

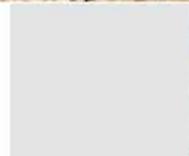
# The AFRICA JOURNAL

SUMMER 2007

THE CORPORATE COUNCIL ON

AFRICA

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## AGRICULTURE AS AGRIBUSINESS

# AFRICA: ENTERING THE DOOR TO OPPORTUNITIES



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The Summer 2007 "Agriculture as Agribusiness" edition of our quarterly Africa Journal coincides with the launch of CCA's Agribusiness Initiative.

Through the Initiative and this edition of The Africa Journal, CCA aims to promote and underscore the importance of African agribusiness. By 'agribusiness' we propose a shift from the traditionally narrow focus on agricultural production in Africa and instead, refer to the projects, technologies, investments, and activities that contribute to the development of agricultural value-chains. New factories, processing facilities, and investment in infrastructure for agro-industries will have a direct impact on economic development in Africa.

CCA will have an increased focus on agribusiness during the coming years. Recently awarded a three-year grant by the United States Agency for International Development (USAID), we are developing a series of Agribusiness Initiatives and programs to more effectively engage this sector in Africa. Our initiatives will support the implementation of the Comprehensive Africa Agriculture Development Program (CAADP) as adopted by the New Partnership for Africa's Economic Development (NEPAD). We are also reconvening our Agribusiness Task Force. The reinvigorated task force will serve as a mobilized and unified force of agribusinesses.

This year is shaping up to be one of the most exciting for CCA. We will host our second annual U.S.-Africa Infrastructure Conference in Washington, D.C., from October 8-10, 2007. We are also pleased with the interest and excitement around our upcoming U.S.-Africa Business Summit from November 14-16, 2007, in Cape Town, South Africa. We encourage you to participate in this historical, first Summit on the African Continent.●



Stephen Hayes, *President*  
The Corporate Council on Africa

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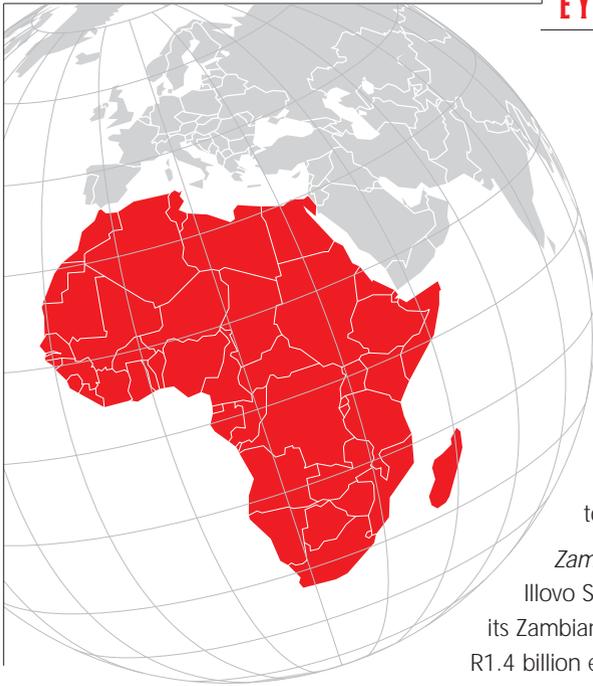
The Africa Journal, initially a tabloid publication, was founded by Abdoulaye W. Dukulé, PhD. In 2003, all rights were purchased by CCA from Mr. Dukele, and the publication was converted to its present magazine format.

### Mission Statement

The Africa Journal is a quarterly publication of the Corporate Council on Africa, a non-profit membership organization dedicated to enhancing trade and investment relations between the United States and the 53 countries of Africa. The Africa Journal aims to raise Africa's profile as a business destination with numerous and diverse opportunities.

The Africa Journal's objectives are to:

- Provide a synopsis of important trade policy and political developments in Africa;
- Introduce key figures and stakeholders in the U.S.-Africa business & government community;
- Feature analysis and in-depth features on current economic & political developments;
- Highlight CCA member companies and businesses' success in Africa; and
- Inform readers of CCA's programs, services and events.



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country's first processing plant. The plant will produce cosmetics, toothpaste, and health drinks for export to Japan and Korea. Residues will be turned into animal feed. Uganda will soon process and export powdered milk and cheese to Iran and Egypt.

**Zambia**—South African-based Illovo Sugar aims to almost double its Zambian sugar production with a R1.4 billion expansion project. Late 2006, Illovo said it had begun expansion projects in Malawi, Zambia, and Swaziland.

three signed an agreement covering the possible development of the Shire-Zambezi waterway.

**Mozambique**—The Port of Beira is to be rehabilitated and modernized to international standards.

**Namibia**—The Okavango River Bridge on the Trans Caprivi Corridor is to be upgraded.

**South Africa**—The National Energy Regulator of South Africa said initial capital expenditure of R850 million, followed by an investment of R422 million annually, was needed to ensure efficient distribution of electricity.

**Uganda**—The government allocated over Sh290 billion to the national road maintenance program.

## AGRIBUSINESS

Provided by the Food and Beverage Reporter, [www.developotechnology.com](http://www.developotechnology.com)

**Kenya**—The Kenya Meat Commission (KMC) processing plant was re-opened in Mombasa this year.

**Mozambique**—Prepesca invested in a \$1.5 million aquaculture project in Buzi that aims to produce 130 tons per year of prawns for export to Portugal and Spain. The first harvest is expected in March-April 2008.

**Namibia**—The Kavango Region is set to develop a R100 million pineapple production and processing project during 2008. It will be the first fruit- and vegetable-processing unit in the country.

**South Africa**—The first factory to begin production in the 11,000 ha Coega Industrial Development Zone (IDZ) near Port Elizabeth is Dynamic Commodities, a producer of fruit extracts and frozen sorbet in fruit shell cups. South Africa's Rainbow Chicken won the eighth annual Yum! Restaurants International (YRI) International Food Supplier of the Year Award, presented at a gala event held in Dallas, Texas. SABMiller will invest \$170 million in a new brewery in Russia.

**Uganda**—The Uganda Commercial Aloe Vera Farmers Association and a U.S. company, Southern Fields International, have raised \$600,000 to erect the

## MINING AND MINERALS

**Angola**—Total finalized the acquisition of a 30% interest in exploration block 17/06 and a 15% interest in block 15/06.

**Nigeria**—Nigerian National Petroleum Corporation started its feasibility study for the Automotive Biomass Ethanol project.

## ENERGY

**Madagascar**—Norway provided a grant of \$6 million for management of the oil and gas sector.

**South Africa**—Sasol entered a joint venture agreement with explosive company Dyno Nobel.

## TRADE DEVELOPMENTS

**Sub-Saharan Africa**—Lonrho signed a joint venture with the UK's Countermine to explore landmine clearance opportunities in sub-Saharan Africa.

