

ETHIOPIA

Economic Miracle with Unlimited Resources

A booming economy, government incentives and immeasurable resources

Located in the North-East of Africa, Ethiopia is currently one of the biggest success stories of the African continent. From a country blighted by drought and famine three decades ago, Ethiopia has turned itself into one of the world's most vibrant and interesting countries for investments.

For several years, annual growth rates have been in double digits and this beautiful country is now one of the fastest growing economies in the world.

It has a strategically favorable geographic location, with close market access to the Middle East, Asia and Europe, and a population of more than 90 million, making it one of the largest domestic markets in Africa, as well as a bearer of abundant and cheap labor.

The country has an excellent climate, fertile grounds and immense natural resources. Ethiopia's success story started under the government of the former Prime Minister Meles Zenawi, whose goal was to turn Ethiopia into a middle-income country by 2020.

To achieve this goal, the government implemented the Growth and Transformation Plan (GTP) in 2010, which laid the ground for the biggest economic and social reforms in the history of the country.

After the death of the former Prime Minister, the international community raised doubts about Ethiopia's future. But these concerns are long gone, since Hailemariam Desalegn took over as the new Prime Minister with the clear message: "We will preserve Zenawi's legacy and continue without any change."

Ethiopia is indeed working hard on modernizing its agriculture, developing the manufacturing industry, establishing the necessary infrastructure needed for growth, and developing new export markets.

The government has enacted a liberal investment law and founded the Ethiopian Investment Agency, which supports foreign investors actively in any investment related issues. Overall, the Ethiopian government has successfully established a modern and welcoming environment for business and investment.

"This is a country where you can have a business, a good conducive environment, with the government's support, and a good return," Ethiopia's Deputy Prime Minister Debretsion Gebre Michael, explains.

The economic reforms have already borne fruit: over the last eight years, the Ethiopian economy has grown at an annual rate of 11.5%. It is expected that the double-digits growth will continue in the coming years.

Newai Gebre-ab, Chief Economic Advisor to the Prime Minister, is, however, seeking more foreign investment for Ethiopia, because, as he says, the domestic private sector will not be able to do it on its own.

"We need lots of foreign investment and we are just starting to get some. To be industrialized we require, in broader terms, infrastructures and an educated workforce," he says. "We would like to encourage foreign firms to come and generate electricity from geothermal and hydro power sources since the potentials are competitive."



Newai Gebre-ab
Chief Economic Advisor
to the Prime Minister



A view from the beautiful Bishangari Lodge, Lake Langano.

Further investment opportunities are to be found in the information and communications technology sector as well as in the agricultural and the agro-processing industry.

"Ethiopia is seen as a stable and secure nation on the rise. One of the major reasons of Ethiopia's recent success is the change of its economy," Gebre-ab continues: "We were deliberately concentrated on agriculture, but we have been able to shift our focus to a more industry-based economy. Ethiopia is focusing whole-heartedly on improving its technology as well as human development and education. These are areas where Germany and German partners can and will be very much involved."

Private Investment Welcomed

The government is pushing the private and, in particular, the domestic manufacturing sector. "The private sector is currently in need of foreign participation as it is still too young to reach its full growth potential alone," says Gebre-ab. "Ethiopia has, however, shown that it can globally compete in modern sectors. We are beginning to get into these sectors with the export of textile, garment, leather products and shoes. The reception has been warm recently; foreign companies are getting interested in Ethiopia."

"The private sector is in need of foreign participation as it is still too young to reach its full potential alone."

Newai Gebre-ab, Chief Economic Advisor to the Prime Minister

Gebre-ab also talks about the special relationship with Germany and current opportunities for German investors in Ethiopia:

"For a long time, Germany has been a reliable and close partner of the country and will continue to be so. In particularly, the German government has been assisting us with vocational technical training. Once we have developed the human resource base, we will be able to absorb foreign technology much more efficiently.

"Germany has a great comparative advantage in engineering and

PHOTO: Elaina Giolando



In the streets of Harar.

technologies. In the near future, I see some well-known German companies working in Ethiopia, both in engineering and in chemical industries. There are, however, enormous opportunities in the agro, textile, leather, food processing and dairy production industries, which all have immense potential both for the domestic and international markets.”

Furthermore, Ethiopia is enjoying a big jump in infrastructure-building that produces plenty of investment opportunities.

“The government wants to build the infrastructure as much as possible on its own. Once the infrastructure is laid down, it will open up the ICT sector for value-added services for foreign companies,” states Gebre-ab. “This is the country where they can do business.”

Industrial Strength Success

One of the rising sectors in Ethiopia is the industry sector, which has shown great growth and diversification in recent years and contributes currently to about 13% of the overall economy.

Under the GTP, production of textile and garments, leather products, the cement industry, metal and engineering, chemical, pharmaceuticals and agro-processing industries are priority areas for investment. Thus, there are ample manufacturing opportunities for prospective investors in these areas.

“Thanks to the remarkable growth of Ethiopia’s economy in the last ten years, we are now in a good position to establish labor-intensive and especially light-manufacturing industries. The industry sector is a narrow base so we have to expand it aggressively,” says Ahmed Abtew, Minister of Industry.

“We want to have an export-led, integrated and high-value industrial sector. To achieve this goal, we want to establish at least four industrial and export processing zones. The zones are profitable and there are huge incentives from the government’s side.

“So if you are interested in the industrial zone development, you are welcome. We are further focusing strongly on education—our labor force should not only be cheap but also productive and fit for technological aspects.”

When asked about business relations with German companies, Abtew replies: “We have German companies in Ethiopia working on around 60 projects. Some 11 of them are engaged in agricultural areas and around 14 are in the manufacturing area. There are a number of German companies involved in real estate and machinery lease

PHOTO: Elaina Giolando



companies.

