

The AFRICA JOURNAL

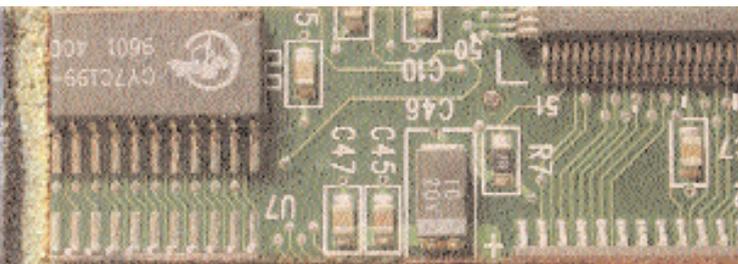
FALL 2007

THE CORPORATE COUNCIL ON

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CONFERENCE
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The Fall edition of *The Africa Journal* coincides with The Corporate Council on Africa's (CCA's) second annual *U.S.-Africa Infrastructure Conference* from October 8-10, 2007 in Washington, D.C. CCA is driven by our belief that the U.S. private sector is a key partner in Africa's infrastructure development. Effective public-private sector cooperation is necessary to reverse the impact that inadequate infrastructure has had on the living standards of many in Africa. Many Africans still do not have access to basic services such as clean water, sanitation, and electricity. Infrastructure development is

PRESIDENT'S MESSAGE

also critical to health and education, and the capacity of African countries to compete in international markets.

While infrastructure development is imperative to Africa's economic growth, it also provides many financially rewarding trade and investment opportunities to U.S. businesses. Therefore, success stories on the Continent are highlighted in this edition. Some visionary entrepreneurs are reaping the rewards of doing business in Africa, while stimulating economic growth. In addition, many multinationals are contributing to peacekeeping efforts, education, and stability through their efforts in Africa.

This year's conference theme is "Building on Stability." Across the Continent, stable and democratic governments, and sound economic policies have laid the foundation for an increase in private sector investment in African infrastructure. This edition highlights some of the resources and potential public partners available to help U.S. companies to navigate the African business environment.

CCA is also presenting another unique opportunity during this quarter to experience Africa's dynamic business environment first-hand. From November 14-16, 2007, we are hosting the *U.S.-Africa Business Summit* for the first time on the African continent, in Cape Town, South Africa. South African President, Thabo Mbeki, and Liberian President, Ellen Johnson Sirleaf, have confirmed they will be in attendance. We urge you to join us in South Africa for the *U.S.-Africa Business Summit*. •



Stephen Hayes, *President*
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Design and Layout

Paul Fisher, www.fisherdesign.us

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The Africa Journal, initially a tabloid publication, was founded by Abdoulaye W. Dukulé, PhD. In 2003, all rights were purchased by CCA from Mr. Dukele, and the publication was converted to its present magazine format.



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INFRASTRUCTURE

Africa—The African Civil Aviation Agency has been established to improve aviation safety and to administer licensing, training, and inspections.

Kenya—Qatar Airways introduced direct flights from Kenya to the U.S.

South Africa—Durban port is to undergo a major expansion.

Libya—The National Oil Corporation of Libya and Verenex reported a new oil discovery at Ghadames Basin.

Nigeria—Total strengthened its gas portfolio by acquiring a 40% interest in offshore OML 136.

Nigeria and Congo—Total also finalized the acquisition of a 36% interest in deep offshore Oil Prospecting Lease 247 in Nigeria and announced a fourth discovery in the ultra-deep offshore Mer Très Profonde Sud block, Congo.

South Africa—Westinghouse is to acquire IST Nuclear, thereby enhancing its nuclear capabilities in the growing South African market.

Sudan—China National Petroleum Corporation signed a production sharing contract with the Sudanese government.

Somalia—Two Chinese companies, CNOOC and CIOG, signed a production sharing agreement with the new Somali government.

Tanzania—Sun Biofuels is to establish a \$20 million biofuel processing project using large-scale planting of jatropha.

West Africa—China National Petroleum Corporation bid \$2 billion for the west African oil and gas assets of Devon Energy.

AGRICULTURE

Kenya—Fortifying Africa announced a flour fortification initiative. Kenya started coffee exports to China.

Mozambique—the northern Cabo Delgado province saw record cotton production of 43,000 tons, compared with 23,000 tons from the previous season.

Zambia—The government has given permits to traders to allow them to export 200,000 tons of white maize to the DRC and Namibia.

FINANCE

Africa—Pamodzi Investment Holdings launched Africa's largest private equity fund. This year, more than \$2 billion has been raised by private equity funds in the UK for investment in Africa.

Madagascar—China has given about \$80 million to Madagascar for hotel development and debt alleviation.

Namibia—Investec and Nedbank Capital raised N\$535 million debt funding for Cell One, the second mobile cellular operator in Namibia.

Nigeria—GTBank became the first Nigerian company and first African bank to be listed on the London Stock Exchange.

MINING & MINERALS

Africa—Evraz purchased a 24.9% stake in Highveld Steel and Vanadium Corporation from Credit Suisse International. Uranium One and Energy Metals Corporation are to merge. Lundin Mining sold the Tasiast Gold Mine in Mauritania to Red Back Mining. Xstrata has made an offer for Eland Platinum.

Mozambique—Tata Steel acquired a 35% stake in Riversdale's Mozambique Coal Project.

Senegal—ArcelorMittal has been granted concessions for iron ore mining in the Faleme region.

South Africa—Gold Fields acquired an additional 16.2 moz adjacent to South Deep.

OIL & GAS

Africa—Logria, a subsidiary of National Petroleum and an affiliate of Citadel Capital, is to acquire Rally Energy, based in Calgary, Alberta, Canada. Citadel Capital is a leading Cairo-based private equity firm. National Petroleum is the upstream oil and gas vehicle established by Citadel Capital in late 2005.

Algeria—Repsol YPF, Sonatrach, RWE Dea, and Edison reported a gas discovery in the Reggane Basin, Algeria.

Angola—Total and Sonangol made an additional oil discovery on Block 32, in Angolan ultra deep offshore, while Total and Chevron made a new oil discovery in deep water Block 14, also offshore Angola.

TELECOMMUNICATIONS & IT

Kenya—Econet is to set up Kenya's third mobile network.

Mozambique—The country granted Grindrod permission to go ahead with a \$80 million coal and car handling expansion project at the port of Maputo.

TRADE DEVELOPMENTS

Angola—South Africa's Pep Stores is to expand into Angola.

Rwanda—Rwanda plans to import cheaper, generic HIV/AIDS drugs.

Botswana and Ghana—both countries signed a 10-year Bilateral Investment Treaty on intergovernmental co-operation in foreign direct investment.



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BOEING TO SUPPLY TO NIGERIA & EGYPT



Boeing and Arik Air, Nigeria's newest commercial carrier, announced an order for ten Next-Generation 737-800s, four 787-9s and one 777-300ER (Extended Range). The order is valued at approximately \$1.8 billion at list prices.

In April, Arik Air took delivery of two 737-700s and announced an order for two 777-200LRs (Longer Range), two 777-300ERs, and three 787-9s, to initiate the largest and most aggressive fleet modernization program in Nigeria's aviation history.

Boeing is also working with the airline to help Nigeria achieve U.S. FAA Category 1 status, which would allow Arik Air to fly directly to and from the U.S.

Arik Air is Nigeria's fastest-growing privately owned airline and serves over 11 domestic routes with a fleet of 16 airplanes.

Boeing also delivered to EgyptAir its third Next-Generation 737-800 on September, 7. The airline has ordered 12 of Boeing's fast-selling, single-aisle commercial jets.

CARGILL TO CONVERT PIG WASTE TO ENERGY ON SOUTH AFRICAN FARM



Cargill is to build an anaerobic digester on a pig farm in South Africa, the first time such technology will be used in the country. The digester, which will convert pig effluent into power, is to be built at Humphries Boerdery Pty Ltd, a family-run pig farm business, situated north of Johannesburg.

The technology, which is being funded by Cargill's environmental finance group, allows the methane from the pig effluent to be captured and converted into power, providing a self-sufficient and constant supply of electricity to the 400-

acre farm. The proposed installation follows successful projects on pig farms in Mexico and the Philippines.

The project, which will be developed under the Kyoto Protocol's Clean Development Mechanism by EcoSecurities, will allow Cargill access to the carbon credits generated from the system.

The digester, currently being built in South Africa, is expected to be installed by the end of the year, with registration of the project due to be completed by the first quarter of 2008.

CISCO SYSTEMS' BLACK ECONOMIC EMPOWERMENT INITIATIVES



On September 4, 2007 Cisco Systems announced a wide-ranging Black Economic Empowerment (BEE) strategy for its South African operations, through the sale of equity to a broad-based consortium of black South African investors. The transaction is subject to customary closing conditions, including regulatory approvals, and assuming that it is completed as anticipated:

- The external investment partner and the employee and education trusts will receive long-term share participation rights, represented by shares in parent company Cisco Systems Inc., with a value equal to a 25.1% stake in a newly created services organization that will support the needs of major South African organizations.
- The employee and education trusts will receive share participation rights with a value equal to a 25.1% stake in Cisco Capital South Africa, which offers financing to both Cisco's strategic customers and its broader customer base.
- Lastly, the employee and education trusts will receive share participation rights, with a value equal to a 20% stake in Cisco's local sales and marketing organization, which supports Cisco's broad customer base in South

Africa. Cisco products are already sold to this customer base through system integrators that include a BEE-empowered partner channel.

Cisco also announced that Lereko Investments Pty Ltd will participate in the empowerment initiative by taking the lead equity stake with respect to the services organization. Lereko is represented by Valli Moosa (executive chairman), Popo Molefe (CEO), and Lulu Gwagwa (executive director). The selection of Lereko was made based on a common vision of BEE, cultural fit with Cisco, and a shared vision for transforming the information and communications technology sector in South Africa. Following the completion of the transaction, Lereko will hold share participation rights with a value representing 20% of the services organization.

LONRHO INCREASES EQUITY STAKE IN NORSE AIR TO 51%



Lonrho, a conglomerate with a diverse portfolio of African investments, acquired a further 8% of South Africa's Norse Air Limited. This brings Lonrho's holding in Norse Air to 51% of the company.

David Lenigas, Lonrho Chairman and CEO commented, "Lonrho's increased equity in Norse Air is another example of the Company's objective to hold a majority stake in each of its subsidiaries. Lonrho is developing businesses across Africa within infrastructure, transport, and related sectors that have strong potential for growth. Norse Air, like other Lonrho subsidiaries benefits from our experience of Africa, from Lonrho's ability to transact larger deals, and to provide access to funds for expansion."

Members are encouraged to submit their press releases and news clips for publication in The Africa Journal to Ilda Diffley at ldiffley@afriacncl.org

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MCC FINALIZED THREE MAJOR AFRICAN COMPACTS

By Philippe de Pontet

The Millennium Challenge Corporation (MCC) continues to sign major new compacts with reform-minded African governments. Mozambique, Lesotho, and Mozambique are all in the process of finalizing compacts. Together these agreements will mobilize over \$1.6 billion in funding over the next five years. The scale of the commitment may face funding obstacles in the future, given that Congress appears poised to cut the administration's proposed \$3 billion MCC budget for fiscal year 2008 in half. Despite such funding constraints, the MCC is determined to keep signing major African compacts. Highlights of the three compacts include the following:

- Mozambique: Five-year, \$507 million commitment. This includes \$203 million for water and sanitation programs and \$176 million to facilitate access to markets through targeted investments in transportation.
- Lesotho: Five-year \$363 million commitment. In addition to water and health sector projects, this compact sets aside \$36 million for private sector development. This will support the role of women in the formal economy, establish credit bureaus, reform commercial

courts, and help implement a new payment and settlement system.

- Morocco: Five-year \$697 million commitment. The largest component of the compact will rehabilitate fruit tree orchards, including olive, almond and fig trees - potential engines of rural economic growth. Other projects aim to increase the productivity of small scale fisheries and traditional artisans. The compact includes \$46 million for micro-enterprise development.

In order for these compacts to be sustainable, Congress will need to vastly increase its annual appropriations. Looking ahead, this will require continued lobbying by the Bush White House through the end of its term, and Presidential leadership from his successor.

CONGRESS PASSES FOREIGN OPERATIONS BILL AND INCREASES OVERALL APPROPRIATIONS FOR AFRICA

By Nancy R. Steedle

On September 6, 2007 the U.S. Senate passed the Fiscal Year (FY) 2008 State and Foreign Operations Bill which the House of Representatives passed on June 22, 2007. This bill provides funding for the U.S.'s major international commitments, including appropriations for the Department of State, international organizations, the U.S. Agency for International Development (USAID), global health efforts, and foreign economic and humanitarian aid. The bill increases funding for Africa by 53.8% over last year's appropriation, the largest regional increase, albeit mostly for HIV/AIDS programs. Overall, the 2008 bill provides a \$3 billion increase in appropriations for foreign

operations over the 2007 bill, though the total enacted is \$700 million less than the amount President Bush requested.

The priorities reflected in the appropriations reveal both positive and negative trends concerning U.S. relations with Africa. The significant 53.8% rise in funding comes singularly from increased HIV/AIDS and malaria aid allocated through the President's Emergency Plan for AIDS Relief (PEPFAR), an initiative announced by President Bush in 2003. He promised an increase of \$15 billion over five years to target the problem in 15 focus countries, 12 of which are in Africa. African countries have also benefited from the President's Malaria Initiative (PMI) which was launched in 2005 to provide \$1.2 billion of new funding to address malaria through 2010. These initiatives put the Bush administration on target to meet its pledge to increase aid to Africa by \$30 billion through FY2013. The bill also allocates about \$136 million in debt relief for the Democratic Republic of the Congo (DRC) and Liberia to support their post-conflict reconstructions, and \$950 million targeted for Sudan for humanitarian and peacekeeping aid, as well as development aid for the southern region.

However, without the increased funding for the HIV/AIDS initiative, spending for programs in Africa will actually decrease by 11% under the FY 2008 bill. Programs in basic education, agricultural sector development, water supply and sanitation, child survival and health, disaster and famine assistance, and family planning and reproductive health will all have been cut. Aid analysts worry that this trend is unbalanced and places too much emphasis on HIV/AIDS to the detriment of other important development programs that may undermine sustainable development on the Continent in the long-term. ●

Eurasia Group is the world's leading global political risk advisory and consulting firm. The firm analyzes and forecasts political, security, and economic developments worldwide. Visit www.eurasiagroup.net or email Philippe de Pontet at dePontet@eurasiagroup.net or Nancy Steedle at Steedle@eurasiagroup.net

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INFRASTRUCTURE DEVELOPMENT CHALLENGES, AND INVESTMENT

The African Development Bank (AfDB) has been a major force in private and public sector infrastructure development in Africa, through the provision of financial and technical resources. Infrastructure development is among the priority sectors outlined in the AfDB's Private Sector Development Strategy, along with creating an enabling environment, strengthening financing systems, and promoting trade. It is also reflected in the Bank's *Strategic Plan 2003-2007*, which states that a lack of adequate social and economic infrastructure remains one of the key constraints to short- and medium-term poverty reduction in Africa. Hela Cheikhrouhou, Division Manager, Infrastructure and Public-Private Partnerships (PPPs) who oversees private sector operations for the Bank underscored this by stating, "The substantial infrastructure gap in Africa is impairing the competitiveness of its economies."

IN AFRICA: ACHIEVEMENTS, OPPORTUNITIES

A PERSPECTIVE FROM THE AFRICAN DEVELOPMENT BANK (AfDB)

< By Dr. Emmanuel Ngawainmbi & Onike Nicol-Houra >

The AfDB promotes infrastructure development with special attention to PPP investment by providing financial support through direct equity investment and loans, advice to enterprises on the structuring of such projects, and advice to governments to introduce a conducive legal and regulatory framework, and technical assistance to enhance their capacity to structure and handle PPP programs. In line with the Bank's infrastructure investment policies, Cheikhrouhou said, "Structuring PPPs is a must to leverage scarce public resources and maximize infrastructure investments."

The key objective of the AfDB's private sector strategy is to boost confidence in other lenders and investors to mitigate the risks resulting from the relative long-term maturity of infrastructure investments. Bank interventions include investing directly in such transactions; upgrading the technical

and managerial capacities of governments; helping in the creation of appropriate institutional, legal, and regulatory frameworks for PPPs; and assisting governments in developing and implementing sound privatization strategies. These strategies include the design of a regulatory framework that encourages transparency; and the creation of conditions for small and medium business involvement in the maintenance and management of infrastructure.

ACHIEVEMENTS

In 1993, the AfDB started financing infrastructure development by providing \$400 million to finance infrastructure projects in various countries and sectors. Examples of AfDB, private sector-funded infrastructure projects include the SASOL Natural Gas pipeline running from Mozambique to South Africa, where the Bank's contribution totalled R550 million.

The Bank also funded the financial structure of AES Sonel, an electricity company in Cameroon, to the amount of EUR60 million. In terms of PPP operations, the Bank contributed \$50 million to the RASCOM project, which involves the construction and launch of an earth-orbiting satellite system to provide point-to-multi-point telecommunications services throughout Africa. The East African Submarine Cable System (EASSy) piqued the interest of the Bank's private sector operations, so the Bank contributed \$4.5 million to reduce the cost of transporting telecommunications (voice and data) into and out of the Continent through terrestrial networks.

