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Capital Market Development In Ethiopia: Nobody Said It Would Be Easy!

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Abstract

Even though recently there were disseminations of different share companies in Ethiopia, capital market becomes an irony that never has been discovered. For the past five decade; Ethiopia has tried to have her own capital market though; it has been not sustain appreciated yet. Hence, still today, there were no both primary and secondary security market and no secondary bond markets in Ethiopia. To this end, Treasury bill which is the primary government bond was the lonely capital market presently serving within the country. But currently, the country has proposed the launching of Euro bond market with the ten year maturity at 6.75% with the total value of one billion US dollar either before the end of December, 2014 or may be at the beginning of January, 2015. So this paper reviewed different countries literatures and gives an insight of the lessons that Ethiopia should have to learn from these failures and successes. This is significant because a good practice to promote the new thing is reviewing what went well and celebrating that as per the countries past, current and future status. Therefore, the paper has concluded that in order to make the development of capital market more successful, Ethiopia should have to continue to reinforce institutional strengthening, better operational and financial performance, getting some robust internationally recognized mentors, consider capital market as a cheap package of funding and as the debt and then increase effective public debt management, increasing diplomatic relations to integrate for trade, foreign direct investment and technology transfer, developing the most capable professional, regulatory, well-informed consumers and investors in the capital market, promoting international accounting standards and adherence to sound corporate governance based upon international best practices to promote good governance frameworks, transparency and accountability among all.

Key words: *Capital market development, Lesson to be learned, Review of literature, Ethiopia*

1. INTRODUCTION

The increment of country's access to every financial service with boundary less over the world facilitates the development of strong and excellent socio-economic and political maintenance of the country and hence it has able to contribute to growth and poverty reduction. Hence, the development of both financial segment and capital market if implemented effectively becomes the back-bone of the world's economic growth and national development especially for these of developing countries like Ethiopia. However, if the capital market is not appropriately managed with strong forecasting ability of its users, it can radically drag the development back-ward for the reason that capital market is still the debt by itself.

Similar to most of African countries, the Ethiopian financial sectors are dominated by commercial banks. The Ethiopian financial system is however remains isolated from the influences of globalization because of preoccupations with domestic priorities, especially massive branch expansion and attracting more people to the system (Kiyota *et al.,* 2008).

In the recent times, it is surprising news that different types of world media's have frequently situates the name of Ethiopia on the journey equivalent to both immensely developing and advanced economies of the world. This is due to the reason that history shows as this country have passed through the cobblestones of endemic poverty, social and political war and different economic mal functioning. As of today however, everything starts to change preliminary from policy designing to green revolution, political stability to increments of foreign direct investment and to that end there is economic rising. Lately, international credit rating agencies of Standard and Poor and Moody's have conducted the survey on Ethiopian economy and they have appreciated by their findings. To that extent, *Moody's has assigned a provisional (P) B1 rating to Ethiopia's upcoming dollar-denominated bond offering, while standard and Poor's (S&P) has assigned it a 'B' rating. And this* becomes the milestone for Ethiopia to decide the launching of her capital markets and the country has proposed the launching of Euro bond market with the ten year maturity at 6.75% with the total value of one billion US dollar either before the end of December, 2014 or may be at the beginning of January, 2015.

The development of capital market enables the country to finance its budget deficit with less cost if it is managed well and efficiently. Therefore, based on the above background, this paper pinnacles the major landmarks in the development of the Ethiopian capital market and the lessons to be learned by Ethiopia from the other countries experiences.

2. REVIEW OF LITERATURE AND DISCUSSIONS

This review of literature provides both theoretical and empirical concepts regarding to the concept of capital market development, its impact and its contributions for socio-economic and political issues of different countries that enables us to identify what lesson should Ethiopia learns from the failures and success of such countries who have already adopted it. Because, there is an important saying that, "*a wise man learns from the failures of others whereas a foolish man learns from his own failures.*" Since life is always full of lessons and to become smarter than countries who have adopted it before, we should have to pick up their success; identify failures and the causes for such failures. Moreover, these lessons should have to be limited to the socio-economic and political experiences of the Ethiopia.

