

# The AFRICA JOURNAL

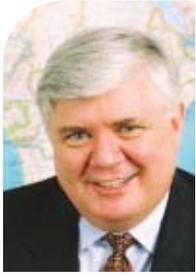
THE CORPORATE COUNCIL ON

AFRICA

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JUNE/JULY 04

**SOUTH  
AFRICA'S  
BLACK  
ECONOMIC  
EMPOWERMENT  
INITIATIVE**



During most of South Africa's history—and notoriously during the apartheid era—the vast majority of South Africans were excluded from full participation in their country's mainstream economy.

Despite landmark political and economic gains, unemployment still hovers around 40 percent. Sixty percent of South Africans live in poverty. While black ownership has increased in key segments of the economy, most business remains under white ownership and management. New ideas and new solutions must evolve in order to address the inequities and promote long term economic and political stability.

Last year, the South African government announced its Black Economic Empowerment (BEE) strategy to increase black participation in the mainstream economy.

The Corporate Council on Africa actively supports the ideals of BEE because they are vital to South Africa's long-term economic growth. By broadening and deepening the base of South Africa's economy, BEE is a wise investment in South Africa's future, and a strong South Africa means a stable business partner for American businesses.

Americans know how to invest. We take our investments where they will find returns. Rather than constituting an investment risk, BEE can reduce risks through stability and greater economic participation of its people.

The profit made from our common investment in BEE will be a South Africa that is an even more attractive investment and trade destination for American companies. Together, the more than 44 million consumers who are privileged to call South Africa home will form a dynamic and more prosperous market place for American goods, services and technology. We believe that BEE can be implemented wisely with fairness to all.

That's what we call a win-win situation. ●

Stephen Hayes, *President*  
The Corporate Council on Africa

### CCA Leadership Team:

**Stephen Hayes**, *President*—cca@afriacncl.org

**Anita Henri**, *Vice President and Legal Counsel*—ahenri@afriacncl.org

**Robert C. Perry**, *Director of Programs*—rperry@afriacncl.org

**Tim McCoy**, *Director of Overseas Programs*—tmccoy@afriacncl.org

**Victor Barnes**, *Director, The HIV/AIDS Initiative*—vbarnes@afriacncl.org

**Mbayang Diouf Diop**, *Chief Financial Officer*—mdiouf@afriacncl.org

**Neel Lattimore**, *Director of the Coalition for AIDS Relief in Africa (CARA)*—nlattimore@afriacncl.org

**Sonya Penn**, *Manager of Communications and Public Relations*—spenn@afriacncl.org

**Sasha Resnick**, *West Africa International Business Linkages (WAIBL)*

*Program Manager*—sresnick@afriacncl.org

*The founder of the Africa Journal is Abdoulaye W. Dukule who is a contributing editor and from whom The Corporate Council on Africa purchased all rights.*

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**Editor: Sonya Penn**  
spenn@afriacncl.org



## NIGERIA

Nigeria's President Olusegun Obasanjo declared a state of emergency in Plateau State after violence between Christians and Muslims in which hundreds of Nigerians were killed.

The state of emergency called for the suspension of the state's elected officials, temporarily replacing the civilian governor with a retired army general. Two weeks before the order was issued, a Christian militia attacked a largely-Muslim market town of Yelwa. Following these attacks were retaliatory attacks against Christians first in Plateau, spreading to Kano in the north. Violence between Christians and Muslim in Plateau began in the state capital Jos in September 2001. The government reported that approximately 1,000 people were killed in a single week.

The state of emergency has been approved by both houses of parliament and the state governors who say that the move has already reduced tensions in the area. However, it is drawing concern inside and outside of the country.

## COTE D'IVOIRE

President Laurent Gbagbo of Côte d'Ivoire dismissed three ministers from the New Forces, the former rebel group.

Last year, as part of a deal made to end Côte d'Ivoire's civil war, a power-sharing government was set up. The three ministers were part of that government. President Gbagbo immediately replaced the ministers with members of his own party, the Ivorian Popular Front. The ministers were dismissed for boycotting cabinet meetings.

The international community has voiced concern over the dismissals.

## MALAWI

On May 20, Malawi held its third general elections since democracy was established a decade ago. Five candidates ran to replace two-term President Bakili Muluzi. The declared winner was Bingu wa Mutharika, of the United Democratic Front, who reportedly won 35% of the vote. However, claims of irregularities at the polls led to protests by the opposition. The seven-party Mgwirizano coalition filed a legal challenge, asking the courts for a re-run of the poll.

Mr. Mutharika was inaugurated on May 24. In his speech he said that he was ready to work with the opposition, urging them to "bury the hatchet" and move forward. Mr. Mutharika needs the support of opposition groups to have parliamentary backing; his United Democratic Front won only 49 seats in the 193-seat parliament.

Mr. Mutharika is a former World Bank economist and planning minister. He was outgoing President Muluzi's hand-picked successor.

## SUDAN

Delegates made a breakthrough at peace talks to end Sudan's 21-year civil war at the end of May. Reportedly, the Sudanese government and southern rebels established the status of three disputed areas on how to share power. The three protocols cover power sharing, Sharia in Khartoum; the status of the oil-rich Abyei; and the status of the Nuba Mountains, Southern Blue Nile.

The parties established that the south should be autonomous for six years, with Sharia remaining in the north.

More than two million people have been killed in the two decades of civil war.

These talks do not cover issues related to the conflict in the Darfur region.

## UPCOMING CCA EVENTS

### September 15-17, 2004

CCA-NESG: Nigeria Investment Conference  
Nicon Hilton Hotel  
Abuja, Nigeria

### September 29-30 2004

Increasing Capital Flows to Africa Conference  
Johannesburg, South Africa

### November 7-10, 2004

U.S.-Africa Agribusiness Conference  
Monterey, California

### November 2004

CCA Oil & Gas Forum  
Houston, TX

### June 21-24, 2005

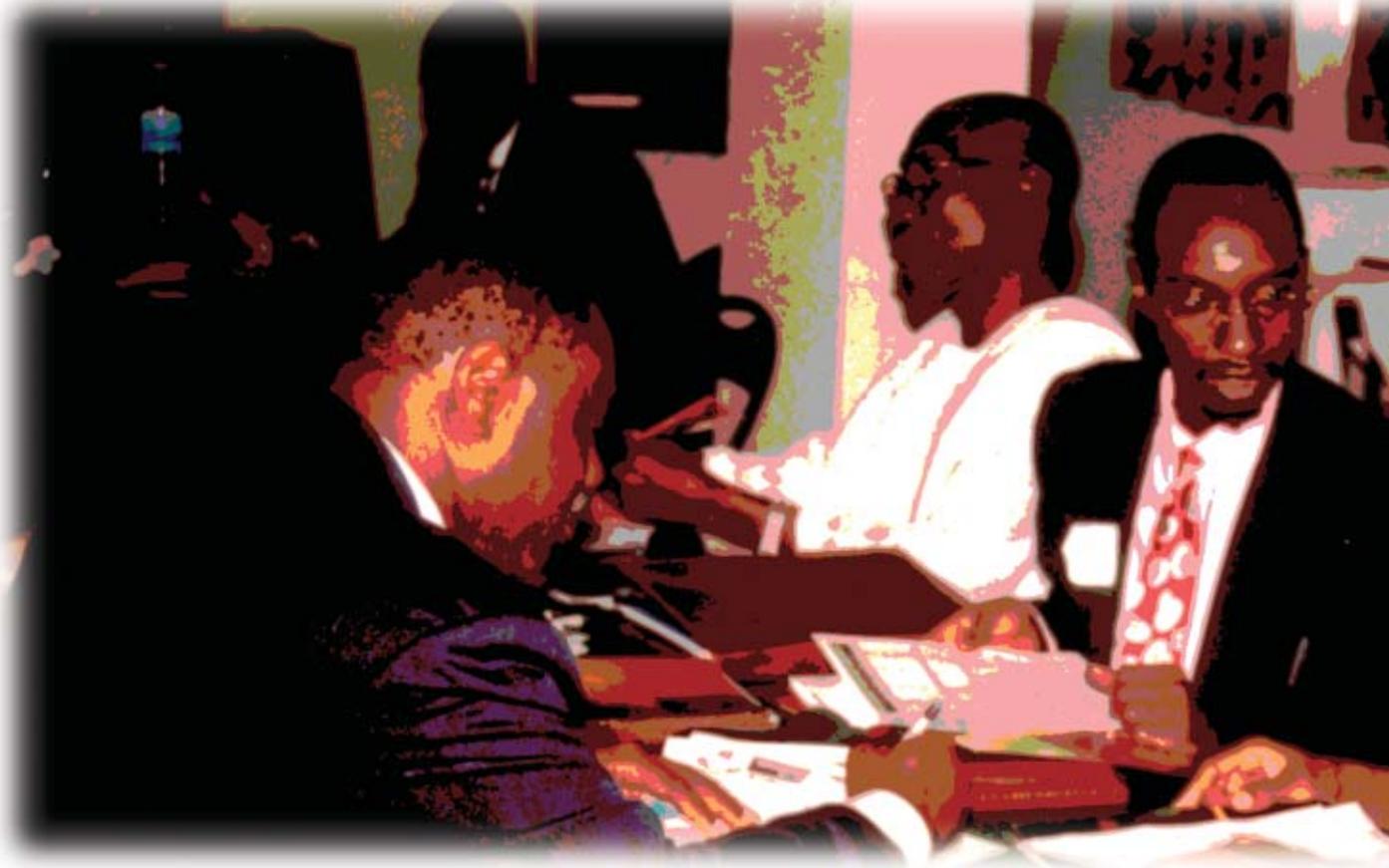
U.S.-Africa Business Summit  
Baltimore, MD

For additional information on upcoming events visit CCA's website at [www.africancl.org](http://www.africancl.org).

