

# AFRICA IN THE SPOTLIGHT

With two major international conferences turning their focus on Africa this month, we investigate some of the continent's fastest-growing economies and the opportunities they provide.



# Connecting the World

**There is tremendous potential for Africa to improve its telecoms usage and infrastructure deployment, says the International Telecommunication Union.**

The premise that access to information communications technologies (ICTs) can greatly boost economic development is well-documented, and nowhere is the digital divide wider than in Africa. Despite having 923 million inhabitants—around 14% of the world's population—Africa accounts for just over 2% of the world's GDP and is severely lacking in the ICTs much of the rest of the world takes for granted. To put it in concrete terms, using the latest data compiled by the International Telecommunication Union (ITU), for 2006, Africa accounts for just 3.8% of the world's 1.1 billion broadband subscribers, and only 7.2% of its 2.7 billion mobile subscribers.

On May 12-15, key representatives of ITU's member states, along with 700 private sector companies, will meet in Cairo for its Telecom Africa 2008 event, to network and debate how the divide can be narrowed, and how African countries can best be given a level playing field in ICT. Secretary-General of ITU, Hamadoun Touré says, "We must look at how the mobile industry took off in the last decade in Africa when the private sector entered, how the industry came with innovative solutions that adapted to the market. The challenge for us is to use a market-oriented approach in the ICT field."

One of ITU's principal mandates is to bring affordable and sustainable improvements to the lives of ordinary people. Its

**"The challenge is to use a market-oriented approach."**

"Connect the World" initiative looks at using private-public partnerships to bring basic telecoms to some of the world's most marginalized people: those in rural communities. As Touré explains "In rural areas, you don't have the volume so you have the added challenge of cost. But in every case, if you have the right business model, you can make a business self-sustainable. You need to involve the local community. Someone has to make a living from it so that they can use the equipment and technology efficiently."

In Ethiopia, a large, landlocked country on Africa's East Coast, 80% of the 78 million population live in rural areas. Over the past three years, there has been an upsurge in infrastructure and service expansion, with the present



Addis Ababa Bole International Airport.



**Hamadoun Touré,**  
Secretary-General,  
ITU



**Juneydi Saddo**  
Minister Transport  
and Communication



**Amare Amsalu**  
CEO  
ETC

government committed to getting the developing country wide open for business, and its citizens 100% linked up with telecommunications by 2010. "We have Chinese and European contractors helping us with road building, and are planning to increase infrastructure from 41,000 km to 100,000 km within the next five years," says Juneydi Saddo, Minister of Transport and Communication. "The country must be connected by telecommunications and roads so that we can reach regional and global markets."

The government contracted China's ZTE for U.S. \$1.5 billion last year, to help link up the nation. "Currently, we have 2.6 million customers for both mobile and fixed line: our goal is to reach 15 million mobile subscribers. The major commercial negotiations are complete, and the project is under way."

The new targets will also see an overhaul of incumbent service provider, Ethiopian Telecommunications Corporation (ETC). U.S. experts have been called in to oversee the modernization, which, Saddo states, will ultimately need to create a completely different operation. "Everything about ETC will be revamped; the policies, working procedures, buildings, and we expect the new company to be operational by July."

"The reform is both an opportunity and a challenge, but we are focusing on the opportunity," says Amare Amsalu, the

dynamic CEO of ETC. "In the past five years, we have seen some real developments. We have constructed more than 4,000 km of fiber optics throughout the country and more are being built towards the Kenyan and Somalian borders, which will go some way to expanding the number of mobile subscribers in the country.

"With the old bureaucracy, it was impossible to move forward," he says, "but now we can think about the future, about business and development."

In line with its mission to have an information-based Ethiopian society where all people have access to information infrastructure on an equitable basis, ETC's priority is to connect the rural areas with mobile and wireless technology. "I used to work in the countryside, and I know the power of the mobile," says Amsalu. "Ethiopia is the water tower of Africa, and the people are extremely hardworking, but they lack the knowledge and the exposure. I saw a chili pepper farmer from a town some 100 km away from the capital Addis Ababa discussing the price of chili with someone in Afghanistan!"

Amsalu believes the power of communication will transform the country in a very short period of time. "We have already connected all the government administration offices and schools free of charge, and are doing so many things, but there is more to do. Once we strengthen ourselves internally, we can start to create more partnerships with international

operators. I am sending many of my employees abroad to gain exposure and develop their skills. In time, we hope they will return with their expertise.

