efficiency. Once a more structured platform, clearer rules, and appropriate market infrastructure were introduced, participation and transaction volumes increased significantly. That demonstrates that the issue was not necessarily the absence of market activity, but rather the absence of an efficient market framework.

Another important lesson is the critical role of reducing friction and unnecessary intermediation. The interbank market succeeded in part because institutions were able to interact more directly, with improved price visibility, faster execution, and standardized operational processes. That same principle is highly relevant for the equity and broader securities markets. Markets deepen when participants can transact efficiently, access reliable information, and operate within systems that lower operational and settlement risk.

The experience has also reinforced the importance of technology and market infrastructure. Modern financial markets are increasingly infrastructure-driven. In the

interbank market, the ability to support efficient trade negotiation, execution, confirmation, and reporting materially improved market confidence and activity levels. At ESX, we view this as directly applicable to the development of both exchange-traded and OTC securities markets. The technology architecture we are building is intended not only for today's needs, but also for the scale and sophistication the market will require over time.

Perhaps most importantly, the interbank money market has shown that Ethiopian institutions are far more ready for market-based financial intermediation than many observers previously assumed. Banks and institutional participants adapted quickly to more transparent and competitive market mechanisms once the appropriate framework existed. That gives us confidence that, over time, similar behavioral and structural shifts can occur in the equity market, the corporate bond market, and other securities products.

The broader lesson is that market development should not be approached as simply creating a trading venue. It requires building an ecosystem (regulation, technology, participant readiness, operational standards, transparency, and trust) that collectively encourages continuous participation. The success of the interbank money market validates that approach and provides a strong foundation for the continued development of Ethiopia's securities markets.

**The Business Side:** *Since T-bills were listed and secondary market trading began on the ESX in July 2025, what has the actual trading activity and liquidity been like? Are you seeing meaningful secondary volumes and retail participation, or is activity still mostly in primary auctions? What measures are you taking to deepen T-bill liquidity?*

**Tilahun:** As expected in the initial phase, activity has still been more concentrated in the primary market, where issuance volumes and investor participation continue to dominate overall market activity. However, the emergence of secondary trading itself is already an important structural milestone for Ethiopia's financial market development. It is also important to recognize the nature of Treasury bills themselves. Globally, T-bills are generally not the most actively traded instruments in secondary markets because of their very short-term maturities. Many investors simply hold them to maturity as cash management or liquidity instruments. As a result, while secondary trading in T-bills is important, the deepest and most liquid fixed income secondary markets internationally are usually centered around benchmark sovereign bonds with maturities beyond one year, issued consistently and in sufficient size across the yield curve.

For Ethiopia, a key long-term objective is therefore the gradual development of a regular sovereign bond issuance program with benchmark instruments across different maturities. Establishing predictable issuance patterns and larger benchmark securities is critical for creating sustained secondary market liquidity, institutional trading activity, and reliable yield curve formation. Once those building blocks are in place, we expect significantly stronger secondary market activity in medium- and longer-term government securities.

We have already seen how this can evolve in neighboring markets. For example, Nairobi Securities Exchange and the broader Kenyan government securities market have developed substantial secondary market activity over time, with annual secondary trading volumes in sovereign fixed income instruments reaching well above KES 2 trillion. That level of liquidity did not emerge immediately; it was the result of consistent issuance, institutional participation, benchmark curve development, market-making structures, and a progressively maturing investor base.

In Ethiopia's case, we are optimistic we will see increasing institutional engagement in secondary activity, particularly among banks and other liquidity-managing institutions. The market will gradually move beyond purely primary auction participation toward more active balance sheet and liquidity optimization behavior. Retail participation remains at an early stage, which is not surprising. Fixed income markets typically develop institutionally first before broadening to wider public participation. Over time, however, we expect the development of collective investment schemes, particularly money market funds and fixed income funds, as well as participation of foreign investors to play a major role in deepening both primary and secondary market activity. To further deepen secondary market liquidity, the potential introduction of a repurchase agreement (repo) market could also play an important catalytic role. This is ultimately a policy decision that would need to be taken by the relevant authorities, such as the National Bank of Ethiopia, in line with broader monetary and financial stability considerations.

For now, to support this evolution, ESX has been focused on capacity building, advocacy and building fit-for-purpose market infrastructure that supports efficient secondary trading, trade reporting, transparency, and post-trade processes. The recent changes to our rules allowing more direct participation by institutional investors in OTC debt trading are also intended to reduce friction and encourage more continuous market-making and inter-institutional activity.

***The Business Side: As Ethiopia's capital market matures, what specific reforms or incentives is the ESX prioritizing to make the exchange more attractive to international investors while balancing domestic priorities?***

**Tilahun:** As Ethiopia's capital market continues to mature, our approach at ESX is grounded in a clear principle: building an attractive and investable market for international investors is not separate from building a deep, credible domestic market, it is the same agenda, executed in a disciplined and sequenced manner.

From ESX's perspective, the most important priority remains doing what exchanges fundamentally exist to do, which is to significantly expand the number of listed companies and financial products available in the market. Depth of listing is the single most powerful driver of liquidity, diversification, and foreign investor interest. A market with a narrow set of securities, regardless of how well it is structured, will always face constraints in attracting meaningful international allocations. Therefore, our core focus is on expanding both equity listings and fixed income instruments, alongside the gradual introduction of new products such as

sustainable debt instruments, commercial papers, Islamic instruments, REITS ETFs, and other structured instruments.

Alongside product expansion, we place strong emphasis on market visibility and communication. International investors do not only allocate based on fundamentals; they allocate based on clarity, accessibility, and confidence in the market narrative. This requires sustained engagement with global investors, clear articulation of Ethiopia's capital market reform trajectory, and consistent dissemination of reliable market information. ESX is therefore strengthening its communication, investor relations, and advocacy efforts to ensure that the market is not only functioning, but also properly understood internationally.

A third critical pillar is data infrastructure and accessibility. Modern capital markets are data-driven ecosystems, and investor participation, particularly from foreign institutional investors, depends heavily on the availability, reliability, and standardization of market data. In this regard, ESX is investing in the development of robust market data services, including indices that reflect the performance of the Ethiopian market in a transparent and investable format. The development of domestic benchmark indices is also a necessary step toward eventual inclusion in global emerging and frontier market index frameworks, which is something we are actively working toward over time in collaboration with relevant stakeholders and index providers.

Index inclusion is not an end in itself, but it is an important milestone because it significantly broadens the investor base, improves visibility, and enforces global standards of data quality, governance, and transparency. Achieving this requires sustained progress across multiple

dimensions, including liquidity, free float, settlement efficiency, regulatory clarity, and market openness.

At the same time, it is important to emphasize that attracting international investors cannot come at the expense of domestic market development. Our approach is therefore balanced: we are building a market that first serves domestic capital formation needs while ensuring that its structure, governance, and infrastructure are aligned with international best practice. In fact, we see strong domestic participation, particularly from institutional investors such as pension funds, insurance companies, and asset managers, as the precondition and foundation upon which sustainable foreign participation will be built.

***The Business Side:*** *How would you assess the current state of financial journalism in Ethiopia, and why is high-quality, independent financial reporting and analysis particularly important for the development of a transparent, trusted, and functional capital market?*

**Tilahun:** Markets are fundamentally information systems. At their core, they are mechanisms for allocating capital efficiently to its most productive uses, and that allocation only works properly when information is accurate, timely, credible, and widely accessible. In that sense, the quality of a capital market is inseparable from the quality of its information ecosystem.

While formal disclosures, prospectuses, financial statements, regulatory filings, and exchange announcements, form the backbone of market transparency, they are not sufficient on their own. This is especially the case for a nascent market like ours as majority of retail investors are not necessarily professional investors.

A significant portion of market interpretation, especially for retail investors, is shaped by financial journalism and broader news media. Journalists therefore play a critical intermediary role: they translate complex financial and corporate information into accessible narratives that influence participation, sentiment, and ultimately capital allocation decisions.