# BLACK ECONOMIC EMP

## WHAT IT MEANS

< By Luanne Grant >



**The South African Government has chosen to transform the economy by using free market mechanisms. Since 1994, Government has embarked on a policy of encouraging broader black participation in the South African economy.**

During the 1990s the Black Economic Empowerment Commission was established by black business, under the chairmanship of Mr Cyril Ramaphosa, to recommend how Government should accelerate Black Economic Empowerment. In 2001, the Commission released its report that recommended an integrated national Black Economic Empowerment (BEE) strategy to achieve meaningful participation by black people in the economy by 2014.

As a customer and a provider of licenses to exploit

national assets, the Government allocates opportunities to companies that respond positively to these economic transformation requirements.

Government's response, in 2003, to this report was to produce:

- A Strategy for Broad-Based Black Economic Empowerment; and
- A Broad-Based Black Economic Empowerment Act of 2004, which will be followed by Codes of Good Practice.

# EMPOWERMENT: ROADS TO AMERICAN BUSINESSES



## STRATEGY FOR BROAD-BASED BEE

The Strategy for Broad-Based BEE and related Codes will provide the framework for and promote broad-based empowerment. The strategy includes:

### Direct Empowerment

- The promotion of ownership and management control of business by black persons; and
- Human resource development including employment equity and skills development.

### Indirect Empowerment

- Enterprise development through investing in and joint venturing with black empowered or

## CALTEX OIL SA

The Oil Industry BEE charter is a voluntary framework in which the goal of transferring 25% equity ownership to previously disadvantaged organisations is to be achieved in 10 years. The sale of 25% of Caltex equity became effective in January 2002. It includes the total value chain of supply, refining, marketing, lubricants, aviation and business support. The BEE shareholders have 25% equity interest in Caltex SA, to be paid from their share of Caltex SA dividends, over a targeted 10 years. They also have proportional representation on the Board of Directors, have minority rights equivalent to 25% plus 1 ordinary shareholder and have full 25% dividend rights. The acquisition was facilitated by ChevronTexaco on attractive terms.

Active participation and involvement by the new BEE shareholders is achieved by representative shareholders serving on Board Sub-Committees and Shareholder Consultative Committees. It includes a dedicated full-time shareholder representative. Caltex continues to adhere to ChevronTexaco's policies, standards and procedures and remains integrated into the global business model. However, Caltex is no longer a wholly owned subsidiary of ChevronTexaco. The Caltex Board is accountable to multiple shareholders. The Management team is directly accountable to the Caltex SA Board, which remains aligned and integrated with the global functional organisation. The new BEE partnership adds a new dimension to the business, providing Caltex SA with new opportunities to create value and grow. Together with the BEE partnership, Caltex SA will contribute to achieving the Chevron Texaco vision to be "the global energy company most admired for its people, partnership and performance". ©

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## BLACK ECONOMIC EMPOWERMENT: WHAT IT MEANS TO AMERICAN BUSINESSES

black owned companies or investing in the development of black small, micro and medium enterprises;

- Affirmative procurement of goods and services; and
- Corporate social investment.

The Strategy Document includes a 'generic' scorecard which lists all the above categories and gives each of them a weighting. Government has yet to provide targets for each component of the generic balanced scorecard but it is expected that these will be contained in the Codes of Good Practice. Companies falling within a particular industry where charters have been approved will have to comply with the requirements of the charter scorecard.

### CODES OF GOOD PRACTICE

The Act enables the Minister to appoint an Advisory Council who will advise on Codes of Good Practice. These codes will act as guidelines for private sector companies having business dealings with the public sector.

Codes of good practice will determine the criteria for granting licenses or permits; preferential procurement policies; the sale of state-owned enterprises and for public/private partnerships.

### CHARTERS

The Act also enables the Minister to recognize 'industry charters', which are agreements within any particular industry on how black empowerment will be achieved in that particular industry and over what period of time. These charters will also contain targets and allocate weightings to each component of empowerment. A company's weighted score will determine how BEE compliant a company is.

The following charters have been published:

- Liquid Fuels Charter

The first charter to be published, it was finalized before the Strategy Document and Act was passed.

- **Mining Charter**

This is incorporated in the Minerals and Energy Act.

- **Financial Services Charter**

Released in October 2003, this charter will have far

## CITIGROUP

**Citigroup has an unprecedented opportunity to serve as a role model in fulfilling the goals outlined in the Financial Services Charter.**

**Among the deals to promote growth industries targeted for BEE, Citigroup completed a multi-faceted project financing for mobile network operator Cell C (Pty) Ltd., the third largest cellular operator in South Africa. Its parent company, 3C Telecommunications (Pty) Ltd. is 54% owned by Oger Telecom South Africa and 40% by CellSAf (Pty) Ltd., a black empowerment group. The \$530m financing was used to finance the roll out of Cell C's GSM network in South Africa. This package arranged by Citigroup included a debt facility for Cell C's local Black Empowerment shareholder, CellSAf, thereby contributing to South Africa's black empowerment process.**

**Citigroup has also developed franchise and supplier development programs, which have been specifically designed to encompass Small Medium Micro Enterprise (SMME) growth amongst BEE entrepreneurs leveraging off the firm's existing relationships. These programs aim to achieve a greater degree of penetration within a short space of time using corporate sponsors and buyer-centric solutions. This in turn contributes to growth of BEE suppliers and a composition of BEE franchisees within the fuel and food segments of the South African economy. The first franchise program was launched in 2001 in conjunction with BP Southern Africa financing 45 service stations 22 of which were owned by Previously Disadvantaged Individuals (PDI). This program compliments current BEE initiatives relating to BEE site ownership, which other oil companies in South Africa are aggressively pursuing.**

**Citigroup continues to provide domestic and international training opportunities to BEE alliance partners in Capital Markets and Derivatives, and Financial Analysis. For example, in the 2003 National Treasury EUR1.25bn bond deal, Citigroup transferred considerable skills and knowledge to its BEE partner, Tri-Linear. Tri-Linear was directly involved in all key aspects of the bond, from the development of the proposal to closing.**

**Citigroup has been committed to Black Economic Empowerment since the firm re-entered South Africa in July 1995. This philosophy and approach to the market has helped Citigroup become the country's largest foreign bank and its sixth largest commercial bank as measured by assets. ©**

## BLACK ECONOMIC EMPOWERMENT: WHAT IT MEANS TO AMERICAN BUSINESSES

reaching effects because of the significant influence of the Financial Services Sector over the economy.

- All other charters are being left to industry to work out.

Other charters in progress include Information Communications Technology (ICT), Transport, Freight Forwarding, the Marine industry, Engineering and Construction, and Tourism. It is likely that all industries that need licenses or permits from Government will develop BEE charters. The knock-on effect of the industrial charters will require companies to be BEE compliant in the public and private sector.

### OWNERSHIP AND CONTROL

The Financial Services Charter refers to 'direct ownership' and 'indirect ownership'. Direct ownership corresponds with equity ownership as defined in the Broad-Based Strategy. The concept of indirect ownership includes economic interest but excludes direct participation by a BEE investor.

Control, as used in the Strategy, means the right of the BEE shareholder to direct or control the majority of votes attached to the shares in a company; the right to appoint and remove directors and the right to control the management of a business.

### COMPLIANCE

Companies are now appraising the requirements of being BEE compliant.