“I can assure the German investor that we have a great potential and a great space for international companies to do business in Ethiopia. We will export a lot of high-quality products to the world market at cheaper prices.”

Making Efforts

One company that truly represents the diversification process that the country is undergoing is EFFORT Group. Ethiopia’s flagship cooperative was established in 1995 and currently owns 16 companies operating in the agriculture, mining, construction, transport, medicine, trade and service sectors.

Through its subsidiaries, the group is trying to fully utilize the capacity of Ethiopian assets that have long been overlooked, both domestically and internationally, always with the focus of further fostering the socio-economic situation of the country.

“The company currently offers numerous opportunities for investment and partnership, allowing the exploitation of the true potential of Ethiopia.

“We want to have an export-led, integrated and high-value industrial sector.”

Ahmed Abtew, Minister of Industry

Another company that knows how business is done in Ethiopia is cement producer Derba Midroc Cement, which is presently building the largest state-of-the-art cement production plant in the country. The firm aims to be the first domestic cement supplier in Ethiopia, and has plans to invest \$3.4 billion over the next five years.

Steely RMI, in the meantime, is taking advantage of the huge demand for construction materials now emerging.

Headed by Mesfin Mengesha and Tefera Lemma, Managing Director and General Manager Policy and Operation respectively, Steely RMI, is involved in the steel and metal industry, mainly producing different sized steel bars and wire rods. With its 2,100 employees, Steely RMI has an ambitious expansion program and aims to become one of the leading firms in the region.

“We produce over 270,000 tonnes of iron bar and wire rods per annum. But we are planning to expand our production capacity and expand our value chain particularly in the mining and agricultural sector. Our mission is to produce high-quality products at a competitive

price. We therefore are investing vastly in new technologies, research and development. Recently, we applied TMT, PLC, CCM and fully automatic cooling beds," the directors explain.

Having dedicated itself wholly to the production of high-quality goods, the textile sector has been identified as the number one priority in the Ethiopian government's Industrial Development Strategy. The strategy involves the modernization of the textile sector with the objective of attracting foreign investors that can penetrate the global market.

Due to its geographical position, low production costs, skilled workforce and high-quality raw materials, Ethiopia has the potential to become a manufacturing hub in Eastern Africa.

The country boasts the largest livestock production in Africa and the tenth-largest in the world, with an estimated 45.5 million cattle, 26 million sheep and 21.7 million goats. As one of the oldest industries in Ethiopia, textile products are renowned for their high quality and increasingly find new markets abroad. Ethiopian highland sheepskin, for example, has gained an international reputation and being used for the production of gloves.

In the last few years, the textile and garment sub-sector has registered evident growth with the number of factories reaching about 50.

Although most of these factories are privately owned with significant participation of foreign investors, Ethiopia has set its sights on higher things, as the textile industry plans to increase its exports to \$1 billion and production to \$2.5 billion by 2015.

In addition to the ongoing expansion and overhaul of old textile factories, the privatization of publicly-owned factories is also

expected to bring about technology transfer and productivity in the sub-sector.

"Overall, Ethiopia's textile sector provides wide opportunities for investment, particularly in large-scale farming, spinning, weaving and finishing of textile fabrics."

Creating Added Value

Ethiopia has a distinct advantage when it comes to manufacturing, especially regarding its leather production.

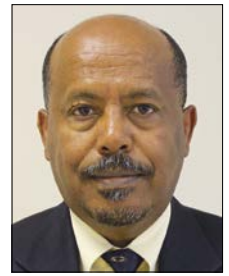
One of the most interesting producers in this sector is Dire Industries. The company, based in Ethiopia's capital Addis Ababa, began operating in 1972 and has since become internationally renowned for leather and high-quality leather products such as shoes and gloves.

Dire Industries has a shoe factory and two tanneries, which are all equipped with modern machinery from Italy and France. The company boasts more than 400 experienced workers including foreign experts. Current production capacity is 6,000 skins and 500 hides a day: equal to around 30,000 sq. ft of leather a day.

Ethiopia and Dire Industries in particular, have been able to take advantage and differentiate themselves through the high quality of its leather:

"Some of our leathers are unique, such as the sheepskin, which is very soft but at the same time extremely strong," says Deputy General Manager Elias Bedada.

"Skilled labor availability, climatically-conducive conditions, and a



Haile Assegide,
Executive Director
Derba Cement

Building Ethiopia

Dedicated to Ethiopia's sustainable development, and fully committed to implementing Ethiopian quality standards, Derba Midroc Cement (DMC) has made a huge impact on the Ethiopian construction industry since it entered the domestic cement market in 2012. Part of the Midroc Group of Companies—a well-known conglomerate headed by Sheik Mohammed Ali Al-Amoudi—DMC built and operates the largest cement factory in the country and plans to become a leading exporter of high-quality cement for the region.

Construction costs have fallen significantly in Ethiopia since the Derba Cement plant began operating two years ago, as Haile Assegide, DMC's CEO explains: "Five years ago, a ton of cement used to cost 500 birr, but right before our company was commissioned in February 2012, it reached 5,600 birr per ton due to increased demand. We had to build a higher capacity plant in order to satisfy the increased local demand. The price went down to 2,100 birr within three weeks of commissioning our plant."

Now DMC boasts the largest capacity in Africa, producing 5,000 tons of cement a day from a single kiln, and its approach to customers has also proven to be a winning formula. "Our clients get everything delivered to their door with one phone call," the CEO says.