INFRASTRUCTURE INVESTMENT FUNDS

Infrastructure investment funds are of vital interest to the AfDB. The Bank's Private Sector Department contributed \$50 million in equity to the AIG Fund to establish a private investment fund investing in infrastructure projects and infrastructure-related companies and industries in Africa. The Bank also participated in the financing of R113 million of equity in the South African Infrastructure Fund (SAIF), a private equity fund that invests in infrastructure projects in South Africa. Tim Turner, director of the Bank's private sector department, argues that one of the Bank's distinctive comparative advantages is its capacity to operate in the 'sweet spot' where the public and private sectors overlap.

Continued on page 12

INFRASTRUCTURE DEVELOPMENT IN AFRICA *Continued from page 11*



The Bank has prepared the Infrastructure Short Term Action Plan (STAP) adopted in June 2002. It includes projects that establish policy, regulatory, and institutional frameworks to create a suitable environment for investment and efficient operations. It also detailed capacity building initiatives to empower implementing and coordinating institutions to meet their New Partnership for Africa's Economic Development (NEPAD) mandates. Finally, STAP highlights capital investment projects and studies to prepare new priority projects. The STAP forms the foundation for a coherent and structured approach to the development of regional infrastructure, focusing on projects and initiatives with a strong facilitation element. The aim is to create an enabling environment for accelerated development and sustenance of infrastructure assets on the Continent, and to advocate policy, regulatory, and institutional measures necessary to ensure the efficiency of existing and planned regional infrastructure.

NEPAD AND THE AfDB

The AfDB houses the NEPAD-Infrastructure Project Preparation Facility (NEPAD-IPPF). It has supported the preparation of more than 15 regional projects, including the Benin-Togo Ghana Electricity interconnection, which has been financed and is entering the implementation stage.

Other examples include the Kenya-Uganda Oil Pipeline, which has secured a strategic investor and has entered the implementation stage; and the Zambia-Tanzania-Kenya Electricity Interconnection, which is in the final stages of obtaining financing for implementation. Other projects being prepared and supported by the NEPAD-IPPF include the Gambia River Basin Organization (OMVG) Power Transmission Project, the Botswana-Zambia (Kazanlunga) Bridge project, the Senegal-Gambia Bridge, the Senegal-Mauritania (Rosso) Bridge, the Cross Border Electrification project in Central Africa, the Kenya-Ethiopia Electricity Interconnection project, the Ghana-Burkina Faso Electricity Interconnection project, and the SATA Telecommunications back-haul project. At present, the Bank's pipeline contains more than 50 regional infrastructure projects that require funding for their preparation prior to being packaged for financing and implementation.

Furthermore, through the STAP, a significant number of regional infrastructure projects have been successfully financed and entered the implementation stage. From 2002-2006, the AfDB financed 33 projects/programs consisting of 18 physical projects, including one private sector project, 12 studies, and three capacity building projects for a total Bank Group financing of more than \$1 billion. The Bank also mobilized about \$1.6 billion in co-financing. Some of these

projects are in the advanced stages of implementation and others, including the Mozambique-South Africa Gas Pipeline project (completed and entered into service), the Morocco-Algeria-Spain Electricity Interconnection project, and the West Africa Gas Pipeline project, have been completed.

The AfDB has enhanced efforts to mobilize additional resources for infrastructure development at all levels. Many African countries are increasing their investments in physical infrastructure; and, regionally, the African Union (AU)/NEPAD programs have been emphasizing infrastructure resource mobilization.

CHALLENGES

Despite the fact that reasonable resources have been committed with sporadic coordination among agencies, Africa lacks the basic infrastructure to facilitate sustainable development and trade regionally and globally, and to ensure competitiveness among its sub-regions. There are a significant number of landlocked countries whose access to markets is hampered by weak transportation and energy infrastructure. While some countries have been able to implement individual projects, Africa does not have common strategic targets for infrastructure development. As Lebesa Motselisi, Principal Public Utilities Economist in AfDB's NEPAD Division

indicated, "Assessing the gaps and strategies to ensure efficient use of resources is a much trickier task¹."

In an attempt to address this problem, the Bank has financed the Medium to Long-Term Strategic Framework (MLTSF) study², with a \$1.4 million contribution from the Nigerian Technical Cooperation Fund. Water, ICT, energy, and transportation experts from Regional Economic Communities, the Infrastructure Consortium for Africa, the NEPAD Secretariat, and other bilateral African stakeholders agencies in infrastructure development, have been holding regional workshops to find solutions to the problem. At a workshop in Addis Ababa, Ethiopia, in July, these stakeholders reviewed the findings and recommendations of the first part of the MLTSF study. Discussions are also underway to identify measures to accelerate STAP implementation.

Poor planning and port delays caused by a sub-optimal use of landing rights across the Continent are also among the challenges. According to reports released at the ninth *Africa Rail Summit* in June 2006, bottlenecks at southern African border posts cost the region \$48 billion a year. Transportation providers are forced to pay penalties for failing to meet service obligations to their clients. The costly delays affect turnaround times of transportation and service providers, who then fail to deliver goods on time.

"This is why transportation costs in Africa are the highest compared to other regions of the world. These constraints would be resolved in an integrated Africa," said Dr. Mandla S.V. Gantsho, AfDB's Vice President for Infrastructure³. One of the biggest constraints is the commitment of countries

NOTES

¹ Interview published in *Africa Investor*, July 2007.

² The MLTSF is the second part of a two-pronged strategy adopted by the AU and NEPAD. It seeks to institute a coherent strategic framework to serve as the basis for defining, implementing, and monitoring infrastructure development on the Continent as well as establishing partnerships that can promote economic integration and support the development of trade. The outputs of the study will be presented for endorsement by the NEPAD Heads of State and Government Implementation Committee and, subsequently, by the AU next year. The study is expected to institute a well-coordinated response to infrastructure development on the Continent including measures to mobilize local and foreign private sectors.

³ Interview published in www.afdb.org and www.allafrica.com, August 27, 2007

⁴ Ibidem.

⁵ Interview published in www.allafrica.com, September 17, 2007.

to implement regional integration programs and agendas.

"Countries cannot give meaningful commitments if they are in conflict or are facing internal or external conflict," argued Dr. Ini Urua, manager of the NEPAD Division⁴. Other constraints include local capacity to support project development, implementation, and maintenance of existing assets, and the availability of resources to do early stage project development work.

OPPORTUNITIES

There is growing interest among firms to explore investment potentials. Following deliberations at the AfDB Annual Meeting in Shanghai this year, and meetings between African leaders and the European Union, it is obvious that there is ample opportunities for African countries to broaden trade and investment relationships with improved infrastructure. The AfDB's Chief Economist affirms there are opportunities for joint-ventures and has encouraged African businesses to engage more aggressively with Asian companies in the supply of processed materials and in tourism investments. This optimism is encouraging, as the AfDB's preliminary estimate of the infrastructure gap stands at \$24 billion. The Bank is collaborating with the Infrastructure Consortium for Africa to coordinate international efforts to mobilize additional resources to bridge this deficit.

There is also a need for massive foreign investment in infrastructure. Such investment would ensure the free movement of goods and services across national borders, and develop economies of scale by integrating

national economies and creating a results-based business environment. Such an environment would attract additional investments and generate rapid economic growth, a major objective of the AfDB. Harmonized economic, monetary, and regulatory systems with open markets are essential for effective intra-regional and international trade, and thus, economic growth. However, they are not sufficient in and of themselves.

"Sustained and robust economic growth also requires the development and maintenance of modern and efficient regional transport, communications, and energy infrastructure," Gantsho admitted. "Without these, there will be limited opportunities for harnessing complementarities and synergies between African economies, enhancing industrialization, and creating employment," he said in a recent interview⁵.

Finally, sustained peace and security are pre-requisitions for accelerated development. With free elections and general political stability in most of Africa's sub-regions, the investment climate looks bright. ●

Dr. Emmanuel K. Ngwainmbi is a professor of communication in the U.S. He is serving as a long term communication consultant in the NEPAD, Regional Integration and Trade Department of the AfDB. He has authored books and articles on media policy, communication management, and international development. Contact: e.ngwainmbi@afdb.org. Mrs. Onike Nicol-Houria is responsible for the internal and external communication activities of the Private Sector Department at the AfDB. She has served as a communication specialist for the International Finance Corporation (IFC) in Abidjan. Contact: o.nicol@afdb.org

DEFINING AFRICAN INFRASTRUCTURE PRIORITIES

< By Haben Berhe >

“The basic mission of NEPAD is self-reliance and working with its partners to develop Africa so that Africa will become competitive in the globalized world.”

One of the key priorities for the New Partnership for Africa's Development (NEPAD) is to reform policy and increase investment in infrastructure, such as Information and Communication Technology (ICT), Energy, Transport, Water and Sanitation.

The Africa Journal interviewed Reatile “Chicks” Mochebelele, the Water and Sanitation Adviser in the Infrastructure Division of the NEPAD Secretariat.

TAJ: What are NEPAD's priorities in terms of infrastructure development throughout Africa?

Mr. Mochebelele: In the area of infrastructure, our major thrust is economic integration. As you know, most of the economies of African countries are too small, so most of our effort is to look at how we can use infrastructure to create larger markets so that Africa can be competitive.

We are looking at multi-country transportation infrastructure, such as railways, aviation, seaports, and also road networks, to connect countries to opportunities of trade and export-led growth. In the area of energy, we are looking at the most cost effective way to generate power and to interconnect African countries so that we can create energy markets, and also to move power

from areas where it is available to areas where it is required. We are really dealing with the issue of security of supply. In oil and gas, there are a number of pipelines that have been put in place to move oil and gas from country to country to create trade in Africa. In addition, there is also the renewable sector (solar, biofuels, and also wind energy) that can be harnessed to support interest in the Continent, and also to increase the number of people with access to energy.

TAJ: Are there any feasibility studies that have been done regarding renewable energy and its use in Africa?

Mr. Mochebelele: Yes. North Africa is a major area where both solar and wind power are being harnessed. In other areas, it is still small in scale and mainly done at country-level. As I said earlier, at NEPAD we are looking at infrastructure that is connecting countries. But we are also very keen to see “renewables” on the agenda.

TAJ: Given the seasonal shortage of water in Africa, which directly affects, among other things, power, is hydroelectric power still essential in your assessment?

Mr. Mochebelele: Hydroelectric power is absolutely important because water is one of the major resources that Africa has. This is why we are looking at some hydropower projects in different countries. For instance, there is one on the Senegal River, another on the Zambia River, and on some of the rivers in Ethiopia. But I think the major one in this respect is the Inga Rapids development in the Democratic Republic of Congo (DRC). We have plans to do some studies on the Congo River and begin to harness the power there. On the Congo River alone we are talking about a total of 100,000-mega watts, and on the Inga Rapids alone about 40,000-mega watts.

TAJ: As an advisor on water and sanitation, throughout your experience, have you seen any improvements in increasing access to water, and what do you see in the future as the main obstacle in this respect?

Mr. Mochebelele: Yes, there are efforts to improve access to water and sanitation. But I think one of the key areas that we have committed ourselves to address, is the fact that most of our river basins, more than 60 of them, are shared by more than one country. So any meaningful water resources planning and development in these river basins, require dialogue among states that share

it. When we look at the issue of sharing of benefits, instead of just talking about water sharing, we should be talking about how we share the benefits that are arising from that basin, whether it be energy, irrigation to grow food, or river transport. Getting countries to sit together and agree is a major task but we have no choice and we have to do that. That is why we are making major thrust in terms of establishing river basins where they don't exist. On Volta River, in West Africa, there is a new river basin that has been established, and we are waiting on ECOWAS to capacitate the river basin organization. Other river basins are very weak in terms of capacity and we have to figure out how we can help.

In the meantime there are many projects which are beginning to deal with issues related to water supply and sanitation. But it is an important point that I am making about managing our water resources and looking at the business we need to attract. For instance, we have a very high barometer of rainfall so any meaning full water resources management problem must include storage as part of the development. The U.S. has storage per capita of over 6,000 cubic meter, while in Africa it is about 20.

TAJ: Switching to ICT, what are the major focus areas right now for NEPAD when it comes to the sector's development?

Mr. Mochebelele: The major focus area right now is the East African Submarine Cable System (EASSy), which is the submarine cable on the east side of Africa that runs from South Africa to Port Sudan that will connect to one running from Europe. (EASSy) is the ICT backbone of the continent, and it is really beginning to connect the

countries. The whole idea is to lower the cost of doing business.

In November, we are hoping that the first Africa satellite will be launched under a project called RASCOM, to improve communication on the continent.

As far as private sector participation goes when it comes to the EASSy cable, a group of private sector companies have come together and mobilized funding for it. But what needs to be sorted out is the agreement that has to be reached with the member states that are going to be supplied from that cable.

TAJ: Is there opportunities for the private sector to be involved in infrastructure development, together with NEPAD?

Mr. Mochebelele: In fact, you are raising an important issue because we see the role of the private sector as being very critical. You recall, when we have been in some of the CCA summits and conferences in Washington, D.C., our major thrust has always been to say we would like to see the U.S. private sector investing in infrastructure projects. We really have two reasons for wanting to see the private sector playing a major role. One is the issue of expertise that they can bring, and secondly that of investment. We are quite aware that we have huge gaps in terms of infrastructure funding on the Continent and none of the public as well as multilateral resources can meet that on their own. We need to find innovative ways to make it possible for the private sector to invest.

TAJ: What are some of the obstacles in developing sustainable infrastructure projects throughout Africa?

Mr. Mochebelele: If you look at Africa now, most of the infrastructure that exists is intended to take commodities from inland to the coast. There was never really a policy to develop infrastructure as a way to promote trade within Africa itself. This is where we have to start expanding trade within the African continent in addition to trading with our partners outside of Africa.

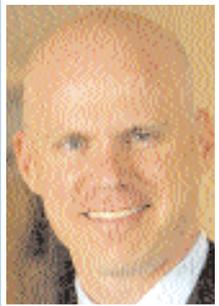
In addition to this, we have to get our governments to address the regulatory environment and policies, to ensure the playing ground is fair for the private sector to do their part. Of course, as NEPAD deals with regional infrastructure, one of the important issues is that most of the multilateral institutions, such as the World Bank and the African Development Bank, traditionally deal with individual members countries. When it comes to regional infrastructure, it is still a problem to have resources that are dedicated to multi-country projects.

TAJ: Is the future bright for Africa?

Mr. Mochebelele: My answer would be: If there is any time, it is now. Even in terms of governance, if you look at Africa now most of the countries are going through democratic elections. We are very excited about Sierra Leone, and other countries that have had conflict for a long time are now moving through a democratic process. Liberia has a president now. The DRC, with all the problems they have had, are at least starting to see some stability. There are few areas here and there, but democratization is becoming a norm in Africa, and that was not the case before. So if there is any, this is the time for Africa to move forward. ●

HELPING U.S. EXPORTERS PARTICIPATE IN EX-IM BANK FINANCING SOLUTIONS

< By James H. Lambright >



Africa offers many untapped opportunities for U.S. exporters, especially those selling equipment and services to infrastructure projects. Both North and sub-

Saharan Africa are regions of significant interest to the Export-Import Bank of the United States (Ex-Im Bank), the official U.S. export credit agency. At Ex-Im Bank, we recognize that Africa's development is good business for U.S. companies, and we share the mission of CCA to facilitate the growth of the commercial relationship between the United States and the African continent.

In the past several years, Ex-Im Bank has worked closely with CCA and has successfully prioritized our efforts, particularly in sub-Saharan Africa, as evidenced by a year-to-year increase in actual financing.

However, the underlying challenge in Africa has remained substantially the same over the years: How do we find the reasonable assurance of repayment that is required by

our charter? Unfortunately, picking up the phone and calling a credit-rating agency to learn about a prospective borrower's credit rating usually is not an available option.

EX-IM BANK FINANCING AVAILABLE FOR PROJECTS

For project-based transactions, Ex-Im Bank often can solve this problem in one of three ways: corporate finance, limited-recourse project finance, and structured finance. In some cases, through corporate finance, we can finance a transaction based strictly on the balance sheet of the borrower. Alternatively, for certain projects, we can provide limited-recourse project finance for a special-purpose company borrower, with the project cash flows serving as the source of repayment. Thirdly, we can arrange a structured-finance transaction, based on the borrower's balance sheet complemented by additional financial structural features to enhance the borrower's overall credit.

Many projects are too large to be feasible for Ex-Im Bank to support strictly on a

balance-sheet basis, but are also too small to merit the time and expense that is associated with limited-recourse project finance.

Particularly in developing countries, such as those in the African continent, we find that many project sponsors lack sufficient credit strength in terms of asset size, balance sheet, operating history, or cash flow to provide reasonable assurance of repayment for multimillion-dollar projects. For example, pure corporate finance, which relies on a company's existing assets, is not an option when the usually small company's balance sheet simply is not large enough to sustain a large extension of credit.

Smaller borrowers may lack not only the money, but also the experience required to engage the legal and financial advisors that are needed for the transaction to be supported on a limited-recourse, project-finance basis. For these borrowers, our structured-finance product offers an alternative to traditional project finance. Through negotiation of the appropriate set of additional financial covenants, the structured-finance product can provide the credit enhancements necessary to meet Ex-Im Bank's standards for reasonable assurance of repayment.