Being BEE compliant means that:

- The company complies with the requirements of the balanced scorecard or the BEE charter for its specific industry.
- The company is 'black empowered' if it has 25.1% ownership by black persons or organizations.
- The company is 'black controlled' where there is 50.1% ownership by

black persons and significant black management control.

In the case of foreign-owned companies, the BEE shareholding will be measured against the value of the South African operation only.

The advantages of BEE are summarized as follows:

- Provides short term relative competitiveness;
- Introduces new entrants into a sector;
- Increases competitive intensity;

## FLUOR SA

**Fluor SA's BEE initiative is best summarized in four areas of activity. They are:**

### 1. Investment of time, money, and resources in the development of BEE companies

- Fluor SA has established partnerships/joint ventures with a BEE company in the delivery of projects.
- Fluor SA has entered into a joint venture with a BEE company to deliver ongoing engineering work at a major refinery in SA.
- Fluor SA is in the final stages of developing an initiative for a BEE company to deliver design engineering in civil, electrical mechanical and piping for the petrochemical industry.
- Fluor SA subcontracted engineering packages to BEE companies employing black employees on an integrated basis.
- In procurement activities, Fluor SA set targets with clients on procurement spend allocated to BEE companies.
- In projects in the construction phase, Fluor SA has directly subcontracted construction work to BEE companies.

### 2. Training of unemployed Previously Disadvantaged Individuals (PDI)

At the Fluor SA piping engineering design school, previously disadvantaged people have been selected and enrolled in the program to gain the opportunity to do piping design work on large projects for Fluor SA or its BEE partner companies. In the last year, 18 people have completed the program.

Fluor SA's craft training school in Secunda is contracted by the Dept of Labour to train unemployed PDIs in construction skills up to trade test level on an annual basis. There is a similar school in Durban which is a joint venture between two other large companies.

### 3. University Bursary scheme

Fluor SA bursars up to 15 PDIs through four university engineering faculties in SA, provides work experience during their studies, and employs them as young graduates.

### 4. Young Graduate Programme

Fluor has a PDI young graduate program; young university graduates are selected, employed and offered career opportunities. ©

- Increases spending power in the economy;
- Increases the supply of skilled labor; and
- Increases Government's tax revenue.

BEE should be seen as an opportunity rather than a risk and as an investment rather than a cost. It requires vision, leadership, strategic and tactical compromise both at local and international (home office) level.

## EQUITY FINANCING

Many of the early black equity transactions were financed by means of special purpose vehicles (SPVs) that relied on the economy doing well and the share price increasing. The collapse of the international and local equity markets some years ago resulted in the non-performance of most of these SPVs.

Over the last five years, business has refined these models to ensure sustainability and as broad an empowerment base as is possible. To date transactions range from simple structures, where cash is paid for the shares or the funder has sufficient security, to complex deals - such as options, deferred shares, vendor funding, future share prices, growth targets etc.

There are a number of unintended consequences that are beginning to arise particularly relating to financing of many of the equity transactions, one of which is the tax implications of employee share ownership schemes. Other financing arrangements are being affected by foreign exchange control regulations, income tax requirements, capital gains tax, reporting requirements of employee option schemes in the US, directors' fiduciary duties and other possible related legislation in the US. There are also concerns around BEE shareholders who sell their shareholding at a profit to non-BEE companies relatively soon after the transaction has been completed. As a consequence, companies have to find new BEE partners.

## BROAD-BASED EMPOWERMENT

Equity transactions have resulted in a few black people becoming very wealthy, giving rise to the development of a few large black conglomerates, which in itself is necessary in a normal economy. However, this has not resulted in bringing the majority of black people into the mainstream of the economy. This is where skills development, employment equity, enterprise development, affirmative procurement and possibly corporate social investment become important.

## GOVERNMENT LEGISLATION ON BROAD-BASED EMPOWERMENT

Government is placing more emphasis on broad-based empowerment.

- Skills Development and Employment Equity are regulated by the Skills Development Act and the Employment Equity Act.
- Enterprise development could be either direct investment in black-owned/black empowered enterprises or joint ventures with such companies.
- Government procurement is regulated by the Preferential Procurement Framework and the National Small Business Act.
- Company procurement is governed by company policy, which should include procurement from, or outsourcing to, previously disadvantaged companies. This should result in a transfer of skills and economic power to the black enterprise.

A commitment to BEE is an economic requirement to operate in South Africa. Although a lot of positive work has been done this is still very much a work in progress. ☉

*Luanne Grant is the Executive Director of the American Chamber of Commerce in South Africa.*

*For additional information, contact the American Chamber of Commerce in South Africa at tel: (27-11) 788-0265; fax: (27-11) 880-1632; or Email: amcham@yebo.co.za; or visit the website at www.amcham.co.za.*

*Case studies courtesy of the American Chamber of Commerce in South Africa.*

## ORACLE

### PARTNERING MAKES EMPOWERMENT AND BUSINESS SENSE

**Oracle as a corporate is active in 66 emerging economies in Europe, Africa and the Middle East, and the bulk of Oracle's business is conducted through local partners. By engaging with local partners who build strong relationships with customers, Oracle products and services are deployed more effectively, and skills are transferred to local workers. These relationships—added to an ever-growing skills pool and the continued development of markets for Oracle products—form a solid foundation for sustainable economic growth and social stability for emerging economies.**

**In South Africa the model has proven to be key to establishing businesses and supporting communities. Oracle's Ilima programme is designed to provide black partners with the funding to develop skills and market opportunities. Oracle supports local black businesses through its policy of preferential procurement.** ☉

## Update: The Millennium Challenge Account < By Joshua Katz >

**President** Bush's flagship development initiative, the Millennium Challenge Account (MCA), is now a reality. On May 6, the Administration released the list of sixteen MCA eligible countries. Eight African countries are included: Benin, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Mozambique, and Senegal. Initially, Millennium Challenge Account observers predicted that only three or four African countries would be eligible, but the increased availability of data and slight adjustments of the criteria opened the door for additional African eligibility.

In year one, a country must meet three prerequisites to be considered for MCA assistance: 1) eligibility for US economic assistance; 2) GDP per capita of less than \$1415; and 3) eligibility for assistance from the International Development Association, which is part of the World Bank. MCA eligible countries are then selected according to a series of indicators drawn from the World Bank, the World Bank Institute, Freedom House, the Heritage Foundation, the World Health Organization, Institutional Investor Magazine, UNESCO and national governments. Sixteen indicators fall in three broad categories: Ruling Justly, Encouraging Economic Freedom, and Investing in People. In addition, a country may not have an inflation rate that exceeds 20%.

The proposed indicators and criteria have only changed slightly since the program was introduced. One notable change is the inclusion of national government statistics. This has raised some concern in the policy community, as government statistics tend to be partial and often less transparent.

A board, chaired by the Secretary of

State and made up of cabinet secretaries and other government officials, oversees the Millennium Challenge Corporation (MCC), the government corporation that administers the MCA. Paul Applegarth has been confirmed as the Chief Executive Officer of the MCC.

Applegarth's title as CEO is fitting of the mission and structure of the organization. The goal of the MCA is to reduce poverty by accelerating the economic growth of countries. It is intended to be a carrot for policy reform, enticing countries to address policy concerns with the reward of development assistance. MCA is also key vehicle for partnership, not just between the US and foreign countries, but also between US agencies active in overseas development including State, Treasury, US Agency for International Development, and the Office of the United States Trade Representative.

In practice, the Millennium Challenge Corporation functions much like the private sector. Eligible applicant countries must successfully negotiate a compact, like a contract, with the Millennium Challenge Corporation. The compacts, in essence business plans for development, will include measurable goals and benchmarks. The eligible countries set the priorities, and are instructed to draw upon civil society and the private sector to assess their needs. Countries are accountable within the compact framework, and endemic failure will result in the termination of the compact. The Millennium Challenge Corporation projects will be carried out by governments, the private sector, and non-government organizations. Again, like contracts in the business world, Millennium Challenge Corporation compacts are formal partnerships,



*President George W. Bush announced the 16 countries selected for the Millennium Challenge Account during a White House ceremony in the East Room Monday, April 10, 2004*

representing the fact that both the US Government and the signatory foreign governments are stakeholders in the success of the MCA projects.

MCA funding is \$1 billion in FY 2004 with \$2.5 billion requested for FY 2005, and a proposed budget of \$5 billion per year.

As MCA is a new program, many of the details remain unclear. Perhaps most promising for those countries that were near misses is the "Threshold Country" program that was approved by the Millennium Challenge Corporation Board. This program, being strategically developed jointly with the United States Agency for International Development, will work with countries to take the necessary steps for MCA consideration in the future.