"We are already deploying 3G technologies here, and I am negotiating with the Chinese to provide our IP backbone network. In three years time, you will see a big difference here. In other African countries, there is good ICT infrastructure in the cities; here, you will see it throughout the country."

With such conviction, it surely won't be long before ETC fulfils its goal of becoming an internationally recognized, agile, strong and vibrant world-class ICT infrastructure and services provider.

**"Now we can think about business and development."**

The government is hoping ETC will follow the same route as flagship airline Ethiopian, which functions like a successful private concern despite being state-owned. The airline, the pride of Ethiopia, is in expansion mode. With 410 international departures a week, 160 of which are from Addis Ababa, the airline currently flies to 49 destinations worldwide, mostly to Africa and the Middle East, but also to six in Europe and Washington DC. Ethiopian Airlines currently has code share agreements with South African Airways, Lufthansa, TAAG



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**Ethiopian**  
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THE NEW SPIRIT OF AFRICA

Angola and Gulf Air, and there are more in the pipeline.

Girma Wake, Ethiopian's CEO, served on the airline for 27 years before coming back to take up the reins in 2004. He had a number of objectives he wanted to

fulfill. "Ethiopian is a service organization, so my first priority was to ensure staff morale was good and the staff was happy. Improving the working conditions and bringing salaries in line with those of other international airlines was an

important first step. We have come a long way, but we still have not reached our target.

"Secondly, Ethiopia is in a very strategic location. It can serve as a hub for people traveling from Europe to Eastern and Central Africa, and also for the Far East and the Middle East. We have always operated on the idea that we are a connecting hub here in Ethiopia, but we have not made good use of it. We needed to make Ethiopia more popular and increase traffic. We have made good strides, however. By improving our network, productivity and minimizing the waiting time between transfers, we have almost doubled our air traffic and our revenue. Yes, we can grow more, but we know we are on the right track."

Wake has also overseen a better salary structure for Ethiopian pilots, and is looking at a similar scheme for technicians. The company is also upgrading its ICT systems, because, says Wake, "if we continue to grow at our present rate of 20% a year, we will need a better ICT structure."

Meanwhile, 10 Boeing Dream Liners have been ordered, five of which will be delivered next year and the remainder by 2011. It's a strategic move to attract, above all, more business customers. "This highly sophisticated aircraft has a much stronger customer appeal," Wake explains. "It is comfortable, it offers the range for more direct flights, and it will reduce our flight times. For us, it will be the real gate changer."

Airports manager Ethiopian Airports Enterprise (EAE) is also focusing on service improvements. "Business travelers at Bole International Airport Addis Ababa have their own lounge and check-in, and we will soon invest in the technology for self service check-in machines so they can enjoy the same services they have in Europe and the U.S." says Eyob Estifanos, EAE's general manager.



**Girma Wake**  
CEO  
Ethiopian Airlines

## Breaking communication barriers & connecting Ethiopia to the future



The country's national telecommunications operator, ETC is committed to Ethiopia's evolution into a society where information is accessible to all its citizens. The corporation is now undergoing major reforms to develop a backbone infrastructure throughout Ethiopia with the focus on rural areas, schools and corporate customers.

As it continues to create a world-class infrastructure that supports state-of-the-art services, ETC is one step closer to becoming a strong and vibrant internationally recognized ICT infrastructure and services provider.



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# 21st Century Republic

Mali continues to be one of Africa's most enthusiastic and prepared proponents of ICT, despite the major challenges involved.



**Diarra Mariam  
Flantie Diallo  
Minister of  
Communications**

"Our vision is to use the excellent potential of ICT to attain our poverty alleviation targets and our Millennium Development Goals," says the new Minister of Communications and New Technologies, Diarra Mariam Flantie Diallo, who spent 22 years at the African Development Bank.

"I strongly believe that this sector, especially telecommunications, will be an important contributor to the growth of

Mali's GDP, creating services, added value, employment and revenue. Ultimately, our aim is to offer universal access to telecommunications to the entire Malian population."

Although starting from a minimal benchmark, the country's "teledensity" has recently increased from Africa's lowest levels to a median one. The government has shown its commitment through a national policy and strategic plan that encourages the development of ICT, involving the maximum number of players. In her first six months in office, Mariam Diallo has launched the governmental intranet, embarked on reforms of Mali Post, and accelerated the privatization process of the state telecommunications company, Sotelma, due later this year, to boost private investment in the industry sector.