## INFRASTRUCTURE

**Angola and Namibia**—The railway extension to the Namibia-Angola border at Oshikango on the Trans Cunene Corridor is to be completed by mid-2008.

**Malawi, Mozambique, and Zambia**—the

## FINANCE

**Congo**—The World Bank approved a grant of \$15 million for transparency and governance capacity building

**Nigeria**—The African Development Bank has made a \$50 million equity investment in United Bank for Africa plc. Ecobank and Unity Bank are to merge.

**South Africa**—The South African National Treasury announced a \$1 billion buy-back of foreign debt.

**Mozambique**—Its commercial debt of \$178 million has been canceled by the World Bank.

## USEFUL STATISTICS

**Africa-China-Trade** increased 40% in 2006 to \$55.5 billion making China Africa's third largest trading partner.

**Kenya**—The country earned \$250 million from tourism in the first quarter of 2007, up 18% from the first quarter of 2006.

**South Africa**—South African sales of major petroleum products increased 7.3% in the first quarter of 2007 versus the first quarter of 2006.

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## EXXONMOBIL AWARDS \$4 MILLION TO NIGERIA

### ExxonMobil

In commemoration of Africa Malaria Day 2007, the ExxonMobil Foundation announced the award of a series of grants totaling more than \$4 million that will support efforts in Angola, Chad, Equatorial Guinea, and Nigeria to battle malaria and other infectious diseases.

"With a workforce in Africa that numbers in the thousands, and as one of the largest direct foreign investors on the Continent, ExxonMobil has witnessed first-hand the devastating impact of malaria and other infectious diseases," said Rex Tillerson, Chairman and CEO of ExxonMobil Corporation.

"We are proud to do our part to help advocate for needed resources, innovative solutions, and a new level of global collaboration to achieve results in the fight against malaria."

These critical grants will support several organizations actively combating malaria and saving lives in Africa today including Safe Blood for Africa, JHPIEGO, Medisend, Africare, Population Services International, and the Roll Back Malaria Partnership. Their efforts cover a wide range of tactics in the fight against malaria - training and capacity building, improving accountability in metrics, and providing on-the-ground interventions.

A primary goal of ExxonMobil Foundation's Africa Health Initiative is to strengthen the ability of Africans to stop the spread of malaria and to treat people who are ill with the disease more effectively.

## MARS COMMITS \$4.5 MILLION TO DEVELOPMENT PARTNERSHIPS IN AFRICA

### MARS incorporated

Virginia-based Mars, Incorporated announced on April 16, 2007 its partnerships with leading international non-governmental organizations and development agencies for a multi-year program to provide

economic, educational, and environmental assistance to communities and individuals in West Africa.

Mars, which will commit \$4.5 million to the programs over the next three years, will double its existing annual contribution to the International Cocoa Initiative (ICI). In addition it will partner with Africare, the International Foundation for Education & Self-Help (IFESH), the German Technical Cooperation Agency (GTZ), and the Rainforest Alliance on projects to increase economic assistance for local cocoa farmers, improve local infrastructure and education, and enhance agricultural sustainability.

Mars will meet with these project partners during the next three months to identify the areas of greatest need, develop specific projects to address those needs, and implement ways of working that ensure synergies between the partners and local governments are maximized.

"We are excited by this opportunity to work with partners that share our deep commitment to sustainable development in Africa," said Brice Russell, Chief Procurement Officer of Mars. "Mars is committed to long-term solutions to enhance the lives of the people and communities where cocoa is farmed, and we expect these partnerships to positively benefit thousands of African farmers and their families."

Mars, Incorporated, is a privately-held, family-owned company that produces some of the world's leading confectionery, food, petcare, beverage, and health & nutrition products. The company operates in more than 65 countries. Headquartered in McLean, Virginia, Mars employs more than 9,000 associates in the United States and 40,000 associates worldwide with 52 sites nationally and more than 100 manufacturing facilities globally. The company's global sales exceed \$21 billion annually.

## THE COCA-COLA COMPANY AND USAID TO EXPAND WATER PARTNERSHIP IN AFRICA



The United States Agency for

International Development (USAID) and The Coca-Cola Company announced on March 22, 2007 a \$7 million joint investment in nine new water projects in Africa. The projects will be located in Angola, Ethiopia, Kenya, Mozambique, Nigeria, Tanzania, Uganda, Ghana, and the CÔte d'Ivoire. Working together since November 2005, USAID and The Coca-Cola Company have supported water partnership activities in Bolivia, Mali, Indonesia, Malawi, Egypt, Thailand, Uganda, and South Africa. The new projects in Africa provide locally-driven solutions to address the global water crisis, growing the global partnership's investments from \$3 million to \$10 million.

"We are focused on water because it is fundamental to sustainable communities," said Dr. Dan Vermeer, Director of Global Water Partnerships at The Coca-Cola Company. "While water is a key ingredient in all of our beverages, we recognize it is a shared resource that we must protect and preserve in all the communities where we operate." He added, "Our relationship with USAID is a positive example of how public-private partnerships can provide localized support to those with the greatest needs for water and sanitation services while ensuring water resources are managed to serve future generations."

A multi-year effort, the partnership capitalizes on the strengths and experience of its three partner institutions: USAID, The Coca-Cola Company, and the Global Environment & Technology Foundation (GETF). These partners work together on the collaborative development and implementation of water activities. The relationship demonstrates how government, business, and the NGO community can engage to solve global water problems in innovative ways.

*Members are encouraged to submit their press releases and news clips for publication in The Africa Journal. Please submit these to Ilda Diffley at [iddiffley@africancl.org](mailto:iddiffley@africancl.org)*

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## U.S. ANNOUNCES AFRICA FINANCIAL SECTOR INITIATIVE

By *Philippe de Pontet*

In the days leading up to the G8 Summit in Germany beginning on June 6, 2007, the U.S. announced a new initiative aimed at increasing private-sector led growth in Africa, called the Africa Financial Sector Initiative. This initiative, which could mobilize up to \$800 million in private investment, is designed to address financing gaps that plague African businesses. The Overseas Private Investment Corporation (OPIC) will provide between \$25-150 million in new investment funds for firms in sub-Saharan Africa. OPIC will maintain a significant share in the selected funds, providing a minimum threshold of 33% of the start-up financing.

In line with OPIC's increasing development mandate for Africa, the selected funds will likely focus on mobilizing resources for such sectors as health, education, and infrastructure - all severely undercapitalized in Africa. The funds will make direct equity investments in African firms in these sectors and in some cases will provide equity-related services including access to long-term debt, corporate bond issuance, and local currency debt markets. The goal is for these funds to provide traditional financial sector instruments for

African firms who must now rely on subsidies, short-term debt at high interest rates and, increasingly, Chinese loans and grants.

