



ETHIOPIA

A land brimming with potential

Ethiopia offers vast, untapped resources and competitive incentives in all sectors

With a strategic location at the gateway of the Middle East and Asia, Ethiopia boasts a transparent political and democratic government committed to creating a strong private sector and positive business environment for international investors.

The forward-thinking country—one of Africa’s top agricultural producers—has celebrated a booming economy for six years, with growth reaching an average of 11 percent—the highest among the continent’s non-oil exporting countries—in all three of the main economic sectors: agriculture, services, and industry. “If we can do in the next decade and half what we have done in the last six years and maintain double digit growth rates, we will become a middle income country,” says Prime Minister Meles Zenawi.

A landlocked country of more than 85 million people, of which some 80 percent live in rural developments, Ethiopia is Africa’s coffee capital. The brown stuff accounted for 70 percent of Ethiopia’s exports ten years ago, although widespread diversification and land use drive has seen that figure fall to 30 percent today.

The fertile country is now the continent’s top producer of wheat and barley, and third in maize and sorghum, and it boasts the most livestock in Africa. Exports stand at around \$1.5 billion (6 percent of GDP), with annual growth rates averaging a staggering 25 percent in the last five years. As Trade Minister Girma Birru explains, much of this has to do with changes in export markets, most notably to China, other parts of Asia, and the Middle East. “While fluctuating commodity prices have affected us, we are increasing volumes in certain areas. Oil seeds, our second-largest export, have gained volume, as have cut flowers, so the overall balance is good, and our returns have not halved as they have in many other countries.”

The concept of “Aid for Trade” remains key to the country’s development. “We need aid to be able to grow our private sector and make it more competitive,” Birru says. As one of its largest donors, Germany has provided some 1.3 billion euros (\$1.9 bn) for development projects in the African country since aid began more than 50 years ago. Ethiopia is a priority for the European giant, its thriving capital Addis Ababa holding much appeal as the unofficial “capital of Africa”, as the headquarters of the African Union.

At the most recent summit between the two countries, in 2008, Germany pledged a further \$96 million euros (\$144mn) over the next two years, and development cooperation on three priority areas: urban development, sustainable land management, and sustainable economic development.



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As Minister for Finance and Economic Development Sufian Ahmed says: “A decade and a half of relative peace and political stability, broad economic reforms, and far-reaching political decentralization have brought Ethiopia back from one of its lowest levels of income per capita to one of its highest levels over the past forty years. At the same time, gross domestic product per capita today is still only slightly above the levels reached in the early 1970s, underscoring the deep-rooted and complex nature of poverty in Ethiopia. If the trend continues for the next 20 years, Ethiopia would come out of poverty and be among middle-income nations.”



Meles Zenawi
Prime Minister

The international financial institutions—particularly the IMF, the World Bank and the African Development Bank—have crucial roles to play in providing more, better and faster financing to help protect investments in health and education, and in stimulating African economies and creating jobs through infrastructure and trade finance, the Minister says. “We therefore welcome the IMF’s decision to double its concessional lending capacity to Africa following the agreement reached at the G-20 London Summit.”

Although there is a long way to go, the private sector has expanded substantially. Coffee, once a government-dominated industry, is now almost entirely in private hands, while private sector manufacturers



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now make up 90 percent of the 2,200 total. The Privatization and Public Enterprises Supervising Agency, established in 1994, is now accountable for assets worth around \$5 billion from joint ventures. "We have made major provisions to incentivize investors, and have many enterprises ready for privatization in different sectors, including crops and fruit production, food processing, agro-related services, manufacturing, chemicals, mining, printing and tourism" says director general Beyene Gebremeskel.

The Ethiopian Investment Agency is responsible for promoting, coordinating and facilitating foreign investment in the country. Headed by director general Abi Woldemeskel, it is a one-stop shop for all investors in Ethiopia, providing a huge range of services, including issuing licenses, providing trade registrations, and facilitating the acquisition of land and utilities by foreign investors.

German firms involved in manufacturing, exporting, and agroprocessing will receive a warm welcome at the Development Bank of Ethiopia, says the bank's president, Esayas Bahre. Celebrating its 100th anniversary, DBE offers a huge range of incentives, including lower interest rates, long-term loan periods up to 15 years and financing of up to 70 percent. "We know German investors are serious and we appreciate their commitment," Bahre says.

With assets of around Birr 50 million (\$4 million) and 80 percent of the Ethiopian market, Commercial Bank is now one of the most important banks in Africa. In six years, profits have risen at a rate of 40 percent year-on-year. Having triumphed from Ethiopia's high cash flows, Commercial Bank of Ethiopia has been concentrating on expansion, brand awareness, improving human capital, and buying technology. "Our foreign banking division accounts for 49 percent of our profits. We have direct contact with more than 500 banks. We have a corresponding agreement with Germany's Commerzbank, and also do business with Deutsche Bank, because most of our exports go to Germany, and most of our imported capital items comes from there."