AFRICAN INFRASTRUCTURE DEVELOPMENT:

EX-IM BANK'S STRUCTURED FINANCE

Ex-Im Bank's structured finance can be used for both large and small projects and involves elements of both corporate and limited-recourse project finance. Like corporate finance, it involves full recourse to the borrower's balance sheet. Like project finance, it involves special features to enhance the credit of the borrower, including (but not necessarily limited to) one or more of the following:

- Special-purpose accounts (e.g., offshore-payment accounts, escrow or reserve accounts) or other accounts that would be pledged to Ex-Im Bank;
- Financial covenants and default provisions (e.g., financial ratios or debt-service coverage requirements) that would, if violated, prevent payment of dividends to the sponsors in order to preserve sufficient cash flow to service the debt;
- Insurance requirements that might be more strict than those typically applicable under corporate insurance policies;
- Letters of credit or other sources of funds that would be pledged by the borrower to Ex-Im Bank, through a creditworthy commercial bank or other third party.

Ex-Im Bank provided a \$200 million loan guarantee to support U.S. exports for the construction of the Chad-Cameroon oil pipeline.

ELIGIBILITY FOR EX-IM BANK FINANCING

Ex-Im Bank's structured finance is suitable for an existing company that represents a reasonable credit in many respects, but may be lacking in one or more areas that can be addressed through credit enhancements. For example, a company may have a reasonably large asset base and good cash flow but lack a sufficiently long credit and operating history. Similarly, a company may have a long credit history and strong income, but its balance sheet alone lacks the required size to take on a large expansion.

A potential project sponsor that has none of these strengths, but only a concept and a project site, is not a candidate for either Ex-Im Bank's project or structured finance, because credit enhancements alone cannot compensate for such deficiencies. These kinds of project sponsors should consider alternative financing strategies, such as partnerships with more established entities.

THREE CASE STUDIES

The following are three project and structured finance transactions that Ex-Im Bank has supported in sub-Saharan

and North Africa. Each one illustrates the type of project that could be a strong candidate for Ex-Im Bank's support.

CHAD-CAMEROON OIL PIPELINE

Ex-Im Bank's first limited-recourse project-financing in sub-Saharan Africa is the Chad-Cameroon pipeline, for which the Bank provided a \$200 million loan guarantee to finance the export of equipment and services by Willbros Engineers Inc. of Tulsa, OK, and numerous other U.S. suppliers to build a pipeline system to transport crude oil from southwest Chad, through Cameroon, to the Atlantic coast for export.

The project sponsors are three major international oil companies: Exxon Mobil, Chevron, and Petronas. Affiliates of these project sponsors are developing the oilfields, which have been estimated to contain 917 million barrels of proven and probable reserves.

During the construction phase of the project, Ex-Im Bank's guarantee covered political risks only. Upon completion of

Continued on page 18



HELPING U.S. EXPORTERS PARTICIPATE IN AFRICA'S INFRASTRUCTURE DEVELOPMENT: *Continued from page 17*



the project, and throughout the operating period, the Bank's guarantee provides comprehensive coverage for both political and commercial risks.

SKIKDA POWER PROJECT IN ALGERIA

Through structured finance, Ex-Im Bank is providing a 12-year, \$192 million loan guarantee to support the construction of the 825-megawatt Skikda CCGT power plant in the Algerian coastal city of Skikda. The primary exporter is SNC Lavalin Constructors, based in Redmond, WA. For the project, SNC Lavalin Constructors is exporting General Electric gas-fired turbines and providing engineering services.

The borrower is Shariket Kahraba Skikda, a special-purpose corporation that was formed to develop the project by Algeria's two state-owned energy companies, Sonatrach and Sonelgaz. Ex-Im Bank's financing for the project is being supported by guarantees from both of these companies.

EBIC AMMONIA PROJECT IN EGYPT

More recently, Ex-Im Bank funded its first limited-recourse project financing in Egypt: an ammonia plant being developed by Egypt Basic Industries Corp., a producer and exporter of ammonia. Ex-Im Bank provided a \$226 million long-term loan guarantee to support exports by Kellogg Brown & Root Inc. (KBR) in Houston, Texas, and 22 other U.S. suppliers of equipment

and services to build an ammonia plant in Sokhna Port on the Red Sea.

Although the project sponsors had not worked together before on a project-finance transaction, each had significant strengths that enhanced the project. KBR Development, LLC is one of the world's most respected engineering, procurement, and construction contractors. Egyptian General Petroleum Corporation, Egypt's national oil and gas company, is the gas supplier and an important shareholder. Orascom Construction Industries is a major Egyptian and international construction company, with experience in building these types of projects. Other private investors are also involved.

Positive aspects of the project included the generation of hard-currency revenues, the low cost of gas, the plant's proximity to the export terminal in Suez, and the involvement of a reputable off-taker, Transammonia, one of the three largest ammonia trading companies in the world. These features provided a solid foundation for Ex-Im Bank to proceed.

After extensive amendments to the project's financial structure, Ex-Im Bank and the project sponsors made the financing work. The same group of sponsors is now exploring the possibility of a new project and expansion, indicating strong interest in seeking Ex-Im Bank support for the new project. We would like to build upon this model of successful financing for future projects in Africa.

BRING US YOUR PROJECTS

Ex-Im Bank believes that the kinds of project-based transactions we were able to complete successfully in Chad-Cameroon, Algeria, and Egypt could be done in other African markets. Our priorities for Africa include providing support for transportation-related projects, such as railways, ports, and airports.

We have the expertise and commitment to help African infrastructure projects succeed, both for the project sponsors and the U.S. exporters. Working with creditworthy projects and sponsors, we can help U.S. companies realize a new world of opportunity in the vast continent of Africa. ●

If you have a potential project-finance or structured-finance transaction, please contact Kristine Wood (202-565-3913) or Hala El-Mohandes (202-565-3809) in Ex-Im Bank's Structured Finance Division. Additional information is available on Ex-Im Bank's Web site at www.exim.gov.

Jim Lambright is the chairman and president of the Export-Import Bank of the United States, the U.S. government's official export credit agency. In this capacity, Lambright serves as chairman of the board. President George W. Bush elevated Lambright to chairman and president (acting) in July 2005 from his position as the Bank's executive vice president and chief operating officer. The United States Senate confirmed his nomination in July 2006 for a term ending January 20, 2009.

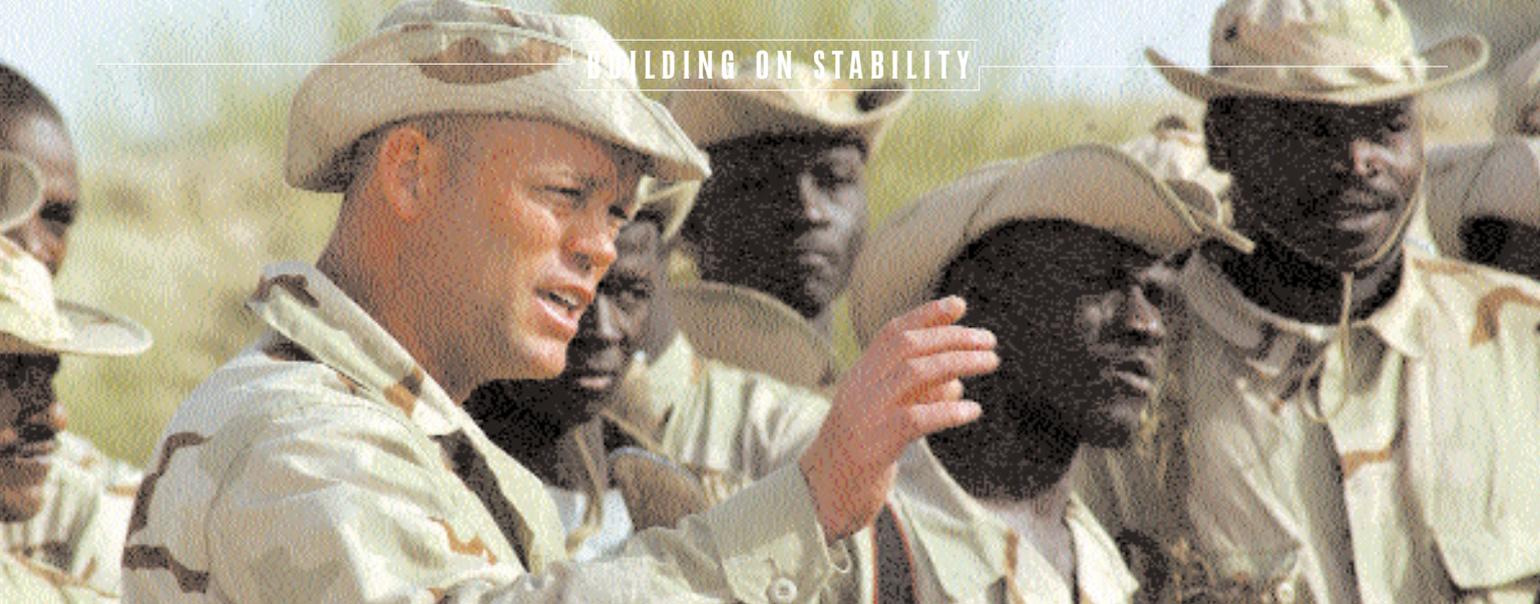
AFRICANS HAVE ALWAYS BELIEVED IT TAKES
AN ENTIRE VILLAGE TO RAISE A CHILD. HP
WOULD LIKE TO MAKE IT A GLOBAL ONE.



The world has become one big technological village. Those who live in it must be equipped in order to flourish. Being part of the NEPAD e-Schools projects has enabled HP to play a major role in supplying schools in African countries with educational technology solutions. This initiative encompasses everything from computer hardware, software and internet connectivity, through to technical support and teacher training. It's time for our children's hunger for knowledge to be met halfway with the resources needed to nourish it. And it's HP's way of ensuring that this global village of ours will always be led by the great.

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BUILDING ON STABILITY

< By Doug Brooks and Jennifer Brooke >

Split off from other U.S. regional commands, AFRICOM is the U.S. Department of Defense's (DoD) new command for Africa. This new customized organization offers enormous opportunities for the Continent, particularly if it is able to fully harness the capabilities of the private sector to support its goal of enhancing African stability.

The private sector has long supported international policies in Africa with logistics, peacekeeping support and training, demining, heavy aviation, security, and many other services. With AFRICOM's greater focus on African problems, it is likely that the unique capabilities of private companies will be utilized to an even greater degree to improve and expand policies that have been helping to provide stability to the African continent.

Rather than simply creating a copycat version of other military commands, AFRICOM's design is uniquely tailored for Africa. It offers greater coordination and focus due to its separation from other commands, and also because it was tailored after significant input and dialogue with the diplomatic, humanitarian, and Non-Governmental Organization (NGO) communities. Although some still fear that AFRICOM

will be overly focused on counter terrorism and hard military operations, DoD has been very clear that AFRICOM will not be a 'kinetic' command. It will not have operational combat units within its configuration, and the command structure includes an unprecedented number of diplomatic slots that should ensure its responsiveness to civilian concerns and governments. This new DoD focus has been welcomed by some African leaders such as Liberian President Ellen Johnson Sirleaf who stated, "AFRICOM is the recognition that African growth can only occur in an environment where security, development, and good governance are integrally linked. There is no substitute for boots—and eyes and ears—on the ground."

AFRICOM's value will be its focus on conflict prevention and alleviation over conflict intervention. In line with this philosophy, DoD has reached out to the

NGO community to ensure dialogue and cooperation. While some are still suspicious of the goals of AFRICOM, the command is a fait accompli. AFRICOM is selecting a location to base the headquarters in Africa and deciding how to accomplish its goals in cooperation with the other key international players. An NGO or humanitarian organization willing to participate could have a great deal of long-term influence, if they weigh in with their concerns and suggestions at this critical juncture.

The private sector's experience and capabilities concerning international and African peace operations can only benefit AFRICOM's goals. Donor states interested in supporting peace operations rarely have enough political will to send their own soldiers and military logistics units to support humanitarian operations. As a result, the West is generally limited to supporting militaries of less developed

states that make up the bulk of today's international peace operations. Most often, this support is in the form of private companies that can rapidly source the missing skills and capabilities necessary to make international peace operations successful. Unlike governments, the private sector does not require a critical mass of political will and popular support to deploy personnel to internationally sanctioned operations in risky conflict and post-conflict situations. This makes the private sector of particular value to AFRICOM.

PRIVATE SECTOR ENGAGEMENT

From the International Peace Operations Association's (IPOA) perspective, AFRICOM is a move in the right direction and IPOA member companies will be very much engaged with the new command. Private firms will be doing much of the work required and ensuring client satisfaction. It makes perfect commercial sense to seek advice and coordinate effectively with NGOs and relief organizations that also work in Africa. IPOA maintains a public code of conduct and a mechanism that allows anyone, including NGO's, journalists, or individuals, to bring complaints against member companies for perceived infractions of this code. Clients that contract with IPOA members gain an extra level of confidence and redress, beyond legal and contractual means. Private companies should be expected to supply their essential services in an accountable and transparent manner, and clients should demand the highest levels of performance from their contractors. IPOA was created to facilitate this practice.

Many analysts do not fully comprehend the scale and value of the Peace and Stability Operations Industry in supporting peacekeeping and military training in Africa. In addition to creating a force multiplier effect for the United Nations (UN) and other missions, private firms are increasingly supporting the preparation and training of peacekeepers. Private companies are building bases for peacekeepers, maintaining infrastructure, operating water purification systems and

airfields, and managing transportation systems and immensely complex logistics systems. Private security companies are protecting UN field offices, warehouses and personnel, as well as assisting with security at refugee or internally displaced persons (IDP) camps. Most of the heavy aviation assets that move peacekeepers and equipment are private. Private helicopters frequently travel to places considered too risky for the UN's own pilots.

Critically, private sector deployment times are invariably faster than those of militaries supporting peace operations and private firms are often more robust. UN peacekeepers have rarely been able to deploy effectively in less than six months after the passing of a peacekeeping mandate. The private sector usually operates on a two to six-week deployment timeframe, sometimes less. In addition, blue helmets (especially those from Western nations) have an unfortunate reputation for frailty in the face of potential risk and casualties, although they can show impressive resilience as the UN Mission in the Democratic Republic of Congo (DRC), Mission des Nations Unies en République Démocratique du Congo (MONUC) has in the chaotic east of the DRC. More often, private firms working in support of international peacekeepers have actually proven more willing to enter and remain in chaotic, hostile environments than Western troops hamstrung by political concerns.

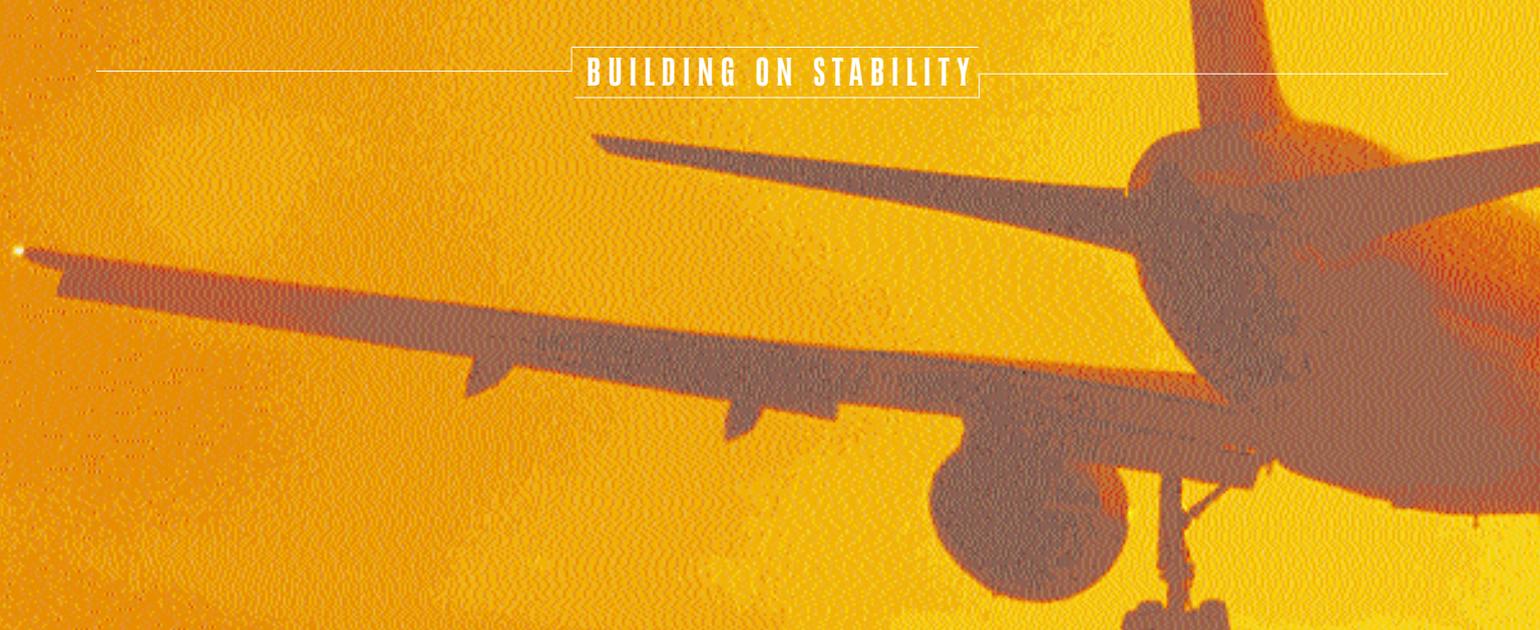
Companies in the Peace and Stability Operations Industry have proven their capability to move quickly to marshal resources, and do not shun risk, so long as they have an ability to manage that risk.