The Africa Financial Sector Initiative builds on OPIC's growing portfolio in Africa over the last three years. OPIC has already invested in three private equity funds in sub-Saharan Africa, including the EMP Africa Fund for infrastructure, the Ethos Fund for small- and medium-sized South African firms, and the Helios sub-Saharan Fund, which targets African subsidiaries of multinational (typically U.S.) firms. The World Bank's International Finance Corporation (IFC) also has plans to invest in specially-designed healthcare funds by late 2007 to help finance health projects in the Continent. The 'equity funds' approach to unleashing private sector-led development in Africa clearly is gaining momentum.

## ROBERT ZOELICK TOURS AFRICA AS WOLFOWITZ SUCCESSOR

By *Katherine Constable*

Robert Zoelick, chosen by the U.S. to succeed Paul Wolfowitz, made his debut in Africa from June 5-8, 2007 as the next president of the World Bank. Zoelick began his tour in Ghana, visited the African Union headquarters in Addis Ababa,

Ethiopia, and then traveled to South Africa. Zoelick aims to learn from regional government leaders' experiences under Wolfowitz and is fielding perspectives from countries that have had to accept

governance conditions in exchange for World Bank aid.

Thus far, sub-Saharan nations have expressed support for Zoelick's appointment. Ethiopia, one of the World Bank's strongest African partners, rallied support for the newly tapped president. South African Foreign Minister Trevor Manuel has also praised Zoelick's potential appointment.

While his close ties to President George W. Bush prompt unease, particularly among European leaders, international leaders will likely extend a warmer welcome to Zoelick than Wolfowitz. This is largely because Zoelick has openly criticized Bush and consequently is not perceived to be blindly allied with the administration. Unlike Wolfowitz, Zoelick also has a reputation of consensus-building, having displayed diplomatic capacities as the U.S. Trade Representative (USTR) in various World Trade Organization negotiations.

Like Wolfowitz, Zoelick will likely emphasize infrastructure and anti-corruption initiatives in Africa. However, it is unclear whether he will enforce Wolfowitz's stringent conditions on African countries. These conditions have diminished the Bank's productivity in Africa, especially now that sub-Saharan African countries can choose to accept zero-condition financing from China.

On his tour, Zoelick has emphasized the importance of regional and sub-regional groups in sub-Saharan Africa. Zoelick's capacity to foster regional relationships is disputable, however, due to his emphasis on bilateral trade relationships as USTR. As USTR, Zoelick used bilateral deals to restrict the use of capital controls and advance U.S. economic interests. Development economists cite this one-sided approach to trade as a source of concern for Zoelick's potential new role with the Bank. Zoelick, however, has emphasized the internationalism of his position and his intention to build multilateral relations while mending the bridges burned during Wolfowitz's tenure. ●

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# AFRICA'S STRATEGIC COMMODITY VALUE-TO TRANSFORM AGRIBUSINESS

< By Josué Dioné >

The central importance of agricultural development for broad-based economic growth, poverty reduction, food security, and sustainable development in Africa cannot be overemphasized. With some 46% of its people living on less than a dollar a day, the continent is among the poorest regions of the world. About 70% of these poor people live in rural areas, and their income and livelihoods depend primarily on agriculture and agriculture-related non-farm activities.

To a large extent, the overall economy of the majority of African countries is determined by agriculture, not only because agriculture employs nearly 60% of the total African labor force, but also because of the strong backward and forward linkages between agriculture and other sectors. As depicted in Table 1, a significant part of non-farm rural and urban employment is linked to agricultural commodity value chains, through many formal and informal enterprises engaging

in activities such as agricultural input, equipment manufacturing and distribution, agricultural commodity processing, transport, trade and marketing, as well as food preparation and retailing.

## A NEGLECTED SECTOR

Despite the strong evidence of the central role of agriculture for overall economic growth and poverty reduction in Africa, the sector has been considerably neglected over the last four decades, suffering from a lack of consistency in the degree of priority and the course of policy for its development, both from African governments and development partners. This neglect



# CHAINS: PRIVATE SECTOR INVESTMENT



resulted from the shift in donor priorities mainly to macroeconomic stabilization and structural adjustment programs. The programs contributed to the erosion of investment in basic infrastructure and productive sectors. For instance, against the 25-30% contribution of agriculture to total Gross

Domestic Product (GDP), the proportion of public spending on the sector decreased from a low 6.4% in 1980 to 4.5% in 2002, while global development assistance to agriculture in the late 1990s also fell to only 35% of its level in the late 1980s.

As a result, African agriculture is one of the most under-capitalized in the world, on technological, infrastructural, and institutional grounds. Only 6% of arable land on the Continent is irrigated, compared to 40% in Asia. Road densities are more than six times higher in Asia than in Africa, a major handicap to effective transportation of various commodities and equipment to rural communities. Likewise, access to other basic infrastructure such as electricity and telephone lines in rural areas is limited. With regard to innovations, African agricultural institutions of higher education, research, and extension are poorly staffed, ill equipped, and under-funded. Adequate financial structures, and enabling policy and institutional environments that meet the needs for private investment in farming, agribusiness, and market chains, are yet to be developed.

The combined effects of these drawbacks include stagnating agricultural productivity, weak backward and forward linkages between agriculture and other sectors, a widening gap between domestic supply and demand, loss of competitiveness in world markets, increased food insecurity, and natural resource and environmental degradation. Today, Africa faces a

paradox: most of its countries' economies are still predominantly agrarian, yet, despite average annual food and agricultural imports of \$25 billion and food aid upwards of \$2 billion, nearly one-third of the total population suffer from hunger and poverty.

## INCREASING PUBLIC SECTOR INVESTMENT

In response to this challenge, the New Partnership for Africa's Development (NEPAD) has conceived and is striving to implement the Comprehensive Africa Agriculture Development Program (CAADP), with the goal to achieve a 6% sustained annual growth of agricultural GDP, developing dynamic domestic and regional agricultural markets and making Africa a key player and net exporter in global agricultural markets. With an estimated investment portfolio of \$251 billion for 2002-2015, the CAADP priorities are articulated around four pillars (*described on p. 14 & 15*).

Since its official adoption in 2003 by African heads of state and government at their Summit in Maputo, the CAADP has received repeated top-level political commitments from subsequent Summits on agriculture and water, fertilizers, and food security. Chief among these is the allocation of at least 10% of national budgets to agriculture and rural development by 2008. Obviously, delivering on commitments to increase public-sector investment is crucial for removing impediments of poor infrastructure and support services, and to unleash Africa's agricultural potential for growth and competitiveness.