With a strong involvement in the country's energy sector, Commercial Bank is keen to provide financial services to German contractors active in that field. German investors banking with Commercial Bank will benefit from loans for 70 percent of the total budget cost over a 15-year term with a strong return on investment. "The banking sector in Ethiopia is key for German investors looking for a reliable partner in the region for their trading activities. We can offer access to 23 African countries through the Common Market for Eastern and Southern Africa (COMESA) and 340 million people in East Africa," Bekalu Zeleke, Commercial Bank's president says. The pioneering bank is doing much to shape the financial services system and Ethiopia's development as a whole. and has made giant strides in improving customer services within its branches.

Nib International Bank, one of Ethiopia's six big private banks, has



Alemayehu Tegenu
Minister of Energy



Sufian Ahmed
Minister of Finance



Girma Birru
Minister of Trade

recorded profits every year since it was established in 1999. It is now looking to implement state-of-the-art technology and modern payment systems. With a correspondent relationship with Commerzbank, and also DZ bank, in Germany, NIB is led by Amerga Kassa and has been named "Best Bank in Ethiopia" six times in the last four years: by The Banker and Global Finance magazines.

Energy also has the potential to be a powerful economic driver, particularly hydropower. The country currently boasts 60,000 MWs of renewable energy potential, out of which 45,000 is hydropower, and 5,000 geothermal. There are 12 river bases, and five hydropower projects already under construction. According to Minister of Energy and Mines, Alemayehu Tegenu, there is also potential in wind, solar and biofuels, and he invites German investors to bring their technology to help get these off the ground. "It would be a win-win solution for everyone," he says. Meanwhile, the fact Ethiopia was never colonized means its mining potential is enormous.

While growing demand and a late-onset rainy season caused power shortages this summer, state-run EEPSCO is confident the new hydropower plants coming on stream will help it realize its mission to become a major power supplier for the region. "If you look at the advantages we have: a strategic location, a good mix of renewable resources, and a huge market in Kenya, Sudan, Djibouti and Egypt, and beyond, Ethiopia is an extremely attractive option," Meheret Debebe, CEO of EEPSCO, says. "To achieve our vision, we have to invest around \$1.5 billion per annum. If we had more financial resources, we would have the capacity to do more."

Another major factor is the low energy costs: electricity costs between 2.2 and 3.5 eurocents per kilowatt/hour, compared with between 30 and 40 eurocents in Europe. German investors would also benefit from strong local partnerships. "There are many stakeholders so we have to find a common solution to address the environmental, social and political issues," Debebe says. "Also, we are an emerging market, and energy needs intensive investment. We worked with German firm GTZ on a wind study; now we are asking them to aggressively involve German companies in these projects."



The Garden Palace Hotel of East Africa

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With big cats and one of the world's most fascinating histories, tourism is another sector bursting with possibilities that the right investment could see take off exponentially. The Ministry of Tourism and Culture was created three years ago to make this happen. As its proactive head, Minister of Culture and Tourism Mohamoud Dirir, explains, Ethiopia has everything that its main tourism rival, Kenya, has, but severely lacks the infrastructure it needs to compete.

The most pressing problems include air transport to serve areas outside the capital Addis Ababa, electricity shortages, and unsatisfactory roads. "Our major focus is to attract niche tourists; responsible tourists who are interested in history, culture and the diversity of our nation. So far, only the north has been known to the western world but Ethiopia has countless windows of opportunity and lots of layers to discover," says Minister Dirir.

The number of hotels and resorts is growing steadily in Addis Ababa and other cities as young Ethiopian diaspora return to make their mark on the sector. "Recently, the owner and CEO of Boston Day Spa in Addis established Kuriftu Resort and Spa, a few kilometers from Addis at Bahir Dar, on the tip of Lake Tana, the source of the Blue Nile. So you have more people establishing their trademarks and enhancing the capacity of our services sector.

"Germans also have immense experience working in different parts of the world, including South Africa and Namibia, so they can invest in this sector, in its infrastructure and knowledge base, and connect Ethiopia with Germany in a way that attracts more safari tourism that is both interesting and adventurous at the same time.

"Addis is the diplomatic center of Africa—it is what New York is to the United States," Dirir says. "There are more than 90 embassies

and many international organisations. The French group Accor are building two hotels and I would like to use this opportunity to call on German tour operators to know more about Ethiopia and include it in their packages."

For Minister Dirir, the greatest challenge, however, is improving tourist numbers, which registered at just 400,000 last year. The country's flagship airline, Ethiopian Airlines, remains a trusted international brand, and has managed to keep growing in a difficult and competitive climate. "They have been instrumental in encouraging tourism and promoting Ethiopia to the rest of the world, and will remain a very important partner in tourism," he says.