The Millennium Challenge Account is apt of both an administration led by the first MBA President and timely in a development arena that values results, accountability and transparency. The Millennium Challenge Account, new money for development, is not a political tool nor pure altruism. It is a welcome agent in the fight against poverty and a promising mechanism to improve Africa's economic trajectory. ©

*Joshua Katz is a research analyst for the Corporate Council on Africa.*

## CCA and Black Economic Empowerment in South Africa

CCA is closely involved in the development of small and medium BEE companies through its Southern African International Business Linkages (SAIBL) program. Through SAIBL, CCA and its South Africa-based partner ECIAfrica prepare small and medium-sized BEE companies in South Africa for outsourcing/procurement contracts with major corporations and for international trade and investment opportunities. SAIBL also operates in Tanzania, Zambia, Botswana, Lesotho and Swaziland, where it helps connect businesses in these countries with BEE companies in South Africa.

To help BEE companies operate more

effectively and efficiently, SAIBL provides business assistance on a 50 percent cost-sharing basis for marketing, business plan preparation, ISO 9000 series certification and training.

CCA helps companies meet and increase their BEE goals through the following:

- Introducing pre-vetted small and medium BEE companies to corporate outsourcing and/or procurement processes in South Africa;
- Providing capacity-building assistance, including training, business plan preparation and certification, to BEE companies;
- Expediting capacity-building

assistance to BEE suppliers to American and Southern African corporations;

- Assisting in identifying BEE partners for joint ventures and distributorships throughout Southern Africa;
- Introducing new BEE customers to U.S. companies' operations in Southern Africa. ☺

*CCA's BEE program is funded by the United States Agency for International Development. For more information, contact (in Washington) Tim McCoy at +1 (202) 835 1115 or [tmccoy@afriacncl.org](mailto:tmccoy@afriacncl.org), or (in Johannesburg) Sonny Tarr at +27(011) 802 0015 or [sonny.tarr@eciafrica.com](mailto:sonny.tarr@eciafrica.com)*

Through SAIBL, CCA and its South Africa-based partner ECIAfrica prepare small and medium-sized BEE companies in South Africa for outsourcing/procurement contracts with major corporations and for international trade and investment opportunities.

### SUCCESS STORIES:

CCA's BEE program has helped the following small and medium black economic empowerment companies (BEEs) from South Africa to secure export contracts with U.S. companies:

- Umoya Fishing has begun to supply lobster tails to Atlanta-based Inland Seafood, the 4th largest distributor and wholesaler of seafood in the U.S.
- Nakira Projects has begun to supply chocolate bars to Thunderbird University campus in Phoenix.
- Petite Designs has begun to supply high-end designer furniture to clients in New York and Florida.

Many BEEs registered with CCA's program have entered into successful procurement partnerships with U.S. companies, including the following:

#### DaimlerChrysler

BEE companies TC Manufacturing, ADE Pipes and Yenza have contracts to supply DaimlerChrysler.

#### Ford Motor Company

TC Manufacturing supplies Ford with automotive components. Ford has also awarded a contract to another BEE company, Hartell Manufacturing.

#### Bell Atlantic

BEE company ADE Pipes is a supplier to Bell Atlantic.

#### Delta Motors, now General Motors

Yenza Manufacturing has a long-standing supply contract.

#### 3M

Ikhwesi Automotive of Port Elizabeth and Ikhwesi Abrasives of East-London are suppliers to 3M. Glow Gear of Cape Town imports materials from 3M for the manufacturing of safety clothing.

## DaimlerChrysler South Africa Honors BEE Initiative < By Annelise van der Laan

**Responsible** for directly employing more than 6,000 people and indirectly providing towards the employment of more than 20,000 people in downstream business and industry, DaimlerChrysler South Africa remains one of the largest single investors in the South African automotive industry. Posting a turnover in excess of 20 billion ZAR, the group also provides active stimuli for economic growth and continued investment.

In a radical move for the automotive industry in South Africa, in 2002 DaimlerChrysler introduced an innovative progressive program to transform its retail partners' business to become truly Black Economic Empowerment (BEE) compliant by 2005. Coupled to this DaimlerChrysler South Africa has sustained its commitment to entrenching policies improving employment equity levels, advancing management level diversity, accelerating its skills upliftment and training programs, while simultaneously embarking on an extensive supplier diversity program. In short, the company has honored public statements of redressing past imbalances with concerted effort in sustainable programs with long-term objectives, not mere cosmetic quick-fix outcomes.

While progress has at times been slow, the company's commitment is unwavering and acknowledges the complex histories which inform the current processes.

In its own policy document on BEE the South African Government, through the 'voice' of the Department of Trade and



*DaimlerChrysler plant in East London, South Africa*



Industry (dti), acknowledges that the implementation of BEE is highly complex.

"Our country requires an economy that can meet the needs of all our economic citizens—our people and their enterprises—in a sustainable manner. Government's objective is to achieve this vision of an adaptive economy characterized by growth, employment and equity by 2014. The Apartheid system purposefully restricted the majority of South Africans from meaningful participation in the economy, eroding wealth and restricting skill development. Celebrating ten years of democracy has also seen ten years of consistent economic growth, with macroeconomic stabilization providing a platform for accelerating the growth rate. The economy has become increasingly integrated into global markets and has become a successful exporter of manufactured goods and value-added services. South Africa is now able to position itself as an advanced manufacturing economy. Despite the economic successes and a broad range of state policy, strategy and program

interventions aimed at overcoming economic disparities, entrenched inequalities continue to characterize the economy and act as a deterrent to growth, economic development, employment creation and poverty eradication. Vast racial and gender inequalities in the distribution of and access to wealth, income, skills and employment persist. As a consequence, our economy continues to perform below its full potential."

DaimlerChrysler South Africa's groundbreaking Black Economic Empowerment funding initiative is assisting people of color in the acquisition of a 25% black shareholding in local Mercedes-Benz, Chrysler, Jeep, Mitsubishi and Freightliner dealerships.

DCSA Chairman Christoph Köpke repeatedly emphasizes the fact that the initiative was designed to put wealth in the pockets of the local businessmen and local communities, not just those who have already benefited from previous BEE initiatives. "Bringing black partners into our dealerships is a sound business decision, and our empowerment partners are expected to add value to the business," Mr. Köpke said. "We do, however, also want to make sure that the empowerment



DaimlerChrysler vehicle assembly in South Africa

initiative adds value to the communities in which our dealerships operate. Therefore, it is important to us that empowerment partners must be resident in or near the town or city where the dealership is situated. And while it is important that our empowerment partners meet basic financial criteria, it is essential that our partners make a contribution to the transformation of the dealerships, ideally getting involved in its day-to-day operations. In a nutshell, we want empowered partners, not shareholders," says Köpke.

This approach to true empowerment extends into the areas of advancing skills and training within the DaimlerChrysler group where numerous programs are in place to transfer skills to previously disadvantaged employees across all staff levels. This is expanded to include graduate trainee programs and graduate exchange programs.

Rolling-out the social commitment philosophy of the company into areas where the group is represented has seen considerable positive spin-offs for many communities.

As Köpke puts it: "No man is an island"—and at DaimlerChrysler we believe the same is true of companies. No business should exist in isolation from the communities in which it operates. For this reason, we are genuinely committed to making a positive difference to the lives of our employees, their families and their society. Here in South Africa, our social

responsibility programs are particularly important as a means of redressing the historical imbalances of our nation. DaimlerChrysler's people reflect this country's diverse cultures and we try to foster workplace relationships based on mutual respect and dignity. During the past decade, we have maintained exceptionally high standards of service and delivery, while remaining true to our core values of integrity and fair practice.

"Committed to making a difference to our great country, to bringing security, health and self-sufficiency to the less privileged among us and to educating those who want to learn.

DaimlerChrysler aims to change people's lives. We are getting our future sporting heroes on to playing fields, and our budding artists on to stages and into museums. We are creating jobs and striving for what we hold dear - economic equity for all, a healthy environment, and a vibrant culture. When we market our products and services, or sponsor any event or endeavor, DaimlerChrysler tries to twin these promotions with a development

project. It is a synergistic approach, which reaps huge rewards in human relations and marketing. And in all our activities, we harness the collective strengths and resources of all our companies in South Africa, our dealers, suppliers and business partners. Together, we make a formidable team and with our common philosophy we can increase the speed of transformation in our communities and contribute to development in a meaningful and tangible manner." ©

*Annelise van der Laan is Manager, Group Public Relations for DaimlerChrysler South Africa (Pty) Ltd.*

*For additional information, visit [www.daimlerchrysler.co.za](http://www.daimlerchrysler.co.za).*

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## Yenza Manufacturing—Making it Happen

### Small Black Economic Empowerment Company Supplies Motor Industry Giants

< Article courtesy of Yenza Manufacturing >

**Port**-Elizabeth based Yenza Manufacturing is the first black economic empowerment company to manufacture components for the automotive industry. The company supplies automotive components to three auto assembling giants in South Africa: DaimlerChrysler, General Motors and Volkswagen. Since its establishment in 1997, Yenza has grown from four to thirty employees.