90% of companies in the Peace and Stability Operations Industry provide logistics and support services for NGOs, relief agencies, militaries, and peacekeepers. The rest of the industry includes security and Security Sector Reform and Development (SSR&D), which involves training police forces, border guards, and peacekeepers, as well as the reconstruction and development in conflict and post conflict environments.

As a rule of thumb, the private sector will use as many local staff as allowed to within their contracts. The use of local employees brings enormous benefits to peace and stability operations, including capacity building, training, employment generation, developmental skills, and professionalism. Many contractual requirements are subcontracted to local firms spreading the benefits of AFRICOM efforts even wider. These sorts of local benefits brought by private firms are recognized by locals and can reflect well on the larger mission.

The private sector is revolutionizing peace and stability operations globally and this capability must be harnessed by AFRICOM. The international community is growing increasingly aware of the value and capacity that the private sector offers to stability efforts in Africa, and increasingly reliant on critical private sector support to ensure that peace and stability operations are successful. In fact, peace and stability operations simply could not take place on the African continent without utilizing private capabilities, underlining the value of working with associations like IPOA to ensure ethics and value. AFRICOM's decisions to coordinate and cooperate with the private sector's support should be made with the knowledge that the partnership will strengthen the long-term stabilization and development of the African continent. ●

Doug Brooks is the President and Founder of the International Peace Operations Association (IPOA). He is a specialist in African security issues and has written extensively on the regulation and constructive utilization of the private sector for international stabilization, peacekeeping, and humanitarian missions. Jennifer Brooke is a publication associate at IPOA and is finishing up her Honors in Geography double Major in Political Science degree at the University of British Columbia, Canada. The IPOA is a nongovernmental, nonprofit, nonpartisan association of service companies dedicated to improving international peacekeeping and stabilization efforts through greater privatization. Contact Doug Brooks at Dbrooks@IPOAonline.org, or visit the IPOA website at www.IPOAonline.org



ENHANCING COMMUNITY STABILITY ACROSS AFRICA

DynCorp International is a global company that provides integrated services essential to community stability, peacekeeping, national security, nation-building, aviation, and humanitarian operations.

DynCorp International has expanded its business practice to include community stability, national-building, and infrastructure-securing development, building on its legacy of supporting humanitarian aid and peacekeeping missions across the Continent of Africa.

Regardless of the location or conditions, the company applies its integrated skills and experience as needed to quickly and effectively respond to the needs of each situation and client.

- Civilian police training and peacekeeping operations
- Logistics and contingency support
- Government and civil institutions advisors

- Airfield, camp, and facility construction, and operations
- Security systems and personnel
- Vehicle and ground support equipment maintenance and modifications
- Aircraft, equipment, and systems operations and training
- IT installation and management
- Communications and navigation systems
- Weapons removal and abatement

DynCorp International manages the reform of Liberia's defense and security institutions. The company also provides logistical support for the African Union (AU)'s peacekeeping efforts in Somalia

and Darfur. Additionally, DynCorp International is building infrastructure for the governments of Southern Sudan, Nigeria, and Senegal; and providing technical advisors to institutions including the AU and the Economic Community of West African States (ECOWAS).

SUPPORTING PEACE AND PROSPERITY: COMMUNITY BY COMMUNITY

DynCorp International is proud to be a key member of CCA and sponsor of the *U.S.-Africa Infrastructure Conference*. The company brings the cultural sensitivity required to effectively support the goals of each community it serves. From law enforcement and security, to

comprehensive logistics and infrastructure development, the company ensures its programs fulfill the immediate need, and support ongoing community stability. DynCorp International achieves community stability by recruiting and mentoring local populations in the varied skills required for a secure, sustainable community infrastructure.

DynCorp International is a service company, and considers its employees its most important asset: "It is our people and the people we train who set us apart." Experienced, energetic professionals with a strong ethic of service, carry out all the company's programs. DynCorp International integrates its many core competencies in order to provide the appropriate technical support for its clients.

CRITICAL MISSIONS FOR COMMUNITY STABILITY IN AFRICA

With its regional headquarters in Addis Ababa, Ethiopia, DynCorp International is currently managing important projects across the continent.

LIBERIA SECURITY SECTOR REFORM

In Liberia, DynCorp International is helping to reform the Ministry of Defense and other security institutions with comprehensive training programs to create a modern, democratic government and security infrastructure.

SUDAN SECURITY SECTOR TRANSFORMATION

The Sudan Peace Initiative Grant provides funding, training, and logistical support for the National Democratic Alliance, a coalition of 13 parties that includes the Sudanese Peoples Liberation Movement (SPLM). The grant was important in securing the Comprehensive Peace Agreement signed in 2005. DynCorp International was instrumental in that effort, and continues to support the peace process by helping to train civilian police, and to provide training and advisory teams for the Sudan People's Liberation Army leaders. The company also assists the Sudan Assessment and Evaluation Committee's diplomatic initiative to monitor, shepherd, and implement the Comprehensive Peace Agreement. Additionally, DynCorp International provides equipment for the United Nations (UN) in Darfur.

SOMALIA PEACEKEEPING

The State Department selected DynCorp International for this international peacekeeping initiative. The mission was to deliver AU peacekeeping troops from Uganda to Somalia —the first operation of its type since the UN pulled out of Somalia in 1994. The assignment required air, land, and sea transport for Ugandan soldiers, their equipment, and supplies. Leveraging its global experience in logistics and contingency, and security,

DynCorp International planned the operation, trained, mobilized, received, and sustained the troops.

ECOWAS

DynCorp International's Chuck Benardo serves as U.S. Advisor to ECOWAS, advising on political and humanitarian issues. He participated in the 17th Defense and Security Commission (DSC) meeting attended by chiefs of defense from the 15 ECOWAS member states. Benardo advises on issues such as standby force structure, force generation, force training, and supporting requirements. He is also involved with political and economic development and humanitarian affairs across the sub-region.

AKWA IBOM INTERNATIONAL AIRPORT (NIGERIA)

Supporting the extensive infrastructure improvements underway in the province of Akwa Ibom, DynCorp International is managing the construction and operation of an international airport. This airport will establish Akwa Ibom as a principal air cargo hub in the region, and provide Africa with a premier Maintenance, Repair, and Overhaul (MRO) facility, capable of servicing large commercial carriers, as well as military and civilian aircraft. ●

www.dyn-intl.com

How Africa Can Lead the Word in Transportation Innovation, and Security Management

< By Fred A. Treyz >

The technology and innovation that propels so many facets of our lives can now move African security and travel forward in quantum leaps.

Today, many African nations have discovered new forms of wealth. Over the longer term, increased trade and investment will stimulate the populations' wealth resulting in increased trade, air traffic, and a need for security to protect the nations's assets. Many African countries have limited air traffic control, and as such receive little or no over-flight income. Raytheon provides global transportation management and security solutions that are essential to Africa's infrastructure development including air traffic management, border and critical security solutions, and highway transportation management systems.

AIR TRAFFIC MANAGEMENT

In airspace management, Raytheon is a leading supplier of Communication, Navigation, and Surveillance/Air Traffic Management (CNS/ATM) solutions. Raytheon has provided more than 350 automated air traffic management systems to customers around the world.

To best serve Africa's air traffic management needs, one must consider the airspace management process as starting from the minute a passenger picks up the phone or goes online to book a flight, and ending at the moment that a passenger safely and efficiently reaches his or her destination. Future transportation will be net-enabled and will handle more than 100,000 flights and five million passengers daily. Most routine operations will be transferred to satellite-based automated systems. Looking into the future, a cell phone could tell you which route to take based on lightest traffic flow, which garage has capacity for parking, and which train or shuttle service to take for fastest service. Technology could have an impact on the entire air travel spectrum — luggage control, rental cars, hotel reservations, security, and seat selection - every stage a passenger experiences while moving through the travel system. Integrating users with a transportation center's infrastructure enables airports to predict which passengers will arrive at the gate in time for departure - making standby passenger boarding possible sooner and expediting departures. Travelers that will not reach the gate on time, can be diverted to the nearest gate or to another airport.

Automation tools can save users time during the check-in and baggage retrieval process, while saving airlines and transportation providers money by getting people and their baggage to the correct destination.

On the service side, each plane has to be cleared, airport personnel have to be checked-in, the airports swept by security, navigation service provided, parking facilities monitored, and baggage systems geared up for operation. All these systems now work separately. The goal is to have them work together, providing a better travel experience for the user, and a smarter management and safety strategy for the airline industry.

SECURITY EXPERTISE

Recognizing the inherent importance of safety and security in air travel, Raytheon has automated the identification and verification of travelers and service providers. When integrated with ID tag programs, Raytheon's identification technology can provide alerts to authorities when certain criteria inform personnel of an approach to sensitive areas. Travelers and transportation service providers who are appropriately equipped can proceed through an airport or other travel facility without having to go through manual screening.

Raytheon also has proven expertise in emergency management systems, advanced electronics, and IT systems that provide 21st-century solutions for tracking, monitoring, and identifying potential threats. Raytheon's Homeland Security business division provides solutions for border and perimeter security and surveillance and tracking. Raytheon technology can strengthen airspace management and public safety networks, and harness the technology to detect, protect against and respond to threats.

Raytheon has integrated its net-centric operations capability with Satellite-Based Augmentation Systems (SBAS), Perimeter Intrusion Detection Systems (PIDS), highway management systems (open road tolling and enforcement), and air navigation systems, enabling transportation centers to "pull" data from users as well as to "push" data to travelers and transportation providers. The company's software and systems

engineers are already working to incorporate global standards and common messaging environments to support secure global transportation.

Raytheon's Perimeter Intrusion Detection System (PIDS) creates a zone of safety around commercial airports and helps security staff make better decisions on potential threats with greater speed and precision. The system achieves this by detecting, observing, assessing, and tracking intrusions of secure areas, and by aiding airport security personnel in dispatching the appropriate response to the intrusion.

The Vigilant Eagle system is an affordable, ground-based airport protection system that uses high-power microwave technology to protect commercial aircraft from shoulder-fired missiles. Vigilant Eagle creates a dome of protection around an airport that protects all aircraft from such threats. Once a missile is identified and tracked, a High-power Amplifier-Transmitter (HAT) radiates a beam of directed electromagnetic energy that disrupts the missile and diverts it away from the targeted aircraft.

Advanced Spectroscopic Portals (ASPs) are panel-like devices that contain detectors used to screen people, cars, trucks, and containers for hazardous, radioactive materials. Raytheon is working in partnership with the U.S. government and other technology companies to test, and eventually provide, next-generation ASP technology, offering improved discrimination between innocent and threatening materials, to reduce false alarms.

On a much larger security scale, Raytheon's integrated network assembles, aggregates, and warehouses data from coastal surveillance; perimeter intrusion detection systems; aviation augmentation, navigation and radar systems; highway management systems; and baggage screening systems. The systems trigger alerts when suspicious persons approach sensitive areas, trigger enforcement of fee paying, provide high integrity data for pilots and air traffic controllers, and enable analytical and



predictive deductions that support higher density traffic in a more secure environment.

Traffic management systems are now designed to address risk, anticipate potential safety problems, and provide information to prevent accidents before they happen - on the ground and in the air. For example, system monitors alert and report on critical aspects such as tire pressure, seat belt status, air bags, the vital signs of a pilot, as well as the performance of the aircraft and its engines.

Raytheon has embedded safety throughout its transportation systems - in the technology and in the processes.

ROAD EXPERTISE

Technology can help get travelers to their destinations faster. Raytheon pioneered open-road tolling and enforcement, and continues to develop and deliver systems that allow transportation officials and authorities to use technology to their advantage, while making travelers' lives easier. Raytheon's Highway Transportation Management Systems (HTMS) provides advanced and reliable electronic toll systems. To meet the complex needs of the highway industry, HTMS draws upon Raytheon's extensive experience in producing innovative defense and automotive electronics, and managing large-scale systems development projects.

CONCERN FOR THE ENVIRONMENT

Raytheon's satellite-based augmentation services provide the kind of data that supports continuous descent approaches,

so an aircraft burns less fuel and produces less noise. The company's highway management systems keep traffic moving smoothly to produce less noise, reduce air pollution, and alleviate stress on drivers and passengers. The company's vehicle and ID tag identification systems can provide data critical to the analytical efforts required to further address environmental concerns and cost-effective options for future improvements.

GLOBAL TRANSPORTATION MANAGEMENT AND SECURITY SOLUTIONS

Global transportation management systems provide a leap forward in air travel transformation that lowers the customer's risks, speeds modern transportation, increases traffic density levels, improves security and surveillance, enhances safety, and promotes internationally accepted standards - all in the context of adapting and engineering for global harmonization. With an integrated approach to transportation management, Africa can lead the way in providing a safe secure transportation experience. ●

Fred A. Treyz serves as the Director of Business Development and Strategic Planning for Raytheon Company's Airspace Management and Homeland Security, based in Rosslyn, VA.. Raytheon Company is a technology leader specializing in defense, homeland security, and other government markets throughout the world. For more information, visit www.raytheon.com or contact amhs@raytheon.com

PERSPECTIVES ON SUPPLY CHAIN ASSURANCE: TAKING A HOLISTIC APPROACH

< By Andrew Bryden and Nick Arnold >

Businesses operating or seeking to invest in Africa can be faced with a myriad of challenges that all have an impact on their bottom line.

Understanding these challenges and the costs associated with minimizing or mitigating operational risks is the key to realizing positive business returns.

Traditional supply chain assurance debates have often focused on analyzing the risks associated with transportation and logistical functions. However, it is not just the physical movement of goods and services that impact an organization's supply chain; in fact, pragmatic supply chain assurance strategies address a wide range of factors including: political and socio-economic risk, skills and integrity of local workers, financing protection, health factors, critical infrastructure protection, reputation protection, and more.

Addressing these challenges holistically can ensure project success, drive growth, and open up further business opportunities. Ignoring them can impact a business significantly.

UNDERSTANDING THE ENVIRONMENT

When reviewing business opportunities in a specific region, it is critical that organizations undertake a thorough analysis of the operational environment. This analysis should incorporate a wide range of criteria including office and infrastructure locations, transportation

routes, physical terrain, climate factors, government services, the availability and accessibility of power and water, the local security situation, local perceptions of your brand, and more.

During 2006, Global Strategies Group, an international provider of diversified project risk management and high impact consultancy services, reviewed a client's operating procedures for a key office in Nigeria. The review demonstrated that none of the company's staff had received training on the local security situation, nor had they been given an overview of emergency procedures, fire safety, and standard operating protocols.

Understanding the key issues associated with a new and potentially hostile working environment and equipping employees with the right knowledge and procedural awareness, can have a significant impact on the long term sustainability of an office or project. In this context, if services are a major part of an organizational supply chain, enabling employees to maximize their time at work, even in extreme circumstances, can increase operational effectiveness, revenues, and business margins.

SELECTING THE RIGHT SECURITY SOLUTION

Whether an organization is operating an offshore oil platform, managing mining operations, or manufacturing consumer goods, damage to or infiltration of critical

infrastructure can have a major impact on operations. These incidents often lead to significant losses in production and have cost companies millions of dollars. While the majority of companies deploy some level of security, there are a couple of factors that should be considered when developing the right security solution.

First, companies should look at the whole context of an operating environment. Depending on the country of operation threats can include terrorism, vandalism, politically motivated attacks, etc. In the case of the oil and gas sector, companies are exposed to a wide range of risks to their assets and infrastructures including land-based installations, pipelines, and offshore facilities. These risks can be mitigated by addressing security from an integrated perspective. For example, companies may have a series of intrusion detection systems deployed across their facilities that may operate efficiently in isolation. However, what many companies fail to address is how to integrate the information gathered from multiple sensors in a way that enables actionable, real-time asset security management.

Second, effective security strategies should incorporate an element of intelligence information and analysis. When an organization grasps its local operating environment and combines this understanding with the information it gathers from security technologies and a security force, it can create a powerful risk mitigation plan. Ultimately, this type of

proactive security strategy can significantly reduce production downtime.

BE AWARE OF THE LOCAL CULTURE AND ENVIRONMENT

A factor in the success of many companies operating in Africa is their ability to truly understand their operating environments and create strategies that appropriately motivate local employees and communities to drive loyalty.

One company found that they were losing significant amounts of stock and could not determine where in the supply chain the breakdown existed. After further investigation, it was discovered that several of their drivers had been accepting bribes from locals in return for goods in transit. While this type of example can be common, there are several ways to mitigate a risk such as this. A successful strategy that can be used in some of the more serious circumstances is to empower drivers to deliver 100% of your company's stock between two locations. This can be done by offering drivers financial or non-financial incentives to do so.