Previous major sectorial undertakings include opening up the mobile sector in 2002, which saw Orange enter the market, as well as Sotelma's placement of satellite links and 2,500 km of fiber optic cable from the capital, Bamako,

**"Today's world of telecommunications knows no borders."**

to guarantee coverage to other major commercial centers. Taxes were also abolished on all ICT products to encourage investment in the sector.

Mariam Diallo sees the provision of ICT to rural areas, where the majority of the country's 12.3 million population lives, as crucial. As electricity coverage is low, solar energy is being touted as a viable alternative, and the well-developed

post office network is being utilized to bring Internet coverage to remote areas through VSAT. Schools are also being used to boost connectivity.

State-owned Sotelma, in existence since 1989, provides fixed-line services, new technologies, such as wireless Wassa technology and the Internet, plus video conferencing, network services and cellphone services, through its operator Malitel.

"Today, we have the latest generation equipment, particularly for mobile services, where we have Edge and GPRS on the GSM network," says Sotelma's CEO Lassana N'Diaye. "We also offer all today's value-added services, such as roaming, even on the pre-paid service, and a credit transfer service."



**Lassana N'Diaye  
CEO, Sotelma**

As elsewhere in Africa, mobile services in Mali are more practical for most citizens, and subscriptions are growing exponentially. "We will reach our mobile capacity of 760,000 lines very soon, which is why we have an extension plan that will bring the mobile capacity up to just over one million subscribers. We expect to reach that target by the end of this year," says N'Diaye.

Sotelma has already worked hard to boost coverage in this large and sparsely-populated country of 1.24 million km<sup>2</sup>, and a current extension project will see urban coverage rise to 90%, from 800 to 1,200 locations.

Sotelma already works with global telecommunications players, such as Siemens, which provides mobile equipment, although N'Diaye expects to diversify and seek new partners in the future. The most important partnership initiative, however, is the forthcoming privatization, which will provide a new partner with majority shares (51%) in a successful brand in a stable nation and logistical hub in the Sahel region.

"Both strategically and economically, it is time for the privatization of Sotelma," says N'Diaye. "We need a strong partner that can help us develop the network, consolidate the company and compete in a strong, competitive environment that is no longer just within Mali, as today's telecommunication world no longer recognizes borders."

## SOTELMA

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# Fast-growing Economies

More and more African countries are successfully transforming from aid-dependent nations, finding sustainable options that will help combat poverty.

**C**on May 14-15, around 1,500 of Africa's finance ministers, governors, and professionals will descend on Mozambique's capital Maputo, for the 43rd meeting of the African Development Bank (ADB) and the 34th meeting of the African Development Fund.

These meetings are the most important gathering of finance and development experts in Africa, bringing together financial officials from the 77 ADB member countries, as well as private sector players, development partners, and civil society representatives.

As the premier financial development institution of Africa, the ADB is dedicated to combating poverty improving the lives of people from the continent. It is engaged in the task of mobilizing resources towards the economic and social progress of its regional member nations.

Ethiopia is one such country. Despite its development being hampered by repressive regimes until 1991, it has been experiencing rapid growth in recent years. Under Prime Minister Meles Zenawi, now serving his third term, the country continues to move toward multi-party democracy and economic liberalization. In the last twelve years, a total of 247 public enterprises with a combined sales value of 3.37 billion Birr have been privatized. The government's strong commitment to create a supportive environment for the development of the private sector has positively affected the growth of exports.

According to Sufian Ahmed, Ethiopia's Minister of Finance, "Growth is in the context of stable macroeconomic conditions, with impressive export performance, and is not limited to a few sectors. There has been a significant transformation in the



The Blue Nile drops 42 m to form the spectacular Tisissat Falls.

economy itself. We started from a very low material base. The extent of poverty is so huge that we need to sustain this growth over the coming generations."

The challenge, Ahmed says, is to balance inflation and overheating of the economy. "We expect growth of 10% again for this year," he says, "and we shall ensure inflation will be brought down to a single digit. Productivity is still low, so we should avoid overheating in the next few years. Our fiscal

**"We expect growth of 10% again for this year."**

situation needs to become more prudent. Our target is growth that will lead to poverty reduction."