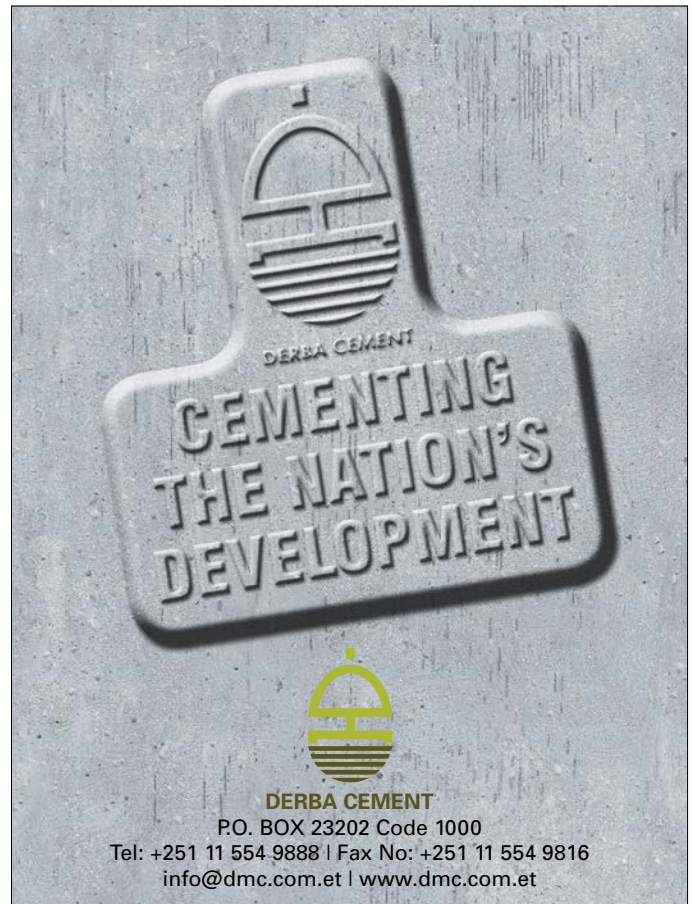
While plans for a second cement production line get under way, a sister company of DMC, TOSSA Steel Mill, is being set up to produce 1.3 million tons of steel a year. "Once completed, we will dominate the domestic steel market and see the price of steel go down as well," Assegide, who is also executive director of TOSSA Steel Mill, says.

Derba Cement

P.O. BOX 23202 Code 1000

Tel: +251 11 554 9888 | Fax No: +251 11 554 9816

info@dmc.com.et | www.dmc.com.et



DERBA CEMENT

P.O. BOX 23202 Code 1000

Tel: +251 11 554 9888 | Fax No: +251 11 554 9816

info@dmc.com.et | www.dmc.com.et

PHOTO: Eliana Giolando



Downtown Addis Ababa.

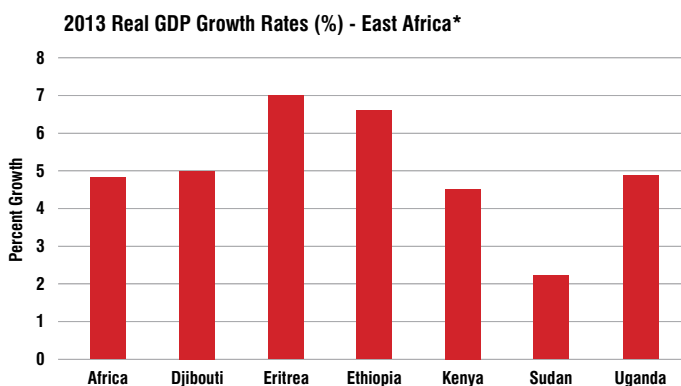
reliable power supply are all favorable in our area, and it is easy to export our products because of our proximity to Europe. Germany is our main market. We are constantly growing but we want to export even more, especially our shoes, which are made from the finest leather and based on the latest designs—just as our German customers like it.

“Within the next five years we want to use all our leather for finished products like shoes, leather goods and gloves instead of exporting the plain skin. In my opinion, as investment continues to flow in, the leather industry will be one of the major manufacturing sectors in Ethiopia in the next few years. I am very passionate about this business and I believe in it.”

A Bright Future

It is not only Bedada that believes in a bright future for the leather industry, but also the Ethiopian government, which has launched a number of investment-friendly initiatives.

One of the rising stars in Ethiopia’s leather industry is BAHIRDAR



Tannery. The company, initially established to process crust and semi-finished leather, is currently engaged in the production and export of high-quality and premium leather products to the international market, such as Europe and Asia.

“Ethiopia is rich in cattle resources and we have to use them,” says Founder and Managing Director Yigzaw Assefa. “Our leather is soft, strong, fine grain and has a compact structure. We are making gloves, shoes and bags with natural characteristics.”

Assefa goes on to point out the advantages of a partnership with BAHIRDAR Tannery:

“First, our company is in the origins of the highlands where high-quality skin can be found, and at the same time, we have great access to the markets. Second, we are updating our products with the latest designs and technologies in the global fashion business. Third, we have very competitive prices.”

Talking about the company’s goals, Assefa says: “We want to develop our own international quality leather brand. Through adopting new technologies, process innovations and world class business strategies, we will develop and manufacture the finest leather products which meet the customers’ expectations in quality, time delivery and other key standards.

“Germany and the European market generally are immensely important for us due to the demand of leather goods from the continent. We want to increase our productivity and export more.

“The Ethiopia of today and yesterday are different. Those interested in investing here are assured of a golden opportunity.”



Azeb Mesfin
Chairperson
EFFORT Group

“Ethiopia is rich in cattle resources and we have to use them.”

Yigzaw Assefa, Managing Director
BAHIRDAR Tannery

As the Ethiopian Embassy explains, Ethiopia’s leather and leather product sector creates a range of products from semi-processed leather in various forms to processed leathers including shoe uppers, leather garments, stitched upholstery, backpacks, purses, industrial gloves and finished leather, which have been exported to markets in Europe (especially Italy and the U.K.), the U.S., Canada, China, Japan and other Asian countries, as well as the Middle East.

Leather is also exported to other African countries including Nigeria and Uganda.

Ethiopian footwear factories also produce men’s casual shoes and children’s shoe-uppers made from pure leather.