The concept of capital market specially that of stock market was originally started in the continent of Europe and the Alexandria Stock Market was the ground-breaking exchange in the Mediterranean seeing from 1883. However, the continent of Africa though surrounded by abundant resources is still waiting foreign assistance or loan in some instances. This is because most of African countries have no capital markets and some of them lack both deep and widen structure of such equity and debt financing techniques. In addition to that, some countries such as Ethiopia still haven't opened the door for the complete liberalizations of their financial system though it may have its own deficiency. Whatever the instance it is however, the development of capital market if managed effectively and efficiently will benefit that country with multidimensional purpose. For instance, the study conducted by Singh, (1997) on the financial liberalizations, stock markets and economic development reveals as the stock markets contributed significantly to both internal and external liberalization in prosperously for developing countries. In the same vein the study of Wilson, (2012) on the current status and future potential of capital market development in North Africa shows as the powerlessness to raise equity capital and unwavering long term funding from side to side by bond issuance has doubtfully been a serious barrier to the development of the private sector in North Africa.

Though the voluminous of corporations are less than that of other types of businesses like sole proprietorships or partnerships, they contribute a lot to the economies of many countries particularly that of least developed countries in monetary terms to run through their financial hoarding. Since capital market includes both bond market for debt appliances and the stock market for that of equity securities and if appropriate includes other financial instruments that enable the government, conurbations or other corporations can cultivate large amount of funds for long-term periods with inexpensive costs. Capital markets as one form of financial markets transfers funds from people who have a surplus funds but lacks immediate opportunity of investment to these who have a shortage of available funds though they have immediate opportunities of investment. To that extent, it facilitates the flow of funds, financing and investment activities among households, firms, and government agencies of different countries.

The study conducted by Brasoveanu, Dragota, Catarama, & Semenescu, (2008) on the correlation between capital market development (size and liquidity of the capital market) and economic growth in Romania considering quarterly data for the period 2000-2006 using a regression function and VAR models found that as there is a feed-back effect between capital market trade volume and economic growth suggesting that financial development follows economic growth and economic growth determines the financial institutions to change and develop.

The investor presentation report prepared by African Development Bank (AfDB) on May, 2014 indicated the following issues about the continent of Africa; *"Africa is a continent of contrast; rich in natural resources yet its people are among the poorest in the world."* The report outlined such reason as more or less the endemic existence of disease, hunger, corruptions and the requirement for aid further than imaginable forthcoming. To that extent, the peoples of world still talking about history that African peoples passed through without recognizing the current issues of expanding primary educations, stability, enhancement of good governance and progress towards the middle income by many countries of African continent.

The report of Africa's policy advisory panel on the issues of capital market and financial sector development in Sub-Saharan Africa done by Applegarth, (2004) shows as there is small amount of saving contributed from the domestic perspective in African continent due to the reason of large amount of 'capital out flight' from the continent to the other developed countries. More or less such factor can be reasoned with respect to non formal capturing of both cash and other existed local wealths. But such issues will possibly creates the financing gap which again distorts countries economic growth and national development. This can again reduces the countries capacity to be being self confident and speeds up her level of dependency on other countries assistances.

The Paper presented to the symposium on 'Domestic Capital Markets and Mobilization of Resources for Growth and Poverty Reduction', organized by the Association of African Central Banks (AACB), which were held at Bank of Namibia, Windhoek, on 17 August 2006 on country experience with the development of the capital markets of South Africa, reveals as South African domestic capital market has relatively 'deep and broad' when it is compared to most emerging-market countries. This is due to the reason that both of their equity and bond markets are solemn and purposefully based on 'exchange driven' (AACB, 2006). Not only trading of bond and equity that makes this country to be known but also South Africa has engaged in actively trading of derivative markets that enables investors to hedge existing exposures or to take leveraged positions and hence, supports the overall economy with such matter.