## THE NEED FOR INCREASED PRIVATE SECTOR INVESTMENT

In addition to the need for considerable public investment, is the equally important challenge to mobilize private investment to develop the agribusiness sector of the Continent. No doubt, difficulties in this regard are in part associated with major external factors such as commodity price trends and market



volatility, as well as protectionist measures, domestic agricultural support, and export subsidies given to Africa's trading partners. However, these external constraints are compounded by domestic policy and institutional factors, which must be addressed by transforming the current \$25 billion agricultural import tally of the Continent into an investment endowment for agricultural transformation.

First, African food and agricultural systems are characterized by extreme fragmentation along national and sub-regional borders. While being largely closed to each other, these fragmented markets are increasingly open to trade with the world outside the Continent. Within the context of an increasingly global economy, this landscape does not provide economies of scale (to maximize efficiency at the different stages of commodity value chains), economies of vertical coordination (to minimize transaction costs among the different stages of the value chains), and economies of complementary diversification and specialization (among countries and sub-regional groupings) that would allow the realization of full competitive gains for intra-regional and global trade. As a result, the gap between aggregate domestic production and increasing regional demand tends to be filled by imports from non-African countries, while the fragmented national agricultural systems strive to compete in exports aimed primarily at international markets outside the Continent.

Second, in this fragmented regional market landscape, African

farmers are increasingly disconnected, both from input markets (backward) and product markets (forward), primarily because of failure to develop stages of food and agricultural value chains

- namely the agribusiness industry and service stages - that are critical in linking them to the market. To risk investing in productivity-increasing technologies, not only should the information and inputs be accessible and affordable to farmers, but reliable and accessible markets should exist for any surplus output resulting from technology-based productivity gains. In terms of inputs, industrial production of seeds, fertilizers, and other chemical inputs, machinery and other equipment are negligible. Moreover, the demise of public-sector enterprises that previously carried out agricultural input and credit delivery functions, has resulted in a vacuum yet to be filled by the private sector. This is in part due to a lack of adequate capacity, conducive policy, and the inability of the institutional environment to help the private business community operate in such knowledge/skill-intensive and risky fields of business. On the output side, only 10-15% of total agricultural production is



Table 1

	PRODUCTION AND EXCHANGE FUNCTIONS	FOOD AND AGRICULTURAL COMMODITIES									
COMMODITY VALUE CHAIN		Rice	Maize	Legumes	Cotton	Oil palm	Beef	Dairy	Poultry	Fisheries products	
	Input Production	AGRICULTURAL INPUT INDUSTRY									
	Input Distribution	AGRIBUSINESS (Input Market)									
	Farm Production	FARMING SYSTEM									
	Output Marketing	AGRIBUSINESS (Output Market)									
	Output Processing & Product Storage	AGRO-PROCESSING INDUSTRY									
	Transportation	AGRIBUSINESS (Product Market)									
	Trade										
	Wholesale and retail marketing										



marketed in processed products. This contrasts with the increasing effective demand for imported processed food and agricultural products from outside of the Continent, which is fuelled by rapid urbanization and the related urban consumption patterns.

## THE DEVELOPMENT OF REGIONAL VALUE CHAINS

A strategic approach to building regional value chains of strategic food and agricultural commodities would help address the double challenge of creating an optimal regional space for private agribusiness development, and bridging farmers' disconnection from the market. Such an integrated strategy must include a coherent and integrated regional approach to the development of the value chains of selected food and agricultural commodities. These commodities must be strategic in terms of their unexploited production potential with regard to their relative weight in the African food basket and domestic economies, and/or their importance in the interface (trade relations) between African economies and the global economy.

For such strategic commodities, building a common African market that transcends national and sub-regional borders would offer an appropriate economic space for profitable private investments with regional-level economies of scale. Public-private partnerships to create an environment that is conducive to ensuring both profitability and security of regional private investment would further facilitate the development of vertically coordinated regional value chains for such commodities. For instance, the creation of such an environment could proceed from the opening of Preferential Regional Investment Zones in those areas where the greatest unexploited production potential for selected commodities lies. In such zones, the creation of a favorable investment climate through appropriate policy, institutional, and legal frameworks for the development and management of land and water resources, and the provision of the necessary infrastructure and

support services, would grant adequate incentives and security to stimulate regional-scale private investment in agribusiness. It would allow for the emergence of trans-national agribusiness joint ventures capable of mobilizing pooled investment with a view to developing, in a vertically coordinated manner, the different stages of the strategic commodity value chains within legal (contractual) frameworks to safeguard the interests of smallholder farmers.

Some elements of such a strategy are reflected in the CAADP implementation process and related commitments. Chief among these are the commitments to create a common African food market and to accelerate the development of an explicit list of strategic commodities: rice, maize, legumes, cotton, oil palm, beef, dairy, poultry, and fisheries products at the continental level, and cassava, sorghum, and millet at sub-regional level. However, there is still a need to articulate these elements in an integrated and comprehensive strategy. As suggested above, such a strategy calls for an understanding of agricultural development that goes beyond the narrow confines of farming to encompass the vital agribusiness industries and services required for an integrated development of all stages of the value chains of the selected strategic commodities. ●

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*Josué Dioné, Ph.D. is the Director of the Food Security and Sustainable Development Division at the United Nations Economic Commission for Africa (UNECA). Dioné has extensive experience in development policies, strategies, programs, and projects, with a special focus on agricultural and rural development and food security in Africa. He has held several senior professional positions, including Principal Policy Economist at the African Development Bank, Senior Research Specialist and Associate Professor of Agricultural Economics at Michigan State University; and Regional Program Coordinator for Institutional Capacity Building in policy research on agricultural development and food security at the Institute of the Sahel of the Interstate Committee of the Sahelian Countries (CILSS). Dioné can be contacted on [jdione@uneca.org](mailto:jdione@uneca.org)*

# THE COMPREHENSIVE AFRICA AGRICULTURE DEVELOPMENT PROGRAM (CAADP)—UNLEASHING AFRICA'S AGRICULTURAL POTENTIAL

< By Edison Mpyisi >

Agriculture is extremely important as an engine for overall economic development for a rural continent such as Africa. Africa's agriculture sector accounts for 60% of employment, 20% of total exports, and 17% of Gross Domestic Product (GDP). Sustained agricultural growth at a much higher rate than in the past is crucial for reducing hunger and poverty across the Continent. Despite the enormous challenges facing African agriculture, there are reasons for optimism.

At the 2003 African Union Summit in Maputo, African heads of state and government adopted the Comprehensive Africa Agriculture Development Program (CAADP). Under the leadership of the African Union (AU) and the New Partnership for Africa's Development (NEPAD), the CAADP was adopted as a framework for the restoration of agricultural growth, food security, and rural development in Africa. The primary goal of the CAADP is agriculture-led development that eliminates hunger, reduces poverty and food insecurity, and increases exports. Unlike previous programs and initiatives the CAADP is a comprehensive program that recognizes the role of the public and private sectors and encourages public-private partnerships (PPPs).

