

MEKELLE INVESTMENT DAY Seminiar on Business and Investment Opportunities in Mekelle Harmony Hotel



Objectives

- To acquaint potential customers with the MVV the Bank,
- To create awareness on the credit facilities of The Development Bank of Ethiopia (DBE) Bank,i.e.,
- To create transparency on the loan processing cycle at DBE,and
- To create clarity on the purpose of frequent follow ups conducted by the Bank at project implementation and operation level,



I. Few thing abt the Bank

- ✓ The Bank was established in 1909,
- ✓ Playing a significant role in promoting over all economic development of the country.
- ✓ Sole Bank with reputable experience in long-term investment financing.
- ✓ Internationally, it is recognized as an important on-lending channel for development programs financed by bilateral and/or multi-lateral sources.



Cont'd few...

- ➡ One of the financial institutions engaged in providing
 - short,
 - medium and
 - long term development credits.

- ➡ DBE's distinguishing feature is its "Project" based lending tradition.



Mission

- is a specialized Bank established to spur the national development agenda.
- Its focal point is the provision of customer focused lending to viable projects in line with government priority areas by mobilizing fund while ensuring its organizational sustainability.



Cont'd mission

- Interest of stakeholders is aimed to be served best through continuous capacity building and innovative **human resource development**.
- **Enviromental protection** and overall socio-economic development will also be the concern of the Bank.



Vision

***“ 100% Success
for all Financed
Projects by
2020.”***

- We are *customer oriented*
- *Integrity* - our priceless asset
- *Teamwork and innovation* - building blocks of our success
- *Environmental protection* is one of the DBE's loaning criteria
- The Bank attaches high *values to its employees*
- *Commitment to organizational mission* is our banner, and
- *Learning organization*



DDE-North Region

- Organised as credit processing unit since July 15/2009 having four teams.
- The teams include:-
 - Credit ,
 - Appraisal ,
 - Approval, and
 - Prj. Reha. & Loan Recovery(Includes sub-branish)
- Support units



Bank Services

Credit Services

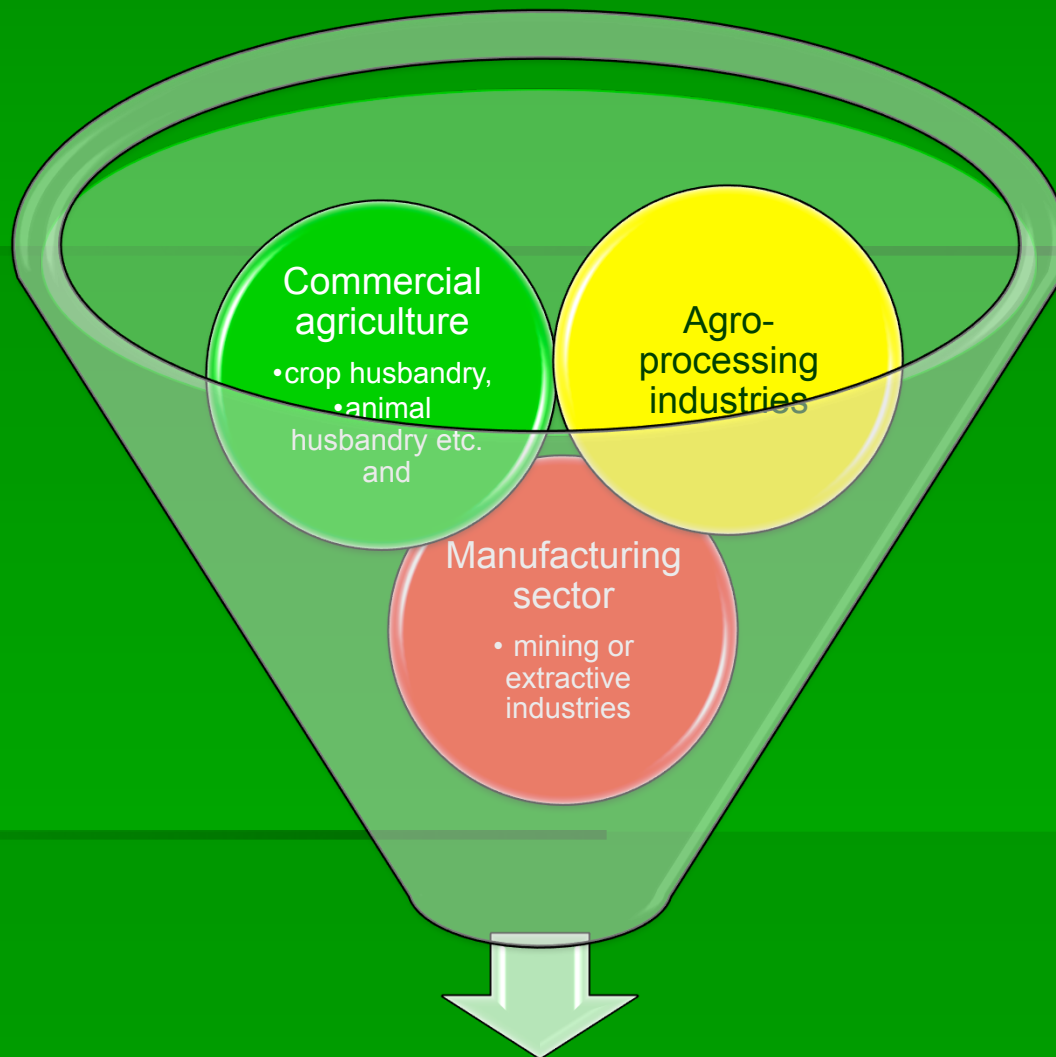
- The Bank extends **loan services** to viable projects
- The Bank provides **counseling and technical services** to new applicants and its clients.