True to the name “Yenza,” which is Xhosa for “make it happen,” co-owners Themba Mtati and Glynn Potgieter have made sure that things do indeed “happen” as they aim for their products to meet or exceed customer expectations, on both a national and international level.

Mtati is the managing director of the company and Potgieter is the manufacturing director. “Yenza is one of the first Black Economic Empowerment (BEE) companies to be a first tier supplier, as well as being the first black-controlled component manufacturing company,” says Mtati.

A Tier 1 supplier provides components directly to motor assembly plants. These are usually components critical to production. Without them, vehicle assembly cannot be completed.

The main automotive components manufactured by Yenza are support brackets.

“These parts support the chassis of the vehicle, and it is an essential

component in order for a vehicle to function,” says Mtati. Other components manufactured by Yenza include, amongst others, number plate holders, cover foot parking brakes, inner and outer cones and support battery trays. These components are manufactured by exercising precision steel pressing, stainless steel stamping, welding, assembly and tool making, and is achieved by using state of the art medium and light presses, spot welders and pressing tools.

#### Starting Small

Yenza was founded when what was the Delta Corporation, now General Motors, decided to outsource its small to medium components. “Glynn and I jointly approached Delta about a possible deal. They were positive about supporting us in the venture, and also provided us with our first contract,” Mtati said. Initially funded by the Future Bank Corporation, Yenza Manufacturing is currently “self-sustaining,” Mtati said.



The track record and clientele of this successful Eastern Cape initiative bears further evidence of Yenza's firm foothold in the automotive industry. The company is also well on its way to achieving its vision of being a world-class automotive component manufacturer.

“In the beginning, Delta was our only customer,” explains Mtati. “Now we are supplying to Delta, DaimlerChrysler as well as to VW. We export components to Germany through DaimlerChrysler.”

Yenza supplies two of the components for the C-Class Mercedes

**“Yenza is one of the first Black Economic Empowerment (BEE) companies to be a first tier supplier, as well as being the first black-controlled component manufacturing company,”**

that are exported directly to the production line in Germany. This is the first for a small South African company! "It is our third year of exporting to Germany, and we are looking at strengthening our relationship with DaimlerChrysler. We are also exporting some components to Mexico through General Motors." Mtati emphasizes that these contracts highlight the fact that Yenza is procuring contracts on the basis of its internationally compatible standards, and not simply on the strength of its black economic empowerment credentials.

Mtati ascribes their success to ensuring a consistent supply of quality products and maintaining a good relationship with the customers. Yenza's first five-year contract with Delta Corporation was a breakthrough, but it also faced the many of the challenges common among many small BEE companies. "We struggled to obtain financiers. In addition, established businesses are not geared up to deal with small companies, particularly black-owned ones. We have to compete with companies that have been in business for over fifty years and with a turnover of a thousand times yours. Politically, we are 100% free, but economically we are less than a percent free," Mtati said.

### Big Business Assistance

Mtati said DaimlerChrysler has done a lot of "handholding" for Yenza and other small businesses through their BEE strategy. DaimlerChrysler invited Yenza to its recent annual meeting in Detroit, giving Yenza the opportunity to display its product range to potential U.S. customers.

Mtati believes that more big businesses need to support small companies. "The role of big businesses is also important. Though we appreciate the support of the government, we need more help from the big companies."

### Competing Internationally

In order to meet international quality standards, the company obtained ISO 9002 accreditation. It also has VDA 6.1 quality certification, which is demanded by German Original Equipment Manufacturers (OEMs) and QS9000 certification (which is demanded by American OEMs). "We are busy converting our system to an upgrade - we are in the process of moving towards TS 16949, which combines the VDA and QS accreditations. We are also moving towards gaining our ISO 14001 accreditation, which is an

environmental management system," he says.

Yenza employees undergo rigorous training and skills-development to ensure that top-quality elements are produced. "This region has a lot of talent when we look at the automotive industry," Mtati said, referring to the industry in Port-Elizabeth in the Eastern Cape Province of South Africa. The area has become the hub of catalytic converter manufacturers. "Initially the industry concentrated on manufacturing for the local market. That focus has changed. The challenge is to compete with our overseas counterparts. The competition has become more fierce, but it has also opened up the global market—when you win a tender, you know you have won against other companies on an international level. It ups the standard." ●

*Yenza Manufacturing has been assisted by the CCA's South African International Business Linkages (SAIBL) program in the development of their quality management system. SAIBL has also funded training and traveling costs to overseas trade shows.*

*For additional information about Yenza Manufacturing, contact Themba Mtati at yenzaman@iafrica.com.*

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## Black Economic Empowerment in South African Agriculture: What it Means for American Business < By Gary R. Mullins and Ronald Ramabulana

In the years following the 1994 democratic elections in South Africa, the country and its policymakers have been confronted with the difficult but imperative task of correcting the economic and social injustices brought about by more than half a decade of apartheid. Understandably, the first step was to secure basic human freedoms and liberties. South Africa promptly did this by ratifying a new national constitution in 1996, a document claimed by many to be one of the most comprehensive and far-reaching pieces of legislation establishing democratic governance in existence. Having established the political and legal framework for equality and justice for all South Africans, policy-makers were then faced with systematically developing the regulatory framework that could guide and eventually—but as quickly as possible—redress the economic and social injustices wrought by apartheid. This framework has been elaborated in the principles of **Black Economic Empowerment**, or BEE as it now commonly referred. The implications of BEE for the South African economy and its trading partners is dealt with extensively in an accompanying article in this journal, so the authors will not delve into the general subject here. Our objective is to bring to the reader's awareness that BEE extends also to the agriculture and agribusiness subsectors of the South African economy, and to underscore the far-reaching opportunities that **AgriBEE** represents for US business and the potential investors among them.

### AgriBEE: Throwing the Door Open to Opportunity

It is estimated that almost two million South African households, or 25% of the total population, derive some or

all of their household income from agriculture (MOLA, 1998). In 2002 agriculture's contribution to the gross domestic product (GDP) was only 3.7%. But despite this small share of GDP, agriculture continues to play a critical role in the economy by providing a livelihood for a large number of rural households and through its backward and forward linkages with the rest of the economy.

Historically, access to production resources, in particular land, has been highly skewed, with approximately 88% of good agricultural land in the possession of only 28% of the rural population. Not surprisingly, the agricultural sector was characterized by a dual economy constituted of a small, predominantly white farming population taking advantage of modern agricultural technology, and a larger but noticeably less sophisticated and less well endowed black farming population which had to rely on inferior technology and informal market channels as outlets for its products.

Still, South African agriculture generally managed to feed the country's population as well as to produce surpluses for export to the rest of the southern Africa region. Given the existing underlying conditions, however, any positive change in the efficiency of the black farming community could reasonably be expected to add substantially to South Africa's tradable surplus.

These are the inequities and the promise that current government seeks to address through AgriBEE.



Notably, and as a guiding principle, government has made clear that it will pursue policies that contribute to its vision for South African agriculture, which is "a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all". But, in no uncertain terms, South African government has stated that: "Agriculture will be promoted as a business opportunity." Such a position must be considered exceedingly welcome in view of the proclamations being made elsewhere in the region.

Three key elements form the core strategies of South Africa's agricultural sector plan:

- Enhance equitable access and participation
- Improve global competitiveness and profitability, and
- Ensure sustainable use and management of agricultural natural resources.

Five complementary, or enabling, strategies support the core strategies:

- Good governance
- International cooperation
- Knowledge and innovation
- Integrated and sustainable rural development, and
- Safety and security.

South Africa's stress on good governance will allay US business community concerns about how business will be conducted. The strategy's reliance on 'knowledge and innovation' will also be encouraging to US agribusiness who unquestionably represent the world's most technologically advanced, and who should have comparative advantage in global markets to provide the goods and services South Africa needs. In fact, any plan to promote global competitiveness will require partners who have demonstrated success in global markets, and there are numerous examples of such success among US agribusiness.