Another strategy is to track vehicle specifications on every delivery or trip they make, including monitoring vehicle movements between two points, measuring mileage, tire quality, fuel usage, and maintenance history. Some companies have even been faced with fuel being stolen from delivery vehicles in transit.

Additionally, companies should become familiar with road quality and route selection to ensure that they avoid areas known to have high rates of corruption and theft and in which travel is challenging due to physical terrain.

HEALTH AND SUSTAINABLE DEVELOPMENT

One of the key challenges with operating in Africa is training and retaining key local employees. Losing good quality members of staff due to health issues or socio-political pressures can have an impact on the supply chain, unless employees can be replaced quickly and effectively. Companies would be well advised to provide support to local employees, their families, and wider communities by becoming involved in health education programs. These programs will vary, depending upon the nature of locale, but educating individuals about the dangers of sexually transmitted diseases, and alcohol and substance abuse can go a long way. Companies should focus on employing and training local individuals as opposed to hiring foreign nationals. This consideration can have an important impact on how an organization is perceived and treated by the local population.

An equally valuable strategy is to become involved in other corporate social responsibility programs. These initiatives are designed to give something back to the community and enable companies to drive loyalty, minimize risk of service disruption, and protect their reputations.

INSURANCE AND LOSS ADJUSTING

A final note should be afforded to making sure that an organization has adequate and appropriate insurance coverage for activities that impact the supply chain. For example, companies should have a clear understanding of the value of any goods in transit, including the mode of

transportation. A trustworthy insurance company should also be selected to carry out insurance valuations and manage the loss adjusting process.

Several companies have experienced complications with the insurance process, because they have not arranged adequate insurance coverage or have been the victim of insurance fraud. Both of these scenarios can lead to a slow replacement of critical assets that need to be operational to enable supply chains to function effectively.

Organizations that view supply chain assurance from a holistic perspective and address a multitude of risks and challenges will see an increase in operational effectiveness through higher rates of employee retention, lower rates of criminality and fraud, and reduced attacks against critical assets, infrastructure, and employees. This in turn will lead to a higher production output and, ultimately, to greater revenues and business margins. In addition, by adopting the right corporate social responsibility strategies, companies can ensure they build and grow a strong reputation in their industry and within their local communities. However, companies should remain constantly vigilant to changes in their working environments and be prepared to react appropriately. ●

Global Strategies Group is one of the world's leading multinational providers of diversified project risk management and high impact consultancy services, who deliver tangible benefits to people and organizations wherever they operate. By remaining as thought leaders and innovators in the market, the company will continue to deliver a diverse and highly effective capability, in order to best achieve client aims. www.globalgroup.com.

ICT INFRASTRUCTURE:

< By Eva Kolker >

In the past two decades, Information Communication Technology (ICT) has propelled business into an era of interconnectivity, spurring new opportunities for comparative advantage and economic development for emerging markets in a global economy. Yet, for a long time, Africa seemed to have been left behind. Today, the world is buzzing about Africa's 'wireless revolution,' an opportunity both to generate new and expanded markets and further development. Africa-focused ICT innovations have gained momentum in both the private and public sectors. Qualcomm installed high speed Internet connections in disadvantaged neighborhoods in South Africa, while Oracle is a partner in the NEPAD e-learning initiatives in West Africa. Motorola developed SharedPhone, a software that allows a mobile phone to be used as a payphone, enabling small entrepreneurs to sell minutes and texts in their communities.

The Africa Journal is proud to feature three individuals whose localized solutions have greatly contributed to Africa's ICT infrastructure. All three ICT innovators adapted their skills and entrepreneurial spirit to bring business, opportunity and development to Africa.

KEN BANKS, FRONTLINESMS

British IT expert Ken Banks was in South Africa in 2004 working on a project to help the South Africa National Parks Authority (SANParks) implement a text messaging system to communicate with the communities living around the edges of Kruger National Park. While working on this project, he encountered a problem: "Almost everything was Web-based, which, under most conditions,



would have been fine except that getting any kind of Internet access in many of these rural areas was a challenge at the best of times.

Nobody seemed to be thinking about those working in the field with little or no access to the Internet."

On a rainy Saturday evening in Cambridge, UK a few months later, the idea for FrontlineSMS was born.

"The plan was simply to develop a text messaging system, and to incorporate a wide range of popular features such as survey functionality into a piece of software which ran off a laptop or desktop computer with a mobile phone and cable," Banks explained. "That way, messages could be sent anywhere where there was a mobile signal." With seed money from two ex-Vodafone UK directors, Banks created a beta version of FrontlineSMS.

Today, FrontlineSMS is a household name in the Non-Governmental Organization (NGO) world. The free, open-source

MEET THE INNOVATORS

software allows people to send text messages in bulk to the field without having to rely on a sporadic Internet connection. FrontlineSMS is also unique in that it facilitates reciprocal communications. Not only can NGO headquarters send messages to local communities and stakeholders, but message recipients have the ability to reply with feedback that FrontlineSMS software then stores in a database on the computer. By connecting communities through Web-free text messaging, FrontlineSMS is helping to build infrastructure that is site-specific.

"There's a big difference between how something is used in an airport lounge and how well it might work in a remote village with limited power supply, 100-degree heat, dust storms, and a semi-literate user," Banks observed.

In just under two years, Banks has received FrontlineSMS inquiries from over 100 NGOs across the globe.

"And that is all organic growth without any marketing or advertising. There wasn't a budget for that," Banks added.

FrontlineSMS has been used by NGOs and grassroots organizations on every continent for everything from reporting on human rights abuses and circumventing government censorship in Zimbabwe, to delivering the latest market information to rural farmers in Indonesia, to informing beachgoers in California of the day's surf conditions. In April 2007, the Nigerian NGO Network of Mobile Election Monitors (NMEM) used FrontlineSMS to mobilize volunteer election monitors to send in reports on the conditions at polling booths across the country. With FrontlineSMS, NMEM was able to receive over 11,000 messages from many areas that were

either too small or too remote to assign an official election monitor.

Also, whereas official monitors were instructed only to report on mishaps, the volunteers were instructed to report on everything.

Therefore, as Banks recounted, NMEM

"documented many remote, rural communities where polls were orderly, materials arrived on time, and polls were relatively free and fair."

Banks will be back at Stanford University this Fall, where he spent the past year as a Reuters Digital Vision Fellow, to work on enhancing FrontlineSMS with a \$200,000 grant from the MacArthur Foundation. But what excites Banks most about FrontlineSMS is the role he does not play: "FrontlineSMS provides the tools necessary for people to create their own projects that make a difference. It empowers innovators and organizers in the developing world to achieve their full potential through their own ingenuity."

Visit Frontline SMS at www.frontlinesms.com To read more about Bank's work and other projects where "Technology meets anthropology, conservation and development," visit his website at www.kiwanja.net

HERMAN CHINERY-HESSE, THE SOFTTRIBE

Herman Chinery-Hesse always knew his native Ghana had business potential. With only his PC and entrepreneurial spirit, Chinery-Hesse relocated to Accra,

founding theSOFTtribe, the West African software company that specializes in 'tropically tolerant' software solutions developed specifically for the African market.

"Our clients (local companies and multinationals throughout West Africa) use our software rather than others due to our understanding of the local environment," explained Chinery-Hesse. "Tropically tolerant' systems are needed in the developing world, as our conditions are far more challenging than those of the developed world."

Today, theSOFTtribe products are popular in Ghana, as the company has penetrated the top 100 businesses operating in the country. So how is 'tropically tolerant' software different from software available in Europe and the U.S.? TheSOFTtribe's programs are designed to work on older PC models and are offered at locally affordable prices. In addition, most programs do not require Internet connectivity. If information needs to be shared across a wireless network, information is saved locally first, and transferred automatically when a connection is established. Chinery-Hesse was also behind the Internet café billing software which forms the bedrock of Africa's largest technology development center in Accra, Busyinternet. The software allows the computer to track the time spent surfing the Web, with specific features to prevent hackers from disabling the timer. Even Microsoft wanted a piece of the action. Microsoft Corporation selected theSOFTtribe as their local agent in West Africa, lending theSOFTtribe their source codes so that the company could adapt business solution software, like Enterprise

Continued on page 30



Herman Chinery-Hesse

ICT INFRASTRUCTURE: MEET THE INNOVATORS *Continued from page 29*

Resource Planning (ERP) and Dynamics Nav to match local needs. "African countries can develop a leading edge by ensuring that any new infrastructure is based on the most appropriate technology," Chinery-Hesse stated. "The Continent could leapfrog decades of obsolete development in telecommunications and IT, by taking this giant step with systems that are appropriate for the African environment. Lack of demand is no longer an issue."

Chinery-Hesse's software continues to sail ahead of the wave of ICT software and innovations in Africa. More recently, he developed TV quiz show administration software that allows show participants to send in responses via SMS.

"This has become the new craze for the mobile phone wielding populace in Ghana," Chinery-Hesse noted. The software also randomly selects a winner from the correct responses and automatically synchronizes these selections with the work stations at the remote TV studio, eliminating fraud. The UWIN TV quiz show airs a number of times a week on Ghana Television (GTV).

Chinery-Hesse's latest project aims to create a market platform that enables small entrepreneurs to participate in the world market via their cell phones.

"Individual Africans and African small and medium size businesses (SMEs) are currently not on the world map in relation to being 'for sale.' Our platform would make use of SMS in buying and selling products that these individual Africans and SMEs have available, but cannot at present display and sell in the world market place."

Chinery-Hesse has defied his skeptics and amassed a small fortune.

"Ghana is a land of opportunity waiting for entrepreneurs with innovative business ideas that we believe could change the fortunes of Africa."

NAM MOKWUNYE, THE UNIVERSAL DIGITAL CENTRE COMPANY

In the U.S., children are learning how to use computers and navigate the Internet in elementary school. In most parts of Africa, even university students do not have comparable access to technology. This is a major barrier to development, according to Nam Mokwunye, founder of The Universal Digital Centre Company (UDC), a for-profit social venture (in cooperation with CCA-

member Cisco Systems, among others) that aims to build an end-to-end IP broadband infrastructure and content distribution platform across 100 Nigerian higher-education institutions.

"To make Nigerian users globally competitive we need to build an enabling environment that makes affordable digital access a right," Mokwunye asserted.

When Mokwunye visited his native Nigeria in 2002, after being abroad for 22 years, he was shocked at what he found.

"I visited some Nigerian higher-education campuses. I was appalled at what they considered 'connected.' For a 10,000-20,000 student campus, they had sub-standard cyber cafes with sub-optimal bandwidth and a sometimes functioning VSAT terminal at a single academic department. I was excited because I had found the community that truly needed broadband access, was ready to pay for it, and for which services could be scaled until a critical mass was reached," Mokwunye recalled.

The first phase of Mokwunye's project, titled Information, Communications, and Entertainment, will connect 100 higher-education campuses across Nigeria and provide over one million campus users simultaneous access to voice, data, and multimedia services, while enabling them to

collaborate and exchange local and international content. Once the campuses are on the same network, he plans to install wireless mesh systems and connect every campus to the Internet. Then they will not only be connected to each other, but to the rest of the world as well.

Of Nigeria's five million Internet users, the average consumer spends \$150 per year for Internet connectivity in cyber cafes. With such low penetration numbers in a land of 140 million people, the market potential is considerable.

"These campuses will later become hubs for proliferating IP broadband communication services to surrounding communities," Mokwunye stated, explaining how higher-education populations will be the link for scaling up access to the general population. The higher-education campus would provide the space, the policies, and the ready market for Information, Communications, and Entertainment, while The Universal Digital Centre Company would bring the infrastructure, financing, and technical expertise. Once completed, users will be able to surf the net, share class work, conduct research, organize online meetings, attend e-lectures, and communicate more efficiently.

The pilot phase of the Information, Communications, and Entertainment project begins in October 2007 on three campuses in Nigeria. By June 2010, Mokwunye expects to have wired all 100 campuses.

"This is something students want and they are advocating their campuses to cooperate with us. We have firm offers for investments and seem to have the requisite support of key players including campus administration, government agencies, and communications and media regulators," Mokwunye said.

"Affordable digital access should be listed amongst the UN Millennium Development Goals as it is difficult today as a human being to advance without ready access to data networks," Mokwunye concluded. ●



Nam Mokwunye, founder UDC

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ICT INFRASTRUCTURE IMPROVES EDUCATION

"The students have benefited tremendously from their correspondence with other students who are of a similar age. We have already seen increases of up to 15% in the marks of Grade 10 Science pupils. It is a truly empowering experience that has opened up so many opportunities for them and tapped into new potential."

— Leslie Hlangani, science teacher at Gatang High School.

"We have now got access to all the information we need as well as educators to support us. There is no reason to fail anymore."

—School pupil

A lack of resources is hindering the progress of education among disadvantaged schools in South Africa. The Ulwazi E-Learning pilot project, using Motorola's Canopy wireless broadband access technology, has demonstrated that inter-connecting classrooms can have a significant impact on the results of learners.

The pilot e-learning initiative, utilizing the Motorola Canopy wireless broadband access technology, has improved education for several schools in Tshwane (formerly known as Pretoria), South Africa. A learning community was created through access to Canopy that links five schools in the Tshwane. The e-learning initiative promotes shared learning, cultural experiences, and knowledge.

The Ulwazi project was launched in response to the dire need to improve and accelerate education throughout South Africa. Particularly among disadvantaged communities, a lack of teachers, resources, and funding is hindering the path to progress for many students.

Ron Beyers, Ulwazi project leader, explained that the lack of affordable broadband connectivity often cripples the cost of education.

"With the high-speed network we've installed, we can reach far more students and create an extended connected learning community," he said.

Five schools are currently participating: St.

Alban's College, one of South Africa's leading private schools, and four schools in Mamelodi (Gatang High School, Tshwane North College, Mamelodi High School and Modiri Technical High). The schools fall within a 15 km radius and are connected via a high-speed broadband wireless network.

The project is materially supported by a number of private companies, with Motorola supplying the Canopy wireless network and Omega Digital Technologies providing electronic whiteboards from SMART. It also has the support of the Knowledge Management and Multimedia units of the Department of Communication, the Department of Education, the Center for Industrial and Scientific Research (CSIR) Innovation Hub, the University of Pretoria, the Universal Service Agency, and Schoolnet SA.

The broadband network is key to the execution of the project. Motorola's Canopy system operates in the 5GHz band and provides data rates of up to 7Mbps/s. It is highly flexible, transparent, quick to configure, and easy to use.

"Being wireless, Canopy is ideal for regions where infrastructure is scarce, which makes it perfect for poorly-served urban and rural areas. It has the potential to provide world-class broadband connectivity to disadvantaged communities at low cost, allowing Internet access at super-high speeds, as well as many other applications requiring high data rates, such as digital video," explained Roger Warner, business manager for Motorola's networks and enterprise business unit.

Canopy allows teachers to share skills and

resources by using webcams, audio communication, and electronic whiteboards. They also have instant access to material such as multimedia presentations and can interact in real time with other teachers. For pupils, it promotes cultural exchange, assistance through study groups, the development of communication skills, and interactive project work.

The introduction of multimedia into the learning environment and collaboration with students from other schools provides a much higher level of interactivity, and makes the learning experience more dynamic.

To date, the Ulwazi E-Learning project has demonstrated that a small-scale pilot project can have a significant impact on the results of students. The pilot project focused on tenth grade science over a period of three terms during 2004 with one hour of extra lessons per week. Students were also able to access on-line learning resources on demand in a closed network that was specifically developed for the project.

Beyers explained that in just two days, the Ulwazi partnership would be able to connect another ten schools, which is how they hope to expand the project in the future.

"In fact, there is no limit to the number of classrooms we can interconnect, so we hope this pilot will result in a model for a nationwide roll-out," Beyers noted. ●

For more information, contact Motorola, Inc visit www.motorola.com/canopy/ or contact +44 1256 488 052

U.S. FUNDS: THE FINAL FRONTIER

< By Geoffrey White >

Africa is not a single market. The economic, political, and cultural diversity among the different countries on the continent is immense, and getting larger. The African, oil-driven economies are booming. In the U.S.,

forecasts are showing that it will receive 25% of its oil and gas supplies from the Gulf of Guinea by 2015. Sub-Saharan Africa holds an estimated 30% of the world's natural resources. Africa occupies 22% of the world's land mass, while containing only 14% of the world's

population. Its agricultural and water resources are unparalleled. Why then is the Continent arguably the most neglected investment market in the world?

Africa is open for business, but remains a place where business can be very challenging. Local knowledge and experience remain essential to realizing opportunities. However, for those that are prepared to commit and invest the time and effort in understanding and developing this market, the opportunities are significant.

The first scramble for Africa occurred during the 1880's and emanated from Europe. The current focus of the outside world toward Africa, and African resources, is undoubtedly being led by the Chinese. China is currently investing huge sums in Africa, an estimated \$16.8 billion has been committed in 2008 to build infrastructure, secure the rights to natural resources, and create strategic alliances with individual countries. These projects are often long-term investments, with little immediate commercial logic.

U.S. non-oil commercial investment in Africa looks insignificant in comparison, and noticeably, the U.S. institutional appetite for Africa falls far short of its relative appetite for other emerging markets. With the exception of some enlightened specialist funds and African-focused institutions, the mainstream U.S. largely ignores Africa as a place to do business.