## COMPONENTS OF THE CAADP

The CAADP has the following specific targets for Africa by the year 2015:

- Improve the productivity of agriculture to attain an average annual growth rate of 6%, with particular attention to small-scale farmers, and especially women;

- Have dynamic agricultural markets within countries and between regions;
- Integrate farmers into the market economy and improve access to markets to become a net exporter of agriculture products;
- Achieve a more equitable distribution of wealth;
- Be a strategic player in agricultural science and technology development; and
- Practice environmentally sound production methods.

The CAADP directs investment to four mutually reinforcing 'pillars' for improving Africa's agriculture.

**Pillar 1:** Extending the area under sustainable land management and reliable water control systems;

**Pillar 2:** Improving rural infrastructure and trade related capacities for market accesses;

**Pillar 3:** Increasing food supply, reducing hunger, and improving responses to food emergency crises; and

**Pillar 4:** Improving agricultural research, technology dissemination, and adoption.

### **PILLAR 1: Extending the area Under Sustainable Land Management and Reliable Water Control Systems**

Reliance on irregular and unreliable rainfall for agricultural production is a major constraint for crop productivity. The percentage of arable land for Africa that is irrigated is 7% (3.7% in sub-Saharan Africa), while the corresponding percentages for South America, East and South-East Asia, and South Asia are 10%, 29%, and 41% respectively. Furthermore, 16% of all soils in Africa are classified as

having low nutrient reserves. Sustainable land management and reliable water control systems - especially small-scale water control systems - will not only provide farmers with opportunities to raise output on a sustainable basis but will also contribute to the reliability of food supplies.

### *Objectives*

- To revert fertility loss and resource degradation, and ensure adoption of sustainable land and forestry management practices in the small-holder and commercial sectors; and
- To improve management of water resources while expanding access to irrigation

### *Indicative Improvements:*

- Reinforcement of national capacities for land administration, including those of local governments, to improve access to land and protect user rights;
- Improvement of national research and extension systems to develop and disseminate conservation-friendly forestry and farming technologies;
- Design and implementation of community-based reforestation and resource conservation programs;
- Interventions in soil health, restoring soil fertility with mineral fertilizers, agro-forestry, cover crops, and green manures;
- Improved management of river basin water resources;
- Enhancement of strategic public infrastructure for water control, thereby creating opportunities for the private sector to invest in irrigation;
- Improvements in small-scale water



- management, including rainfall-harvesting and drip irrigation; and
- h. Greater partnership with farmer organizations and local administrations to manage access to and use of farmland.

**PILLAR 2: Improving rural infrastructure and trade-related capacities for market access**

Improvements in roads, storage, markets, packaging and handling systems, and input supply networks, are vital to raising the competitiveness of local production vis-à-vis imports and for export markets. Investment in these areas will stimulate the volume of production and trade, thereby assisting to generate an appropriate rate of return on needed investments in ports and airport facilities. It is not sufficient any more to only raise production levels, an equally strong focus needs to be put upon the development of the value-chain across most agricultural sub-sectors. Exporting countries within the region need to raise their capacity to participate in trade negotiations and to meet the increasingly stringent quality requirements of world trade.

*Objectives:*

- To meet the quality and logistic requirements of markets focusing on selected agricultural commodities that offer the potential to raise rural (on and off-farm) incomes; and
- To create the required regulatory and policy framework that would spur the expansion of regional trade and cross-country investments.

*Indicative Improvements:*

- a. Enhanced quality control and management systems to facilitate access to quality certification services, promote firm and farm level training, provide export market intelligence, and

- facilitate business partnerships with importing companies;
- b. Expansion of commercial infrastructure and equipment to improve product packaging, handling, and export logistics at the ports and airports;
- c. Promotion of competitive farming and manufacturing technologies and practices;
- d. Building industry-to-industry linkages, strengthen supply chain linkages that enable rural communities to participate in markets;
- e. Development of agricultural sector and trade policy surveillance systems to effectively monitor and remove barriers to trans-border commodity movement; and
- f. Collection and dissemination of information on regional trade flows as well as trends in regional commodity markets.

**PILLAR 3: Increasing Food Supply and Reducing Hunger**

The critical importance of improving food security is based on the recognition that 27% of the African population suffer from chronic hunger and malnutrition. The CAADP in this regard intends to pay special attention on investments that will respond to the growing frequency and severity of food emergency crises, in addition to focusing on long-term development interventions.

*Objectives:*

- To establish national, well managed, and regionally coordinated food reserves and early warning systems that would allow African countries to respond in a timely and cost-effective manner to food emergency crises;
- To reduce malnutrition in school children through provision of nutritious diet supplementation; and
- To expand local demand and stimulate production by smallholder farmers.

*Indicative Improvements:*

- a. Establishment of country-level emergency food reserve stocks sufficient to meet three months of food needs during emergency-induced food shortages;
- b. Enhancement of regional financial reserves to finance large-scale food emergencies;
- c. Provision of basic school lunch meals that are nutritionally balanced to 1 million school children in poor and vulnerable areas; and
- d. Improved storage facilities and transport equipment.

**PILLAR 4: Agricultural Research, Technology Dissemination, and Adoption**

It is widely recognized that the most effective way to reduce poverty and improve food security in the long run is to raise the productivity of resources that poor people depend on for their livelihood. In the case of most African countries, these resources are agricultural land and labor. Furthermore, the option of agriculture-led development and the objective of a 6% agricultural growth require a more rapid and sustained increase of productivity in the agricultural sector.

*Objectives:*

- A sustained flow of technologies, which are suitable to meet the challenges of African agriculture;
- National agricultural technology systems that are responsive to opportunities and constraints facing farmers;
- To mobilize the potential of cassava and other strategic commodities to contribute to food security and income generation among African countries.

*Indicative Improvements:*

- a. Improved capacity of farmer

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# CCA'S PRIVATE SECTOR AGRIBUSINESS INITIATIVE

## CCA'S AGRIBUSINESS INITIATIVES PROGRAM

The goal of CCA's Agribusiness Initiatives Program is to improve the investment landscape, and the commercial sustainability of agriculture-based value-chains in Africa. Initially, the program will implement a project through a generous grant from the United States Agency for International Development (USAID)'s Public Private Agriculture Initiative (PPAI). Under the grant, CCA will assist in the implementation of Pillar 2 of Africa's Comprehensive Africa Agriculture Development Program (CAADP), by organizing private sector interests and actions. Rural infrastructure and trade-related capacities for improved market access are key elements of CAADP - Pillar 2.

CCA will focus on:

- a) Strengthening the capacity of the Regional Economic Communities' (REC's) to sustain public-private partnerships and foreign direct investment;
- b) Engaging the private sector in order to increase its voice in the policymaking process; and,
- c) Facilitating business and trade linkages regionally and globally to benefit African agricultural producers and the U.S. agribusiness community.