Indeed, partnerships form the cornerstone of South Africa's AgriBEE program: "It (AgriBEE) will be most effectively pursued and implemented through partnerships between government and the private sector." (NDA, Sept 2003). This emphasis on effecting BEE through public-private sector partnerships implies new opportunities that will, in fact, increase the size of the economic pie to be shared and not merely redistribute that which already exists. AgriBEE will intentionally target innovative small and medium size agricultural enterprises, thus spreading resources and benefits wider, as well as opening up more opportunities for prospective investor partners.

The so-called "BEE scorecard" concept is designed as a tool to measure progress towards increasing access by historically disadvantaged individuals (HDI) to business opportunities, finance and production resources, and has also been applied to the agribusiness sector. Businesses are scored on the basis of, among other factors, equity ownership, management and control, employment equity, skills development, preferential procurement, and corporate social

responsibility. All are concepts with which the American business community is very familiar and, being well aligned with traditional U.S. business precepts, most will feel comfortable with them. The South African government is demonstrating good faith in doing all that it can to make the AgriBEE concept and its expectations transparent and understandable.

It should also be reassuring to US business that the South African government, while still adhering to its black empowerment objectives, has explicitly recognized the need for agribusiness to become more competitive, and it that it is not the objective of BEE policy to undermine efficient, profitable business. Government has stated that it will promote a free market economy and rules-based agricultural trade system. Achieving this desired competitiveness will require change in a host of areas including but not limited to; input provision, processing, distribution logistics, skills training, technology transfer, and, business management—all areas in which U.S. companies are at the leading edge.

### CCA's Promoting Agribusiness Linkages (PAL) Project: A Key to the door

CCA's Promoting Agribusiness Linkage (PAL) project, a component of SAIBL (see p.11), facilitates access by historically disadvantaged agricultural enterprises (HDE) to commercial, mainstream markets. Managed by ECIAfrica, this USAID-funded activity has established a national network of highly qualified and experienced linkage coordinators whose role is to identify commercially-orientated HDE's and to assist them to locate market outlets for their products and services. In some instances, PAL coordinators may provide technical advice, or advise on contract

negotiations, or in yet other situations facilitate access to finance through one of numerous public or private financial institutions. The linkage coordinator may also choose to leave this particular function to PAL's full-time Agribusiness Finance Advisor. A small technical assistance and training fund is available to assist with business plan preparation or skills upgrading and capacity development.

Since its inception in 2001, PAL's efforts have succeeded in concluding transactions valued at over US \$8 million from only US\$ 550,000. It has been on the basis of this success that USAID extended PAL through 2006 and increased its budget to just under US\$ 6 million. PAL has subsequently restructured itself to accelerate its achievements in the agribusiness sector and is clearly positioned to do so. For U.S. businesses seeking opportunities in the South Africa agribusiness sector, PAL represents a key to opening numerous doors, whether related to production or processing, or in the realm of technology transfer and skills enhancement. ●

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#### Authors:

*Gary R. Mullins, Ph.D. is Deputy Project Director, Promoting Agribusiness Linkages (SAIBL-PAL) project. He can be contacted at ECIAfrica, P.O. Box 149, Wendywood 2144, South Africa.*

*Email: gary.mullins@eciafrica.com. Tel: +27 (0) 11 802 0015. Fax: +27 (0) 11 802 1060*

*Ronald Ramabulana is Field Operations Manager, SAIBL-PAL. He can be contacted at Email: Ronald.ramabulana@eciafrica.com*

## Investing in South Africa's Future 3M's Corporate Social Investment

< By Mala Suriah >

For over a hundred years, the people of 3M have provided practical and ingenious solutions to generations of satisfied customers around the world. 3M is a company driven by a culture of innovation combined with a desire to see the development and growth of the people, associated companies, and communities in its areas of operation.

3M South Africa was established in 1952 and is a wholly owned subsidiary of the 3M Company, based in St Paul Minnesota, in the United States. In sub-Saharan Africa, 3M is active in the markets healthcare, pharmaceutical, telecommunications, industrial, and consumer office markets.

3M Sub Saharan Africa's stringent principles, ethics and business practices, support its corporate values. Through its structured approach to social investment, 3M South Africa has applied considerable funding and effort to improve conditions for previously disadvantaged South Africans.

Sam Mkhabela, general manager of corporate marketing and public affairs at 3M stated that, "The main focus for 3M is sustainability. Our approach to social responsibility programme provides 3M with the ability to assess the feasibility of any project, programme or intervention, and our ability to become self-sufficient, and to measure its success,"

A special focus on health and welfare, education, community development, job and enterprise creation, and improving living conditions, has meant that 3M has touched the lives of many South Africans.

To make its social development program most successful, 3M has focused its efforts on specific programs defined in/as the company's CSI (Corporate Social Investment) policy. This CSI policy addresses improving health and welfare, education, community development, job and enterprise creation, and living conditions.

The list of 3M South Africa's projects is extensive. A few examples of successful 3M projects are listed below.

### Phelophepa Health Care Train

3M South Africa has been a sponsor of the Phelophepa Train for the past 10 years. The Transnet Foundation maintains the train, whose coaches are made up of a spectrum of medical clinics, including health, dental, eye, and counselling and health education. The train stops for a week in rural communities to attend to the community's medical needs. 3M gives an annual monetary donation to the program as well as provides health care products, specifically dental, to the medical facilities.

### Sithabile Child and Youth Care Centre—Benoni, Gauteng

Sithabile, meaning 'we are happy', has become a reality for young children



Workers enjoy 3M South Africa's Corporate Social Investment programs



who are cared for at this Centre. Since 1997, 3M has helped to create a safe haven for young children from the surrounding communities; many of these children have been victims of abuse, prostitution and child labour.

### Dental Students Leadership Programs

On behalf of 3M, Competency Alignment (Pty) Ltd. co-ordinates leadership skills and development programs for 5th year dental students at Wits Dental School, Medunsa, Stellenbosch University, and the University of the Western Cape. The training provides dental students with practical business and leadership skills needed to manage successful dental practices. By sponsoring the Dental Students Leadership Programs, 3M plays an important role in the educational development of the students, who are future customers of 3M ESPE dental products. ©

Mala Suriah Mala Suriah is the Corporate Marketing Manager for 3M South Africa. For additional information, contact Mala at tel: (+27-11) 806-2000 or e-mail: msuriah@mmm.co.za.

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Located in New York City, **Careernation Inc.** provides Internet job board, resume database, and professional recruitment and staffing services for the African continent. Careernation can offer flexible recruitment solutions tailored to clients' specific requirements. Customized packaging and cross-platform marketing provide employers with qualified candidates for open vacancies in Africa. Annual membership packages include unlimited, corporate job postings, and resume searches of screened global database of skilled professionals in and outside Africa. Careernation serves the African market exclusively.

In the past, African employment information has been limited to local markets. Job seekers have also been limited to job openings within the national region, thereby eliminating regional and continent based posts. Careernation.com publicizes employment opportunities in Africa worldwide.

Careernation has provided recruitment services to companies in Africa including Ibeto Group, a private company in Nigeria. Clients have included Deloitte, N-Glory Development Inc. Family Health International, The A.P. Moller-Maersk Group, and Seaboard Corporation.

Careernation is in agreement with Columbia University's School of International and Public Affairs to lead a pilot program offering job opportunities in Africa. The Africa employment conference and job fair, to be hosted in Columbia University, will bring together internationally based African graduates and professionals who are seeking careers back in Africa. Partners for this effort include Harvard African Students Alumni Network (HASAN) and Kenyan American Professional Association (KAPA).

*For additional information, please contact Joaquin Rossa at tel: 212-671-0714 or email: [Sales@careernation.com](mailto:Sales@careernation.com) or visit [www.careernation.com](http://www.careernation.com).*

## Oracle African Operations

**Oracle Corporation** is the world's largest enterprise software company. Its fully Internet-enabled product line covers database technology and business applications and is used in 98 of the Fortune 100 companies and in nearly every industry.

Oracle African Operations has offices in Abidjan, Algiers, Casablanca, Dakar, Lagos, Nairobi and Port-Louis. With a network of more than 120 partners, Oracle is represented in almost every country on the continent and has a broad range of clients, including government, financial, manufacturing, primary industries and education.

Oracle is a sponsor of the New Partnership for Africa's Development (NEPAD) and has contributed significantly to Africa's technological development. This is not confined only to providing software solutions for Africa's public and private sectors, but also includes training and skills development through participation in various events and academic initiatives.

Oracle understands that knowledge transfer is the key to all development efforts and so provides software, curriculum, training and certification resources to institutes for advanced education via the Oracle Academic Initiative (OAI). The aim is to enable colleges and universities to use these cutting-edge resources within degree programs, helping them to educate their students effectively with strong industry-relevant skills.