Diriba Kuma, Minister of Transport and Communications agrees. "I think Ethiopian will be very successful in its mission to build an aviation hub at Bole International Airport in Addis," he says. "We have the experience and now fly to more than 50 countries worldwide. We have code-share agreements that are working very well. There is also a big transit business into Bole from India and the U.S."

The Garden Palace Hotel of East Africa, run by Ghion Hotels Enterprise, offers excellent facilities and is only 7km from the airport.

An E.U.-funded transport master plan for the next 20 years plans to have more than 30 local airports connecting to Addis within the next decade, and a 5,000 kilometer railway corridor to connect farmers in different parts of the country to the port, the central market and production centers within seven years. As Shiferaw Alemu, general manager of the Ethiopian Airports Enterprise notes, better airport infrastructure is a massive priority. "BIA was voted best African airport in 2008 because of the services it offers and the new terminal building, runway, and other facilities that have helped enhance operations."

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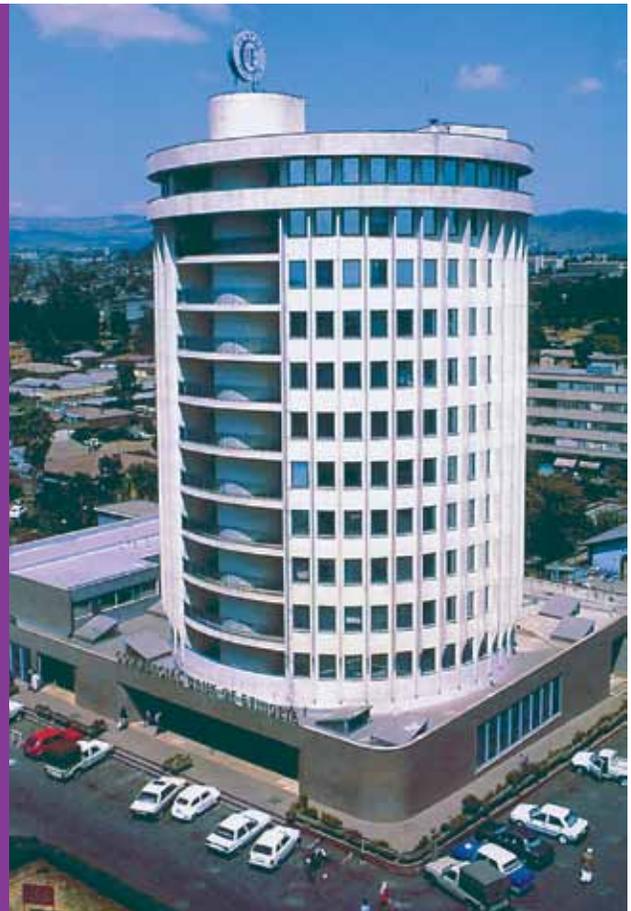
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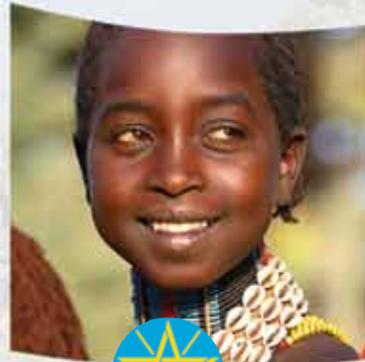
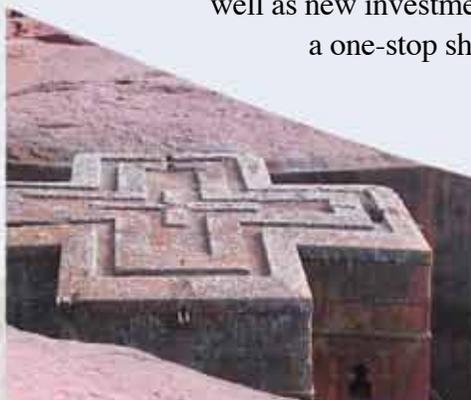


Ethiopia, the land of rich history and business opportunities, welcomes investors and tourists

Ethiopia, one of the world's oldest and most beautiful countries, is successfully blending its deep-rooted culture of hospitality with modern business practices as its economic growth develops at a record pace in Africa.

The country offers amazing historic, cultural, and natural attractions to tourists. The immense diversity of its attractions is represented in the peaks of the Simien Mountains to the depths of the Danakil Depression - one of the lowest points on earth.

The Ethiopian Investment Agency is at the forefront of the change that leads to the privatization of government-owned enterprises, as well as new investment opportunities in the country as a one-stop shop, customer-friendly entity.



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