**T**he *Africa Journal* spoke to Joyce Cacho, Ph.D., Director, Agribusiness Initiatives Program. Cacho strongly supports Africa's

move to an integrated approach to agriculture catalyzing economic growth.

### 1) How do you see the agriculture production and more importantly agribusiness industries underpinning economic growth in Africa?

Statistics indicate that 80% of Africans are involved in agriculture. Smallholder farmers, principally in rural areas, make up a large portion of the often noted "80%". The CAADP shifts efforts from a singular focus on production agriculture to investment, infrastructure, and building institutions that are critical in enabling markets to coordinate supply and demand. Application of the value-chain framework, and the focus on Regional Economic Communities (RECs) are instrumental to

harnessing the additional economic bounce from economies of scale and size.

The value-chain strategy offers the opportunity for farmers and other food value-chain stakeholders to apply knowledge and pool risk, to improve product quality consistency, and reduce volatility in the food supply for unmet consumer demand.

### 2) Considering the subsidies that are given for agricultural production in many G8 countries, how can African farmers compete in globalized markets?

Subsidies in G8 countries are components of an integrated agriculture commodity, commerce, international trade, and domestic regulatory strategy that historically was centered on domestic food security. This is very different from the segmented framework between agricultural production, marketing, and trade that development agents have advocated.

The best chance for African farmers to compete in a commoditized, global economy, is to become integrated in the CAADP strategy and the underpinning

value-chain and intra-Africa, regional trade focuses. Finance products that pool risk and rely on the reinforcing nature of value-chains are pivotal, especially in rural areas. Farm level competitiveness in Africa needs to be enhanced by simultaneous investments in infrastructure and other mechanisms to link demand to production.

### 3) What are the investment opportunities available to U.S. businesses in African agribusiness?

Historically, the link between U.S. and African agribusiness has been disaster relief. The ability of the U.S. agricultural system to fill grain gaps at times of acute human need is important. However, today the U.S. opportunity in Africa's agribusiness lies in investment in agricultural transforming technology, financing, and consumer marketing. Investing know-how embedded in the U.S. agriculture value-chain and financial capital in Africa, brings commercial and social returns into reach.

### 4) Is there a market for African agricultural-based products in the U.S.?

The markets in the U.S. where Africa's agriculture-based products can compete are in niche areas, such as organic foods, where U.S. consumers are willing to pay for the transportation costs for certified products, especially for highly perishable vegetable products. Another niche market in the U.S. for Africa's natural resources is the high margin and growing cosmetics industry. The highly competitive U.S. alcoholic beverage market continues to appreciate uniquely African wines, such as Pinotage, and 'old world' wines from Africa. Note that hides, a by-product of organized beef cattle value-chains in Africa, are raw material of the leather goods industry.

U.S. niche markets are important, but principally as a component of a portfolio of markets for Africa's agriculture-based products. Niche markets offer opportunities for initially low volumes and high margins, that will decline unexpectedly with shifts in

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**(CAADP)—UNLEASHING AFRICA'S AGRICULTURAL POTENTIAL** *Continued from page 15*

- organizations to participate in the generation and dissemination of agricultural technologies, in particular through more proactive partnering with the research and extension systems;
- b. Improved efficiency, accountability, and sustainability of the national agricultural technology generation and advisory systems;
- c. Development of efficient market chains for the delivery of agricultural technologies and inputs;
- d. Development of effective regional organizations (associations, networks) of producers/technology users, research institutions, technology suppliers, and policy makers, to facilitate efficient technology transfer across countries;
- e. Enhanced capacity of commodity chain institutions;

- f. Improved technology development and dissemination; and
- g. Improved access to finance for agricultural research and technology development.

**ENABLING ENVIRONMENT FOR THE CAADP—STAKEHOLDER SUPPORT**

At the 2003 AU Summit that adopted the CAADP, African Heads of State and Government demonstrated unequivocal political backing for the CAADP by pledging to allocate at least 10% of their national budgets to agriculture and rural development and a number of countries have already achieved this target. Africa's development partners have also signaled their willingness to provide technical and financial support, for example, at Gleneagles, at the United Nations (UN),

through the Commission for Africa, and in many other ways.

Since the adoption of CAADP in 2003 there have been many activities and initiatives in its implementation. Most of the African Regional Economic Communities (RECs) and many countries have developed strategies and action plans for the implementation of CAADP at the regional and national levels respectively. Another key initiative was the Food Security Summit during December 2006. In terms of improving regional trade, some of the Regional Economic Communities (RECs) have established Free Trade Areas (FTAs) and are in the process of creating customs unions. ●

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# INCENTIVES TO INVEST IN AFRICAN AGRIBUSINESS

< By Teigue Payen >

**S**mall-to medium-sized U.S. companies exploring investment opportunities in African agribusiness, can apply to South Africa's Industrial Development Corporation (IDC) for financing. Teigue Payen reports on the IDC's current projects in agriculture and agribusiness, and highlights some of the opportunities available to U.S. companies.

The Food, Beverage and Agro Industries Unit of the IDC has a number of attractive propositions for medium-sized food processing companies that want to improve their financing structures and embark on new projects in South Africa or on the rest of the African continent.

"We can provide funding to U.S.-owned companies if they invest within South Africa or the rest of the African continent," said Rian Coetzee, head of the Unit.

The mandate of the Food, Beverage and Agro Industries Unit is to create jobs and expansion capacity in South Africa, in support of the objectives of the Accelerated and Shared Growth Initiative for South Africa (AsgiSA). The IDC generally opts to support industries that are labor-intensive, have demand-driven growth potential, and high-value products. It also favors and encourages Black Economic Empowerment (BEE) deals, but they are not a requirement. Historically, the Unit has been known for its investments in edible nuts, citrus, table grapes and wines.

## HORTICULTURE

Typically, horticulture as an industry meets all the IDC requirements for investment. The Food, Beverage and Agro Industries Unit already has a number of joint venture projects in horticulture, particularly around the cultivation of berries.

"There are opportunities currently arising in pistachio processing and in processing lower-grade nuts," says Coetzee.

More recently, the Unit has concentrated on berries because these fruits are even more in line with consumer trends - the products are healthy, have high value, and their production is labor-intensive as these fruits have to be harvested by hand. Berries are also much quicker to grow than nuts, and counter-seasonal for North American and European export sales. Like

nuts, berries are generally highest in value when they are sold raw, but there are always some grades which are suitable for processing. Coetzee says that among the value-adding opportunities in berries are possibly freeze-drying and the production of ingredients for yogurts and other products.