This places a strong responsibility on financial journalists to operate with high ethical standards, accuracy, and a clear understanding of market mechanics. Reporting on capital markets is not the same as general news reporting. I believe this is one of the few areas that local journalists should learn to report even when the news is positive, unlike what I personally feel is a predominant negative and braking news reporting in the socio-political space. Hence financial reporting requires discipline in distinguishing between noise and signal, understanding the difference between liquidity events and structural changes, and ensuring that reporting does not unintentionally distort price formation or investor perception.

In Ethiopia, one of the structural gaps we continue to observe is the relative underdevelopment of specialized financial journalism. Much of the financial coverage tends to be either high-level or heavily influenced by broader political narratives, which often emphasize negative developments while not fully capturing the underlying market structure, reforms, and long-term institutional progress. This is not unique to Ethiopia, but it is more pronounced in emerging markets where financial literacy and market depth are still developing simultaneously.

We recognize that building a functioning capital market is not only about i

nfrastructure, regulation, and products, it is also about building the broader ecosystem of understanding. This is why we have placed increasing emphasis on specialized capacity building activities for journalists through targeted training programs as well as self paced training such as those provided under the ESX Digital Academy. These initiatives are specifically designed to help journalists better understand how capital markets operate, how to interpret market data, and how to distinguish between primary market developments, secondary market dynamics, and broader macroeconomic or political narratives. We also value partnerships and external support in this area, including training initiatives such as those delivered with Bloomberg. These efforts are important because they help bridge the gap between global financial reporting norms and local market realities.

Ultimately, our message is that a well-functioning capital market depends on informed information dissemination as much as it depends on infrastructure and regulation. Journalists should not be passive observers of the market, they should play active role in shaping how information flows through the system. When that role is performed with accuracy, balance, and professionalism, it enhances trust, improves price discovery, and strengthens overall market efficiency. As the Ethiopian capital market develops, strengthening financial journalism will remain a critical pillar in ensuring that markets are not only well-built, but also well-understood.

***The Business Side: Where you would like to see the market in the coming five years.***

**Tilahun:** Over the next five years, our ambition for ESX is clear and deliberately focused, (you may see our five year published on our website): to transition from a newly established exchange into a fully functioning, credible, and investable capital market that can stand shoulder to shoulder with its regional peers.

At the core of our five-year strategy is market deepening and expansion. This means a significant increase in the number of listed companies, a broader range of tradable instruments, and the gradual development of a full capital market product suite across equities, government securities, and corporate bonds. A deeper market is not only about scale; it is about creating meaningful choice for investors and efficient avenues for capital formation across the economy.

Equally important is the development of a balanced and active investor base. Over the next five years, we expect to see stronger participation from retail investors through improved access channels and collective investment schemes, more sophisticated and active engagement from domestic institutional investors such as pension funds, insurance companies, and asset managers, and a gradual but meaningful increase in participation from foreign investors as market infrastructure, data transparency, and market infrastructure that continues to align with international standards.

A key strategic objective is to ensure that ESX evolves into a platform that is trusted for capital formation by both the public and private sectors. On the public side, this means establishing a deep and liquid government securities market that supports

efficient sovereign financing and the development of a credible yield curve. On the private side, it means creating a functioning equity and corporate bond market where companies can raise long-term capital efficiently, transparently, and at competitive pricing.

Ultimately, the five-year vision is for ESX to be recognized as a core pillar of Ethiopia's financial system, one that effectively channels domestic and international savings into productive investment, supports economic transformation, and provides a reliable platform for both government and corporate financing needs.

# Shockwaves from Hormuz: Ethiopia's Households Feel the Squeeze



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On a Tuesday morning in late April, Girum Haile arrived at a fuel station in Addis Ababa's Bole district before sunrise. It was his third attempt in two weeks. By then, the queue already stretched half a kilometer. Four hours later, when he finally reached the pump, the diesel was gone. Come back tomorrow, the attendant said.

Girum drives a minibus along the Megenagna–Merkato route, one of the arteries of the capital's informal transit economy. Before February, petrol cost him about 85 birr a liter. Today, it is 142 Birr, a 67% increase in less than ten weeks. Diesel, the fuel that powers trucks, buses, and farm equipment, has climbed past 163 Birr.

"I try to raise fares," he told The Business Side, "but passengers complain." If I don't, I lose money."

That feedback loop, rising fuel costs feeding into higher transport fares, pushing up food prices, eroding demand, is no longer confined to drivers like Girum. It has become a defining feature of daily economic life across Ethiopia. Its origins lie far from Addis Ababa, in a narrow maritime corridor between Iran and Oman.

The closure of the Strait of Hormuz in late February followed a rapid escalation in tensions between Iran, the U.S., and Israel after the collapse of nuclear negotiations and a brief air conflict in 2025. When U.S. and Israeli strikes hit Iranian targets on Feb. 28, Tehran responded by shutting the strait, a chokepoint through which roughly a quarter of global seaborne oil passes each day. Within 48 hours, major shipping lines halted transit. Tankers idled outside the waterway rather than risk attack. What followed, according to the International Energy Agency, was the largest oil supply disruption in modern market history.

For energy-diversified economies, such a shock is severe. For Ethiopia, it is structurally destabilizing. The country produces no commercial crude and depends overwhelmingly on imports from Gulf producers. More than 90% of those imports move through a single corridor: Djibouti. That leaves a nation of 130 million acutely exposed to disruptions that originate thousands of kilometers away but move quickly through tightly constrained supply chains.

Yet the severity of the current crisis cannot be explained by external shocks alone. Speaking before legislators in early April, Minister of Trade and Regional Integration Kassahun Gofe acknowledged that structural problems in the sector predated the disruption. An economist in Addis Ababa put it more bluntly. “The war delivered the final blow to a system already fragile, heavily subsidized, operationally constrained, and undermined by a large parallel market,” he told The Business Side.

Those vulnerabilities are visible in the architecture of Ethiopia’s fuel system. The Ethiopian Petroleum Supply Enterprise (EPSE), the state monopoly responsible for importing and distributing fuel, operates just 14 depots nationwide. More critical is the absence of a meaningful strategic reserve that can last beyond a few days. Now, those structural weaknesses are intersecting with a corruption case that has further complicated the supply picture. Federal prosecutors have charged 13 officials, including EPSE’s chief executive, with diverting fuel into contraband markets. Among the allegations are the disappearance of dozens of fuel tankers and billions of Birr in off-system sales. With proceedings ongoing, officials have offered little public comment, making direct attribution difficult. But the case reinforces a broader sense that the system’s fragility is not just logistical but institutional.

The result was to leave households fully exposed just as prices surged. After years of gradual increases, Ethiopian consumers faced a sudden vertical shock without the cushioning effect subsidies once provided.

Finance Minister Ahmed Shide has sought to contain the fallout. Presenting a ninemonth performance report to parliament in early May, he said the government had continued to absorb part of the burden, allocating roughly 100 billion Birr annually to stabilize prices rather than passing the full increase to consumers. He also noted that diesel flows through Djibouti have recovered to about 9 million liters per day after initially falling by roughly half, and pointed to a newly secured \$600 million crisisresponse facility, part of a broader \$1.6 billion external financing package, as evidence of the government’s efforts to stabilize supply and finances.

On the ground, the picture is more equivocal.

In the weeks immediately following the closure of the Strait, more than 180,000 tonnes of fuel failed to reach the country, according to the Trade Ministry. Daily diesel supply fell from roughly 9.2 million liters to 4.5 million. Long queues reappeared at filling stations, and the government introduced controlled distribution, prioritizing essential sectors. Some public employees were instructed to take leave in an effort to reduce demand, measures that, while necessary, underscored the system’s limited resilience.

From there, the shock moved quickly into food prices. In many African markets, transportation accounts for between 30% and 50% of the final cost of food. Each increase at the pump is transmitted almost directly to consumers. Ethiopia’s inflation data reflects that dynamic. Headline inflation rose to 11.7% in April from 9.4% in March, while food inflation climbed to 13.5%. Transport costs increased 13% year-on-year, reinforcing a pass-through effect that is both rapid and difficult to reverse.