Cont'd services

Banking Services

- The Bank provides banking services to its clients such as:-
 - deposit facilities(Time deposit and current accounts)
 - money transfer services
 - international banking service and related activities,
 - providing L/C services(Import and export)



Economic Sectors
Financed



Loan Types

The Bank shall extend credits to:-

- financially and economically viable projects
- socially desirable in terms of
 - environment protection,
 - employment generating capacity etc.
- DBE shall extend long and medium term loans as well as short term working capital.

Sesame farm



Poultry farm





Cont'd loan types

Projects financed by the Bank are:-

- carefully selected and prepared,
- thoroughly appraised,
- closely supervised and
- systematically evaluated.



Lending Conditions

- Borrowers who wish to obtain financing for new priority area projects:-
 - Contribute **minimum** 30% of the total project cost in cash
 - The Bank covers the balance up to a **maximum** of 70%



Cont'd Lending ...

Existing priority area project :-

- Not collateralized can access 100% financing of the expansion cost if existing asset covers 40% of the total project cost/ 60:40. /
- For shortfall 70:30



Credit products and services

- ***Long term loans:*** up to 20 years including any grace period,
- ***Medium term loans :*** repayable within 3 to 5 years
- ***Working capital loans:***
 - `permanent working capital as part of investment
 - Short term working capital loan,
 - Special working capital for cotton purchase for textile industries,
 - Special working capital for Pharmaceutical industries ,



Cont'd products...

- ***Co financing arrangements*** : with other national or international financial institutions.
- ***Managed funds***: specific lending operations at the request of governmental and non governmental agencies in support of development programs.
- ***Loan transfer***: healthy loans can be transferred to new clients up on written request of the original client.



Cont'd products...

- **Collateral – Project itself**
- **Single Borrower Limit**
 - 25% of the Bank's capital
- **Repayment period shall be determined based on:-**
 - cash flow of each project
 - economic life of major investment components.



Cont'd products...

- **Interest Rate**
 - Current interest rate for the priority areas of the Bank is 8.5 % (eight five percent)
- **Commitment charge**-of 0.5 % per annum on committed, but not on disbursed funds.



DBE in line with its mission has laid out its financing scheme in the following manner.



Document screening

- At this stage, we usually do the checking of legal documents, engineering documents, track records of applicants, license, land related documents, feasibility study etc.
- **Why needed?**
 - To ensure legality of the company
 - To accurately identify all the cost components of the project
 - To assess the past business performance of the applicant
 - To identify issues related with tax, land, utilities etc,



Due diligence assessment

- In this stage, the Bank assess the **credit worthiness** of the applicant in terms of character, credit culture, capital, capacity to manage the project, compliance with regulations and collateral.



Project appraisal

- At this stage the Bank will make an in-depth analysis of the **projects viability** in terms market, technical situations, management aspects and financial aspects. In doing so the Bank will ensure;
- The availability of **market** for the projects product,
- Its marketing strategy to ensure its share in the market,
- Whether the **right technology** is selected or not, at what price?
- What are the possible **raw materials** and sources?



Cont'd project...

- Whether appropriate designs made and reasonable **civil costs** are taken
- Appropriateness of the project **location**
- The appropriate mix of **the management team** & **manpower** put in place to successfully run the project
- **Resources** are allocated properly



Cont'd project...

- To **know future benefits** of the project based on financial projections
- The **most likely cash flow to realistically forecast the repayment** periods
- **Prudent determination of the terms & conditions** of the loan to minimize potential risk and protect the Bank's interest.



Approval

- Independent review of the due diligence assessment and the appraisal report to finally **approve the loan**, and ensure check and balance within the system.



Implementation

- **After both parties agreed** on terms & conditions, loan contract would be signed and **the implementation of the project will be started.**
- It is the **beginning of a risky journey**, which needs strict monitoring to ensure implementation as planned & recovery of the loan.
- In this stage, the Bank will:-
 - **Release loan** in phase by phase manner
 - Closely **monitor the implementation** progress
 - Detect signs of problems/troubles at earliest stage
 - Take appropriate corrective measures to reduce implementation related risks



Project follow-up

- The purpose of loan monitoring is to **detect signs of trouble at their earliest stages**, so that appropriate measures could be taken.
- The monitoring of the loan can be done
 - through **visits** to the project, and
 - direct **contacts** with the borrower.

Credit Operation Plan for 2013/14 in Billions

Particular	Corporate level	Region level	Remark
Loan approval	8.58	0.29	
Loan disbursement	8.34	0.16	

Average cycle time 34 working days

So come and invest in Mekelle



Challenges are what make life interesting; overcoming them is what makes life meaningful.

Joshua J. Marine



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THANK U