

ETHIOPIA

Open for business

AS a follower of the Julian calendar, which has 13 months, Ethiopia celebrated the start of a new Millennium in September 2007. There was much to celebrate. Economic growth has been in double-figures for the past five years, and GDP growth is predicted to increase by 11% in 2008.

For Prime Minister Meles Zenawi, now in his third term, the new Millennium gives Ethiopia the opportunity to shake off its distorted image as a timid and dependent country for once and for all. "Ethiopia is a very old nation that is now about to take off. Investment is booming, as are construction, agriculture and imports."

With education and modernization at the top of the agenda, Ethiopia is aggressively seeking out its place in the global community. Five years ago, it had one university; now it has 21, while 92% of the 83.1 million population has received an education, marking a three-fold increase within the same time-frame. New international partnerships, particularly with China, are being pursued, and existing ones strengthened, like the "qualitative" relationship Ethiopia enjoys with the U.K., which is providing ICT, know-how and training on an unprecedented scale.

"Exports have been growing at a rate of 25% a year—more than double our GDP—and we have barely scratched the surface." Meles Zenawi, Prime Minister

Meles, an active contributor to the Commission for Africa, rings the changes that are happening throughout the continent. "China and now Europe are beginning to treat Africa as a new economic reality and are seeking partnerships as opposed to philanthropy. This is a very welcome development, as Africa needs partnership, investments, trade and, of course, technical and other types of support to allow it to

exploit its specific advantages in the global economy."

For its part, Ethiopia has opened up rural areas, where at least 85% of the population lives and works, and is encouraging farmers to produce for regional and global markets. The cultural shift from subsistence to value-added productivity is already showing. "Exports have been growing at a rate of 25% a year, which is more than double our GDP, and we have barely scratched the surface," says Meles. "There is an enormous opportunity to increase productivity in the small-scale farming sector and great opportunities for export in cultural communities and agro-processing. Agricultural development is kick-starting industrialization in our country."

Ethiopia's foreign minister Seyoum Mesfin explains how regional peace and stability remain top priorities. "Ethiopia at the core of stability for East Africa. We share blood, history and language with all our neighbors and regional integration and enlarged markets are what will build a win-win situation for all. By joint efforts and common interests, we will build our economies and enlarge our markets, just like Europe.

"In the same way, investors can become partners in building the economy as they build their business. The safety of their investment is guaranteed."

The investor-friendly face of Ethiopia is another indication of how much the country has changed. In sharp contrast to its socialist past, public-private partnerships (PPPs) are now highly encouraged, with foreign investment and involvement greatly accepted in all but the banking sector. The country is in the midst of an ambitious, and so far, highly successful privatization drive, a process implemented through publicly accountable competitive bids and managed by the Privatization and Public Enterprises Supervising Agency (PPESA).



Meles Zenawi
Prime Minister

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VARNERO has built the backbone of the Ethiopian economy.

Hailemariam Dessalegn, chairman of PPESA says, "Our focus is on global competition because if you can compete globally then you can obviously compete nationally. The privatizations will bring new technology, the transfer of technology, new management systems and also able investors. The sooner they come, the quicker and more enhanced the process will be. Our major challenges lie in how quickly we can place ourselves into global competition."

Mindful that the public-to-private transition takes time,

"We are implementing Business Process Reengineering (BPR) to bring about fundamental and radical change by transforming the entire organization and systems to reach world-class standards." Melika Bedri, VP-IT, CBE

PPESA is managing the process carefully, ensuring that those entities that remain government-owned, such as Ethiopian Telecommunications Corporation and Ethiopian Airlines, are more efficient and effective. New reforms have been introduced to help the process along. "We have the help and support of international bench-marked companies, especially from the U.K., which are supporting us by means of expertise," says Dessalegn. "Ethiopia is committed to change, growth, development, and good governance and this has become a major goal for us. Unlike under previous regimes, we are witnessing movement; the market is opening up, liberalization is taking place and the economic market is prevailing."

Foreign investors that have already invested in Ethiopia in different sectors and are still interested to participate in acquiring state-owned enterprises through the privatisation program, can pay 50 percent of the acquisition value upfront and settle the remaining 50 percent over a maximum of three years.