**Ethiopia's inflation data reflects that dynamic. Headline inflation rose to 11.7% in April from 9.4% in March, while food inflation climbed to 13.5%. Transport costs increased 13% year-on-year, reinforcing a pass-through effect that is both rapid and difficult to reverse.**

Rising fuel costs are no longer confined to transport alone; they are cascading across the wider economy, embedding themselves in the price of nearly every essential input. In construction, where logistics and imported materials already strain budgets, the effects have been particularly acute.

Jemil Mohammed, a subcontractor working across several building projects in Addis Ababa, describes an environment where cost assumptions can shift within weeks. Nearly every major construction input has risen sharply alongside fuel, he says

, complicating planning and stretching timelines in ways that are increasingly difficult to manage. "Almost every construction input has risen in price," he told The Business Side, noting that delays are becoming routine, often unavoidable even in the absence of other disruptions, "without guarantees of on-time delivery."

A slower but potentially more consequential shock is unfolding in agriculture. Ethiopia imports more than 90% of its nitrogen fertilizer, much of it from Gulf producers now affected by the same disruptions hitting oil markets. Prices have surged sharply, with urea rising from about \$400 to nearly \$700 per metric ton in a matter of weeks. At the same time, supply chains have become less predictable, complicating delivery during a critical planting window.

Agriculture accounts for roughly 35% of Ethiopia's GDP and employs more than 70% of its population. Even short delays in fertilizer application can reduce yields, with effects that extend into future harvests. FAO Director-General Qu Dongyu has warned that missed application windows force farmers to scale back or abandon fertilizer use altogether, tightening food supply into late 2026 and beyond.

Government officials say procurement reforms and existing stockpiles have helped mitigate the disruption. State Minister for Agriculture Meles Mekonnen has said more than 2 million metric tons of fertilizer have been secured, with significant volumes already distributed. But reports from farming regions suggest that delays persist, particularly in more remote areas where distribution depends on diesel-powered transport networks already under strain. When inputs do arrive, they often come at significantly higher prices, challenging a

predetermined cap of 82 billion Birr nationally for fertilizer subsidies.

As with most commodity shocks, the burden is uneven. Lower-income households, which spend a larger share of their income on food, are disproportionately affected. Rural areas, further from logistics hubs and more dependent on diesel-powered systems, are experiencing sharper price increases than urban centers. Ethiopia also sits at the intersection of long-term ambition and short-term constraint. The country is investing heavily in renewable energy. But that transition has yet to reshape the sectors that underpin everyday economic activity. Transport, logistics, and agriculture remain overwhelmingly reliant on imported fossil fuels.

Plans to change that are underway. Construction has begun on a refinery intended to reduce dependence on imported refined products. But such projects will take years to complete and depend on supply chains that are themselves uncertain. In the near term, Ethiopia remains tightly bound to external energy markets and the geopolitical risks that accompany them.

Those risks are unlikely to dissipate quickly. U.S. officials have warned that clearing the Strait could take months even after hostilities end, suggesting that disruptions may persist well into the year. For policymakers, the challenge is to manage a crisis largely beyond their control while maintaining social and economic stability at home.

For households, the timeline is more immediate and less abstract. Each day brings new prices, for fuel, for food, for transport, and each increase forces difficult adjustments. Consumption is reduced, travel is limited, and margins shrink.

# Ethiopia's 16% Problem: Investors Still Won't Touch One-Year T-Bills



BY GEMECHU BIREHANU

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Ethiopia's Treasury-bill market has become one of the clearest early wins of the country's macroeconomic reforms. Since August 2024, the government has raised more than 1.14 trillion Birr through 43 auctions, helping authorities replace inflationary central-bank financing with market-based borrowing.

But beneath the headline success sits a problem policymakers have yet to solve: investors still don't want to lend to the government for a full year.

The resistance is concentrated almost entirely in the 364-day Treasury bill, the longest tenor in Ethiopia's fledgling money market. Of the 43 one-year auctions held between August 2024 and April 2026, 33 were undersubscribed. One auction in October 2025 failed to attract a single bid.

The average bid-to-cover ratio for one-year paper stands at just 0.62 times, according to National Bank of Ethiopia auction data reviewed by The Business Side. By contrast, 28-day bills have routinely been oversubscribed, at one point drawing demand equivalent to 47 times the amount offered. In comparable frontier markets, a healthy bid-to-cover for longer-dated government paper typically sits above 1.5 times; Ethiopia's one-year market has not crossed that threshold in a single auction since the programme began.

The message from investors is blunt: short-term lending is acceptable. Long-term commitment is not.

The T-bill market itself is a product of one of the most compressed macroeconomic reform cycles in recent African history. In July 2024, Ethiopia floated the birr, allowing the exchange rate to be set by the market for the first time since the socialist era. That move unlocked a longstalled IMF programme worth roughly 3.4 billion USD, which in turn triggered additional multilateral support. The T-bill auctions were introduced the following month as part of a wider effort to move government financing off the central bank's balance sheet and onto market terms.



## Ethiopia's Yield Curve Is Sending a Warning

**EXHIBIT 1** T-Bill Yield Trajectory by Tenor *NBE Auction Data, Aug 2024–Apr 2026*

TENOR	YIELD AUG 2024	PEAK YIELD (2025)	YIELD APR 2026	AVG BID / COVER
28-day	25%	0.61	1st / 18	1st / 18
91-day	17.5%	0.60	8th / 18	8th / 18
182-day	15%	0.57	10th / 18	10th / 18
364-day	20%	0.43	14th / 18	14th / 18

Source: NBE, Auction Nos. 957–1002. Compiled by The Business Side. † 364-day row highlighted; avg bid cover in red signals structural under subscription.

The divergence reflects more than temporary liquidity conditions. It reveals a deeper structural weakness in Ethiopia's financial system, the absence of natural long-duration investors.

"Banks prefer short-term tenors because their liabilities are mostly short-term deposits," Fikadu Digafe, Vice Governor and Chief Economist at the NBE, told The Business Side. "Pension funds, which normally absorb long-term government securities in developed markets, are still not sufficiently active."

The gap is structural. Ethiopia's Public Servants Social Security Agency (PSSSA/EPSSA) and Private Organisations Employees Social Security Agency (POESSA), the country's two main pension funds, collectively manage assets of roughly 520–550 billion Birr (as of mid-2025), which, while substantial, still represents only a fraction of the government's overall domestic debt stock and highlights the limited depth of the

investor base for its large outstanding T-bill issuance.

In Kenya, pension funds managed by the Retirement Benefits Authority held assets equivalent to roughly 20 percent of GDP as of 2024, giving them the balance-sheet depth to anchor the longer end of the yield curve. In Ethiopia, that anchor does not yet exist.

That imbalance has left the government heavily dependent on short-term financing even as borrowing costs remain elevated.

Yields across the curve surged during Ethiopia's tightening cycle in 2025, with one-year T-bill yields peaking at 21.99% in October. While short-end yields have since retreated sharply, longend yields remain stubbornly high.

The 28-day bill now yields around 11%, roughly back to where it started in 2024. The 364-day bill, however, still trades near 16.3%.

That disconnect has dramatically steepened Ethiopia's yield curve. The spread between one-year and 28-day bills has swung from negative territory in 2024 to more than five percentage points today. A steep curve of this kind typically signals that markets expect either persistent inflation, continued policy tightening, or both, none of which encourages appetite for longer paper.

Ordinarily, higher long-term yields should attract investors. In Ethiopia, they haven't.

## Why 16% Isn't Attractive Enough

To many foreign observers, a 16% government yield in a country where inflation has fallen below 10% might appear extraordinarily attractive. Local banks see something else entirely: a liquidity trap.

*"The issue isn't the yield itself. The issue is that banks may need that liquidity tomorrow."*

— Firaol Getahun, Awash Capital

The arithmetic is punishing. Ethiopia's seven-day interbank rate is hovering near 17.9%, above the yield offered on one-year government paper. For banks already operating under liquidity pressure, locking funds into a 364-day instrument yielding less than the cost of short-term funding effectively guarantees negative carry.

In other words, banks are paying to become less liquid. The pressure is particularly acute in a banking system where several institutions have recently struggled to meet central-bank liquidity stress tests, according to market participants.

That has made treasury desks reluctant to lock billions of Birr into assets they may struggle to exit if funding conditions tighten further.