The research paper conducted by Ziorklui, (2001) on capital market development and growth in Sub-Saharan Africa on the case of Tanzania which is funded by United States Agency for International Development Bureau for Africa office of sustainable development with the objective of examining the various problems that constrain the development of functioning capital markets in Sub-Saharan Africa countries in general and Tanzania in particular. That study shows as there is the linkage between capital market development and the real sector growth, regional integration and globalization of the capital market with policy implications and as the change in policy have an impact on equity and poverty alleviation in Tanzania. To this end, Tanzania achieved her capital market development with the establishment of the Dar es Salaam Stock Exchange (DSE) in 1998 for the purpose of deployment and distribution of long-term capital to the private sector and hence, both the policy changes and various relevant reform laws have had positive influence and challenges on the capital market development in Tanzania. To that extent, with establishing her capital market, Tanzania benefited largely because even after one year of its establishment, four companies were listed on DSE and three of them have raised a combined equity capital of US $35.71 million in the primary capital market and the remained company which is the East African Development Bank has raised an amount of US $12.5 million by issuing a four-year corporate bond. According to that study however, though this country have largely benefited from the capital market development, this is not without some difficulties because there were different side effects such as decline of credit to the private sector that can be emanated on the reduction in growth potential and poverty alleviation due to slow stride of rearranging the misshapen banking sector, shortage of rivalry among the financial segment, infancy of the capital market structure which can be expressed on the illiquidity, infrequent trading, and fewer listings of private companies, the devaluations of country's currency and sneaking inflation were the common problems among Tanzania.

Another study conducted by Wilson, (2012) on the current status and future potential of capital market development in North Africa considering the stock exchanges in Cairo, Casablanca, Tunis and Tripoli and analyzing the trading volumes and price trends reveals as capital market development in North Africa have a long history though the limited breadth and depth are the common but they have been marginal to the region's development. Hence, according to this study, there is under-development of both sovereign and corporate bonds in North Africa nevertheless they complement equity financing since raising equity finance plays a crucial role for the expanding and flourishing the private sector. The study also shows there were adequate legal and regulatory provisions, but both domestic and foreign investors lack confidence on such market and there is adverse influence of the global financial crisis and the Arab Spring on the North African capital markets.

The book chapter published from the national, regional and international challenges of Africa in the World economy by Kitabire, (2005) with the title ofcapital market development for Uganda's experience shows that the greatest trouble challenged by the governments of developing countries was their inability to borrow abroad in domestic currency and borrowing at home with long term maturity periods in order to finance their fiscal deficits. To that extent, the development of bond market enables them to close such wide gap and smoothies the well-functioning of capital infrastructure development. But the author recommends that for the priorities of the Uganda's development of capital market, bond market development should not be considered as urgency, so long as long-term bonds are not needed to finance the fiscal deficit. So, such primacies for capital market development would be given to pension sector reform and expansion of micro finance provision.

The African Economic Policy discussion paper conducted by Ziorklui, (2001), on the development of capital markets and growth in Sub-Saharan Africa with special reference to Ghana reveals as the establishment of the Ghana Stock Exchange (GSE) has provided an opportunity for corporations to raise long-term capital of $125.8 million from 1991 to December 1998 and given opportunities for investor diversification since the number of listed companies from 11 in 1989 increased to 21 during the same period though both the financial institutions and the capital markets were underdeveloped due to institutional, and structural weaknesses and the challenges of regionalizing and globalizing capital markets itself. However, from the period of 1997-2000, the lack of sustained capital investment becomes the major obstacle to sustainable growth in Ghana. Hence, the development of capital market supported by policy environment enables and helps the Ghana's government to finance their fiscal deficits. Therefore, the paper recommends that the value-added tax (VAT) exemption from stock transaction applications since that period's tax regime favors short-term investments in Ghana.

The article published on *spyghana* by Anzagra, (2014) entitled emerging opportunities for Africa's development financing through the capital market reveals as the development of capital market becomes a vital and feasible substitute to that of traditional financing sources of Africa's development and it is also the most energetic means of nourishing its present growth thrust by yielding better returns. In addition to that, market intelligence provides as much more countries of the world have commissioned to the international capital markets especially after the recent world financial crises of 2007/08 and superfluous countries has shown their interest and some are planned to join such market.