As well as being stable, Ethiopia has many qualities that set it apart from other countries in the region. The huge population offers immense possibilities as both a market

"Improving service quality is a key issue." Melika Bedri, VP-IT, CBE

and a workforce. "The country is also home to a host of different ethnic groups and religions co-existing peacefully and respecting each other, so outsiders are naturally accepted and respected," says Dessalegn.

The government's industrial development strategy outlines the priority investment areas as agriculture, textiles, leather and leather products, agroprocessing, horticulture, livestock, mining, energy, construction and cement. Ethiopia's diverse agroclimatic conditions means over 100 different types of crops can be grown successfully and there are more than 73.6 million hectares waiting to be developed.

Recent investment trends are encouraging. Floriculture now earns the country U.S.\$250 million a year, while coffee is the biggest foreign exchange earner, and there are still enormous water resources awaiting exploitation. As Abi Woldemmeskel, director of the Ethiopian Investment Agency (EIA) points out "All these opportunities are even more interesting if you take into account our inexpensive, abundant and easily trainable labor force, which make labor-intensive technologies more profitable here."

Set up in 1992, the EIA has done much to put Ethiopia on the map for positive reasons. A one-stop shop for private investors, it can issue investment and trade licenses in less than four hours, and work permits for ex-pats in under an hour. Competitive incentive packages include tax holidays, tax exemption on capital goods and raw materials, and 100% exemption from export tax. As Woldemmeskel says: "Investors tell us that their perception of Ethiopia before they arrived is very different to the reality on the ground, so we have to create a worldwide awareness of our progress and opportunities."

Part of this is Ethiopia's enviable location as a gateway for the rest of Africa and a tourism and business hub for the region. Ambassador Mohamoud Dirir, Minister of Culture and



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Sufian Ahmed
Minister of Finance



Seyoum Mesfin
Minister of Foreign Affairs



Almaz Moges
CEO, Nile Insurance Co.

Tourism, says: "Ethiopia is the headquarters of the African Union, the ECA, and we host over 90 diplomatic missions and organisational meetings a year. The capital is becoming a dynamic and vibrant reflection of the growing economy, with Bole International Airport increasingly significant as a stop-off point for airlines that connect Ethiopia to the world."

The Minister notes how many of the Ethiopian diaspora are returning from the U.S. and Europe to take part in new tourism initiatives. "This is a money-making sector, which is being proved by those who are actively setting up successful businesses by way of lodges, spas, resorts etc. Those who understand the tourism niche in the West are getting involved, which is a real plus for the sector."

Eco-tourism is being particularly encouraged as it involves communities usually marginalized from the mainstream economy, while preserving the country's beautiful landscape. "Public private partnerships are a mark of our sustainability strategy," he adds. The country hopes to attract tourists from

neighboring countries, such as Sudan, and Djibouti.

Meanwhile, despite Ethiopia's enormous potential for hydropower and geothermal energy generation, per capita consumption is still one of the lowest in Africa, with only 15.5% of the population having access to electricity. Under the supervision of Minister of Mines and Energy Alemayehu Tegenu, an aggressive hydroelectric construction project is under way, which will not only provide electricity for the country, but also allow it to export throughout the continent. Meheret Debebe, general manager of Ethiopian Electric Power Corporation (EEPSCO) says; "Our strategic goals are to implement the capacity building programs, increase generation capacity to a reasonable level, have a strong and reliable transmission and enhance our financial capacity."

EEPSCO will be implementing the government's universal access program, and expanding its grid to rural towns and villages with a view to increasing access to 50% within five years. Regional interconnection schemes are also being explored, with Ethiopia taking the lead in accelerating cross border electricity trading.

Urban development is booming as a result of the industrialization program. Varnero is a leading construction firm with more than 40 years' experience that prides itself on reliability and quality. "We have worked with the World Bank, the U.N. and the E.U., and have long-standing relationships with many of the world's leading construction companies," says general manager Alberto Varnero. Also growing is Packtra Pvt., a



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wholly-Ethiopian company established in 1991 that has emerged as one of the country's leading freight forwarders and customs clearing agents, providing a total logistics service. Solomon Ayalew, general manager, says: "The positive perception of Ethiopia internationally is one of our prime concerns."