### EXHIBIT 2 The Rate Stack *Why 16% Isn't Enough*

INSTRUMENT	LEVEL	WHAT IT MEANS
NBE Policy Rate	15.0%	Floor rate anchoring bank bidding behaviour
364-day T-bill cut-off yield	16.32%	Premium over policy rate: +132 bps — thin for a 12-month lock-up
7-day interbank rate	17.9%	158 bps above the 364-day yield — banks earn more doing nothing
Negative carry (lock-in cost)	-190 bps	The invisible tax on every one-year bid
CPI inflation (Feb 2026)	9.7%	Real 364-day yield: +6.62% — attractive on paper, not in practice

Source: NBE, May 2026.

## The Real Fear Is Policy Risk

Investors also worry Ethiopia's rate cycle may not be over.

If the National Bank of Ethiopia raises policy rates further, existing one-year bills yielding 16% could rapidly lose value. In mature markets, investors would typically hedge or sell such exposure through a deep secondary market.

The NBE began its tightening cycle in the second half of 2024, raising the policy rate from 7% to 15% in a series of steps designed to anchor inflation expectations following the birr's devaluation. The pace of tightening was among the sharpest in Sub-Saharan Africa over that period. While the central bank has held the rate steady since early 2026, market participants have not yet been given clear forward guidance, leaving the duration of the pause uncertain.

Ethiopia's secondary market is still developing. That leaves banks exposed to duration risk with limited exit options.

"The yield curve is still too flat relative to the risks," Firaol told The Business Side. "A three- or four-percentage-point premium over short-term bills isn't enough compensation for inflation shocks or another policy-rate increase."

There are also more profitable alternatives. Private-sector credit growth remains strong at around 45% year-on-year, while high-quality corporate lending can generate returns approaching 20%, making government securities comparatively less attractive despite their lower risk profile.

Even Ethiopia's moderating inflation offers limited reassurance. Any future birr devaluation could quickly erode the real return investors currently earn on one-year paper. The birr has depreciated by more than 170% against the dollar since the July 2024 float, and while the pace has slowed, investors with any foreign-currency exposure remain cautious about locking into fixed-rate birr instruments for extended periods.

## A Market Reform That Already Changed Ethiopia

For policymakers, however, the Treasury-bill market has already achieved something more important than perfect demand curves.

"It stopped money printing," Fikadu said. That may ultimately prove to be the market's most consequential achievement.

Historically, Ethiopia financed large portions of its fiscal deficit through direct central-bank lending, a practice widely viewed by economists as structurally inflationary. The expansion of the T-bill market has allowed the government to replace part of that monetary financing with market-based borrowing.

In the first nine months of the current fiscal year alone, Treasury bills generated 205 billion Birr in net financing that would previously likely have been monetised by the central bank, according to the NBE. Broad money growth, which exceeded 30% annually in the years before the reform, has

since moderated, a development the IMF credited in part to the shift toward market-based financing in its most recent Article IV consultation.

That shift represents one of the most significant institutional reforms in Ethiopia's financial architecture in decades.

## The Next Test for Ethiopia's Capital Market

Both policymakers and investors agree on what needs to happen next.

Banks need greater liquidity confidence. Interbank rates likely need to fall below one-year T-bill yields. The Ethiopian Securities Exchange must develop a functioning secondary market capable of turning government paper into a tradable liquid asset rather than a one-year lockup.

The Ethiopian Securities Exchange, which launched equity trading in 2024, has indicated that a government securities segment is among its near-term development priorities. A functioning secondary market for T-bills would allow banks to manage duration risk actively rather than treating each bill as an illiquid hold-to-maturity position—the condition that currently makes the 364-day instrument structurally unattractive regardless of yield.

Investors also need confidence that Ethiopia's tightening cycle is nearing an end. Until then, short-term bills will likely continue dominating demand.

For now, Ethiopia's Treasury market remains a paradox: a market strong enough to end monetary financing, but still too fragile to

convince investors to lend for 364 days.

The clearest measure of that change may come down to a single number.

When one-year T-bill auctions consistently attract demand above the amount offered—and do so from a broad investor base rather than a handful of liquidity-constrained banks—Ethiopia's capital market may finally have crossed from policy experiment to institutional maturity.

Until then, as Firaol put it, "the 364-day auction remains a lonely place."



# Bitcoin Gamble: Ethiopia's Accidental Forex Machine Faces Toughest Test.

*The state-owned power seller earned \$366 million in foreign currency in nine months, 73 percent of it from Bitcoin miners consuming a third of the country's electricity. Rates are being restructured. The government is weighing its next move.*



**BY BEREKET GUDISA**

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In the first nine months of the current fiscal year, Ethiopian Electric Power (EEP) generated 24,970 gigawatt-hours of electricity and earned \$366 million in foreign currency—up \$138 million from a year earlier. The largest single source of that hard currency for the state-owned bulk power seller wasn't cross-border electricity sales or industrial demand.

It was Bitcoin miners.

Data mining companies, as the state currently labels them, paid EEP \$269 million during the period, a figure already 22% higher than its earnings from the miners for the whole of last year, according to data analyzed by The Business Side. Despite crypto-trading being banned in the country, Bitcoin mining has evolved into a gusher of foreign currency for the state over the past five years. The Ethiopia Energy Outlook [report](#), a multi-stakeholder state-led publication, estimated that Bitcoin miners might be consuming up to a third of the country's electricity generation.

Noting strains on the grid from the mining activity, EEP announced in August last year that it would not be entering power purchasing agreements with any new entrants. A few months later, it clamped down harder by revising the tariffs for Bitcoin miners set to take effect by December. The framework replaces a flat rate of around \$0.0314 per kilowatt-hour with a more complex system that incorporates time-of-use pricing and an availability-based rate. For the miners whose electricity bill swallows nearly 60% of revenue, the tariff revision could prove to be an existential threat. The two-year-old arrangement in which the miners paid for electricity in foreign currency is set for its biggest test. With rates being restructured and a new strategic plan under development, the terms of that relationship are being redrawn.

<b>TOTAL GENERATION (9 MONTHS)</b>	<b>24,970 GWh</b>	FY 2025/26 · EEP Q3 Report
<b>FOREX EARNINGS</b>	<b>\$366M USD</b>	+\$138M over prior year
<b>DATA MINING REVENUE</b>	<b>\$269M USD</b>	73% of total forex earnings
<b>INSTALLED CAPACITY</b>	<b>9,752 MW</b>	Up from 4,462 MW in 2019

Source: EEP Q3 Report, FY 2025/26

Bitcoin mining’s rise in Ethiopia has coincided with a massive expansion in power generation. Installed generation capacity has more than doubled in seven years, from 4,462 megawatts in 2019 to 9,752 megawatts today. The national transmission network now spans more than 21,000 kilometers of lines operating at voltages from 132 to 500 kilovolts. Gains in access to the grid remain limited, at close to 54 percent of households.

The Grand Ethiopian Renaissance Dam (GERD), the largest hydroelectric project in Africa, anchors the system. Inaugurated in September of last year, the dam generated 13,778 gigawatt-hours in the first nine months of the fiscal year, utilizing 42.85 billion cubic meters of water and reaching 84.9 percent of its planned water use target. Of the 24,970 GWh produced nationally, GERD supplied more than half.

Despite annual production growth exceeding 20 percent, system losses remain between five and six percent, within internationally accepted benchmarks. EEP reported one grid outage throughout the period, which it characterized as unrelated to mining activity.

**“We are at 9,700 megawatts of installed capacity. We use around 5,000 at peak time. We have addressed 54 percent electrification across the full population. So we are considering using the standard power.”**

— Moges Mekonnen, EEP Communications Director, to *The Business Side*

EEP earned 90.16 billion Ethiopian Birr from combined domestic and export sales in the ninemonth period. Electricity exports to Kenya, Tanzania, and Djibouti accounted for just 26 percent of the \$366 million total forex figure, with Bitcoin miners contributing the rest. EEP’s full-year target is \$450 million across all revenue streams. Moges’s reference to —standard powerll signals a longer-term ambition: as domestic demand grows and new transmission corridors open, the authority wants the flexibility to redirect surplus capacity toward higher-value commercial markets rather than remaining locked into discounted mining tariffs.