The study of Gup, (2005) and some other recent economic research shows as large, efficient capital markets promote rapid economic growth and they have documented a direct link between capital market development and economic growth. Due to the context of globalizations, launching of multinational corporations or companies and the effort of technological advancement in the future, the existence of international capital market becomes the reason for the existences of the world countries as a whole without the favor of their development level. This can be reasoned out that the economy of both developing and that of developed country can be highly influenced by such large multinational companies no matter where their continent or country was. For instance, by 1990 which means only two and half decades ago, the combined sales of multinational corporations these ranked above 200 from the world's corporations have largely influenced and shaped the world economy by yielding about 28.3% of the world GDP. Hence, for the matter of their presence, to generate capital and maintain their own sustainable growth, more developing countries especially these of African countries will need to enter into such international capital markets.

The articles published by Hiwot, (2014), on the area of Africa's richest countries according to their GDP, shows as the image for Africa's continent has now been on the progress to be changed as the economies of poorest continent in the world are now progressing to the shoulder of wealthy country. This report then outlines that of top ten richest countries of Egypt, South Africa, Nigeria, Algeria, Morocco, Angola, Libya, Sudan, Tunisia and Ethiopia within African continent with respect to their Gross Domestic Product (GDP) or Purchasing Power Parity (PPP). Remarkably, while Egypt becomes the highly developed economy having 467,600 dollars GDP (PPP), Ethiopia becomes the tenth richest nation in Africa having 61,600 dollars GDP (PPP) next to Tunisia who has 76,900 GDP (PPP) dollars. So being Africa's second biggest maize producer holding almost 41% of agricultural share of GDP, Ethiopia becomes the biggest economy in east Africa as of the IMF report of 2009.

According to African Development Bank however, Ethiopia's economy is vulnerable to exogenous shocks because of its dependence on primary commodities and rain-fed agriculture. This is due to the reason that though recently they started the way, both service and industry sector contributed less for the GDP growth. In addition to that, a simple fluctuation of global prices of coffee and leather products that Ethiopia exports and that of fuel which is imported by this country can threaten the economy in general.

The Ethiopian herald report written by Eyob, (2014) on the challenges and opportunities of the capital market, shows as capital markets promote economic efficiency, increases liquidity that facilitate active trading that again increases capital accumulation and greater productivity gains. The report added that capital market enhances competition among banks, reduces financing cost and contributes to a greater diversity of financial institutions and finally capital market promotes economic growth and supports the eradication of poverty by channeling funds from place to place or from individual, government or corporations to another but it requires a well-developed financial sector. And the author has used that of Asian countries to show how substantial increase in the impetus of private sector development becomes an immediate outcome of the blossoming of their capital market which can be possible through paving the way for the ease movement of financial resources with the improvement of financial sector.

Before the coming of Military Junta to the power, there was the company called Addis Ababa Share Dealing Group in Ethiopia that provides some small extent of capital market. By 1974 however, such company have abolished by the policy of Dergue, and after that, no capital market has been in place in Ethiopia in whatever form (Ruecker, 2011). To that extent, we may assume that as recently there were dissemination of different share companies in Ethiopia though capital market becomes an irony that never has been discovered yet.

Though still Ethiopia revolves in the poverty line and being the poorest of the world, recently she have developed strong knees especially during 2003 to 2007 and post crises to date that enables to move forward in order to achieve the visions of being at the shoulder of middle income countries by 2025. Such issue even helped this country to recover enormously than that of other developing countries by the recent financial crises of 2008 to 2010 when the twin macroeconomic challenges of high inflation and a difficult balance of payments situation have occurred. Ever since 1991, Ethiopia's government have been taken significant development steps but financial sector is relatively small, shallow, closed and much less developed than those of its neighbour's due to the reason that the government dominates lending, controls interest rates, and owns the largest banks and other infrastructures (Ruecker, 2011).

Different studies shows as almost all of the African capital markets with the exceptions of Johannesburg Stock exchange (JSE) of the South Africa, were commonly "*small, illiquid, face infrastructural bottlenecks and they have weak regulatory institutions"*. To that extent, many studies have recommended to strengthen their institutions in order to manage them efficiently and then lead to the level of advancement. for the purpose of obtaining large funds to facilitate infrastructural building. For instance, Ethiopia have established the Ethiopian commodity exchange (ECX) which is the leading African continent of commodity exchange by 2008 as a potential key actor for the establishment of a capital market. This ECX as a potential key performer of the capital market development in Ethiopia by itself requires strong cooperation's of each individual and businesses which was the end product of institutional strength.