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Steely RMI PLC is a private company located in the vicinity of Addis Ababa. It is engaged in the production of grade 60 deformed steel bar and wire rods with 270,000 tonnes per annum.

Tel: +251-911-235937, +251-11-4391999
Fax: +251-11-4390651
Email: info@steelyrmi.com, steelyplc@ethionet.et
P.O.Box: 10742 Addis Ababa, Ethiopia
Website: www.steelyrmi.com



Addis Pharmaceutical Factory



Almeda Textiles



Ezana Mining Development Plc



Guna Trading House Plc.

The development of our citizens is vital to the development of our nation



Mesfin Industrial Engineering



Sheba Leather Industry Plc



Sur Construction Plc



Messebo Cement Factory

Behind every great nation lies the political will to empower citizens and provide them with the skills to succeed. Playing a vital role in Ethiopia's vision to become a middle-income country by 2020, Effort Investments is at the heart of human development and industry. Run by Ethiopia's former First Lady, Azeb Mesfin, Effort consists of 14 companies that span all areas of the economy, including mining, textiles, tanneries, pharmaceuticals, irrigation, industrial manufacturing and trade, and is committed to quality and service through sustainable enterprise.



Effort Investment Center



Trans Ethiopia



Biruh Tesfa Irrigation & Water Technology Plc



Hiwot Agricultural Mechanization



Maichew Particle Board



Saba Dimensional Stones

1001 Opportunities for Investment

Ethiopia holds the key to lucrative rates of return

During the past seven years, Ethiopia has enjoyed fast growth economically, socially and politically. Azeb Mesfin, the country's former First Lady, explains why: "The capacity of the Ethiopian assets were never used and we are trying to change that negative image we had prior to where we are now.

"The Ethiopia of today and yesterday are indeed different. There have been remarkable changes in the last decade, and those who visit will understand the real image is quite different from what has been perceived for a long time.

"Ethiopia today is politically stable; it has a friendly, vibrant and diversified population as well as a thriving economy. The country's number one priority is poverty eradication and Ethiopia is the only country in Africa that intends to be carbon free by 2025."

The path to these changes, however, was demanding. "My generation came through rough situations when we were young," Mesfin says. "Back then, we fought for freedom and today we are in the process of democracy. We are working towards this noble purpose; the social, economic and development transformation of the country. I believe we will achieve it."

Mesfin now devotes her efforts to Ethiopian corporate giant EFFORT, where she is Chairperson, and the Meles Zenawi Foundation. The Endowment Fund for the Rehabilitation of Tigray (EFFORT) was established in 1995 with resources accumulated and donated by the Tigray People's Liberation Front, to foster the economic and social development of the Tigray Region and Ethiopia.

"The EFFORT Group now owns 16 companies operating in agriculture, mining, construction, transport, medicine, and trade and service sectors, and offers a multitude of opportunities to exploit business synergies. It is currently one of Ethiopia's most-wanted companies for investment and partnership.

"Our company is working based on the needs of the country," Mesfin says. "The purpose of the establishment of the group was to encourage and lead the industry sector as well as to foster the development of Ethiopia. Although it was a risk, we took on the cement, medicine and modern agriculture sectors 20 years ago. We encourage the private sectors to enter such businesses, leaving them spaces to take."

EFFORT is also a leading example of social investment. Despite having 16 companies under its umbrella, it's not always profit that is essential to the group.

"Operationally, some are performing well and some are not," Mesfin says. "But EFFORT is not merely a profit optimizing company but also a responsible company for the employment of the society. Our textile and garment factory Almeda Textiles has 5,600 employees within it and even though it is not performing well, we are holding on to it.

"Our growth has always been based on giving back to the Ethiopian population and developing the nation."

Azeb Mesfin, Chairperson, EFFORT Group

"We are fighting poverty through subsidizing the factory to keep its employees. Our growth has always been based on giving back to the Ethiopian population and developing the nation."



National Airways.

www.nationalairways.com.et

One of the companies that allows EFFORT to subsidize other factories is Mesfin Industrial Engineering (MIE)—the leading equipment manufacturing company in East Africa that involves around 350 small and macro enterprises.

"Mesfin, our core company above all others, is vital for the group and allow us to support people outside of the industrial compass," the former First Lady explains.

Turning to the Meles Zenawi Foundation, which was established in 2013 in honor of former Prime Minister Meles Zenawi, she explains:

"Meles's vision will remain with the development of Ethiopia. He was a good fighter, advocate and visionary. He worked tirelessly, and personally followed each and every work done. He was as much a thinker as he was a practical leader. He established with great passion quality education, a working health system and an infrastructure for a universal access.

"The Meles Zenawi Foundation will serve to commemorate the late Prime Minister's contribution towards peace, socio-economic development and his lead role in climate change negotiations and environmental protection.

"The Foundation seeks to become a cutting-edge, first-class international institution to serve as a centre of ideas and actions to reflect on the vision of Meles Zenawi, preserving and expanding on his work."

Cutting-Edge Resources

To achieve these goals, the foundation will include a state-of-the-art library and research center, where the written documents Meles produced throughout his life will be preserved; a centre to establish vibrant educational programs to advance the values and principles inherent in the promotion of mutual cooperation and understanding among peoples around the world; a scholarship scheme, especially for women, to enable them to continue secondary and university education; a prize trust for people who have excelled in their respective fields or made noteworthy contribution to the betterment of society; support for environmental protection and the green economy through



Debretsion G/Michael
Deputy PM and Minister
of Communication and
Information Technology



Ahmed Abtew
Minister of Industry

advocacy and education; and a public memorial park in honor of the late prime minister.

“Meles’s vision was to put Ethiopia in the middle-income generating countries by 2020 through the transformation

Sisay Desta, General Manager of Afro-Tsion.