Bitcoin mining now occupies a structurally significant position in the country’s foreign currency earnings. For a country that held barely three weeks of import cover in foreign reserves just two years ago, shutting down a

The framework also introduces an Availability-Based Tariff (ABT) system. In periods of hydrological shortage or other supply constraints, data mining companies will pay discounted rates proportionate to the reduction in electricity received. Under Phase 1 rates, if supply falls to 60–69 percent of contracted levels, the effective rate drops from 4.0 cents to 3.24 cents per kilowatt-hour.

QRB Labs, Ethiopia's first licensed mining operator, submitted a formal analysis to EEP in October 2025 projecting that nearly half of Ethiopian mining operations will become unprofitable by mid-2026 under Phase 1 rates, with the figure rising to roughly 90 percent by 2027 under Phase 3. The estimated revenue impact to EEP, by QRB's calculations, exceeds \$300 million annually by 2027.

"The current proposal risks eliminating a growing digital export sector that contributes both foreign exchange and grid-balancing demand," the company warned in a [public notice](#).

EEP's position is that the sector serves a defined function within a broader energy strategy. "The sector is not a long-lived business for the country," Moges said. "When domestic need grows, the priority is given to domestic use. We are not dependent on data mining, but it is one of our tools."

Until very recently, EEP was burdened by crippling debt levels that had long undermined its financial health. As one of Ethiopia's most indebted state-owned enterprises, EEP carried hundreds of billions of birr in liabilities, much of it owed to the Commercial Bank of Ethiopia—before major government interventions. Bitcoin mining has offered high-value, hard-currency contracts that support grid expansion and overall viability while surplus power is

available, positioning it as a pragmatic short-to-medium-term tool. A swift exit from the sector unlikely in the near term, even as domestic demand grows, despite official statements framing it as non-core.

[The E2C Partners Ease to Mine Index 2026](#), a survey of 48 industry respondents across 18 countries, published in March 2026, provides a structured external benchmark of Ethiopia's mining environment. Its composite score reveals a sharp divergence between energy strengths and the regulatory environment.

Ethiopia ranked 11th of 18 nations overall, with a composite score of 0.51, classified as "neutral." On Energy and Grid, weighted at 25 percent of the total score, it ranked first in the world with a score of 0.61, reflecting 96 percent hydropower generation and the fact that less than 20 percent of the country's exploitable hydro potential has been developed. On Legal Framework, it ranked 14th with a score of 0.37, below the 18-country average of 0.54.

pipeline now worth hundreds of millions annually would carry a real fiscal cost. Mining revenue has grown from \$55 million in FY 2023/24 to \$220 million in FY 2024/25 and \$269 million through nine months of the current year, a progression that has made the sector difficult to displace even as its political complications multiply.

Thirty-six data mining companies, of which a majority are Chinese, have signed power purchase agreements with EEP, though not all are currently active. “All companies that signed agreements are not functional. Some have not used their licenses. Some cases have legal issues,” Moges told The Business Side. Nearly 20 are reported to be operationally active.

Moges described the contribution of mining revenue to infrastructure as significant but difficult to isolate. EEP imports approximately 85 percent of its technical equipment in foreign currency, making hard currency earnings an operational requirement, not discretionary income. Financing draws on multiple channels simultaneously, EEP’s income, letters of credit, and external lenders. “The infrastructure work is long-term. It is difficult to mention the specific amount of data mining revenue directly pooled into infrastructure building,” he said.

Peak-hour demand management shapes EEP’s operational calculus. Domestic electricity consumption follows a predictable daily pattern, low through the early morning, rising from midday, peaking between 6 p.m. and 10 p.m. Mining operations, which run around the clock, provide revenue-generating demand during hours when surplus capacity would otherwise go unused.

EEP implemented a restructured electricity pricing schedule effective December 1, 2025. In a letter to data mining companies dated October 27, 2025, the authority described the change as “a crucial step to maintain a reliable, secure, and sustainable electricity supply for all major consumers.” The pre-revision structure had offered a flat rate of approximately 3.14 US cents per kilowatt-hour, with VAT not actively enforced on mining hardware.

The replacement is a three-phase Time-of-Use framework that divides each day into peak hours (6 p.m.–10 p.m.), shoulder hours (5 a.m.–9 a.m.), and off-peak hours (9 a.m.–6 p.m. and 11 p.m.–5 a.m.). All listed rates include a 15 percent VAT and a 0.5 percent regulatory fee, with the possibility of further taxes should government policy dictate.

PHASE	PERIOD	PEAK6pm–10pm	SHOULDER5am–9am	OFF-PEAK9am–6pm & 11pm–5am	AVG BASERATE
Pre-revision	Before Dec 1, 2025	~3.14¢	~3.14¢	~3.14¢	~3.14¢
Phase 1	Dec 1, 2025 – Jul 7, 2026	6.0¢	4.5¢	3.5¢	4.0¢ avg
Phase 2	Jul 8, 2026 – Jul 7, 2027	6.3¢	5.55¢	4.65¢	5.0¢ avg
Phase 3	Jul 8, 2027 – Jul 2028	7.2¢	6.45¢	6.35¢	6.5¢ avg

Source: EEP letter to data mining companies, October 27, 2025; Addis Fortune, “Power Co. Unleashes Tariff Shock Rattling Crypto Mining Industry,” November 2, 2025 (Vol. 26, No. 1331), by Surafel Mulugeta.

PILLAR	WEIGHT	SCORE	GLOBAL RANK
<b>Energy &amp; Grid</b>	25%	0.61 ★	1st / 18
Permits & Licensing	17.5%	0.60	8th / 18
Customs & Tariffs	15%	0.57	10th / 18
Fiscal Framework	20%	0.43	14th / 18
Climate Conditions	5%	0.42	11th / 18
Legal Framework	17.5%	0.37 ▼	14th / 18
<b>OVERALL</b>	<b>100%</b>	<b>0.51</b>	<b>11th / 18</b>

Source: E2C Partners — Ease to Mine Index 2026, First Edition, March 2026. 48 respondents, 18 countries

Hashrate data tracks the energy advantage’s effect directly. Ethiopian mining operations contributed 27.5 exahashes per second to the global Bitcoin network in Q1 2026, up from 12 EH/s one year earlier, a 129 percent increase. With the global network running at roughly 800 EH/s, Ethiopia’s miners now account for an estimated 3 to 4 percent of total Bitcoin hash power, a share that would rank the country among the top five mining nations globally. Argentina, another energy-rich destination that once competed for the same capital, contracted from 6.0 EH/s to 3.5 EH/s over the same period.

The countries that lead the EMI index, Oman at 0.75, the United Arab Emirates at 0.71, combine energy access with deliberate policy coherence across multiple pillars: tax exemptions, zero import tariffs, free-zone incentives, and state-backed infrastructure. Ethiopia leads the world on energy cost and quality but ranks 14th on legal framework and 14th on fiscal structure. Closing that gap, not building more dams, is what the country’s next phase of mining policy will have to address.

EEP's new strategic plan will outline what sectors the state-owned-enterprise considers favorable and how it intends to sustain its infrastructure base. On a two-year revenue forecast, Moges said the volatility of the sector makes projection difficult. "The data mining sector is highly volatile. The business migrates rapidly. Depending on a country's conditions, it moves from one country to another," he said.

On the generation side, Ethiopia's capacity trajectory points toward a significant long-term surplus. National targets extend to 17,000 megawatts in the coming decade. GERD's current installed capacity stands at just over 5,000 megawatts, and less than 20 percent of the country's exploitable hydropower potential has been developed.

Mining revenue is tracking above last year's full-year figure with three months of the fiscal year still remaining. At the Finance Forward Ethiopia 2026 conference in January, Prime Minister Abiy Ahmed highlighted the sector's potential through public-private partnership. Whether operator sustainability holds under rising rates, and what shape that government engagement takes, are the questions this year will begin to answer. What is already clear is that Ethiopia built a significant forex earner almost by accident, and now faces the harder task of deciding, deliberately, what it wants that relationship to become.