Oracle technologies have already enabled a number of African governments to build their foundation for e-government, including Mauritius, Uganda, Kenya, Botswana and Namibia.

*For additional information contact Basma Kaafar: at tel: +9714 390 9181 or e-mail: [basma.kaafar@oracle.com](mailto:basma.kaafar@oracle.com) or visit [www.oracle.com/ao](http://www.oracle.com/ao).*



## AGOA III Update < By Barrett Hightower >

AGOA III is slowly moving through the United States Congress. On May 18, 2004, the House Ways and Means Committee convened a hearing on the pending legislation. The House version of AGOA III will extend AGOA through 2015; extend the Third Country Fabric Provision through 2007; and calls for an increase in technical assistance for AGOA eligible countries. It also adds ethnic printed fabrics to the list of eligible Category 9 folklore and handmade items. The proposed legislation does not, however, expand AGOA's agricultural reach, nor does it expand the mandate of the Overseas Private Investment Corporation and the Export-Import Bank of the United States. (This counters the original proposal, which included extending preferences to agricultural products previously statutorily excluded and removed prohibitions on OPIC and Ex-Im Bank involvement in sensitive industries to the U.S.)

The House bill is expected to move forward successfully; observers are more skeptical of the progress of the bill on the Senate side. The two bills, while similar, do have differences that



**The House version of AGOA III will extend AGOA through 2015; extend the Third Country Fabric Provision through 2007; and calls for an increase in technical assistance for AGOA eligible countries.**

will require reconciliation. The Senate bill has remained unchanged since November 2003, and therefore contains provisions that would preclude it from passing in the House. Observers predict that the Senate will introduce a significantly paired down

version of the bill during the next session in order to ensure the continuation of the program. ©

*Barrett Hightower is a research analyst for the Corporate Council on Africa*

### International Business and Education Conference: A Focus on Water Management

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For more information contact Monique Sheary (msheary@wpi.edu or (508) 831 6222) or visit [www.wpi.edu/+ibec](http://www.wpi.edu/+ibec).



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## The US-SACU FTA Negotiations

In the June/July 2003 issue of *Africa Journal*, Assistant U.S. Trade Representative for Africa Florizelle Liser described the background and objectives of the free trade agreement (FTA) negotiations that the United States had just launched with the five countries of the Southern Africa Customs Union (Botswana, Lesotho, Namibia, South Africa and Swaziland). A year later, we checked in with Ms. Liser to get a status report on the negotiations.

### **Africa Journal: Where do the negotiations with SACU stand?**

Liser: In early May 2004, the Fifth Round of the FTA negotiations took place in Lesotho. This was the first round during which "Phase II" topics were discussed, including labor, environment, intellectual property rights, and financial services. With the introduction of these topics, discussions are now under way in all negotiating areas to be covered in the agreement. The United States has tabled text in almost all negotiating areas. In several areas, SACU has tabled its own proposed text. We are now identifying commonalities and working through areas where our approaches differ. The Sixth Round of negotiations will take place in Atlanta in late June. Much work remains to be done if we hope to meet our target completion date of December 2004.

### **Africa Journal: What is the greatest challenge you face in advancing the negotiations?**

Liser: As in other FTA negotiations, the two sides each have areas of special interest and special sensitivity. Finding an appropriate and agreeable way to address those interests and sensitivities, while at the same time maintaining the highest possible level of trade liberalization, is perhaps the greatest challenge that SACU countries and the United States face in these negotiations. The United States wants to craft a comprehensive agreement consistent with the high standards of other recent U.S. FTAs. We recognize that our SACU partners, as developing countries, face special challenges. But the U.S. FTAs with Morocco and the Central American (CAFTA) countries demonstrate that developing countries can be strong FTA

partners, too. We want the U.S.-SACU agreement to be a first-class FTA and are working with the SACU countries to find the right path to that result.

### **Africa Journal: How does this FTA fit in with AGOA?**

Liser: This FTA is a direct outgrowth of AGOA, which is the cornerstone of the Bush Administration's trade and investment policy toward sub-Saharan Africa. In pursuing this FTA, the Administration is responding to Congress' direction, as expressed in AGOA, to pursue free trade negotiations with interested sub-Saharan African countries as a catalyst for increasing trade and investment between the United States and Africa. The FTA represents the next step forward in the US-SACU economic relationship, moving from AGOA's one-way trade preferences to a two-way partnership covering the full spectrum of trade and investment activities. For example, an FTA would also cover trade in services and help SACU countries to attract new investment in rapidly growing sectors like telecommunications, financial services and information technology. AGOA has been a good deal for SACU countries. An FTA would be an even better deal as it could lock-in and perhaps expand AGOA benefits and provide the kind of guaranteed market access that supports long-term investment, economic growth, and development.

### **Africa Journal: What would the United States gain from an FTA with the SACU countries?**

Liser: An FTA with SACU would give U.S. businesses preferential access to their largest export market in sub-Saharan Africa—worth nearly \$3 billion in 2003—and would level the playing field with exporters from the European Union, which concluded an FTA with South Africa a few years ago. An FTA would also reinforce ongoing regional economic reforms, lower the perceived risk of doing business in southern Africa, and help support SACU countries' efforts to address poverty alleviation and bolster economic development through increased trade.



Florizelle Liser, Assistant U.S. Trade Representative for Africa

### **Africa Journal: Has South Africa's Black Economic Empowerment program been raised in the negotiations?**

Liser: The goals of South Africa's BEE program are important, particularly its emphasis on economic development and on moving historically disadvantaged persons into the mainstream of the national and global economy. During the course of the FTA negotiations, we have sought clarification from South Africa on some aspects of BEE, especially as to how it might affect FTA obligations and the operations of U.S. businesses in the country. In those discussions and others, we have emphasized the need to implement BEE in a transparent manner that will not impede expanded trade, investment, and growth in South Africa. We will continue our dialogue with the government and the private sector on ways in which BEE objectives can be achieved in a manner that provides certainty to investors and is consistent with the trade and investment liberalizing objectives of an FTA.

### **Africa Journal: Does the United States intend to pursue additional FTAs in sub-Saharan Africa?**

Liser: Right now we are focused on negotiating a first-class agreement with SACU. Down the road, though, we are willing to consider additional FTAs in Africa. Prospective partners should be prepared, though, to undertake serious trade liberalization in return for expanded and permanent access to the \$11 trillion U.S. market. Countries not ready to open up their markets or to take on commitments in areas such as investment, services, labor and environment are probably not yet ready for an FTA with the United States. ©

## Partnerships for Prosperity: Laying the Groundwork for Growth with Equity through Smallholder and Agribusiness Alliances in Zambia

< By Bagie Sherchand >

Since 1971, Development Alternatives Inc. (DAI) has shown that partnerships forged between smallholders and agribusiness can be mutually beneficial and enduring. These partnerships create opportunities for wealth creation in poor rural areas in Africa.

In Zambia, the key has been to find the right market pull. For DAI, the market is not an anonymous exchange, but a population of buyers each with a face and a place on the farm-to-plate value chain. Once DAI finds the right face in the right place, it works to unlock constraints impeding commercialization, whether it is assisting smallholders in their transition from bucket irrigation to sprinkler irrigation so that they can supply the market on a year-round basis, or intercropping with high-value crops to optimize their returns to land and labor. DAI has helped groups of smallholders add value to their output, establishing them as reliable partners. The smallholder groups, organized as companies or cooperatives, become business-oriented, rural enterprises. The rural enterprises become the economic backbone in rural areas, driving the farm-to-market linkage to fuel the sustained growth needed to add income for smallholders.

With core funding of \$6.6 million from the United States Agency for International Development, DAI set-up the Zambian Agribusiness Technical Assistance Center (ZATAC) in Lusaka in late 1999. ZATAC operates as a catalyst. It uses innovatively structured loans, technical assistance, and training to reduce risk for agribusinesses as they ally with smallholder groups who want to link-up to higher margin markets.

Smallholder herders in Zambia's Southern Province are cattle-rich but cash-poor. In Kazungula, ZATAC piloted

the feasibility of selling surplus milk from smallholder cattle producers to Finta Danish Dairies in Livingstone, home to Victoria Falls. Tapping a growing national market required the smallholder-cattle producers to deliver milk to a new collection center equipped with cooling facilities for pick-up by Finta. The Kazungula Milk Collection Center was established with financial support from the Embassy of Japan and in partnership with CARE International, IESC, the Kazungula Cooperative Society, and the Zambian Ministry of Agriculture. 360 farmers in and around Kazungula moved from earning \$1.50 a day to \$2.50 a day. Farmers are encouraged by the increased returns to their labor and investment. They are buying improved dairy breeds to further expand milk production and sales. The Kazungula Center, owned and operated by the cooperative, is on its way to becoming a self-sustaining, profit-making small rural businesses.