“What makes Afro-Tsion different is that we don’t have sub-contractors, suppliers or any other manufacturers, as these things can cause a delay of the project completion. Our company is both involved in the managing aspect and also in the manufacturing business.

“Like that, we can guarantee professionalism, quality service and on-time delivery. We have 100 well experienced engineers in our company and we have a good reputation. We have won the tender to build the Jinka Airport airfield, a huge project that is estimated to be worth around \$25 million.”

“We have 100 well experienced engineers in our company and we have a good reputation.”

Sisay Desta, GM of Afro-Tsion Construction

Desta goes on to talk about current investment opportunities: “The construction and manufacturing areas are the ones to go for at the moment. With the right experience, knowledge and capital – like the Germans have – these areas provide excellent investments opportunities. The government is highly supportive and we have an abundant, young, cheap and easily trainable workforce. It is the right time to invest in Ethiopia.

“In the coming years, our company plans to be involved in marble, aluminum and other related inputs. We are looking for the finance to commence such projects. We need experienced experts of FDI to do so. Everything else will be provided by our company.”

Flying High

Still relatively small but nevertheless a company with huge potential, National Airways was founded in 2007. Under the slogan “The Spirit of a Rising Nation”, the company provides charter flights, an air ambulance with doctors on board, VIP flights, tour packages, humanitarian flights and mining operations.

“There is huge potential for the cargo, transportation and air ambulance businesses but we only do half of this because of the capacity we have,” says Captain Abera Lemi, CEO of National Airways. “We want to execute charter flights with better services and lower costs as there is huge space to grow in this area.”

Since it started operations, the airways has been providing safe, dependable, customer friendly and yet affordable air transport to its customers. In accordance with the company’s slogan, Captain Lemi concludes: “the international community needs to know that Ethiopia is committed and determined for a change.”

To continue with this change and to achieve the goals set by the government with the Growth and Transformation Plan (GTP), both

plan. But he never stopped there. He wanted to take it further. And of course, I want to see that happen as well.

“We want the best of continuous development, leadership and democracy. I will continue to be the walking shoe for this vision and will participate in it to see the changes come about,” Mesfin says.

One of the most visible changes in Ethiopia is the boom in the construction sector. Due to the government’s investment in large infrastructure projects and rapid urban expansion, the sector is growing fast and is currently one of Ethiopia’s most promising areas for investment.

Numerous multi-billion-dollar projects are being executed at the moment, such as the construction of a massive hydro power plant, known as the Grand Ethiopian Renaissance Dam, the construction of railway lines and 10 new sugar factories, among others.


Building Infrastructure

Foreign investors will find attractive investment opportunities related to the construction of roads, bridges, railways, hospitals, universities, ICT, factories, laboratories for technological centers, massive power generation schemes and others.

The strength of the construction sector is also enabling other sectors, for example the industrial sector: the demand for construction material is currently huge in Ethiopia and so are the opportunities for investment.


One company that not only knows how to build infrastructure but also an excellent reputation is Afro-Tsion Construction. The grade one construction company has successfully taken advantage of Ethiopia’s economic growth, engaging in country-wide projects in the fields of road, bridge, building construction and infrastructure development.

“The economy has stagnated for ten years, but then big projects started to take off, such as power generation dams and universities. There has been a huge economic growth in the past decade,” says




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PHOTO: Eliana Giolando



Farmers outside of Dire Dawa, eastern Ethiopia.

PHOTO: Eliana Giolando



Untouched tourism paradise at Lake Wonchi.

the agriculture and the energy sector will be crucial. The Ethiopian government is currently boosting both sectors—foreign investors are highly welcome to join.

Ethiopia is endowed with an immense potential of renewable energy sources such as hydro power, wind, solar energy and geothermal energy. The country's Ministry of Energy has developed a Climate Resilient Green Economy Strategy that will transform Ethiopia into a low-carbon economy before 2020, achieving the Rio+20 goals and becoming an example for the rest of the world.

The Water Tower of Africa, as Ethiopia is known, due to its

enormous water reservoirs, could then become the only net exporter of energy in East Africa if the current government's plans—that is, producing 15,000 million MW within the next 10 years—are fulfilled. According to a study by Hydro-China, the country could also tap into its wind and solar potential.

Currently foreign and local private investors can participate in the production of hydropower, wind, solar and thermal energy. The Nile, the longest river in the world, gets about 85% of its waters from the Blue Nile, which originates from Ethiopia.

Almost all of the country's rivers are suitable for hydropower generation which is the main source of energy and a clean source of power generation. The potential of the sector has created huge opportunities for the country to export electricity to neighboring countries and beyond.

Lighting up the Horn of Africa

Already the largest power exporter in the region, Ethiopia is aiming for the stars with an ambitious plan to build several hydropower plants and transmission lines, and increase production capacity five-fold by next year. At the helm is the restructured Ethiopian Electric Power, headed by Eng. Azeb Asnake, CEO, who takes up the story:

"Ethiopia is currently satisfying its domestic needs in tandem with its exports," she says. "We are engaged with the region as a whole; we're exporting to Sudan and Djibouti and have signed a power purchase agreement with Kenya. We are planning to build a transmission line and expanding the interconnection to reach Yemen. We're focused on using Ethiopia's considerable potential, particularly in hydropower, to develop the whole of the Horn of Africa and beyond."

Investment in wind, geothermal and solar is also being sought. "Foreign intervention is improving," Asnake says. "We have our first IPP modality with Korbett, but it is important for us to diversify and attract more investors. Thirty percent of the Great Renaissance Dam is already completed, and the Gibe III—which will increase output by 234%—is almost 80% complete. A third project, the Genale-Dawa III, which has a capacity of 254 MW, is almost half built. We have other projects in the pipeline and are doing feasibility studies for them."