Gradually, African countries are increasing their interest in tapping into the international capital market to finance their deficits across the world. And currently, the same is true in the Ethiopian context due to her willingness to enter in to that market. So could capital market finance be the bridge that will address Ethiopia's current financing gap? What opportunities will be expected from the executions of this market? As lesson learned from other countries who have already entered in to such markets, access to capital market finance is strongly emerges as a potential method of additional resource mobilization. And when we bring these issues to the Ethiopian context, funds from capital market more or less will help the government to finance some strong infrastructure though different challenges will be expected. Therefore, no more negative implications of the capital market are expected since these negative issues will be fascinated by its positive outcomes. To this end, if capital market is developed in Ethiopia, it may have numerous advantages such as accumulations of capital through increasing the value of saving; it adds value to effective and efficient functioning of the country's financial system, it creates competitions among financial institutions and then gives the care for customer satisfactions, it reduces the risks through portfolio diversifications, it creates conducive environment to enhance the flexibility of corporate governance and different international standards. In addition to that, through reducing the level of unemployment; managing the trade cycles; giving intellectual thoughtfulness for macroeconomic strategists, capital market will improve Ethiopia's international competitiveness and finally it will boost economic development in general.

As it is known, the ending of everything will coming up with the new beginning of something and currently Ethiopia have planned to enter in to the international capital market. But the most important question is: Are we ready, in terms of law, internal and external regulatory, institutional development, accounting standards, corporate governance, sound risk management and debt management policies to benefit from the opportunities of this new capital market development? Obviously, the answer for these questions requires analyzing of different socio-economic and political perspectives of the current status of the country. Currently in July, 2014, some international rating agencies have conducted their study to rate Ethiopia's *upcoming dollar-denominated bond offering. Accordingly, Moody's has assigned a provisional (P) B1 rating to Ethiopia's upcoming dollar-denominated bond offering, while Standard and Poor's (S&P) has assigned it a 'B' rating.* The bond, Ethiopia's first issuance in international markets, will fund the government's capital expenditures, including development of the sugar and energy industries and general budgetary expenses, according to *Standard and Poor's (S&P) report.*

In any instances however, the development of capital market requires strong political stability, existence of numerous private companies and individual organizations and accessibility to some infrastructure such as communication lines, ways of information exchange and others among all. And privatization of different infrastructure provides some rights for individuals in order to buy and sell their own properties with the less involvement of the government bodies. But this may not be true in Ethiopian context. Because according to the data of World Bank, though in terms of Public investment, Ethiopia is the third highest in the world as a percentage of GDP, while the share of private investment becomes the sixth lowest across the globe.

Consequently, if capital market developed well, it enhances the building of different infrastructure by trading these stocks, bonds or other investment securities with the help of different financial intermediaries. Though it is very difficult to know the consequences of this capital market towards the socio-economic and political issues of the Ethiopian context before its establishment, it does not have several negative effects rather it ensure much more benefits for the country in general.

But some negative features that may be expected will be increments' of the debt especially that of international debts. Nonetheless when we consider currently the average level of Ethiopian debt, it is much less than that of out lined by the IMF. Because having a populations of 94,100,756 people, Ethiopia is ranked at the 86 positions by the nominal GDP among these 178 countries published holding the national debt of 10,053 millions of dollars, (21.86% debt-to-GDP ratio) and the public debt per capita of 107 dollars per inhabitant in 2013 according to country economy. This amount means that the debt in 2013 reached 21.86% of Ethiopia GDP, a 0.68 percentage point rise from 2012, when it was 21.18% of GDP by the year 2012 as per table 1 of attached below. This can be much less than that of required by the IMF as the required average level of debt to GDP ratio for the world countries kept by IMF is 40%.

And even the debt evolutions of Ethiopia shows as the debt to GDP ratio has decreased since 2003 in global debt terms when it was 116.59% (9,873 million dollars) which the debt per person was 139 dollars as per table 2 of attached below. Subsequently, this reveals that Ethiopia currently revolved at the green area which has low risk and even the expected one billion US dollar of debt is still less and considering other factors such as the value of export and the tax revenue generated, this country may still have the ability to actively borrows in the capital markets to meet the development needs of current Growth and Transformations Plan (GTP).