However, the U.S. government presence and participation in Africa is one of the strongest. U.S. aid to Africa is estimated between \$3 to \$5 billion, and in the majority of sub-Saharan Africa, the U.S. political presence is one of the most respected and influential. Many Africans want to be educated in the U.S. and aspire to the American dream.

The African investment opportunity for the





Baker Hughes Pipe Calibration

U.S. can be split into two distinct sectors. The first sector consists of natural resources, such as oil and gas; and the second includes agriculture, infrastructure, transportation, and commerce.

In relation to the extractive industries category, the U.S. is a world leader in this area and has companies that are highly adept at operating in remote locations, with poor infrastructure and harsh environments. They traditionally have the necessary history, skill sets, capital, and human resources to establish projects and bring them to fruition. U.S. companies generally mitigate their own political risk and are accustomed to mobilizing on a massive scale. For all intents and purposes they are capable of operating independently from their surrounding environment.

The funding of the natural resources sector is well established. Major resource companies have substantial capabilities and are often financially stronger than the countries where they operate. To participate in this sector, institutions have a range of options, from providing seed capital for exploration to purchasing stocks to support individual commodity plays or specific development opportunities. The decision process is clearly defined, and the markets to support the process are structured. The criteria for investment is industry-standard based, and institutions typically have primarily relied on proven resource and geological data, in

conjunction with the company's reputation and track record, for project evaluation and investment criteria.

U.S. companies within this sector in Africa play a major role, for example, in the exploration and development of oil and gas resources in the Gulf of Guinea, the likes of Amerada Hess, ExxonMobil, Chevron, Baker Hughes, and Schlumberger are already deployed. Other examples include the Democratic Republic of Congo (DRC), where Phelps Dodge is developing one of the richest copper deposits on the planet, at Tenke Fungurume and in Ghana, where Newmont Mining is investing \$1 billion in its latest venture.

Funding major projects such as these in the natural resource sector is a well-established, tried and tested process, where political and country risks are issues, but often the defining criteria for investment is the resource fundamentals and track record of the operator and its size.

NON-NATURAL RESOURCE-BASED OPPORTUNITIES

The more interesting investments not exposed to the commodity cycle, are in the non-natural resource-based opportunities, which are significant. These are potentially longer term, yet more difficult for investors to evaluate and assess. Often opportunities can be identified, but to understand their structure and market is more complex. This is the market where Lonrho Plc is focused

on building businesses, and includes infrastructure development, transportation, commercial services, hotels and tourism, and agriculture. These are the less obvious opportunities in Africa, but are key to the long-term growth and development of the Continent that offer, over time, similar commercial returns as commodities.

Lonrho, was founded in 1909 and by the 1980's was one of the largest employers in sub-Saharan Africa and generated net annual profits of close to \$600 million. Following the departure of Tiny Rowland in 1994, the company was split up, assets sold, and debt repaid. By 2006, Lonrho was reduced to a listed shell, owning and operating the hotel Cardoso in Mozambique, with residual cash in the bank. The plan was to sell the hotel, the last remaining asset, and end the Lonrho legacy.

However, several enlightened institutions with foresight understood and believed that the Lonrho brand name had real and tangible value in Africa. It was agreed that rather than close the company, it would be re-energized, and would provide a vehicle by which institutions could invest in the wider, non-natural resource sectors of African economic development. Lonrho was once again given an institutional mandate, to identify and invest in business opportunities throughout Africa. With strong institutional support, during the past 18 months, Lonrho has

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U.S. FUNDS: THE FINAL FRONTIER *Continued from page 35*

been successfully rebuilt and now operates over 20 companies throughout Africa.

The Lonrho model is clearly defined and utilizes funds made available by institutions to acquire or establish sound commercial businesses in infrastructure and related sectors in Africa. Often this has been done by acquiring going concerns, permitting those companies to benefit from the strength of the Lonrho brand, synergies with other Lonrho companies, and Lonrho's ability to provide working capital and funds to grow.

The elements defined for success in each key market are strong, empowered management, proper funding and working capital facilities with good fiscal controls. (Lonrho controls the check book and holds Board control of its subsidiaries) This model, coupled with senior Lonrho management's extensive experience in Africa, has led to Lonrho's success.

Lonrho's largest institutional shareholders are in New York and, in fact, over half of its key institutional shareholders come from the U.S. The company also has institutional shareholders from the UK, the Far East, Middle East, and Australia, but the U.S. support is seen as very important. The U.S. has the largest institutional investment capabilities in the world, and as such, it is fundamental to any company with significant appetite for growth in any market globally.

Lonrho treasures its U.S. institutional supporters, and they take a close interest in Lonrho's thought processes, approach to markets, and philosophies. During regular briefings and discussions, institutional investor's comments and suggestions on plans for expansion through Africa clearly reflect a genuine interest in and excitement for what Lonrho is doing, and their belief in the opportunities available in Africa.

By the end of the year Lonrho will have

delivered on its initial objectives, by operating in 12 different African countries, in four strategic sectors: ports; transportation; commercial services; and hotels and tourism. Lonrho also invests in natural resources, but currently restricts its participation to less than 20% of its total business.

It is clear that the institutional attraction for investing in Lonrho, a unique conglomerate that only focuses on Africa, is that from an institutional perspective, Lonrho provides a vehicle through which it is possible to invest in Africa and partake in the continent's upside, yet minimize the specific country or sector risk.

By investing in Lonrho stock institutions get to access the key markets that are developing in Africa, yet do not have to commit significant time and human resources to invest in specific projects on the ground. Lonrho provides access to the African development market, while retaining liquidity. Company stock is one of the most actively traded on the London Stock Exchange's Alternative Investments Market (AIM).

Lonrho has one of the largest shareholder registers, over 21,000 shareholders, institutional and private. While Lonrho is supported by a number of focused U.S. institutions, this is not yet representative of the wider U.S. investment market that could invest in Africa.

It is interesting that the first impression those who work in African development acquire, is of the pervasive U.S. presence throughout the Continent. From Liberia to Maputo, and Entebbe to Johannesburg, one may encounter Americans both in a governmental and commercial capacity, from American ambassadors to Americans who came to



Africa 40 years ago with the Peace Corps, who are still here, and all those in between. Americans in Africa understand Africa. America has a head start on the world, it is warmly welcomed in Africa, and many Africans aspire to the capitalist American dream and way of life. The U.S. government and U.S. Non-Governmental Organizations (NGO's) presence is welcome across the Continent.

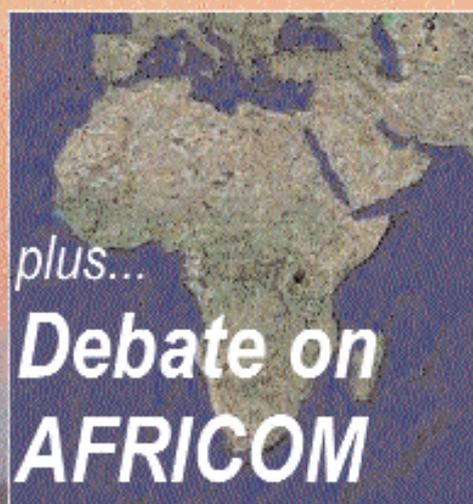
The opportunity is now for U.S. institutions and industry to leverage the good will that exists in Africa to develop the Continent for the benefit of both Africa and the U.S. The American private sector now needs to engage. If it does not, America is likely to lose its place in the queue already pushing to get through the door. ●

Geoffrey White is the Chief Operating Officer of Lonrho Plc. During his 25 year career he has held senior management roles with Thomas Tilling Plc, BTR Plc, Dee Corporation Plc and the Private Office of His Highness Sheikh Khalifa Al Thani in London, where he gained in depth experience developing business opportunities in Africa. For more information contact Geoffrey at white@lonrho.com or visit www.lonrho.com.

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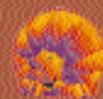
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AFRICAN BOUNDARIES: RESOLVING UNCERTAINTY FOR OIL & GAS PROJECTS

< B. Donovan Picard & Thomas R. Snider >

In the oil and gas sector, project success sometimes requires resolving competing claims to sovereignty over the project territory or maritime rights. Such claims create uncertainty that increases the risk associated with the oil or gas project. A comprehensive body of international law has developed over the past century that provides the framework in which states negotiate and resolve their boundary and maritime disputes. However, this international legal framework cannot eliminate the uncertainty that these disputes create for individual companies and projects in the commercial context.

This article explores the impact that the uncertainty of boundary disputes has on oil and gas projects, providing an overview of important boundary-related issues in Africa, followed by a discussion of some practical approaches for companies to manage the risks created by international boundary disputes.

OVERVIEW OF BOUNDARY DISPUTES IN AFRICA

Pursuant to the principle adopted by the Organization of African Unity in 1964 and reaffirmed by the African Union in 2000, Africa's present boundaries are based on the colonial boundaries in existence at the time of independence. These boundaries are often based on mechanical lines that do not take into account the geographical, political, social, and economic realities on the ground. Moreover, the boundaries often are neither delimited clearly on paper

nor demarcated on the ground, leading to practical ambiguities, commercial or economic disputes, and, in some cases, armed conflict.

According to the Central Intelligence Agency's *The World Factbook*, there are some 30 or more boundary disputes in Africa. These disputes run the gamut, from dormant disputes to periodic skirmishes among local populations over water and grazing rights to open conflict. Many disputes have featured prominently in the press over the past several years, including the dispute between Cameroon and Nigeria over the Bakassi Peninsula and related maritime rights. The International Court of Justice (ICJ) in The Hague ruled on this dispute on October 10, 2002. Nigeria initially denounced the decision and lengthy negotiations between the parties commenced under sponsorship of the U.N. Secretary General. In 2006, arrangements were made for a phased implementation of the decision. Other African boundary

disputes have also been brought before international tribunals, including the dispute between Benin and Niger, decided by the ICJ in 2005, and the ongoing dispute between Eritrea and Ethiopia, brought before an ad hoc international tribunal under the auspices of the Permanent Court of Arbitration.

Boundary disputes in Africa are not limited to international boundaries. For example, in Sudan, the January 2005 Comprehensive Peace Agreement (CPA), which brought an end to the 20-year North-South civil war, calls for both a border committee to demarcate the January 1956 North-South internal administrative boundary, and an Abyei Boundaries Commission to define the area of the Abyei region, after which the people of this region will vote to join either the North or the South. The CPA expressly recognizes the possibility that these new boundaries might serve as the basis for secession by southern Sudan. However,

It is also important for a company to maintain ongoing good relations and communication regarding any potential or existing boundary disputes with the host government.

postponement of the demarcation of the oil-rich Abyei region until at least 2008 has created uncertainties for oil companies active in the south.

One approach to dispute resolution involving natural resources that has met considerable success is the creation of joint development zones, which are agreements between states to cooperate in the exploration and exploitation of natural resources in disputed land and maritime areas, by sharing proceeds from the sale of resources produced. These zones have shown themselves to be useful tools for reaching agreements among states regarding oil and gas, when politics, geography, or legal issues have prevented boundaries from being determined. Several maritime development zones exist in Africa (including one between an African and a Middle Eastern country), such as Nigeria and São Tomé & Príncipe, Libya and Tunisia, Guinea-Bissau and Senegal, and Sudan and Saudi Arabia. Joint maritime development zones can contain extensive reserves. For example, according to the U.S. Department of Energy, the Nigeria-São Tomé & Príncipe joint maritime development zone may hold up to 14 billion barrels of oil reserves.

WHAT OIL AND GAS COMPANIES CAN DO TO MANAGE THE RISKS ASSOCIATED WITH BOUNDARY UNCERTAINTIES

Boundary issues should be identified and addressed early in any oil and gas project. An essential first step in reducing boundary-related risk is for a company to

conduct its own due diligence regarding potential boundary disputes that may arise in or around a project area. This work includes reviewing and having a clear understanding of the company's legal position under the applicable national law of both the host government and the country with which the host government may have a boundary dispute. A company should also understand its rights and the rights of each country under the applicable international law.

In conducting the due diligence, companies should keep in mind that, in situations where oil and gas fields do cross international boundaries, competitors may be exploring or exploiting resources on the other side of the disputed boundary. Thus, companies should gather information to help them understand the political and commercial challenges they may face from the other side, if a dispute arises.

Companies can often bolster their rights and protect their interests under national and international law, by incorporating provisions into contracts that further protect the company's interests. Such provisions may include indemnification assurances, in the event that sovereignty is lost or armed conflict breaks out over a boundary. Companies can also use contract negotiations to encourage joint development zones and other creative solutions, combining diplomatic discussions and commercial interests as interim solutions. Efforts of this sort may be feasible where a final boundary determination may not be

immediate, but relations between the states involved are good.

It is also important for a company to maintain good relations and communication regarding any potential or existing boundary disputes with the host government. Where a boundary dispute has arisen, a company might be requested to provide the host government financial resources, advice, and negotiation support, to strengthen the government's position in the dispute. A company's assistance may also be requested to mobilize support from the company's home government. Such support can be instrumental in a complex political and commercial environment, where several points of legal, diplomatic, and political leverage may be available to strengthen the company's and the host country's positions.

CONCLUSION

Part of the uncertainty of international boundary disputes is that each one is unique. Accordingly, the steps that can and should be taken to minimize risk with respect to each dispute are different. However, by familiarizing themselves with the relevant laws, facts, and developments, strengthening their positions through a thorough understanding of all parties' rights, and developing appropriate contractual provisions, oil and gas companies can put themselves on safer footing when international boundary disputes arise. ●

SOUTH AFRICA'S FIRST LANDFILL METHANE PLANTS

La Mercy and Mariannahill sites in Durban serve as model renewable projects

South Africa's first landfill methane gas-to-energy projects, powered by General Electric (GE) Energy's Jenbacher generator sets, have been commissioned at two sites near the city of Durban on the country's east coast in early 2007. The plants are in the municipal region of eThekweni, which in Zulu means "in the place of the bay."



The plants, at the La Mercy and Mariannhill landfills, serve as renewable energy reference projects, providing necessary electricity to the municipal grid. Meanwhile, a portion of the funds from the sale of carbon credits that were crucial to making the project economically viable will be used for community upgrades.

By utilizing the landfills' methane for energy, less of the gas will be able to escape into the atmosphere. Methane has 21 times the greenhouse warming potential of carbon dioxide, the greenhouse gas most closely identified with climate change. Along with greenhouse gas abatement, the eThekweni Metro project is expected to improve local air and groundwater quality.

"GE Energy is honored to support the country's strong commitment to

expanding the production and use of renewable energy," said Prady Iyanki, CEO of GE Energy's Jenbacher gas engine business.

For the La Mercy and Mariannhill power plants, GE supplied two containerized gen-sets to the projects' contractor, Envitech Solutions (Pty) Ltd of Benoni, South Africa. Envitech Solutions installed the Jenbacher units and gas extraction equipment on behalf of Durban Solid Waste (DSW), which operates the eThekweni Metropolitan Municipality's solid waste disposal and owns both landfill sites. For La Mercy, Envitech Solutions installed a Jenbacher JGC 312 GS-L.L. gen-set and for Mariannhill, a JGC 320 GS-L.L. unit. Electrical output for the JGC 320 unit is 1,064 kW and 526 kW for the JGC 312 unit.

GE's Jenbacher landfill gas technology, in addition to its biogas and coal mine gas solutions, is certified as an ecomagination product. Ecomagination is GE's commitment to addressing environmental challenges such as the need for cleaner, more efficient sources of energy, reduced emissions, and clean sources of water. Numerous GE Energy products are certified under ecomagination, GE's corporate-wide initiative to aggressively bring to market new technologies that will help customers meet pressing environmental challenges.

As part of the ecomagination initiative, GE Energy is constantly focusing on expanding the fuel capabilities of its equipment. GE's Jenbacher engines, operating on waste gasses, provide environmental benefits while providing customers with a technology that can generate carbon credits in certain regions. The company's carbon monetization team provides

assistance to customers in assessing whether monetization opportunities are available to further reduce the operating cost of power generation. With more than 25 years of experience in the combustion of landfill gas, and with more than 1,100 landfill gas systems with a total electrical output of over 1,050 MW delivered throughout the world, GE offers comprehensive solutions for the use of this renewable gas to generate power.

GE'S JENBACHER GAS ENGINE DIVISION

GE's Jenbacher gas engine business is a leading manufacturer of gas-fuelled reciprocating engines, packaged generator sets, and cogeneration units for power generation, as well as gas engines for mechanical drive applications. It is one of the only companies in the world focusing exclusively on gas engine technology.

GE's Jenbacher gas engines range in power from 0.25 to 3 MW and run on either natural gas or a variety of other gases (e.g., biogas, landfill gas, coal mine gas, sewage gas, and combustible industrial waste gases).

A broad range of commercial, industrial, and municipal customers use Jenbacher products for on-site generation of power, heat, and cooling. Patented combustion systems, engine controls, and monitoring enable its power generation plants to meet stringent emission standards, while offering high levels of efficiency, durability, and reliability.

The GE Jenbacher product team's headquarters, production facilities, and 1,200 of its more than 1,500 worldwide employees are located in Jenbach, Austria. ●

GE Energy (www.ge.com/energy) supplies power generation and energy delivery technologies. Based in Atlanta, Georgia, GE Energy works in all areas of the energy industry including coal, oil, natural gas, and nuclear energy; renewable resources such as water, wind, solar, and biogas; as well as other alternative fuels.