# The Last Mile Is the Longest: Inside Ethiopia's E-Commerce Struggle



**BY DANIEL METAFERIYA**  
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Almost every morning in the Ethiopian capital, Eba Nizamu's car is a mobile warehouse, its interior a Tetris of pasta packets, cooking oil tins, and laundry soap bound for the doors of customers who clicked "buy" the night before. Eba, a 32-year-old retailer who goes by Eba Supplies, makes his living listing goods on a handful of emerging digital platforms: Zemen Gebeya, Giji, and Ethio Post. He became a digital vendor on top of his brick-and-mortar shop two years ago, hoping to tap into a budding online market.

***"Everybody knows the product. Pasta is pasta. Soap is soap,"***

*— he says, weaving through the gridlock that chokes Addis Ababa's streets.*

***"What some clients want is avoiding physical shop visits altogether"***

His model is built on a wager against physical friction. A customer requests a sample, he hand-delivers it, waits while they inspect, and if they approve, he finalizes the order. If they dislike it, he replaces it.

***"Most clients who came online soon become offline customers, even requesting items not listed on my digital shop,"***

*— he told The Business Side..*

A few years ago, this scene was impossible. Ethiopia's digital economy was hamstrung by a cash-and-carry culture, a vast unbanked population, and patchy payment infrastructure. The rule was ironclad: if a buyer could not touch the product and hand over paper currency, the transaction did not exist.

The transformation since has been startling. The government's Digital Ethiopia 2025 strategy, which introduced ordinances like mandatory digital payments for fuel, has enabled the meteoric rise of mobile wallets. Platforms like Telebirr, an offshoot of the majority state-owned Ethio Telecom, have effectively erected a digital payments ecosystem almost overnight. Telebirr alone now boasts more than 50 million users and has processed billions of dollars in transactions in four years. Peer-to-peer transfers now pulse across the capital with a speed that would have been unimaginable just five years ago.

The payments revolution, however, is sitting atop a narrower base than the headline numbers suggest. According to the World Bank's Global Findex database, only 46 percent of Ethiopian adults held any form of financial account as of 2022 and only 20 percent had made or received a digital payment in that year, below the Sub-Saharan Africa average. The number of banked adults increased by just 3% until 2025. Cash on delivery remains the dominant fulfilment model for physical goods across the country's platforms, not by design but by necessity: a large share of buyers either lack the digital payment tools or the confidence to use them. For e-commerce, this is not a marginal inconvenience. It means that every order carries the operational and financial risk of a transaction that can be refused at the door.

As [one report](#) from a group of stakeholders tapped into Ethiopia's tech economy makes clear, the country's e-commerce infrastructure is built on shallow foundations. The study, which maps Ethiopia's e-commerce ecosystem, reveals a sector humming with promise but starved of scale: 58 percent of platforms generate less than \$10,000 in annual revenue. Only a tiny fraction, roughly 2 percent, break past the half-million-dollar mark.

The scale problem begins with reach. According to DataReportal's [Digital 2025 report](#), just 21.3 percent of Ethiopia's 134 million people used the internet at the start of this year, meaning 105 million Ethiopians remained offline. Of those who are connected, the overwhelming majority are concentrated in urban centres, which account for only 23.9 percent of the total population. The remaining 76 percent live in rural areas where connectivity is intermittent, data costs are high relative to

income, and the smartphone penetration needed to access most platforms is far from universal. For e-commerce operators hoping to build at national scale, this is not a future addressable market. It is a ceiling on growth that no amount of product improvement or platform design can lift without prior investment in connectivity infrastructure.

The bottlenecks remain stubborn: a distrust of digital transactions, inflation-crimped purchasing power, and, above all, the sheer, soul-crushing difficulty of getting a parcel from a warehouse to a living room.

For Yididiya Ketema, a 30-year-old entrepreneur in Adama, Oromia Regional State, who hand-makes leather bags and shoes, the solution to these bottlenecks is not to fight them but to route around them entirely. Her "platform" is a patchwork of [TikTok](#) and Telegram channels.

***"That is where the customers are,"***

*— she told The Business Side.*

Her business is built on direct human interaction: buyers message her to discuss size, colour and style.

***"It needs a human touch,"***

*— she explains.*

When an order is placed, the logistics become an improvisation. She sends her products to Addis Ababa via the informal network of bus drivers who depart from Adama's main station. She gives the driver the receiver's number and instructs him to collect the delivery fee upon arrival.

*"I even buy my raw materials like this,"*

— she says.

Ethiopia's digital commerce increasingly exists not in spite of its informal economy but because of it. According to [the TGStat Ethiopia directory](#), more than 5,000 active Telegram groups and channels are dedicated to selling everything from auto parts to vintage clothing, catering to millions of subscribers. Similar ecosystems flourish on Facebook Marketplace and TikTok, forming a sprawling, chaotic bazaar that dwarfs the country's formal e-commerce platforms. This hybrid model leverages Ethiopia's deep informal networks, with bus drivers as de facto couriers mirroring longstanding practices in a country where last-mile logistics remain hampered by poor addressing, fragmented infrastructure, and high costs.

Those costs are not trivial. In African e-commerce contexts, last-mile delivery is estimated to account for roughly 28 percent of the total cost of a product, the single most expensive segment of the supply chain. In markets with standardised addressing, dense logistics networks, and paved road coverage, that figure is manageable. In Ethiopia, where couriers must telephone customers multiple times to locate an address, roads outside the capital are inconsistently surfaced, and no national courier network covers the country end-to-end, the last-mile premium functions as an invisible tax on every transaction.

Reliance on informal networks often reveals itself through mundane frustrations. Abenezer Nega, a 36-year-old resident of Ayer Tena district, spent more than a month combing through hardware markets in search of wooden pallets to build a bed. Pressed for time and increasingly frustrated,

he eventually took a friend's advice and turned to Facebook Marketplace.

*"He sent me pictures. As soon as I agreed on the product, I went to his place, saw it, felt it and paid,"*

— he told *The Business Side*.

*"It was also very cheap"*

Aiming to tap into this informal market where billions are moving government-backed giants have begun to muscle into the arena. Ethio Telecom launched its Zemen Gebeya marketplace in May 2025, a fully integrated platform tied to its Telebirr super-app, promising to connect thousands of small and medium enterprises to a nationwide customer base. Unlike its foray into other digital businesses, it struggled to attract customers early on despite its massive reach of nearly 55 million mobile money users.

Shortly after, EthioPost, another state-owned enterprise, followed suit, unveiling a "Virtual Post Box" and the Post Gebeya platform, vowing to solve the addressing chaos that has crippled private delivery. For many in the country's fragile startup scene, this looked less like a helping hand and more like the state shouldering them aside. A few regard the state's e-commerce foray as a potential path to usher in credibility and weed out informal actors.

For private operators, even the regulatory starting line has been difficult to reach. Until April 2023, there was no formal licensing category for e-commerce platforms under Ethiopian law: the sector was not included in the Standard Industrial Classification Directive, leaving operators in a legal grey zone. Following a letter from the Ministry of Innovation and Technology, e-commerce

businesses can now register under two new codes, Electronic Platform Operator (Code 85125) or Electronic Intra-Platform Operator (Code 85126), but the requirements are demanding: operators must demonstrate compliance with the Electronic Transactions Proclamation, maintain a registered .et domain, integrate their platform with the Revenue Bureau's tax monitoring systems, and hold formal agreements with licensed logistics providers.

For a startup operating on thin capital, meeting all seven criteria simultaneously is a significant barrier. Many smaller platforms and the thousands of Telegram and TikTok sellers who constitute the sector's informal majority remain unlicensed and therefore unprotected by the consumer recourse mechanisms that formal registration would provide. Those who do navigate the process find that licensing solves the legal problem but not the commercial one

Ezedin Kemal, founder of the Tina Mart E-commerce platform, initially launched his venture as a garment e-commerce site. When he began analyzing his own search data, he noticed an unexpected pattern: his customers were overwhelmingly searching for sportswear. So he pivoted entirely. Today, Tina Mart is a dedicated online supplier of sports equipment, cutting exclusive deals with local producers.

***"They have built trust and awareness,"***

— he says of the state-backed platforms, arguing that their presence legitimizes the entire sector.