Table 1: Ethiopian Economy by 2013/14

Ethiopia Economy		
Activities	Year	Amount or ranking or Grade
GDP [+]	2013	45,999 M.$
GDP per capita [+]	2013	489$
Debt [+]	2013	10,053 M.$
Debt (%GDP) [+]	2013	21.86%
Debt Per Capita [+]	2013	107$
Deficit [+]	2013	-905 M.$
Deficit (%GDP) [+]	2013	-1.97%
Expenditure (M.$) [+]	2013	8,304.9
Expenditure (%GDP) [+]	2013	18.06%
Expenditure Per Capita [+]	2013	88$
Fitch Rating [+]	11/07/2014	B
Corruption Index [+]	2013	33
Exports [+]	2013	3,000.0 M.$
Exports % GDP [+]	2013	6.23%

Imports [+]	2013	12,000.0 M.$
Imports % GDP [+]	2013	24.93%
Trade balance [+]	2013	-9,000.0 M.$
Trade balance % GDP [+]	2013	-18.69%
Population [+]	2013	94,100,756
Global Peace Ranking [+]	2014	139º
Life expectancy [+]	2012	62.98

Sources: Different reports of Country Economy, World Bank and IMF

Table 1 Debt Evolutions in Ethiopia

Ethiopia: Debt Evolutions			
Year	Debt evolution in Million	Debt as % of GDP	Debt per capita $
2013	10,053 $	21.86%	107 $
2012	9,026 $	21.18%	98 $
2011	8,228 $	26.22%	97 $
2010	8,200 $	27.94%	99 $
2009	8,093 $	25.37%	100 $
2008	8,108 $	30.80%	102 $
2007	7,202 $	37.24%	93 $
2006	5,912 $	39.40%	78 $
2005	9,345 $	76.81%	126 $
2004	10,632 $	106.71%	147 $
2003	9,873 $	116.59%	139 $
2002	9,033 $	117.05%	131 $
2001	8,118 $	100.57%	121 $
2000	7,964 $	98.57%	121 $
1999	7,721 $	99.22%	121 $
1998	7,179 $	90.54%	115 $
1997	7,128 $	81.51%	118 $
1996	11,761 $	135.76%	200 $
1995	12,401 $	149.85%	217 $
1994	12,666 $	158.62%	229 $

1993	12,932 $	144.10%	242 $
1992	12,967 $	89.90%	251 $

Sources: Different reports of Country Economy, World Bank and IMF

2.1. So what lessons should be learned by Ethiopia?

The unhidden truth is that, always investors required safety for their funds and higher returns for the money they have invested. To this end, they vigor to the areas where there is secured investment opportunities which is the direct outcome of socio-economic and political stability within the planned area or the country. Hence if Ethiopia needs to attract ornamental amount of investors throughout the world for sustainable development of financing strategy through capital market, Ethiopia has to increase her effort towards advertisement of current situations in order to change the history's image that the world embraces towards Ethiopia. This attracts foreign investors' direct investment, enhances the balance of payments and improves effectiveness and sustainability of the country to issue the planned Eurobond. Above all, increasing some diplomatic relations with different countries of both developed and that of developing continents will empowers Ethiopia to integrate for trade, foreign direct investment and technology transfer among all. Since the Eurobond is inexpensive security in the frontier market, it presents a new window of opportunity for the country to achieve current Growth and Transformation Plans (GTP) and so that Ethiopia takes the challenge towards middle income country.

In addition to that, in order to make a paradigm shift to really occur, this country must continue her efforts toward institutional strengthening and better operational and financial performance and, above all, Ethiopia must demonstrate her development impact more than that she have tried for the past few years.

Frankly speaking, if there is no industry, there is no development; whether it is social or economic development. And the acceptance of capital market plays a crucial role to facilitate the ability to transfer from that of the current agricultural activities to that of industrial capacity and to succeed the current Growth and Transformations Plan (GTP) of the country. In the same vein, to make this capital market to be effectively exploit its best fair share, it requires some robust internationally recognized mentors in order to learn some lessons from them as adoptions of capital market is the new arena in Ethiopia context. This is because, it is recognized fact that each individual and every country of the world passes through numerous failures and finally come up with limited successes in their daily life through learning different lessons. To this end, it is must for Ethiopia to transfer some undiscovered secrets that enables different countries to bear their present success considering her current socio-economic and political status.