The success of this pilot resulted in USAID and other donors funding the expansion of the milk collection program to 15 other cattle-raising areas. Ten centers are now operational and generate increased incomes for 750 owner-members, and improved raw material supply for processors. ZATAC Ltd is helping to build a third set of milk centers as dairy processors set their sights on markets in neighboring countries.

In isolated North-West Province, smallholders in the Miombo forests in the headwaters of the Zambezi have traditionally followed the honey-guide bird to find seasonal sweets, but not much income. Thanks to ZATAC, 3000



*Finta Danish Dairies, a Proud Partner with Zambian Smallholders*

smallholders have been trained in beekeeping and have boosted their household incomes by 60 percent. They now produce, harvest, and properly handle certified organic honey for export to the European Union, and soon, to the Middle East and the USA.

Zambia is not yet a land of milk and honey for most of its citizens. Challenges remain. Therefore, ZATAC has helped initiate smallholder programs in export vegetables, paprika, coffee, cotton, and oil crops. Over 100,000 smallholders are earning more income because of these programs. Hundreds of thousands more must link to growth markets before wealth will come to rural Zambia. That is why DAI helped to establish ZATAC Ltd, a Zambian company, in April 2002. ZATAC Ltd is already a respected partner with agribusinesses, its smallholder clients, the national government, NGOs, and donors. Its independent board and Zambian management look forward to working with its many partners to help transform Zambia's rural landscape. ©

*Bagie Sherchand is the ZATAC Chief of Party for CCA member DAI.*

*For additional information on DAI activities in Zambia please contact Ms. Bagie Sherchand, Chief-of-Party for ZATAC at Bagie\_Sherchand@dai.com or Mr. Likando Mukumbuta, CEO of ZATAC Limited, Lusaka, at 260-1-263-512 or 260-1-263-537.*



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## Interview with Vusi Mahlasela < By Toast Coetzer >

**Vusi** Sidney Mahlasela Ka Zwane was born in 1965 near Pretoria, South Africa, and grew up in Mamelodi township, where he still lives today. But Vusi isn't home very often these days. New Orleans, Boston, Chicago, Washington, Shanghai and India are names that by now roll easily off his tongue. Fresh back from Germany, he is currently busy with a six-week tour of the United States. The success of the film *Amandla* (and its soundtrack) coupled with his debut Stateside release, *The Voice* (on Dave Matthews' ATO Records) means that Vusi is in high demand. Talk about this success though, and he's quick to point out that he's still just learning.

"It goes with so much dignity - as an artist, having to see the respect people have for your work. People will sometimes just come to me, some will literally cry, be in tears and say 'your song, it has changed something in me'. Sometimes there'll be queues of people who want to buy the CD, even after it's sold out. Then they might come and see me again in another town. And each time they tell me that the performance was special in a different way. It gives me wings to fly, to see that I'm really developing as an artist, because I'm learning all the time. I went there with so much nervousness, but with each performance, it gets better."

Back in South Africa, his Vusi Mahlasela Development Foundation helps to fund workshops for young musicians in the Pretoria area, including the surrounding townships. Last year, they had about 40 students involved.

"We prefer students to play an instrument and sing—it's more about African music, for encouraging musicians to pick up folk or traditional instruments and fusing that with western instruments, because the



(L-R) Albert Frost and Vusi Mahlasela perform in South Africa

motto of our organization is 'Africa Teach Your Children Ancient Songs To Glorify The Spirit Of Collective Good'. I think more it's about humility, to not write more songs about violence, money or sex, but to encourage the young people to write songs about being proud of themselves all the time. You know, during the time of apartheid, there was this thing that, if a song had a traditional instrument on it, they wouldn't play that track, especially instruments invented by our own people—they would even scratch that track out. We want to change that."

Back in the 80s and early 90s, Vusi was known as a 'voice of the people'—he was a popular choice for political rallies and his music has always carried a strong message of fighting injustices. But what's left to protest today?

"Well, to be called 'a voice'—that comes with so much responsibility. People look at you, and you have to carry forth, give them hope like you did in the past. Protest music is still relevant in that the people who have been voted into power are doing injustices to the people who put them there. We must pinch them, we must really criticize them, write must write

uncomfortable lines that will straighten them out—that will also help us to be part of building the country. We need to do that for our future. Then there's the youth, that's another problem, because the youth is so ignorant—they are wasting it (freedom) through their ignorance, these privileges are not privileges, they are rights. And they are rights that our people fought for and people died for. They need to be reminded where they come from. I don't have a platform like a politician where you can address the people, but I can use music. Right now I'm looking at how the youth is drinking more than their fathers today. It's so sad—I've been to some festivals where I've seen some young people, 16, 17 years old drunk. Is this what we've been fighting for? What went wrong? They need some sort of cultural revolution. So it's my duty—and I'll always continue—to address these issues that are taking place right in front of my face." ©

*Toast Coetzer is a freelance journalist based in Cape Town, South Africa. He can be contacted at toast@bastardmedia.co.za*

*This piece courtesy of www.oppikoppi.co.za*

## South Africa Airways Celebrates Its 70th Birthday

South African Airways celebrates its 70th birthday in 2004, a year also marking the 10th anniversary of Voyager, the airline's world-renowned frequent-flyer program. These momentous occasions coincide with South Africa's 10th year of democracy celebrations.



From small beginnings, South African Airways has grown to become a global competitive airline that has won numerous local, continental and international customer service awards. South African Airways is redefining the travel experience, setting new benchmarks for the industry to follow and continuing its traditions of excellence in service—on board and on the ground.

South African Airways is Africa's award winning airline, with nine international alliance partners, making it most convenient for travelers to reach more than 700 destinations across the world. The airline serves more than 20 destinations across the continent, making it easier for passengers to connect to various gateways. The airline has grown to play an important role in the South African economy, in tourism, the hospitality industry, in sponsorships and community service.

South African Airways launched on February 1, 1934 following the government's successful negotiations to buy Union Airways, a Durban-based airline from Major Allister McIntosh Miller. The first South African Airways flight in 1944 in a converted bomber carried 14 passengers to Blackbushe, England, and spanned three days. Today, it takes 12 hours to fly between Johannesburg International airport and Heathrow. The non-stop flight

time of 15 hours and 25 minutes from Atlanta to Johannesburg is also the longest flight in the world at 8,739 miles.

By 1945, Douglas DC 4s carried 40 passengers. Today, South African Airways' Airbus 340-600 aircraft carries 339 passengers and its Boeing 747-400 carries 352. In the last financial year ending March 31, 2003, South African Airways carried 6.5-million passengers.

In the early days, passengers endured hours or days of crackling engines and the buzzing sound of a 60mm projector for in-flight entertainment. Today South African Airways boasts a modern fleet, a quieter cabin and high-tech in-flight entertainment. With the *Audio-Video-On-Demand* entertainment system, passengers can now watch a movie or select an audio channel.

The renewal of South African Airways' fleet will continue in 2004, resulting in added comfort features for passengers, such as more legroom, more overhead storage space, wider seats and a quieter cabin. By the end of April 2004, all A340-600 and A340-300e aircraft will be equipped with the new lie-flat seat in Premium Business class. This 180-degree, fully lie-flat seat features an electronic armrest to offer more space, a 24-inch wide bed (one of the widest in the

industry), a personal reading light, an ultra-modern shell with privacy screen, lumbar massage, and three automatic position settings of upright, bed and cradle with variable settings for leg rest, seat height, lumbar support and back rest. The cabin features a 2-2-2-seat configuration offering Premium Business passengers easy access to

the aisle.

Celebrating its 10th anniversary, Voyager, South African Airways' frequent flyer program, also has made great strides. From modest beginnings in 1994 when it had 50,000 members, Voyager is now an internationally recognized loyalty program with 1.4-million members and growing every day. South African Airways' Web site, [www.flysaa.com](http://www.flysaa.com), has enabled passengers to get SAA news and book discounted tickets online.

South African Airways provides the only direct flights from the U.S. to South Africa. The carrier offers daily departures from New York's JFK international Airport to Johannesburg and daily service from Atlanta to South Africa. South African Airways has been the recipient of a number of prestigious awards including "Best Airline in Africa" by airline benchmarking company Skytrax (2003, 2002, 2001), "Best Airline Based in Africa" by Official Airline Guide for five of the past seven years, and for the 12th consecutive year, "Best Airline to Africa" by the Travel Weekly Globe Awards. ©

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