With an ambitious plan to electrify 3,000 rural homes a year, the government's aim for universal access is creating huge opportunities at the heart of Ethiopian life. Greater investment in this expansive and dynamic country will therefore become a power beacon for the

Growing in Status

The engine of Ethiopia's overall economy, however, remains agriculture. In recent years, the sector has been growing at an average rate of 8% due to policies that have been tailored for the country's development objectives.

But there is huge room for expansion, and just as many opportunities for investment because of the country's endless natural resources: Ethiopia possesses one of the largest and most diverse genetic resources in the world.

The country is blessed in that it has the soils and climate required for the production of a variety of cash crops, including coffee, tea, wheat and cassava, but there is also potential for higher protein pulses, like chickpeas and lentils, that would go a long way to curbing malnutrition.

Ethiopia has more than 80 million hectares of arable land, of which only 16% is under cultivation, so the government has implemented programs to promote a market-oriented agricultural system that will enable the unmatched potential of Ethiopia.

Agriculture remains the mainstay of the Ethiopian economy, and currently accounts for 45% of Ethiopia's GDP. With adequate investment, the nation could become Africa's breadbasket and a leading exporter of fruits, vegetables and livestock.

From an investor's perspective, Ethiopia agro-processing presents great opportunities. The sector encompasses strategic processing industries such as textile and garment, leather and apparel, and

Ethiopian Electric Power

P.O. Box 1233

Tel: +251 11 558 05 76

World's ten fastest-growing economies*

Annual average GDP growth, %

2001-2010†		2011-2015‡	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Eithiopa	8.1
Nigeria	8.9	Mozambique	7.7
Eithiopa	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

Sources: The Economist; IMF

food processing industries, all of which are potentially high value-added export sectors. Agro-processing industries, such as textile and leather, have existed for more than 60 years and still have ample room for expansion and improvement.

"Ethiopia has market-led agricultural development", explains Tefera Derbew, Minister of Agriculture. "The market is not only based locally but also internationally.

"We established a modern marketplace system called the Ethiopian Commodity Exchange (ECX), a reliable interface for buyers and sellers to meet to trade, assured of quality, quantity, payment, and delivery.

"This system links the small farmers to the international trading scene. We are trying to build some unions' capacities to help them export directly; from the farmers to the market. Further we are increasing the warehouse capacities and we organize cooperatives so that product aggregation will be possible."

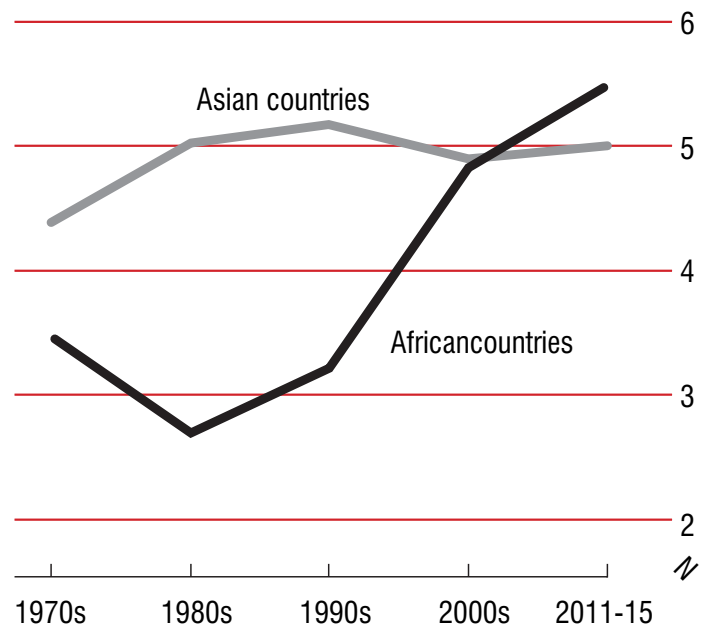
Regarding the importance of the German market for Ethiopia's agriculture, Derbew states: "Germany is one of our top export destinations. It is the most important purchaser of Ethiopian coffee and offers an exciting potential market for our burgeoning floriculture industry. We would like to increase the trading relationship between the two countries.

"This sector can grow more than 8%, taking into account the productivity difference between the farmers we have. Farmers with technology packages can attain high productivity and most of our farmers do not have that practice," states the Minister of Agriculture. "There are currently great opportunities for German investors in the areas of horticulture, poultry, milk and dairy productions, large-scale farming, and in perennial and annual crop cultivations. The potential of both local and international market is huge."

Early Bird Catches Business

One of the companies that recognized the potential of Ethiopia's

GDP growth, unweighted annual average, %



Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast

natural resources early on is Ethio Agri-CEFT. The company, set up in 1997, is now one of the biggest players in the agricultural sector of Ethiopia.

"Our firm is an ideal partner for investment in agriculture, as we offer an extensive and varied range of products, as well as many years of experience," explains Esayas Kebede, General Manager of Ethio Agri-CEFT. "Our company produces 800 tonnes of high-quality coffee and 6,000 tonnes of highland tea each year. We are exporting around 1 million flowers per month and this year alone have produced 26,000 tonnes of maize.

"All our products are rainforest-alliance certified, we are internationally certified for our quality and we are concerned about corporate social responsibility. We would like to increase our productivity and the quality of our goods by means of technology and knowhow. For this reason we need more partnerships.

"In particular we want to export our flowers, tea and other products directly to Germany. We can handle the packaging and everything else, but we need more distributors in Germany."



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Ethiopia's ICT Revolution

Technological advances are adding to the country's potential

The achievement of the government's goal—turning Ethiopia into a middle-income country by 2020—will strongly depend upon the financial and Information and Communications Technologies (ICT) sectors. The financial sector is the strength of the nation, as it financially supports the Growth and Transformation Plan (GTP), as well as the private sector's economic growth. ICT is equally important as an industry and as an enabler of socioeconomic transformation.