***"We are now signing exclusive deals with sportswear producers locally"***

— he told *The Business Side*.

His optimism is tempered by reality: his operations remain largely confined to Addis Ababa. The cost and complexity of reaching a customer in a regional city remain prohibitive.

For Madot Assefa, founder of Store 251, an early e-commerce platform that curates authentic, locally made products, the problem is not too much competition but too little competence.

***"We register on as many selling platforms as possible. What we need is delivery,"***

— she says bluntly.

***"I was very surprised to see Ethio Post joining e-commerce when there is still such a gap in its core function,"***

— she told *The Business Side*.

Her clientele is weighted heavily toward expatriates, forcing her to use international couriers like DHL, an expense that makes her prices unpredictable.

The fundamental hurdle was crystallized at a recent ICE-Connect seminar by Markos Tilahun, founder of Zemen Express, an official partner of the Chinese e-commerce giant AliExpress in Ethiopia. He argued that the entire ecosystem is shackled by a lack of a basic digital utility: a comprehensive addressing system.

***"Internationally, addresses are precise and standardized. Here, they are not,"***

— he told the audience.

***"We are still using buildings as location markers."***

Without a reliable way to pinpoint a destination, the last mile becomes a quagmire of inefficiency, inflating costs and strangling scale.

The government has acknowledged the problem in writing. Ethiopia's Digital Strategy 2025 states that in urban centres like Addis Ababa, "last-mile delivery is a labour-intensive task, as personnel must call people for directions typically more than once before locating the address." The Space Science and Geospatial Institute is developing a Digital Addressing System intended to cover 73 cities nationwide, but as of early 2024, only Bishoftu, a city of a few hundred thousand located 48 kilometers from the capital, had completed its rollout. It is against this backdrop of payments maturing faster than logistics, connectivity outpacing addressing, and regulation arriving after the market it governs that the sector is trying to find its footing.

Ethiopia's fledgling e-commerce sits at an inflection point. The foundations are visible: digital payments, growing connectivity and rising consumer awareness. But the system remains fragmented, shaped as much by informal networks as by formal platforms. The government's Digital Ethiopia 2030 strategy aims to close this gap, targeting a digital economy that contributes 12 percent of GDP while placing special focus on strengthening domestic e-commerce systems and trade-related logistics. For now, the promise is clear. The infrastructure to fulfil it is still catching up.



# When a Savings Club Acts Like a Bank, Who Protects the Saver?



**BY BEZAWIT HULAGER**

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Ethiopia's cooperative tradition runs deep: iqub rotating savings, iddir mutual aid, centuries of communal risk-sharing. A state-led push arrived fitfully in the 1960s, then ossified into forced collectivisation under the Derg. After 1991, voluntary member-owned SACCOs re-emerged as a genuine alternative to predatory lenders and inaccessible banks. Today, more than 21,000 such societies hold billions of birr in member deposits under a government mandate to widen financial access. Today, Ethiopia's 21,000-plus savings and credit cooperatives hold billions of Birr in member deposits and carry a government mandate to drive financial inclusion.

Tamerat Zelalem trusted this time-tested arithmetic. For nearly a year, the 35-year-old house and vehicle broker set aside 35,000 Birr each month into Awach Savings and Credit Cooperative, accumulating nearly 600,000 Birr in savings. When he finally qualified for a vehicle loan and saw his monthly payments, he felt like he had been swindled.

The cooperative handed him a cheque for 2.1 million Birr, though he only needed 1.5 million for the loan itself. The extra 600,000 birr? That was his own savings, now repackaged as borrowed money. He would pay 13.5 percent interest on the entire

amount, including the portion that had come from his own pocket.

*"They gave me my own money as a loan,"*

— Tamerat told *The Business Side*, sitting in his small office near Ayat Tafo Square.

*"Then they charged me interest on it."*

His monthly payments never dropped. Month after month, 35,000 Birr disappeared from his account with no apparent reduction in principal. Deductions arrived without explanation: one percent for life insurance, fees he never fully understood, and a membership registration cost that had climbed to 16,000 Birr. When he tried to secure a construction loan to build on a plot he had a title to complete with a digital title and building permits, "he was denied.

The requirements kept multiplying. His vehicle served as collateral, yet he was required to find a fellow Awach member to guarantee him. He submitted to a medical examination. When he located a car through an independent dealer, the cooperative rejected the proforma invoice outright. Only sellers with existing Awach commercial agreements qualified.

***“I watched the founder on TikTok talking about poverty eradication,”***

*— he told The Business Side.*

***“Then I went to the office and felt robbed.”***

Tamerat is one of an estimated 5.38 million members navigating Ethiopia’s Savings and Credit Cooperative Societies, a network of 21,328 basic SACCOs and 131 unions that together hold 22.57 billion birr in assets. By 2022, Ethiopia had 113 union SACCOs and total membership of roughly 6.9 million, with women accounting for 46 percent of all members, according to the Federal Cooperative Commission. Total SACCO savings, including shares, stood at around 37 billion birr that year, with Addis Ababa holding the largest share at 13.5 billion birr.

The Federal Cooperative Agency has a plan to extend all of this considerably further: quadruple assets to 83.2 billion birr by 2030, expand membership to 19 million, and meet 90 percent of loan requests internally.

Members must accumulate savings of 20% to 40% of the loan value before borrowing is permitted. Interest rates reach 14 percent on vehicle and auto loans, while deposits earn 7 percent. That spread matters beyond the individual account. Under Ethiopia’s current banking laws, SACCOs are not classified as formal financial institutions in Ethiopia, placing them outside the supervisory mandate of the central bank. They operate instead under the Ethiopian Cooperative Commission, a lighter-touch regulator that was built for agricultural cooperatives and has struggled to keep pace with institutions that now function, in some cases, like quasi-banks serving tens of thousands of members.

Awach, established in 2007 by founder and CEO Zerihun Sheleme with just 41 founding members, has grown into one of Ethiopia’s largest and most prominent SACCOs. It has disbursed more than 20.3 billion Birr in loans to over 41,000 members and operates 23 branches across the country. Its vehicle financing products, which tap into demand from ride-hailing drivers and small business owners, have made it a household name in Addis Ababa’s working districts.

But that prominence has also made it a focal point for member frustration. In early 2024, Awach revised its vehicle loan policy to require that financed vehicles be brand new, discontinuing support for used cars. The change, announced without extended notice, caught thousands of members who had been saving for years to purchase second-hand vehicles. In the days following the announcement, Awach’s branch offices were flooded with withdrawal requests. The cooperative subsequently reversed course, amending its policy to allow vehicles up to ten years old, but by then the damage to member trust had been done. The reversal also came with a condition: Awach set aside 1.6 billion Birr for loans under the revised terms, limiting the number of members who could benefit.

Vehicle loan ceilings have risen to 5 million Birr for electric cars and 3 million Birr for others. The savings requirement for new members has been raised to 40 percent of loan value, though existing members like Tamerat are grandfathered at 25 percent until June 30. Repayment rates, , exceed 98 percent across 80,000 vehicle loans according to statements by executives. The cooperative requires comprehensive insurance and negotiates warranties on vehicles it finances.

***“We are not a profit-driven bank. Our adjustments protect members’ interests.”***

— he told *The Business Side*.

Tamerat has heard this before. He is still waiting more than a week after paying off his vehicle loan for his formal “liberation letter.” His savings, should he choose to leave, would take a month to return. He watches other young members walk away frustrated, the poverty-eradication promise dissolving somewhere between TikTok videos and office counters.

The government’s ten-year plan envisions SACCOs as the engine of domestic resource mobilization, the bridge to middle-income status by 2030. But for Tamerat, standing in the gap between 7 percent deposit earnings and 13.5 percent interest payments, the math feels less like inclusion and more like a very expensive membership.

Habtamu Hailemeskel, a regulatory expert who has studied Ethiopia’s cooperative sector, argues the current oversight structure is inadequate for institutions that are now, in practice, functioning as financial intermediaries.

***“SACCOs above certain capital thresholds should fall under National Bank supervision, not just cooperative agency oversight,”***

— he says.