Ahmed has been internationally praised for his fiscal management expertise, with *Annual Meetings Daily*, a magazine that reports African news from IMF/World Bank meetings, naming him African Finance Minister of the Year, 2007. Presenting the award in Washington DC in November, Editor-

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**Sufian Ahmed,**  
Minister of Finance  
& Economic Dev.

in-Chief, Ikechi Emenike, said: "We look at the economic profile of the countries and identify the Finance Minister that has added value. Our research shows that you fit the bill, because the Ethiopian economy is the fastest-growing economy on the African continent in view of the record of double-digit growth. Ethiopia no longer reminds one of a country reliant on food aid."

Instead, the Ethiopian economy has been growing exponentially. At the current rate of output expansion, growth will double every seven years, which means the U.N.'s Millennium Development Goals are more than achievable. Agriculture is the most sustainable option, although more investment is needed to improve productivity. The mainstay of the economy, it makes up 45% of GDP and employs 85% of the population. Agricultural products such as coffee,

livestock products, oil seeds and pulses, fruits, vegetables and cut flowers make up 80% of exports. Efforts are already under way to increase the export supply of these products and improve their quality, with the government encouraging investment in other currently unexploited, higher value-added, export sectors.

## "Prospects for employment in urban sectors are promising."

Recognizing that large capital investments are needed to exploit these resources, various incentives are being provided to encourage foreign investments (including joint ventures and marketing arrangements), so that the sector is able to provide a meaningful contribution to the country's development.

As Ahmed points out, "Recent developments show that prospects for employment generation in other sectors is promising and many new jobs are being created due to the conducive investment environment set up by appropriate policies designed by the government.

"The expanding urban economy, and increased domestic demand for goods and services, means there are substantial opportunities for SME development. SMEs are particularly

## A Modern Approach to Insurance



**Almaz Moges**  
CEO, Nile Insurance

**Nile Insurance Company (NLIC) is the leading private insurance company in Ethiopia, operating in 25 locations.**

Established in 1995, NLIC focuses on reliability and service excellence, offering a full range of modern insurance products and services to its customers. A team of professionals with diverse knowledge and many years'

experience provides support and advice free of charge.

NLIC is proud to be a development partner to the business community and investors in Ethiopia. Almaz Moges, the only female CEO in the insurance industry, has vowed to make NLIC a leading and competent insurer by all standards.

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**Abie Sano**  
President  
Commercial Bank

important in the context of our poverty-reduction strategy as they are seedbeds for the development of medium and large enterprises and will absorb under-employed labor in agriculture while diversifying the sources of income for farming families.”

The financial sector is creating big opportunities for Ethiopians, offering credit to would-be entrepreneurs in the cities, and giving farmers’ cooperatives the chance to obtain banking services in their vicinity. Such facilities are vital for the farming community to get loans to buy agricultural inputs and improve their productivity, and to access investment capital.

However, the government still exercises a strong influence. The National Bank of Ethiopia is not independent, for example, and the government owns the largest bank (Commercial Bank of Ethiopia), which accounts for two-thirds of outstanding credit. The private banks, which began entering the market in the mid-1990s, have increased their share of total deposits, loans and credit, but foreign banks are still barred from investing in banking or insurance. Nevertheless, the industry is welcoming borrowers with open arms.

Abie Sano, president of Commercial Bank says, “Our end-of-year performance for 2007 was 1.2 billion Birr — that’s 100 million more than 2006. We

are expecting even greater things this year. We have many projects under way that will help us reach our higher profit targets and they should start bearing fruit soon. These include housing loans and other business ventures, as well as work in international markets.”

The bank, with around 200 branches across the country’s cities and towns, also provides an outreach service to the rural margins, and is increasingly geared up to serve business clients. “The bank is moving further towards international best practices,” says Sano. “We attach due attention to efficiency and good corporate governance. We also have a correspondent relationship with 47 well-known foreign banks, a SWIFT bilateral arrangement with 500 others and close working relationships with Western Union and Visa International.”

to be able to withstand any unforeseen problems. Secondly, we are able to provide higher loans to our borrowers if we have high capital. The borrower limit is 25% of total capital, so that will now increase.

“Borrowers can also retain proportionate foreign exchange in our account in foreign banks. That also gives us strength and confidence with our correspondent banks: the exposure and credit lines we extend to customers very much depend on the strength and performance in administering their portfolios.”

Kassa worked for the National Bank of Ethiopia for 25 years, and his last post was held within its International Banking department, which has been a major advantage for NIB. “I knew all the correspondent banks throughout

**“Our bank’s strength is our advantage, but we are also able to provide higher loans.”**

To investors, he has this message. “We can finance any project that will add value to our economy. I want to encourage people to come here, to plan correctly, to do the right feasibility studies and to be transparent. Do the plan before worrying about the finance. For the short and medium term, construction is good. For the long-term, all industries related to agriculture and agro-processing will be more sustainable.”