In the Unit's first berry project in George, Western Cape, the first trees have been planted and harvesting will begin in 2010. This project, which will focus on blueberries, will employ 400 people. The second berry project at Amajuba, KwaZulu-Natal, will employ 600 people and should receive the go-ahead this year. A third project, which will employ 6,000 people, is being planned for Stutterheim in the Eastern Cape.

Another similar area of development for the Unit is pomegranates, where there are likely to be more processing opportunities, particularly in juice-making.

Other horticulture opportunities for the Unit include apples, flowers, citrus, persimmons, cherries, and sub-tropical fruit. A persimmons project is already on its way with a confirmed Israeli business partner. In citrus the Unit is looking at the establishment of a pectin industry (made from the rinds of citrus, using existing technology to replace imported products), and it is currently measuring the market in South Africa and the rest of the Continent. The Unit is looking for a citrus processor that has suitable capacity and logistical abilities.

The IDC also has a fund dedicated to horticulture-related projects called the Pro Orchards Scheme, to encourage value-addition to horticultural products. The scheme allows for financing at prime minus 2.7%, a five year capital repayment moratorium, zero financing fees, and the possibility of capitalizing some of the interest.

## BIOFUELS

Related to its development criteria, the IDC is an early developer in the biofuels area.

With the Central Energy Fund (CEF), it has embarked on feasibility studies for various biofuel projects in several South African provinces directed at sugar, beet, sweet sorghum, and cassava. The first two studies should be completed by the end of 2007.

Coetzee believes the biofuel projects might have economic potential. However, he is somewhat concerned about maize-based biofuels projects, partly due to the considerable amounts of coal used in maize conversion to sugar for fermentation, which defeats the environmental objective.

The IDC is encouraged by the initial results of sweet sorghum as a complementary crop to cane. Coetzee said some cultivars created in India have good sucrose levels and trials are currently being conducted on sweet sorghum in the Eastern Cape.

## OTHER AGRIBUSINESS INVESTMENTS.

In fishing and aquaculture, the IDC has investments in abalone, fish packing, and canning. At Hout Bay in the Western Cape, it has backed the establishment of a fish-packing and processing plant by Bluefin Holdings, a group of black women with

access to fishing quotas.

The IDC is also becoming heavily involved in essential oils. Through its exhaustive due diligence tests, it has "become absolutely convinced that any essential oils production must be organic in order to reap premium prices," says Coetzee. The IDC is going ahead with a pelargonium project in Louwsburg that will account for 2% of the world's production of pelargonium essential oil and it will employ 200 people.

Currently 71% of the IDC's R1.8 billion investment portfolio in food, beverage, and agro industries is in primary agriculture: 15% in food processing, 9% in "other," and 6% in beverages (mainly wine). Of the Unit's R1.8 billion investment portfolio, 20% is outside of South Africa in the rest of Africa. In those countries, the IDC plays a more commercial role, with an overall objective to accelerate foreign direct investment there.

The Unit is particularly involved in sugar

developments in Mozambique and Kenya. It also has macadamia nut and tea operations in Malawi.

The Unit is continually looking to raise the amount invested in food processing, and is therefore particularly interested in medium-sized companies that require finance. Primarily, the Unit wants to encourage more value-addition.

In terms of financing a deal, economic development and BEE are leading criteria for the Unit. Coetzee said the IDC usually considers cash flow, as opposed to commercial banks that primarily considers security. The IDC also follows a thorough due diligence process before a company will be approved. ●

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*Teigue Payne is the editor of the Food & Beverage Reporter, a South African publication dedicated to [www.developetechnology.com](http://www.developetechnology.com)*

## CCA'S PRIVATE SECTOR AGRIBUSINESS INITIATIVE *Continued from page 16*

U.S. consumer preferences, their willingness to pay, and/or changes in U.S. importing policy. Local/regional markets in Africa, and the closer proximity to consumers, offers opportunities for higher volumes and lower margins. A key advantage of local/regional markets is reduced vulnerability to dramatic shifts in consumer tastes and preferences. Coherent, complementing marketing, investment, and trade policies are required for either the niche export, or the regional demand strategies to deliver economic growth in Africa.

### 5) How can CCA members and other private sector companies get involved in the new Agribusiness Initiatives Program?

CCA member involvement in the Agribusiness Initiatives Program is pivotal to implementing tactics for partnering with Africa's private sector for investment in new projects, as well as scaling-up/scaling-out pilot projects that are typically funded by the CGIAR<sup>3</sup> and G8-headquartered philanthropic organizations. As such, CCA

members are invited to join any of the committees of the CCA Agribusiness Task Force. (The committees are: Branding, Membership Recruitment, Agriculture and Business Policy & Industry Development, and Conferences & Summit.)

### 6) Any other thoughts/remarks?

CCAs Agribusiness Initiatives Program can partner in catalyzing Africa's economic growth by working with Africa's private sector and Regional Economic Communities (RECs), on sound implementation of the CAADP. It is an opportunity that is timely for U.S., and other G8 headquartered companies because of almost stagnant growth in their mature, home markets. Africa's emerging markets are gearing-up for increasing investment in existing food industries, a beehive of innovation activity by African entrepreneurs is on-going, and financial capital markets that are increasingly accessible to more Africans through public offerings associated with privatization programs. It is this combination of diverse markets that makes CCAs Agribusiness

Initiatives Program the conduit for positive change in the U.S. and in Africa. ●

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*1 Africa's Regional Economic Communities are, (1) Community of Sahel-Saharan States (CEN-SAD); (2) Common Market for Eastern and Southern Africa (COMESA); (3) East African Community (EAC); (4) Economic Community of Central African States (ECCAS/CEEAC); (5) Economic and Monetary Community of Central Africa (CEMAC); (6) Economic Community of West African States (ECOWAS); (7) Intergovernmental Authority on Development (IGAD); (8) Southern African Development Community (SADC); and, (9) Arab Maghreb Union (AMU/UMA). Initially, CCAs Agribusiness Initiatives Program will focus on COMESA and ECOWAS.*

*2 Based on data from World Development Indicators 2007 On-line; World Bank. Low income countries' population is estimated to be 2.3 billion. High income countries' population is estimated to be 1.0 billion. The majority of countries in the 'low-income' group are in sub-Saharan Africa.*

*3 CGIAR, is the acronym for the Consultative Group on International Agricultural Research, established in 1971. It is a strategic partnership of countries, international and regional organizations and private foundations supporting the work of 15 International Centers.*

# AFRICAN GROCERIES ON



< By Claire O'Connor >

No doubt just like you, I have spent some time in Africa and lots of energy espousing the virtues of more trade with Africa. I thought it about time to practice what I preach and buy more products from African vendors or produce made in Africa. Easier said than done.

