



Development Bank of Ethiopia

May, 2012



Overview of the Ethiopian Economy



The Ethiopian economy has shifted into a higher trajectory since 2003\04. This has been sustained and during the last five years, overall GDP has grown rapidly at an average of 11% per annum. Sectoral annual growth rates:

- Agriculture = 8.4%
- Industry = 10%
- Service = 14.6%

Growth in GDP and Main sectors share as the percentage of GDP

Sector	Average growth target planned (2005/06-2009/10)		Average growth achieved (2005/06-2009/10)	Percentage share of Real GDP (2009/10)
	Base Case	High Case		
Real GDP	7.0	10.0	11.0	100
Agriculture	6.0	6.4	8.4	41.6
Industry	11.0	18.0	10.0	12.9
Services	7.0	10.3	14.6	45.5

Banking Sector in Ethiopia

- The total number of banks operating in Ethiopia reached 15 as two new private banks joined the industry during the fiscal year.
- The number of bank branches as at June 30,2011 stood at 681.
- As a result, the bank branch to population ratio has seen moderate improvement. Banks operating in the country registered high profit, enhanced resource mobilization, expanded their capital level, disbursed Substantial amount of loans and reduced their non-performing loans to a minimum level.

DBE Highlights

- The Development Bank of Ethiopia (DBE) is one of the financial institutions engaged in providing short, medium and long term development credits.
- DBE's distinguish feature is its "project" based lending tradition.
- The history of Development Bank of Ethiopia goes back to 1909 when the first attempts of its kind known as The Societe Narionale d' Ethiopie Pour le Development de l' agriculture et de Commerce (The Society for the promotion of Agriculture and Trade) was established in the Menelik II era.



DBE Headquarters and Branches

- The Bank extends its credit service through the Head office and five Regional Offices and 32 Branch offices throughout the country.
- Each region is empowered to extend loan up to Birr 15 million in priority area projects.
- Loan in excess of Birr 15 million is the jurisdiction of the Head office credit process.
- In addition to extending fresh loans the Bank has established project rehabilitation and foreclosure units at the head office and regional offices-The office is mainly responsible to rehabilitate projects. It also undertakes foreclosure action as a last resort.
- The Bank has also strengthen its foreign Banking services to its clients.



Mission, Vision and Values

- **Mission of DBE**

- “The Development Bank of Ethiopia is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing fund from domestic and foreign sources while ensuring its sustainability.”

- **Vision**

- “100% success for all financed projects by 2020”

Vision description

- All financed projects shall be implemented as per established schedule;
- All commissioned projects shall meet their debt obligation;
- All commissioned projects shall operate above breakeven point in all the understated areas as a minimum requirement;
- Foreign exchange generation or saving
- Employment creation;
- Income tax generation.

Mission, Vision and Values...continued

- **Values**
 - Commitment to Mission
 - Customer focus
 - Integrity
 - Team work
 - High value to employees
 - Learning organization
 - Concern to the environment



Financing Areas

- **DBE's credit policy, is purely aligned with financing projects inline with government priority areas.**
- **Major areas of DBE's financing include:(priority areas)**
 - **Commercial agriculture**
 - **Agro-processing**
 - **Manufacturing & Extractive Industries**

Governance structure

- The Development Bank of Ethiopia (DBE) is a state owned development finance institution. The DBE is supervised by the Public Financial Enterprises Supervising Agency (PFEA), which is a Directorate under the Prime Minister's Office.
- A Board of Management (BOM) consisting of seven senior government officials administers the Bank.
- The operations of the Bank are the direct responsibility of the top Executive Management Committee(EMC), which is consists of the President and four Vice Presidents.
- The President chairs the EMC and is the official representative of the Bank.

Organizational set-up

DBE's Organizational set-up includes:

- ✓ Board of Management
- ✓ President
- ✓ Four Vice Presidents
- ✓ 17 Processes(Departments) & Bureaus
- ✓ 5 Regional Offices
- ✓ 12 Branches
- ✓ 20 Sub-Branches

Credit services of DBE

- DBE is mandated to extend investment credits to creditworthy borrowers and projects that have received a thorough appraisal that are found to be financially profitable, economically viable and socially desirable.



Credit Services... continued

According to the credit policy of the Bank, DBE provides the following credit products and services.

- **Long-Term Loans**

- **fixed at a maximum of 20 years including any grace period**
- **Includes permanent working capital considered as part of the long term and investment capital of a project that will be recovered within the 5-15 years of loan repayment**



Credit Services continued...

- **Medium-Term Loan** – repayable within 3 to 5 years including any grace period.
- **Working Capital Loan** – used for extension of inventory cycle, increase capacity utilization and cover short-term cash flow problem.
- **Co-financing or syndicate financing**
- **Guarantee services, i.e. Export credit guarantee service**
- **Managed funds**
- **Loan Transfer**
- **Loan Buy Out**



Policies of DBE (requirements for loan application)

- DBE's main area of focus is provision of long and medium-term loans for investment projects within the Government's priority areas.



Policies of DBE...continued

Equity Capital Contribution

- For purpose of commitment to the success of the project to be financed, the applicant shall be required to make a contribution towards the project cost.
- The contribution shall not in any event be less than thirty percent (30%) of total project cost.

Policies of DBE...continued

Interest Rate

- The interest rate to be charged on loans will be set by management of the Bank and considered by the BOM in consultation with the government.
- Current interest rate for the priority areas of the Bank is 8.5% per annum.

Collateral Requirement

- The Bank will rely primarily upon the financial viability of the project itself. The Bank requires first-degree collateral right up on the project itself.

Policies of DBE...continued

Insurance

- All fixed assets of a project are required to be covered by appropriate insurance policy with DBE as a co-beneficiary until the loan is fully settled.



Policies of DBE... continued

Repayment Schedule

- Loan repayment period is determined taking into account the profitability and debt servicing capacity (cash flow) of the project as well as the economic life of major investment items.

Loan Processing time

- The Average Loan processing time is 32 working days.

General Requirements to Establish a New Project

- Project feasibility and viability study documents
- Project ownership related legal documents
- Licenses and Registration certificates
- Tax Identification Number & and VAT Certificates
- Land lease contractual agreements
- Lease and other payment documents
- Presentation of Performa Invoices
- Equity contribution of 30%
- Historical and projected financial statements
- Fulfilment of NBE regulations

Operations of the Bank

- The Bank accepts all kinds of commercial agriculture (farming), agro processing and manufacturing and extractive industries loan applications from both walk-in and sourced customer.
- The Bank also undertakes the necessary investigation on the required documents and borrowers within shortest possible time to extend loans.

Bird's Eyeview the Bank's Operational Performance (Credit Operations)

- As indicated in the table below the credit operation of the Bank has shown a robust growth in the last 6 years

'000 Birr

1€ = ETB 22

Description	2005 06	2006 07	2007 08	2008 09	2009 10	2010 11
Approval	1,667.3	3,325	1,856.7	2,783.8	2,033.0	5,534
Disbursement	626.7	792.6	904.5	1,304	2,749.7	3,793
Collection	595.1	764.8	606.8	655.9	750.1	1,387

Conclusion

- **DBE is striving to efficiently provide its financial services and successfully achieve its development objective while maintaining its financial sustainability.**

Thank You!!!!