The private NIB International Bank is the number one paid-up capital bank in Ethiopia, and a dynamic player in the sector. With international, experienced management and strategic international partners, they have been voted Best Bank of Ethiopia on three occasions. They have shown steady and consistent growth in overall performance since entering the market nine years ago, and last November, raised their paid-up capital to half a billion Birr.

Amerga Kassa, president and member of the board of directors of NIB, says: “Our bank’s strength is our most important advantage. A bank has

the world so brought those existing relationships with me,” he says.

The bank is currently focusing on accelerating its growth momentum while maintaining internal stability and cooperation, continuing its modernization program and aggressive branch expansion in strategic areas. “We aim to become an icon of excellence and the leading commercial bank in Ethiopia,” says Kassa. “To this end, we have prepared a five-year business strategic plan for guidance and management of our future directions. We are, more than ever, determined to implement the strategic objectives and ultimately stand firm in the upcoming stiff competition in the banking sector.”

Wegagen Bank is another private entity in expansion mode. With “Your Partner in Development” as its motto, the bank has been rendering support to business and investment, and making an important contribution to Ethiopia’s economic development. It is particularly helpful to investors in the export, import, wholesale, retail and manufacturing sectors.

#### ETHIOPIAN INSURANCE CORPORATION



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Hadgu Haile, president and CEO, says, "I took over the post with the objective of meeting the interests of the main shareholders as much as possible, by working in harmony with the management. I believe that observing national laws will be the safest way to ensure stability within the bank and sustaining growth.

"I have a firm commitment to further elevating this young and progressive bank to a higher degree of success with colleagues, and exert my best efforts in leading the bank to realize our strategic plan. It is in my best interest to maintain the existing good culture of team spirit and working towards the growth of the bank in all operational areas."

Meanwhile, Ethiopian Insurance Corporation (EIC) enjoys 45% of the insurance market share, and with 34 years in the market, has the preparation and capacity, to provide investors in every sector with all their insurance needs.



**Ethiopia has a diverse and fertile landscape.**

"The current socio-economic development of our country has provided great opportunities to insurance companies at large," says Alemseged Abreham, managing director. "Huge investments are under way in civil and electro-mechanical

engineering constructions within the manufacturing and horticulture sectors. Insured risks at a national level have increased considerably, and the market premium has increased to a billion Birr. An optimistic future for the insurance industry is quite inevitable." ■

## Uganda: Open for business as it works towards improved public services.



**Ezera S. Suruma,  
Min. of Finance,  
Planning & Econ. Dev**

With a commitment to continued growth, low inflation and better public services, Uganda's Ministry of Finance, Planning and Economic Development is in business mode.

While the country's stable economy has grown at an average rate of 6% in the last 15 years, new targets aim to see poverty down by 10% over the next five years, and more improvements in infrastructure.

For this to happen, foreign investment is crucial. Minister Ezera Suruma says: "Providing the resources for public goods and services is a big challenge. We have a financing gap for our infrastructure needs, particularly in energy. We are starting to invest more in hydro-power generation, but for the next three to four years, there will be a shortage. We hope to generate energy using the oil resources we have found.

"Our expenditure on education is quite exemplary. We have been able to provide free primary education for the last seven years, and are now doing the same for secondary schools and universities. However, we need to improve our public health record, with regards to clean water and health care."

The discovery of oil reserves beneath the country's Lake Albert—estimated at between some 100-200 million barrels—will have an important impact on the national budget. "It gives us a substitute for imports," says the Minister, "and it will keep transport costs down so we can use the savings for other things. We shall also lower our petroleum imports. A fifth of our import bill was spent on petroleum products last year. It will mean additional oil for the region, especially the landlocked countries such as Rwanda, Burundi and the Eastern Congo. It will benefit us all."

The Minister is keen to see East Africa more economically integrated in the future, with free movement of goods and services and a common currency. The government recently signed a deal with the E.U. to expand the Northern Corridor, one of the region's most important highways.

Private investment has increased 16% per year over the last five years, and the climate is growing ever more investor-friendly. "We recently removed income tax payments for companies producing goods for export," Suruma says, "and we are modernizing accounting and trading laws to make them more business friendly. The stability of our society will create an environment that investors find attractive."

### Ministry of Finance, Planning and Economic Development

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