A GATEWAY TO AFRICA

< By Peter R. Gourlay >

South Africa is often compared to some of the world's fastest-growing economies in terms of the quality of its business environment.

"There is no question that South Africa's economy is booming," says the World Bank's Bernard Drum, lead private sector development specialist for the Southern Africa Region. "The hotels are full, local meeting places are overflowing, and construction is everywhere." With a population of approximately 42 million people, the country's economy is growing by 6% a year. According to the 2006 World Investment Report, South Africa was Africa's largest foreign direct investment recipient with \$6.4 billion - 21% of Africa's total.

According to South Africa investment officials, vehicle production is the second-largest industry in its manufacturing sector, and one of its fastest growing. South Africa is increasingly seen as a lucrative market for overseas vehicle manufacturers and much of this is due to sound industrial policies attracting automotive investment. Ford, DaimlerChrysler, General Motors (GM), Toyota, Volkswagen, and all of the key Original Equipment Manufacturers (OEMs) have significant investments in the

country. GM recently began its first production outside the United States of the Hummer H3 sports utility vehicle at a plant in Port Elizabeth, South Africa. South Africa's investment web site highlights GM South Africa Managing Director, Robert Socia, who described the project as "one of the most important milestones in the history of GM in South Africa."

A major driver for the current booming economy is the upcoming 2010 World Cup games, the world's biggest sporting event after the Olympic games, which are coming to various cities in South Africa. The South African government recognizes the world will be watching and, accordingly, major improvements in the rail infrastructure, telecommunications, and energy sectors are underway. The government plans to spend at least \$860 million on investments in Durban alone. There are huge opportunities to respond to the capital infrastructure needs such as telecommunication, energy, and transport equipment. The World Cup will also provide American companies with a tremendous platform for marketing to the

African continent.

African countries look to emulate South Africa because it is by far the richest, most-developed country on the continent. South Africa is a major market in its own right, but it also is the gateway to the African continent, most of the world's vital mineral resources, and more than 680 million people. Mineral-rich countries in Africa hold most of the world's critically needed raw materials for manufacturing, including manganese (for steel production), cobalt and chrome vital for alloys (in aeronautics), vanadium, gold, antimony, fluorspar and germanium, as well as industrial diamonds. South Africa alone accounts for 90% of the world's reserves of metals in the platinum group (platinum, palladium, rhodium, ruthenium, iridium, and osmium). 98% of the world's chrome reserves are in Zimbabwe and South Africa.

While opportunities abound on the Continent, South Africa continues to be the best base of operations for doing business in Africa. The strategic importance of South Africa to the United States can not be understated. South Africa is an



anchor of stability for the rest of the Continent. U.S. executives have been watching South Africa overtake the United States in non-energy investment in Africa and have also seen an upsurge in investments, primarily from China and India.

South Africa's *Business Day* newspaper recently reported that China has overtaken the United Kingdom to become Africa's third-most-important trading partner, after the United States and France. Because its oil needs are expected to double in 15 years, China has invested particularly in Sudan, Angola, and Nigeria. China is also investing in forestry in Equatorial Guinea, mining in Zambia, and construction in Botswana.

With India's recent emergence as a growing global economic force, it has become re-engaged in Africa by investing in oil and Internet Technology (IT) sectors. India is South Africa's sixth-largest Asian trading partner, with two-way trade worth more than \$2 billion a year. "There is huge mineral growth in most of the larger African countries," said Luanne Grant, executive director of the American Chamber of Commerce in South Africa. "Little has been done to develop it."

While most of Africa remains a daunting business environment, there are also enormous challenges posed by the regulatory environment in South Africa. "Most regulations are based on best

practices in a developed economy, but South Africa is still a developing economy," Grant said. Recent business surveys such as the *World Bank's Investment Climate Assessment* cite some major business concerns, including the lack of available labor pools with the necessary workforce skills, crime, complex labor regulations, labor costs, and currency volatility as contributing factors.

"South Africa is a fascinating country with a lot of potential," said Jeffrey L. Sturchio, vice president of external affairs, Europe, Middle East, Africa, Canada, for Merck & Co. Inc. "While South Africa scores high overall, there are some concerns in the pharmaceutical sector, key among them Intellectual Property Rights (IPR) protection and regulatory delays."

South Africa has a good IPR regime and is taking the right steps to address it, but IPR is crucial to the survival of pharmaceutical companies like Merck. "South Africa is competing for inward investment with other emerging markets, such as Singapore, India, and China, and companies look for where overall business conditions provide the most stable, predictable, and productive environment," Sturchio said.

The World Bank uses "Doing Business" indicators to help evaluate the impact of regulation in the world's economies (www.doingbusiness.org). South Africa is ranked 29th worldwide and has, by far, the

best business environment in Africa at this time.

"While there is room for improvement in some areas, South Africa is comparable to some of the world's fastest-growing economies in terms of the quality of the business environment," said Drum.

American business will continue to weigh the risks and opportunities for doing business in South Africa relative to other global markets, while both China and India seem more willing to make the huge upfront business investments to reap the rewards from the region. Both countries have a long history of engagement on the continent and much of it is viewed positively from Africa's perspective relative to the Western approach. *Business Day* recently reported that there are more Chinese living in Nigeria now than there were Britons during the height of the British Empire. And in 2005, Angola's energy minister said that as many as three million Chinese could move to his country in the next five years. ●

This column originally appeared in the 2007 January/February issue of Manufacturing Today magazine's Offshore Column. The content has been slightly modified for this publication. Peter R. Gourlay is chairman of the Business Growth Committee of the World Trade Center Institute. He can be reached at prgo@comcast.net.



COEGA INDUSTRIAL DEVELOPMENT ZONE: A CASE STUDY

The South African Department of Trade and Industry defines an Industrial Development Zone or IDZ as a purpose-built industrial estate linked to an international port that leverages fixed direct investments in value-added and export-oriented manufacturing industries. With 11 signed investors, including Alcan, Straits Chemicals, and the Eastern Cape Biomass Fuel Pellets, the Coega Industrial Development Zone is South Africa's largest and fastest growing IDZ.

This is no surprise, considering that the Coega Development Corporation (CDC) was recently rated among the top five investment promotion agencies in the world by the World Bank's Multilateral Investment Guarantee Agency (MIGA). It also received accolades from the Professional Management Review Africa (PMR.africa) this year for its corporate social responsibility and its role in stimulating and supporting the Eastern Cape's economic growth and development.

"The COUGAR IDZ is establishing itself as the preferred investment destination on a global scale, and it is playing a key role in contributing to the changing economy of the Eastern Cape and creating positive socio-economic impacts that will improve the material conditions of South Africans where it is most needed," says CDC spokesperson Vuyelwa Qinga Vika.

These successes have allowed the Coega IDZ to be well on its way to achieving its target of eradicating poverty by bringing jobs to the Eastern Cape. Since the project started the CDC has been a champion of changing socio-economic activities in the Nelson Mandela Bay region and Eastern Cape Province. To date over 18,000 jobs

have been created. There are 3,361 people working on site currently while the CDC has increased its annual target of job creation from 2,960 in the 2006/07 financial year to 6,250 by the end of this financial year.

The CDC has set itself a target of signing 10 investors within the current financial period (2007/08) and has managed to secure three investors thus far with signed leases.

The majority of the basic infrastructure of the Coega IDZ has been completed, with the core development 80% ready for any investors wishing to move in. The deep-water port of Ngqura is nearing completion and will be fully operational in 2009. A water supply network, trunk gravity sewer, and telecommunications network are currently in place. The focus has now shifted to ensuring all investors will have access to state of the art, efficient infrastructure and facilities, with bulk power now available to tenants.

Coega's first value proposition for investors is that it is equidistant from the major global markets and areas of supply of raw materials and components. This combined with the port, will allow manufacturers and logistics companies to benefit from the ebb

and flow of markets around the world. Additionally, there is extensive infrastructure already in place on the first 6,000 hectares of industrial land opened up for development.

The second of the key drivers for investment, after its position and infrastructure, is the access to skilled labour. Skills are in short supply around the world. After recognizing this, the CDC established a subsidiary which specializes in the recruitment, selection, and training of workers for investors in the IDZ. The subsidiary also has South Africa's first city-wide skills database. This database allows the CDC to predict potential skills shortages for both construction and operation before they are needed.

Also in place is a sophisticated Information Communication Technology (ICT) backbone that includes a dedicated in-zone telecommunications system with high-speed data lines connecting the zone to the rest of the world. This Oracle-based ICT system provides sophisticated monitoring and management systems for the CDC and its tenants. As the developer and manager of the zone, the CDC is responsible for ensuring that all maintenance is done on time, and that all



The Coega office block currently under construction.

systems remain operational.

Recognizing that electrical power drives modern industry, the CDC is implementing plans that will ensure that tenants such as Alcan will have secure and reliable power. Eskom is upgrading power lines to the IDZ from South Africa's power generation belt in Mpumalanga. In addition, peaking power stations will be built in the IDZ. By 2015, the zone will have 4,500 mega Watts of power available.

Coega gives investors the assurance that, as an investment destination, it has the necessary infrastructure such as electricity, water, rail, and port capacity to support their investments.

"The CDC is interested in companies involved in a number of sectors such as the business processing and outsourcing & off shoring (BPO & O), Automotives, Steel and steel products, and Down stream aluminum," says Qinga-Vika. However, she also says that Coega is not closing its doors to other sectors

The Coega IDZ has one of the best infrastructures in the world, according to former Alcan Primary Metals group CEO Cynthia Carrol.

"The infrastructure built around the Coega project was a fundamental aspect to (Alcan) making the decision to go ahead...It's one of the best infrastructures I have seen throughout the world," said Carrol before Alcan signed a 25 year power supply and lease agreements with electricity utility Eskom and the CDC.

All the land in the IDZ has already been zoned and blanket environmental impact assessments have been completed for the ISO 14001 accreditation. "All that is required is an assessment specific to the kind of plant that is being planned," says Qinga-Vika.

The CDC is also offering a long-term solution to the need for industrial space in Nelson Mandela Bay through the construction of speculative warehousing. This project, the Coega Business Process Outsourcing (BPO) Park, will be comprised of the first 1,500-seat call center in South Africa, as well as boardrooms, offices, a cafeteria and restaurant, all of which should be completed in 2008.

The first three warehouses are currently under construction and are expected to be completed before the end of the year. The warehouses are being built speculatively, making it easier for any company that requires space to start negotiations with Coega and acquire the space within a short and reasonable amount of time.

These warehouses, which are being built in zones 1 (light manufacturing cluster), 2 (automotive cluster) and 3 (general cluster) in the Coega IDZ range between 1,700 and 3,800 square meters in area.

For industrial property in the IDZ, two basic space solutions are offered: to lease serviced land to potential investors, which they will develop, or to build generic facilities for investors to lease.

Being located at the Coega IDZ brings with

it a host of benefits. The CDC offers a one stop investor service to the tenants of the IDZ. "This program seeks to limit the process of getting the necessary legitimate documentation to set up in the zone," says Qinga-Vika. The service offered covers the organizing of work permits, application for incentives, and any other investor requirements that can be fast tracked on behalf of investors.

The Coega IDZ is also focusing on the establishment of Small and Medium Enterprises (SMME) and creating jobs for the unemployed. These SMME companies perform various roles in the IDZ from street light installation and storm water and manhole maintenance through to sewer reticulation. The CDC has awarded about R43 million in SMME contracts so far and there is a total number of 4,637 SMME companies registered in the Coega database.

"The CDC, in collaboration with the Eastern Cape provincial government through the Expanded Public Works Programme (EPWP), has built infrastructure which includes libraries, an indoor sports centre, a sports centre, art centers and a number of schools across the Eastern Cape Province," Qinga-Vika said. The CDC has committed funds totaling R82 million rand to this initiative.

As an investment destination, Coega is now open and ready for more investors to make the right choice and move to the Coega IDZ. ●

TOURISM: AFRICA'S GOLDEN GOOSE

< By Les de Villiers >

Across Africa, tourism is seriously challenging mineral resources as a major earner of foreign revenue and job creation. With a total of more than \$24 billion in annual revenues, tourism is currently second only to oil as a source of revenue for Africa. In South Africa, tourism has surpassed gold as a major contributor to the nation's Gross Domestic Product (GDP).

While world travel grew by 4.5% globally in 2006, South Africa's tourism jumped by 14%, according to Moeketsi Mosola, chief executive officer of South Africa Tourism. Last year tourism eclipsed gold mining as a foreign exchange earner by \$3 billion. It accounted for more than 700,000 new South African jobs in the last ten years. South Africa is hosting the Soccer World Cup in 2010, which is expected to give an added impetus to the country's tourism.

All this comes as no surprise. Tourism is the world's single biggest industry and one of its largest employers, accounting for 10.2% of its GDP and providing jobs for some 200 million people. Africa is simply starting to catch up with the rest of the world.

Considering its wealth of wildlife, World Heritage Sites, cultural diversity, superb scenery, magnificent beaches, and sunny climate, Africa should be getting a lion's share of the world's growing tourist traffic.

Recently the United Nations World Tourism Organization (UNWTO) reported

that Africa's \$24 billion represent a mere 4.7% of the world's total tourism income of \$735 billion. Even though Africa's tourism growth of 10% was the highest recorded in 2006, there is still a lot of catching-up to do.

In the past the Continent's apparent inability to pull in larger numbers of visitors was attributed to a variety of factors including a lack of promotion, insufficient infrastructure, remoteness, and widely held, exaggerated perceptions of a continent rife with disease, war, and crime.

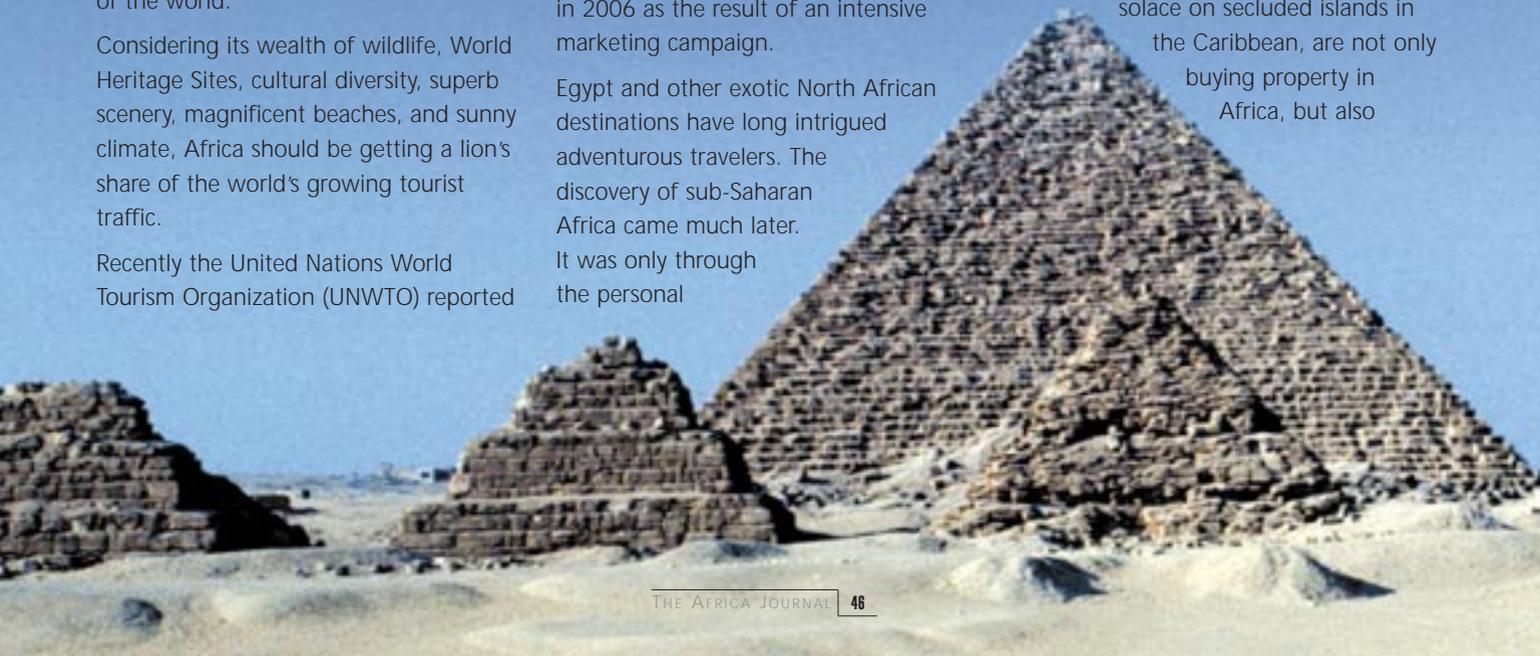
Aggressive promotion and improved infrastructure have, however, helped to overcome this deficit. Even the economically and politically troubled Zimbabwe, reported an increase of 45% in 2006 as the result of an intensive marketing campaign.

