

Ethiopia selects Lazard for credit rating

By Groum Abate

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French Minister promises to triple trade ties with Ethiopia

Ethiopia selected Lazard Ltd., a French investment bank and asset manager in a bid to secure its first credit rating, which would pave the way for issuing a debut Eurobond, an international bond denominated in a currency not native to the country where it is issued.

The credit rating is used by individuals and entities that purchase the bonds issued by companies and governments to determine the likelihood that the government will pay its bond obligations.

“We chose a French company. The second phase will be to initiate a rating for the country,” Sufian Ahmed, Minister of Finance and Economic Development, told a business forum attended by a delegation of leaders of French companies accompanying Nicole Bricq, French Foreign Trade Minister to Ethiopia.

A Eurobond is payable to the bearer and is free of withholding tax. The bank will pay the holder of the coupon the interest payment due.

Back in October Prime Minister Hailemariam Desalegn said that the government has planned “not only a Eurobond but other bonds as well” once it secures a rating.

Eurobonds would give investors, who have bought sub-Saharan sovereign bonds, another route into Ethiopia, which is keen to shift its largely agrarian economy towards textiles and other manufacturing areas.

The French Foreign Trade Minister Nicole Bricq, who was accompanied by over 25 French business delegates, has also held discussions with the Ethiopian business community at the Sheraton Addis. The Minister said France is working to triple trade ties with Ethiopia in the coming years.

She further said that her country is striving to boost the trade and economic cooperation with Ethiopia, noting that despite the age-long bilateral relations, the trade and economic cooperation between the two countries is not as it should be. The Minister said French companies are interested in investing in Ethiopia, primarily in energy, telecommunication, agro-processing and IT. She affirmed that her country supports Ethiopia’s accession to the World Trade Organization (WTO).

Mrs. Nicole Bricq also said that her visit was under the framework of the extension of the Elysee summit on ‘Peace and Security in Africa’ held on 6 and 7 December in Paris. “This is to strengthen the economic ties with a country that has recorded an average growth rate of 10 percent over the past few years and whose 2010-2015 five-year plan sets huge investments in terms of infrastructure,” she said.

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“Ethiopia is like a hub in east Africa, we want to be active here, and now we are going to make it happen. We also want to participate in water, energy and other essential sectors,” she said at the opening session of the first “French Ethiopian Business Forum” that gathered more than one hundred participants in the business community from both countries.

“We also want to finance feasibility studies,” she said, affirming her country’s commitment to partnering with Ethiopia.

Ethiopia also expressed its desire for French power companies to invest in the energy sector, according Debretsion Gebremichael Finance and Economy Cluster Coordinator with the rank of Deputy Prime Minister and Minister of Communications and Information Technology. At the inauguration of the first French Ethiopian Business Forum, Dr. Debretsion said that the visit has high value as it will further consolidate the existing trade partnership between the two countries.

“We are happy as this is a real business engagement that is based on a win win solution. The French companies have read well our road map; they know our priorities such as the energy sector that is prompted by our development strategy of shifting from an agriculture based economy to industrial. This, he explained, entails an extensive demand of energy.

Mulu Solomon, President of the Ethiopian Chamber of Commerce and Sectoral Association, on her part said the economic ties between France and Ethiopia are not as strong as their long years of diplomatic relations; she said the ‘current time is the best’ unlike the past, because French companies have more investment opportunities today.

During her short visit, the Minister also signed two loan agreements with Sufian Ahmed on December 19, 2013. These concessional financings of a total amount of 70 million Euros are intended for the construction of high-voltage transmission lines and substations in key areas of industrial development near Addis Ababa, and the construction of a new sanitary landfill, infrastructures and facilities, including access roads in Addis Ababa’s surroundings.

According to the agreement the 50 million Euro loan will go to the erection of 62 kilometres of 400 kV and 230 kV transmission lines, and the construction of the corresponding new substations in Debre Zeit, Dukem, Modjo and Ginchi.

The financing will be a loan to the public power utility EEPCo, responsible for implementing the project mostly located in the key industrial development area just South-East of Addis Ababa. Its completion will support Ethiopia to unleash its industrial potential.

Another 20 million Euro loan is being extended to support the Addis Ababa City Government’s waste management system and will finance the construction of a new sanitary landfill including an access road, as well as infrastructures and facilities for both waste selecting and recycling. The operation of the new sanitary landfill, which is expected for mid 2015, will allow the current Koshe Repi landfill to be replaced. Moreover, a 500,000 Euro grant will complement the loan in order to build up technical and financial capacities of the Addis Ababa City Government.