Like all developing countries, Ethiopia will face different dilemmas since it is impossible that everything can be done at once. This is due to the reason that each and every thing requires its own strategic bureaucratic effort even to change the planned activities to its actual executions. Hence, it is preferable if this country not only assuming the international capital market as a cheap package of funding of the frontier market, but also it is must to consider strategic public debt management since capital market is the debt by itself. So, what matters most is that of strengthening the capacity to efficiently and effectively use this fund to make its return more than that of its cost.

Currently, Ethiopia's ambition was realization of her visions towards being at the shoulder of middle income earner countries of the world by 2025. The World Bank defined the middle income country as these that have a gross national income for each person of about $1 430. But, currently Ethiopia has gross national income for each person of about $470 which is very low as compared to other countries. Hence, being the member of middle income can be possible through developing long-term infrastructure projects in addition to some required social development programs. And this can be imaginable only if there is substantial funding which can be raised using capital markets through stocks, bonds, and different investments offerings. To do so, Ethiopia must mature capable, professional, regulatory, well-informed consumers and investors in the capital market.

Finally, Ethiopia should have to promote her international accounting standards since in developing countries as whole, the necessity of recording all the transactions by the businesses clearly and systematically does not be exaggerated. In addition to that, it is also mostly preferable if adherence to sound corporate governance practices based upon some international best practices has to be promoted than what is going on as of today because the development of capital market in Ethiopia was new but it requires strong cautions than ever before due to technological advancement. The leaders especially, these in the area of ministry of finance and economic development and the country's central bank should have to take care of and takes the responsibility to clearly forecast for effective implementations of this market by strongly integrating it with financial systems.

3. CONCLUSIONS AND POLICY IMPLICATIONS

Different recent empirical economic research shows as the existences of large, efficient and deeply developed capital markets promote rapid economic growth and to that extent, there is a direct link between capital market development and economic growth if it is efficiently managed. Hence; at present, capital market becomes the dominant sources of external financing for companies throughout the developed world by winning the contest of financial intermediaries. And in the future, capital markets appear likely to dominate the corporate finance of both developed and developing countries across the world. This paper based on such backdrop have examined different problems and prospectus of capital market development in Ethiopia based on different literatures and both the cobblestones of different circumstances in which this country have passed through and the current status of socio-economic and political context.

As experienced from different studies, lack of long-term investment capital becomes a major constraint to growth and poverty alleviation strategy of different developing countries especially that of Sub Saharan Africa's among these Ethiopia is not odd. Due to that, almost all of the previous studies have recommended for immediate for lay of Ethiopian government in to the international capital market. For the past five decade; though Ethiopia has struggled to have her own capital market, such market becomes an irony that have never been discovered and appreciated still today. To this end, Treasury bill becomes the only presently serving primary government bond market in the country.

Based on some international rating agencies such as Moody's and Standard and Poor, currently Ethiopian government have decided to launch and enter in to such international capital markets with the initial value of one billion US dollar that have issued at 6.75% holding the maturity of ten years Euro bond. This will be realized either before the end of December 2014 or at the starting January of 2015. Hence, as capital market is new for the Ethiopian context, it is must to have some lessons from these of precedent countries especially from similar developing countries. Consequently, making this international capital market to be successful is not an easy task and it requires knowing some complex financial sector deeds in the current global context. This is due to the reason that each country has their own cultural habits though the effect of globalizations and its risk in the area of financial activities affects all of them at the same time but at different extent.

Therefore, this paper adds to the existed literature and provides some conclusions that in order to make this new market more successful, Ethiopia should have to continue to reinforce institutional strengthening, better operational and financial performance, getting some robust internationally recognized mentors, consider capital market as a cheap package of funding and also as the debt and then increase effective public debt management, increasing diplomatic relations to integrate for trade, foreign direct investment and technology transfer, developing the most capable professional, regulatory, well-informed consumers and investors in the capital market, promoting international accounting standards and adherence to sound corporate governance based upon international best practices that promote good governance frameworks, transparency and accountability among all.

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