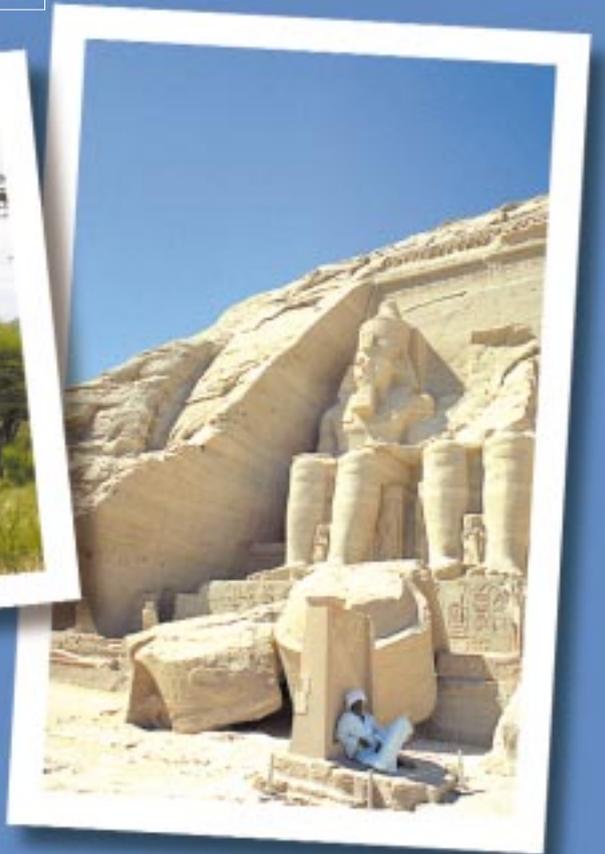
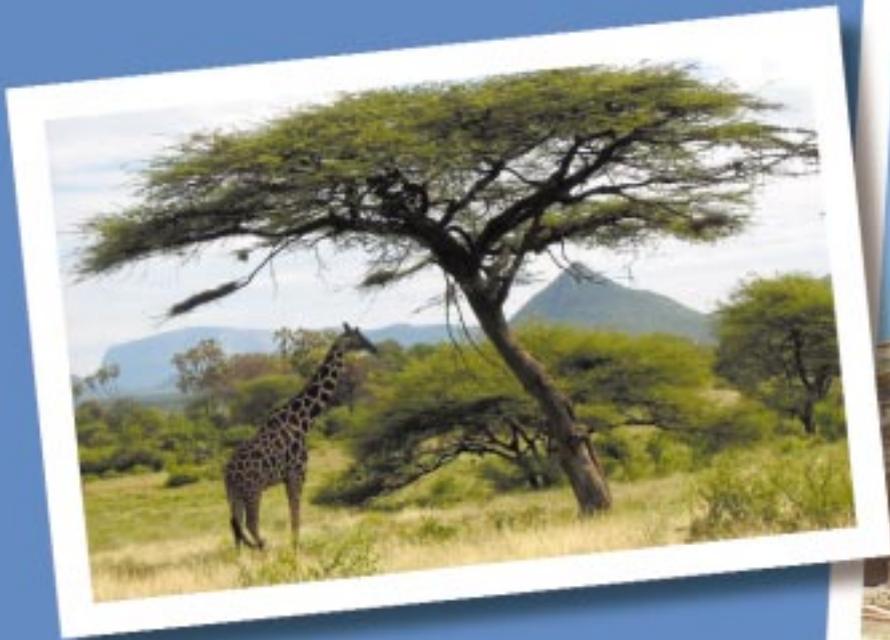
Egypt and other exotic North African destinations have long intrigued adventurous travelers. The discovery of sub-Saharan Africa came much later. It was only through the personal

accounts of Livingstone, Stanley, and other explorers that Europe and North America became aware of the unique attractions of the southern part of the Continent.

In the early nineteenth century, safaris became the lure that drew the world's elite to the African shores. Following the trail of illustrious Americans such as Theodore Roosevelt, Ernest Hemingway, and British royalty, thousands of foreigners soon found it impossible to resist the lure of Africa, after a foretaste. Today, most visitors travel through cities to and from their safari destinations and discover other aspects that make Africa unique: the people, the beaches, and the scenery.

The super-rich, who used to seek solace on secluded islands in the Caribbean, are not only buying property in Africa, but also





opening lodges and hotels. The lineup of tycoons who now own luxury African safari lodges including Paul Tudor Jones, Richard Branson, Nicky Oppenheimer, Aga Khan, and Adnan Khashoggi, is starting to resemble the Forbes billionaires list.

Other parts of Africa have also become choice destinations for tourists in search of history and culture. Gorée Island, for example, draws hundreds of thousands of visitors who wish to step back into the days when millions of slaves were sorted and shipped like cargo from this little island near Dakar in Senegal to the New World. Heads of state, historians, and ordinary people include this island on their itinerary.

While African Americans may travel to Africa in search of their ancestral roots,

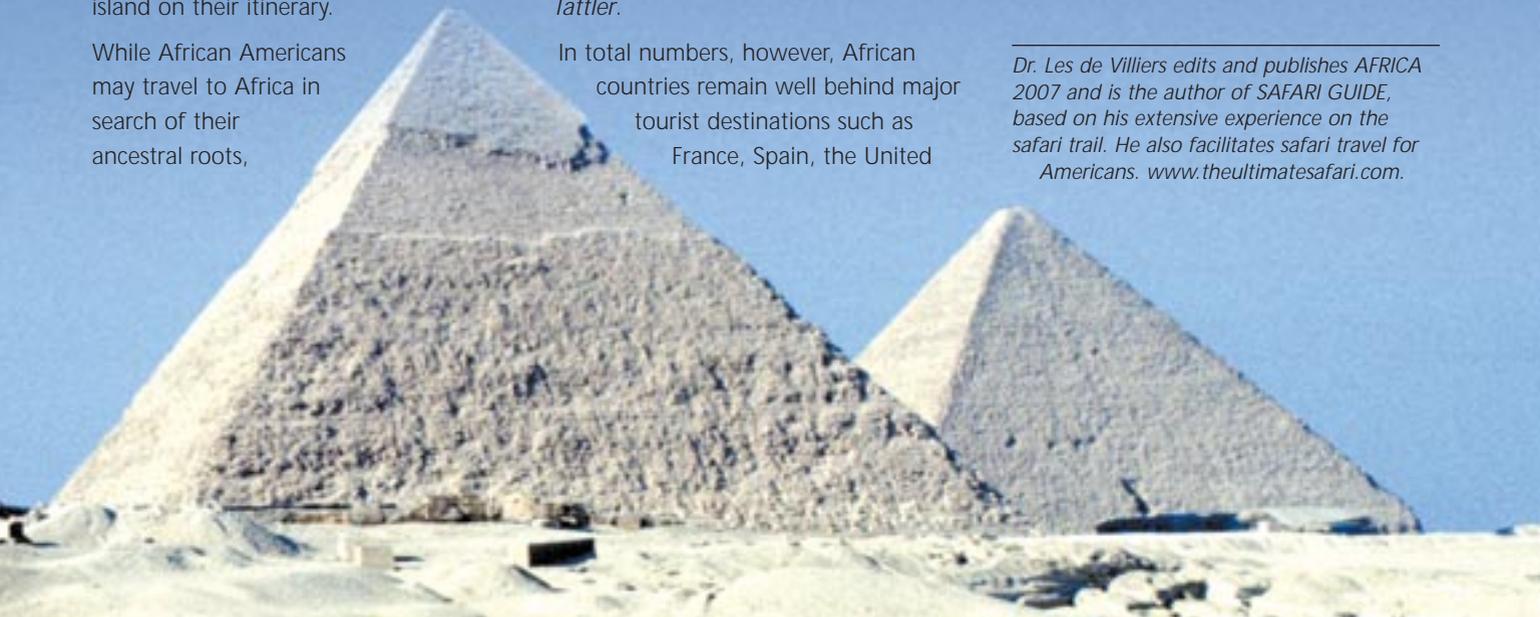
many more go simply to witness and experience the rich and diverse cultures of the Continent. Africa hosts an array of local cuisines that appeal to every palate from mild to fiery spicy. Golfers, anglers, surfers, and those inclined to spend their time indoors gambling, all have a wide choice of venues, ranging from the rustic to ultra-luxurious.

Many African beach and city hotels, and exclusive lodges in safari country are regularly featured on the list of the world's best hotels in magazines such as *Conde Nast*, *Travel and Leisure*, and *Tattler*.

In total numbers, however, African countries remain well behind major tourist destinations such as France, Spain, the United

States, Italy, China, and the United Kingdom. This is unlikely to change soon due to a lack of necessary infrastructure in large portions of the Continent. There is, however, little doubt on the part of both economists and travel experts that with the proper planning and promotion, Africa is bound to reap as much benefit from tourism as it has in the past from minerals. Tourism is, undoubtedly, a sector where foreign investors are likely to make handsome profits. ●

Dr. Les de Villiers edits and publishes AFRICA 2007 and is the author of SAFARI GUIDE, based on his extensive experience on the safari trail. He also facilitates safari travel for Americans. www.theultimatesafari.com.



BUSINESS PERSON OF THE QUARTER: ROSA WHITAKER

A LIFETIME OF SERVICE TO AFRICA

< By Cherie Flowers >

Rosa Whitaker is *The Africa Journal's* deserving Business Person of the Quarter. We wish to recognize her leadership and commitment to Africa while serving in the U.S. government, and now through her private sector efforts. Through her own company, Rosa is bringing African goods to U.S. shelves and improving perceptions of the Continent.

As a child growing up in the 60's, going to Capitol Hill was Rosa Whitaker's favorite hobby. Influenced by Congressional leaders such as Barbara Jordan, Charlie Rangel, and Shirley Chisholm, Whitaker found herself immersed in the equal rights movement. Whitaker first met the current House Ways and Means Chairman, Charlie Rangel, when she was 15 years-old, not knowing that one day Rangel would become her boss and mentor. At age 15, she was also elected youth chair of a neighborhood planning council in D.C., and worked after school for the newly elected D.C. City Council. Whitaker was very active as a youth on political campaigns and in promoting expanded Home Rule for the District of Columbia.

While serving as a career diplomat in the Economic Section of the American Embassy in Abidjan, Cote d'Ivoire (1993-95), Whitaker developed a curiosity about how the richest region of the world in terms of resources could be the poorest.

Whitaker went on to work for Congressman Charlie Rangel - the then ranking Democrat on the Ways and Means Committee - in 1995. The work she did with several other Congressional staff and academic, policy, and business leaders from Africa became what we know today as the African Growth and Opportunity Act (AGOA).

AGOA, which was enacted by President

Clinton in 2000, provides eligible sub-Saharan African nations with generous access to the U.S. market, eliminating tariffs and quotas on almost all products from Africa. Whitaker then moved from Congressman Rangel's office and served in the Clinton administration, as the first-ever, Assistant U.S. Trade Representative for Africa. She continued in this capacity for part of the ensuing Bush administration.

Since then, Whitaker has taken a leadership role through the AGOA Action Committee in ensuring the legislation's continued relevance. Whitaker is encouraged by the amount of progress that has been made in the seven years since its passage. She recalled President Yoweri Museveni of Uganda once saying that AGOA has been the "West's best gift to Africa in the past 500 years."

Committed to further the trade relationship between the U.S. and Africa, Rosa founded her own company, The Whitaker Group, in 2003 with two clients. Today, The Whitaker Group represents a number of African countries on trade and investment issues. Other clients include multinationals with investments in Africa and trade associations with clients that do business in Africa.

Despite her busy schedule, Whitaker is still committed to "continue to steward AGOA."

Whitaker's lifetime of commitment to Africa is driven by her belief that every person must commit themselves to something greater than themselves. The Whitaker Group was created out of her passion for Africa and helping people and nations to become empowered economically.



First lady Theresa, Rosa Whitaker, and the President of Ghana, John Kufuor.

The contributions of The Whitaker Group can be seen in all hemispheres. The Whitaker Group's two organic cotton initiatives in Uganda have resulted in 'dirt-to-shirt' garments made in Ugandan factories from cotton grown ginned and spun in Uganda. The Whitaker Group played a significant role in getting clothing from Lesotho into retail stores throughout North America.

Whitaker explained that there is a new global dynamic that requires a relationship between Africa and global corporations.

"Consumers are demanding more and are actively directing retail dollars to companies that are good global citizens," Whitaker said.

She believes the upcoming U.S.-Africa Business Summit in South Africa is "a great venue for Africa to rebrand itself to America's corporate world."

Whitaker has also created two new companies that provide comprehensive media services and transaction support related to facilitating trade with the U.S. and Africa.

"Half the battle in getting U.S. corporations to invest in Africa is simply getting them to focus on it long enough to realize that Africa's brand is changing away from the tired old idea of Africa as a continent of poverty and need, towards that of a continent of dynamic, growing economies, with democratic governments, and an increasingly educated workforce," she concluded. ●

Heather J. Pederson

Heather Pederson serves as the Director, International Operations - Commercial Programs for Boeing's Washington, D.C. Government Relations Office. In this capacity, Pederson represents the interests of The Boeing Company with U.S. Government agencies, embassies, and trade and professional organizations promoting commercial aircraft programs and activities in Africa, Europe, and the Middle East.

In May 2005, Pederson joined Boeing with 20 years experience in international trade and industry matters with the U.S. Department of Commerce. Most recently, she served as the senior policy advisor to the Department's Assistant Secretary for Manufacturing and Services from 2003-2005. In this role, Pederson provided guidance on trade policy, industry

analysis, and domestic regulations affecting the competitiveness of U.S. manufacturers.

Previously, Pederson held the position of senior international trade specialist in the Commerce Department's Office of Aerospace where she marketed aerospace products abroad, coordinated government advocacy on behalf of U.S. aviation companies, conducted industry analysis, and addressed trade policy issues including subsidies, tariff barriers, and regulatory impediments.

Pederson also served as an international economist in Commerce's Office of Automotive Affairs where she promoted U.S. auto parts exports and organized trade missions, conferences and trade shows in support of the automotive industry, particularly in Korea.



Heather J. Pederson

Pederson serves on the Board of Directors of the Corporate Council on Africa and the U.S.-Angola Chamber of Commerce.

Pederson earned a Bachelor of Arts degree in economics from Andrews University in Michigan. ●

Glenn D. Dunmire, III

Glenn D. Dunmire, III serves as Director, Business Development, USAID Practice, Community Stability for DynCorp International. Dunmire is an investment banker/attorney specializing in international development activities for public and private sectors clients with a focus on strengthening public/private partnership on a global, sustainable basis. He has extensive international and domestic business development experience, including transaction initiation and execution of U.S. Federal Agency and international tender solicitation preparations and execution; as well as technical advisory work for Ministerial level officials both domestically and internationally. Dunmire initiates and execute mergers, acquisitions, and divestitures. He has served as strategic advisor for development to domestic and multi-

national companies and governments, including identification of opportunities, assembling capture teams, directing strategic approach, and structuring transactions.

Some of Dunmire's accomplishments include writing and managing and international solicitation for qualifications for investment banking advisors for the government of Egypt, resulting in ten highly qualified investment banking, legal, and accounting teams being qualified and selected according to international standards. He advised USAID and Ministers of Privatization on privatization transactions in Egypt, Nigeria, and West Bank/Gaza, resulting in the creation of legal framework for solicitation, preparation of companies for sale, training of personnel for due diligence and transaction requirements, marketing of companies for bid, creation



Glenn D. Dunmire, III

of bid documents, creation of oversight documents, creation and application of valuation methodologies, and review and assessment of bids.

Dunmire received a B.A. with High Honors from The University of Virginia and graduated J.D. cum laude from Western New England College School of Law. ●

KOFA INTERNATIONAL COMPANY

Kofa International Company is an equipment supplier, loan facilitator, and consulting company based in Chicago that is actively building capacities in Africa by leveraging U.S. credit programs to provide low cost finance to qualified African governments and private companies.

The activities of the company include:

- Project development or identification
- Trading
- Import and export and
- Facilitating finance for foreign importers of U.S. goods and services using available U.S. credit agencies like the Export Import Bank (EXIM).
- Use of other types of finance from government agencies and other private funding available to qualified African businesses and governments.

Kofa is the exclusive agency for Africa for DSC Inc., a leading manufacturer of dredging equipment and boats used in the dredging, oil and gas, mining, and construction industries. Kofa represents other major U.S. companies dealing in telecommunications, quarry, construction, and agricultural, transport and hauling equipment like Mack trucks and other U.S. products. Over the years, Kofa has facilitated finance of DSC equipment to African businesses and governments including Ibile Holdings, JaPaul Plc, and many others.

Kofa's mission, in addition to providing low cost capital to qualified African governments and businesses, is to change the African economy from cash to credit-based with the use of international credit profiles for African businesses.

The president, Ganiyu Ademola Dada, is a former banker from Nigeria and IT-Oracle application consultant with over 35 years experience in accounting, banking, finance, and information processing providing financial management and business solutions to multinationals, medium, and small size organizations, including over 15 years of

management consulting assignments in project development and loan facilitations. He is also the president of Continental Africa Chamber of Commerce USA.

www.kofainternational.com

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Nationwide Equipment is a supplier of high quality new and used heavy construction equipment. Before being shipped, the units are inspected, repaired if need be, and serviced in its own certified facilities to ensure the equipment is ready for operation at the point of destination. The main product lines include:

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