The development of both sectors, however, has only just started. In spite of that, or exactly because of that, investment opportunities are currently abundant. Although the Ethiopian banking industry is still small in comparison to other African countries, it is growing at an astonishing pace of 43% annually, with new banks being established everywhere in the country.

"The demand for the banking industry and the awareness of the people is growing rapidly," says Belachew Bogale, President of Berhan International Bank.

Ethiopia's private banking sector has achieved significant importance, accounting for 40% of lending and 60% of deposits. Only the sky is the limit. To strengthen the financial sector, the government has recently taken further steps. In 2011, the National Bank of Ethiopia launched a modern payment system and set up a centralized clearing system which will speed up the time for settlement of checks.

Despite the recent success of the financial sector, there are still challenges that, which at the same time offer great opportunities for investors, like, for instance the lack of financial inclusion of the population. At present, there is only one bank per 83,000 Ethiopians, which makes Ethiopia one of the most under-banked countries in Sub-Saharan Africa.

Another factor is the low domestic deposits that are necessary to support Ethiopia's priority sectors such as exports and industry—the vast majority of small entrepreneurs lack the collateral necessary to obtain a bank loan.

ICT Village

ICTs are also growing at a rapid rate. Internet utilization is booming and new ICT-infrastructure is being built, not only in the cities but also in the rural areas. Although the ICT sector is still relatively small, the government's goal is nothing less than to establish Ethiopia as the premier IT hub of Africa in the coming years.

Without doubt, Ethiopia is well under way, thanks to targeted investments and the government's active collaboration with the private sector. Diverse investment opportunities will be guaranteed, as the government is seeking partnering companies, to supply the necessary equipment for the infrastructure.

Of special interest for German investors is the development of the Ethio-ICT Village, an IT and information park located in Addis Ababa. The current flagship ICT-project of Ethiopia sprawls 200 hectares of land and aims to provide a favorable environment for an expected 300,000 employees. In order to increase human resources and to further enhance ICT development of the country, the government has

PHOTO: Elna Gioiando



The centre of Addis Ababa.

increased the number of IT and engineering faculties in the country. "As a government, we have realized that ICT is one of the big strategic instruments," says Ethiopia's Deputy Prime Minister and Minister of ICT Debretsion G/Michael.

"Without the right infrastructure we cannot have ICT, so it is a massive priority. Over the next five years we will expand the infrastructure all over the nation with the best technology that is available. As it is a big investment, it has to be done together with partnering companies, suppliers of the equipment for the infrastructure.

"But ICT is also about the services. Thus, the other priority of the government is human resources. It is necessary to develop education at all levels. Our goal is to have 280 services being developed by 2015. So far, we are almost half way and there is no doubt that we will achieve our goal," says G/Michael.

"We have an important relationship with Germany: our technology, IT and engineering faculties as well as our TVET were initially designed by German companies."

Debretsion G/Michael

Deputy Prime Minister and Minister of ICT

When asked about the significance of Germany to Ethiopia's ICT sector, G/ Michael says:

"We have an important relationship with Germany: our technology, ICT and engineering faculties, as well as our Technical Vocational Education and Training programs (TVET) were initially designed by German companies.

"Furthermore, we are enjoying close partnerships with Germany regarding the consulting area and human resource development. Currently there are great investment opportunities in the IT village—I think many German companies will be interested.

"We as a country have a bright future and are on the right track in development of all sectors including IT. People have to see it seriously because we have a lot of business opportunities to offer."

One company playing a vital role in ICT development is Ethio Telecom. The state-owned telecommunications service provider has undergone important changes in the past few years and now has the potential to become a world class telecom service provider.

"The government is highly committed to ICT and there is a big investment in the telecom industry," says Andualem Admassie Abate, the acting CEO of Ethio Telecom.

"We had a management contract with a French telecom provider that gave us a chance to learn and experience a world class standard. Next year, we will accomplish a vendor financing multi-billion dollar project with Huawei and ZTE, which allows us to push the customer subscription capacity to 59 million. The Internet utilization is booming. We almost have connected 40,000 cables in the rural areas."

Furthermore, Ethio Telecom is currently engaged in a major transformation of the Next Generation Network projects. "Ethiopia is at a crossroads for development. With just a little effort, one can be successful because the government is highly supporting investments with free land and exempted tax," Admassie concludes.

Banking on Success

Ethiopia's booming economy is also creating a huge space for banking operations. "We came to the market in 2009, and became profitable very quickly," says Belachew Bogale, President of Berhan International Bank (BIB), one of Ethiopia's youngest and most promising banks.

"The financial sector is still highly under-banked but it is currently growing. New banks are being established. The government has directed its policies to boost the export of processed goods, which increases foreign trade capacity and gives great opportunities for banks. We have currently 42 branches but we want more: our vision is to be one of the biggest banks of this country and well connected to the international community. We would like to encourage more European, and in particular, more German companies to come and enjoy the fruit whilst choosing BIB as their preferred bank."

Another interesting entity in the financial business is Habesha Capital Services (HCS), an investment development company that is partnering with international firms. HCS owns a brewery, a real estate company and a cement plant, which together raise a total equity of 1.25 billion birr (\$0.06 billion).

"Our goal is to build a state-of-the-art cement plant with an annual capacity of 1.4 million tonnes. We also want to build pre-fabricated houses, hotels and mega complexes like cities within cities. Metals is another interesting area. And, last but not least, we want to advise and support any investors and entrepreneurs," says Eskinder Desta,



Yigzaw Assefa
Managing Director
BAHIRDAR Tannery



Andarge Habtemariam
Communication &
Commercial Director,
BAHIRDAR Tannery

Managing Director of HCS.

"It would be great if we could collaborate more with the Germans, since they are the leading experts in technology and know-how. If we had German private equity firms or banks, the probability of having German technology in the country would be higher, Ethiopia is a country that has dedicated itself to combatting poverty, that even has "declared war on it"', as Fesseha Asghedom Tessema, Ambassador of Ethiopia in Germany says.