Major transport and communication projects are also underway. As Minister for the two sectors Juneydi Saddo explains: "Between 2003 and 2006, the investment market leapt forward. In telecoms alone, investment jumped into several hundred millions of dollars—nowadays it is billions." Ethiopian Airlines is the country's flagship company, and has an excellent worldwide reputation. It is one of the first airlines to purchase a fleet of state-of-the-art Dreamliner Boeing 787s, due to come on stream in early 2009. "We have been registering a steady growth rate of 25% per year for the last few years," says CEO Girma Wake. "To continue this trend, we have mapped out strategic corporate plans for both the short and long term. Training will be a priority."

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Nile Insurance Company s.c. New Headquarters.

The airline, which currently flies to 50 destinations worldwide, will also be expanding its routes by developing major hubs in China, India and the U.S. and strengthening the existing European and African networks. "We have been in the business for over 60 years and have an excellent reputation for service and safety," says Wake. "Most would-be visitors to Ethiopia begin their journeys at one of our well-appointed overseas offices. This first-hand exposure contributes immensely to the positive and true image of Ethiopia."

EPCO will be implementing the government's universal access program and expanding its grid to rural towns and villages with a view to increasing access to electricity to 50% within five years.

Wake speaks proudly of the new Dreamliner fleet. "The B787 is fuel-efficient, economical to maintain and offers maximum comfort to the passenger. Ethiopian Airlines will be the first and only carrier to fly the 787 in Africa and the Middle East, and will also be flying it before anyone in Europe."

Although not able to enter Ethiopia's banking sector, foreign companies registered and operating there are entitled to access domestic credit borrowing on the same terms and conditions as Ethiopian companies. "Our financial sector is unique, in that on the one hand, there is excess liquidity in the system, and on the other, there are people with good ideas and investment projects with no access to funds," Finance Minister Sufian Ahmed says.

Commercial banking is carried out by the state-owned Commercial Bank of



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Ethiopia (CBE) and six private entities. CBE has been around for more than 60 years and is the country's leading bank, with almost 200 branches and some 8,000 personnel. CBE provides all conventional banking services and is currently focused on improving service quality. "We are implementing Business Process Reengineering (BPR) to bring about fundamental and radical change by transforming the entire organization and systems to reach world-class standards," says Melika Bedri, VP-IT, Marketing and Research of CBE. One

of the bank's top priorities is to install networked computer systems in all its major branches.

As awareness of insurance products grows, the country's largest private insurance provider, Nile Insurance Company, will be focusing on reliability and excellence. "Our new IT system, and the customization of the Premia software will give us tremendous advantages to improving our core business and increasing efficiency across all areas," says Almaz Moges, CEO.

The state-owned Ethiopian Insurance Corporation is also upgrading its IT systems and consolidating in the existing market. "We are working to improve the effectiveness and efficiency of our services so we both meet and exceed our customers' requirements," says managing director Alemseged Abreham.

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Discover a wealth of investment possibilities in the new Ethiopia

Ethiopia is a country with a long history and culture. It has more than 80 million inhabitants living together in harmony and peace.

A country with a multitude of untapped natural resources, Ethiopia is a place where people are seeing brand new hope for development and a brighter future.

Ethiopia is trying more than ever to aggressively find its place in the global economy and doing its best to make good governance, democracy, transparency and the rule of law a solid reality.

The country's privatization program is implemented through competitive bidding and public private partnership, with a high degree of public accountability. Invitations are made to serious investors all over the globe to come to Ethiopia and do business. Ethiopia offers a valuable and viable economic opportunity.

Ethiopia's investment laws are investor-friendly and offer a wealth of incentive packages. There are several fresh investment projects available to be taken alone or in partnership with the government.

Let us come together and join hands for our mutual growth and sustainability. On behalf of Ethiopia, our gratitude goes out to those that have endeavored to show the world, and continue to do so, that Ethiopia is changing along the path of economic growth and prosperity.



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potential. Ancient sites, the
majestic Simien Mountains
National Park and the Walled
City of Harrar (Jugol) can be
found against a backdrop of
diverse landscapes and over
80 different cultures.



The Federal Democratic Republic of Ethiopia
Ministry of Culture and Tourism



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