***“Consumer protection requires stronger medicine than the current framework allows.”***

The National Bank of Ethiopia has begun to agree. In remarks at the 13th International Microfinance Conference in Addis Ababa in early 2026, NBE Vice Governor Solomon

Desta said some SACCOs had begun “competing in the open financial market” in ways that created a form of “regulatory arbitrage” that was “unsustainable.” The NBE is now collaborating with the Ethiopian Cooperative Commission to study how to bring SACCOs within its supervisory framework without undermining their social function.

The stakes are not abstract. Without NBE oversight, member deposits in SACCOs lack the protections available to depositors in regulated banks, including access to the Ethiopia Deposit Insurance Fund. Industry observers note that if a large SACCO encounters a liquidity crisis, the absence of a formal resolution framework could leave member savings with no institutional backstop.

The Federal Cooperative Agency’s ten year roadmap aims to raise loan volumes to 84 billion Birr, establish a dedicated Cooperative Bank and insurer, and lift the SACCO share of national individual savings from 5 percent to 25 percent. The sector is also expected to support 4.16 million jobs.

In June 2025, Cooperatives Commissioner Shiferaw Shigute announced a “far reaching reform agenda,” including legal modernization and digital expansion. Yet audit coverage has historically hovered between 33 and 56 percent, and agency planners acknowledge weak internal controls and a shortage of skilled staff. Research suggests Ethiopia’s legal framework for SACCOs remains fragmented and outdated.

For the projected 19 million members by 2030, the gap between ambition and institutional foundations is not a footnote. It is the difference between a system that mobilizes savings and one that protects them.

# Africa's Drug Manufacturing Push Collides with Import Dependence



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Ethiopia's shortages of chemotherapy drugs are exposing the limits of Africa's pharmaceutical ambitions, as import dependence, foreign exchange constraints and fragmented procurement systems collide with efforts to build a domestic drug manufacturing base.

When 41-year-old Fantu Bedasa arrived at Addis Ababa's Tikur Anbessa Specialized Hospital for chemotherapy, pharmacists told her the hospital had run out of doxorubicin, a core cancer medicine. The drug was available a short distance away in private pharmacies. But, she could not afford it.

*"I'm trapped between a disease that wants to kill me and a price tag that will ruin my family,"*

— she told *The Business Side*.

Her experience reflects a broader strain in Ethiopia's health system, where public hospitals regularly report shortages of essential medicines while private pharmacies remain stocked at significantly higher prices.

The gap is most visible in oncology care. Ethiopia records about 80,000 new cancer cases and roughly 55,000 deaths annually,

yet availability of essential cancer medicines in public facilities remains below 20%, while origin-brand chemotherapy drugs are stocked at less than 3%. With nearly 40% of healthcare spending financed directly by households, treatment interruptions usually translate into catastrophic out-of-pocket costs.

The shortages are unfolding as Ethiopia and other African economies attempt to reduce reliance on imported medicines while facing persistent foreign-exchange shortages. Africa produces roughly 3% of global pharmaceuticals and imports between 70% and 90% of its medicines.

Dependence is even higher for active pharmaceutical ingredients (APIs), which are inputs required to produce medicines. An estimated 95% APIs are sourced from India and China. That structure leaves health systems exposed to currency volatility, freight disruptions and geopolitical shocks.

Recent instability in global shipping corridors, including the Red Sea and Strait of Hormuz, has added further pressure to logistics costs and delivery timelines for import-dependent markets such as Ethiopia.

The strain has intensified following Ethiopia's foreign-exchange liberalisation, which led to a sharp depreciation of the birr and

increased the local currency cost of imported medicines and inputs. Ethiopia imported about \$358.6 million worth of pharmaceutical products in 2024, up from \$222 million a year earlier, according to UN trade data compiled by CEIC.

The crisis is now testing Africa's attempt to reposition pharmaceutical production from a development objective into a strategic industrial priority. Following the COVID-19 pandemic, African governments began treating medicine manufacturing as a health-security issue after global supply chains were disrupted by export restrictions from major suppliers in Asia.

The African Union has set a target to produce 60% of vaccines consumed on the continent locally by 2040. But the structural gap remains large. Africa hosts more than 574 pharmaceutical and health-product manufacturers, according to Africa CDC data, but most are concentrated in packaging and formulation rather than upstream production.

Upstream production, particularly APIs, requires advanced extraction technologies, skilled labour and significant capital investment, conditions that remain limited in Ethiopia's industrial base.

***"The state must lay the groundwork,"***

— said Yohannes Fisseha, general manager of Addis Pharmaceuticals Plc

He said feasibility depends on whether production can reach sufficient scale to justify investment.

***"It needs a global market,"***

— he told *The Business Side* noting that domestic demand alone is insufficient to support API manufacturing.

A central constraint is not production capacity, but demand predictability. Manufacturers say pharmaceutical investment depends on guaranteed long-term purchasing volumes, which most African markets cannot provide due to fragmentation and short procurement cycles.

To address this, the Africa CDC is advancing the African Pooled Procurement Mechanism, which aggregates demand across member states to create more predictable purchase volumes.

Chiluba Mwila, senior technical advisor at Africa CDC, said the initiative is designed to reduce commercial risk in markets where governments typically prioritise lowest upfront cost over supply security.

But he said purchasing behaviour remains inconsistent.

Many governments continue sourcing medicines from established suppliers in Asia, even when local capacity exists, she said, citing budget pressures and short-term cost considerations.

That dynamic, Chiluba argues, creates a structural disadvantage for local producers even when technical capacity is available.

Africa CDC officials argue that without institutionalised "buy-local" procurement rules, domestic pharmaceutical manufacturing will remain commercially unviable regardless of technical progress.

But the challenge extends beyond policy design.

Local manufacturers say African-made medicines continue to face credibility gaps among buyers and patients, with imported products often perceived as higher quality. That perception influences procurement decisions in cost-sensitive health systems.

On the supply side, most African manufacturers remain dependent on imported technologies and APIs, limiting their competitiveness against large-scale Asian producers. COVID-19 exposed this vulnerability when export restrictions triggered simultaneous shortages of antibiotics, antimalarials, painkillers and cancer medicines across the continent.

The Africa CDC estimates the continent will require 9,000 to 14,000 skilled biomanufacturing professionals by 2040. Training hubs are being developed in Egypt, Morocco, Senegal, Rwanda and South Africa.

More than \$10 billion has been pledged by development finance institutions and global partners toward pharmaceutical and vaccine manufacturing, including financing from Gavi, the Vaccine Alliance, the African Development Bank Group and the African Export-Import Bank.

But executives caution that capital alone cannot resolve structural constraints. Pharmaceutical manufacturing is a scale-driven industry, and African producers face higher borrowing costs, fragmented demand and weaker infrastructure compared with established suppliers in India and China.

Ethiopia's pharmaceutical industry push has been constrained by macroeconomic pressures. Foreign-exchange shortages, customs delays, logistics bottlenecks and limited industrial financing continue to weigh on manufacturers.

Although the country has achieved World Health Organisation "Maturity Level 3" regulatory status, industry players say this has not translated into improved medicine availability.

The Ministry of Health is assessing which active pharmaceutical ingredients could be

viable for local production, including possible links with agriculture and traditional medicine research.

But officials acknowledge that feasibility depends on scale economics rather than policy ambition alone.

"It needs a global market," said Solomon Abdellah, an expert at the Ministry of Health involved in pharmaceutical manufacturing strategy. He said investment decisions must be based on "economic quantity, market demand, and production cost."

But investors remain cautious, citing uncertainty over demand guarantees and foreign-exchange access.

Research suggests more than half of Ethiopians have recently faced difficulty obtaining prescribed medicines, while public hospitals regularly report shortages across cancer, diabetes, cardiovascular and infectious disease treatments.

With nearly 40% of healthcare spending financed out of pocket, households often absorb costs through borrowing, asset sales or delayed care.

For patients like Fantu, each missed chemotherapy session reflects a deeper dependence on imported medicines, imported inputs and foreign-currency stability that domestic policy has yet to resolve.

Until those structural pressures are addressed, hospitals like Tikur Anbessa will remain exposed to shocks originating far beyond their borders, in shipping routes, currency markets and global supply chains thousands of kilometres away.

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