This goal will be attained through the industrialization of the economy and, more precisely, by means of the GTP. The plan aims to modernize agriculture, to develop a competitive industrial sector, and expand and improve the infrastructure of the country as well as investing in education and training.

The effort that this rigorous plan requires is bearing fruit. The country's economy has been growing consistently for years: poverty is diminishing and both politicians and the people radiate a frenetic optimism and zest for action towards a better future.

Undreamed of Possibilities

This Ethiopia—which is so different from its perception of past times—is currently offering undreamt of possibilities for investors. The government has established a welcoming environment for investment. It entices tax exemptions, free land and other incentives. Ethiopia is stable politically as well as socially, and has transparent laws and investment protection treaties.

"The government has directed its policies to boost the export of processed goods, which increases foreign trade capacity and gives great opportunities for banks."

Belachew Bogale, President of Berhan International Bank

Almost unlimited investors possibilities are offered by the apparently endless natural resources that Ethiopia teems with, and investment opportunities are also plentiful for the renewable energy sector. Furthermore, the country offers investors arable land of 74 million hectares, and this, nota bene, under ideal climatic conditions.

The country has of one of the largest livestock populations worldwide, which allows, amongst other things, for the production of high quality leather goods. With a population of more than 90 million, Ethiopia possesses an abundant workforce, which can produce cheaply due to low energy costs.

Ethiopia, the political center of the continent, will also play a significant role in achieving Africa's ultimate goal: that the 21st century will be an African century.

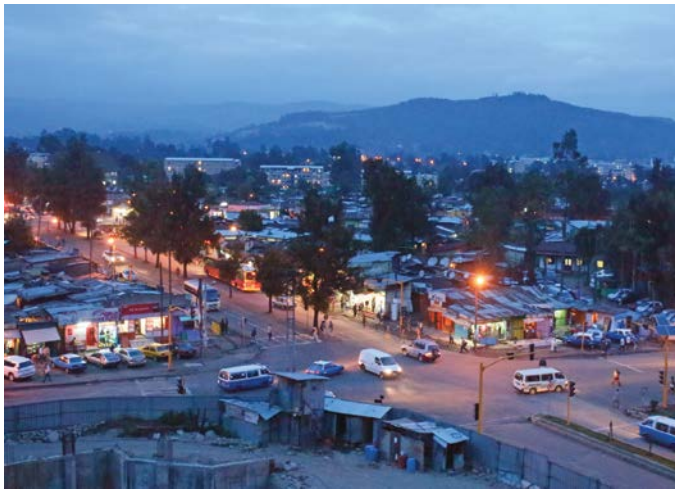
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Downtown Addis Ababa.

The country is of paramount importance for keeping peace in the region and fostering economic integration—factors that will lead to economic growth and investment. Newai Gebre-ab, Chief Economic Advisor to the Prime Minister, is certainly not wrong when he says: “This is the country where people can do business.”

Particularly in demand at the current time are German investors. Ethiopia, which not only wants to produce low-cost but also quality products, more than ever needs the know-how, technology and engineering sectors where Germany is world-class. Many German companies and investors are currently successfully working in Ethiopia—and many more might be.

A Century of Efforts

In fact, Ethiopia's relationship with Germany is embedded in more than a century of efforts and is the longest diplomatic relationship that Ethiopia has had with a European country.

“It is a relationship built on mutual respect, without any of the baggage of colonial or imperial influence,” says Fesseha Asghedom Tessema, Ambassador of Ethiopia in Germany. “Although the bilateral relationship between the two governments is very important we are aware that only through investments of the private sector our country can develop.

“For this reason our main objective is that the German private sector invests in Ethiopia. Unfortunately, the country has been represented as a country of famine and conflict. This is still in the minds of many German people. But Ethiopia has changed.

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Why Ethiopia?

- One of the fastest-growing economies, with annual GDP of 11%;
- Large amount of irrigable land;
- Enormous quantity of water and mineral deposits;
- Highly developing infrastructure and logistics;
- Pro investment government;
- Politically stable and secure;
- Macro-economic stability;
- Regional and international market opportunities;
- Competitive investment incentive packages;
- Investment guarantees and protection;
- Exceptional climate; and
- Competent and trainable cost-efficient labor by African standards.

Ethiopia is one of the rare African countries with religious harmony between the two main groups of Christians and Muslims; this harmony is a long-standing historical and cultural tradition of the country. It is a safe place to live and to work. Ethiopia is the assumed “capital city” of Africa, seat for numerous U.N. and other international organizations, and diplomatic missions. It is the venue for numerous conferences and seminars, and home to a thriving commercial community. It is therefore high time to invest in this historical land.

www.InvestinEthiopia.net

any tariffs as long as 75% of the product is done in Ethiopia.”

Furthermore, the government grants investors complete tax exemption on all investment goods, such as plant machinery and equipment, and construction materials.

Overall, Ethiopia offers investors, and in particular German investors, a unique business opportunity: to reach its goal of becoming a middle-income country by 2020. Most of all Ethiopia needs expert-knowledge, the latest technology and capital; things German investors can offer in abundance.

“In return, profits are guaranteed, thanks to the immense economic growth, the political stability and the investment incentives provided by the Ethiopian government.”

Newai Gebrai-ab, Chief Economic Advisor to the Prime Minister, concludes his idea that the future is closely linked with Germany.

“We were deliberately focused on agriculture during the past decade. Ethiopia has faced problems with food security and most of the population is in a line of agriculture livelihood.

“For these two reasons, we have to have a way to improve the wellbeing of the majority of the population. We have had good results

because the small farmer is now producing for the market beyond his/her consumption. That is a critical step.

“Now, the farmers are market oriented and keen to work with technologies.

“The government can now shift its focus to industry, and I look forward to ongoing dialogues and interest from German investors who wish to work with us.”