I can help fight HIV/AIDS if I buy a 'Product Red' t-shirt from The Gap made from cotton grown in Lesotho. I can help provide clean water for children if I buy Ethos bottled water from Starbucks. I can even help save Darfur by downloading a remake of John Lennon's Instant Karma CD. But how can I help farmers throughout Africa grow their business if I can't find fresh produce or processed foods from Africa when I buy my weekly groceries?

In my quest for African groceries on U.S. shelves, I found that Trader Joe's stocks coffee from Ethiopia and wines from South Africa. Whole Foods sells several blends of coffee from Africa under their Allegro brand, including blends such as Ethiopia Yergacheffe, Kenya Grand Chu, and Yemen Mocha. They also stock black tea from Kenya. It is harder to ascertain

whether the more mainstream supermarket chains such as Ralphs in Southern California, Shaw's in Boston, or the Winn-Dixie chain in the south-east stock produce from Africa. Occasionally one might find oranges or other fruits from South Africa in these chains. Certain Ralphs stores stock peppadews, a sweet chili pepper unique to South Africa. In Safeway, one might find Ceres fruit juices from South Africa.

In addition to South African wine and Ethiopian coffee, there are other success stories. For example, imports of cut flowers from Kenya to the U.S. market have seen a 50-fold increase in five years: from \$21,000 in 2001 to \$1.06 million in 2006. Essential oils from Kenya saw a 100-fold increase from \$3,000 worth of imports in 2001 to \$355,000 in 2006. Although the value may seem small, the growth is

significant. The value of dairy imports from both North Africa doubled and from sub-Saharan Africa (SSA) tripled from 2001 to 2006 - from \$456,000 to \$902,000 and from \$515,000 to \$1.6 million in SSA. There was a massive increase in the value of imports of rice from Egypt in 2006. Peanuts from Mozambique are often cited as an instructive case study. Though these farmers and entrepreneurs are to be congratulated, there is plenty of room for more success stories.

Figures show a steady increase in the value of agricultural imports from SSA - from \$757 million worth in 2001 to \$1.25 billion in 2006. The bulk of these imports are made up of sugar and tropical products such as cocoa, tea, coffee, and horticultural products such as fruit - mostly of the citrus variety, nuts, and vegetables. Agricultural imports from North Africa

# THE U.S. SHELVES



totaled \$200 million in 2006. While the value of imports from SSA has increased, why has their proportion of world imports to the U.S. remained at just under 2%? And why was SSA the only region to see a decline in imports from 2005 to 2006 - just over 3%?

Where are these products going if not on the shelves of my local supermarket? Indeed, most products exported from Africa remain in their natural form, allowing companies in other countries to process and package the product and reap the rewards, higher up the value chain. In this way, produce imported from Africa finds its way into our homes as the raw ingredients into processed products, without us even knowing. South Africa's rooibos tea, a red tea grown only in South Africa, is sourced from abroad, and then blended into several mainstream brands, for e.g. Celestial Tea. Jason's Organics, a popular natural beauty product brand, also uses red tea as an ingredient. Burts Beeswax, another organic beauty brand, uses marula oil from Southern Africa's marula fruit in their conditioners. Who knew? West African shea butter is also a well-known ingredient in several U.S.

brands and private labels.

South Africa is a key target of the Produce Marketing Association, an international trade association for produce and mass-market floral marketers, according to Kathy Means, the head of government relations. "We have members from around the world, and South Africa is one of our target countries because of its strong fresh produce industry. Imports of South African fruits and vegetables are important to the North American market. South Africa has done its homework when it comes to understanding the North American market and being able to meet its needs." South Africa is not only self-sufficient in virtually all major agricultural products, but most years it is also a net food exporter. The country's main export commodity is quality wines - in which South Africa has a growing reputation. The country also benefits from contra-seasonal production meaning it can produce products when northern hemisphere countries can not. Because produce is fresh it is highly dependent on seasonality, but this should be a comparative advantage for the entire region, not just for South Africa.

What of the future and the rest of the Continent? Professor Ray Goldberg, the George M. Moffett Professor of Agriculture and Business Emeritus at the Harvard Business School, has spent a lifetime analyzing the changing structure of the domestic and global food system. Prof. Goldberg is optimistic. He says, "The developed world's approach to agribusiness in Africa is changing. It is characterized by two factors: first, every major firm wants to do something for Africa. Second, there are all sorts of incentives from American and African governments to provide markets for produce and products from African countries. Many trade institutions provide subsidies and grants to promote imports from African countries." Incentives such as

the African Growth and Opportunity Act (AGOA) grants duty-free, quote-free access too many products imported to the U.S. from Africa. Three trade hubs in Africa sponsored by the U.S Agency for International Development (USAID) promote U.S. - Africa business linkages. The World Trade Organization (WTO) is this month consulting with business leaders on its 'aid-for-trade' initiative which channels more aid to building trade capacity in developing countries and tackling the obstacles vendors face in getting their goods to market - be it in the next town, neighboring country, or North America.

Many challenges remain. For African vendors, getting the required certification to export agricultural products to the U.S. is a timely and costly process and often seems impossible from a phytosanitary point of view. Continuous food scares and product recalls in the U.S. makes this ever more difficult and reinforces trends towards locally-grown produce. Granted, geography is also working against Africa. The transit route from sub-Saharan Africa to southern California is not the most direct. But if trade, not aid, is the best route out of poverty for Africa's millions, consumers in the U.S. must be able to get their hands on groceries from SSA in their local supermarkets.

As a consumer, I would like more U.S. supermarkets to stock African produce so I can support agribusiness in Africa and the millions of jobs dependent on it. As a part of the U.S.-African business community, you can help too. The next time you cater a board meeting or a conference specifically request wine from South Africa, coffee from Ethiopia, tea from Kenya and other products made in Africa. We've come along way from when the world came together to help feed the people of Africa, now Africans can help feed the world - if we let them. ●

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*Claire O'Connor, Principal, Rising Tide International, LLC - an economic development consulting firm based in L.A. specializing in international and sustainable projects.*

# TECHNOLOGY IN AFRICAN AGRICULTURE: DIVERSE APPROACHES

Agriculture takes place across Africa under a wide variety of conditions, and is critically important to the economy and food security of the Continent. By engaging in strategies as diverse as the region itself, business can contribute to basic food security and help to develop emerging markets. Tailoring products, business models, and partnerships to different customer groups is essential.

**W**ell over half of Africa's population is involved in agriculture in some way, making this sector critically important to the economy and food security of the Continent. The environment is a key factor in agricultural productivity. In Africa, not only is the base of natural resources especially fragile in many places, but severe drought occurs approximately every eight years on the African Continent. Global climate change could further intensify weather variations.

As it is, agricultural productivity in Africa varies widely from season to season. Take the case of maize, the primary grain grown for human consumption in sub-Saharan Africa (SSA). On average, there are ten times less yields of maize in Africa than in the United States. But even those yields can

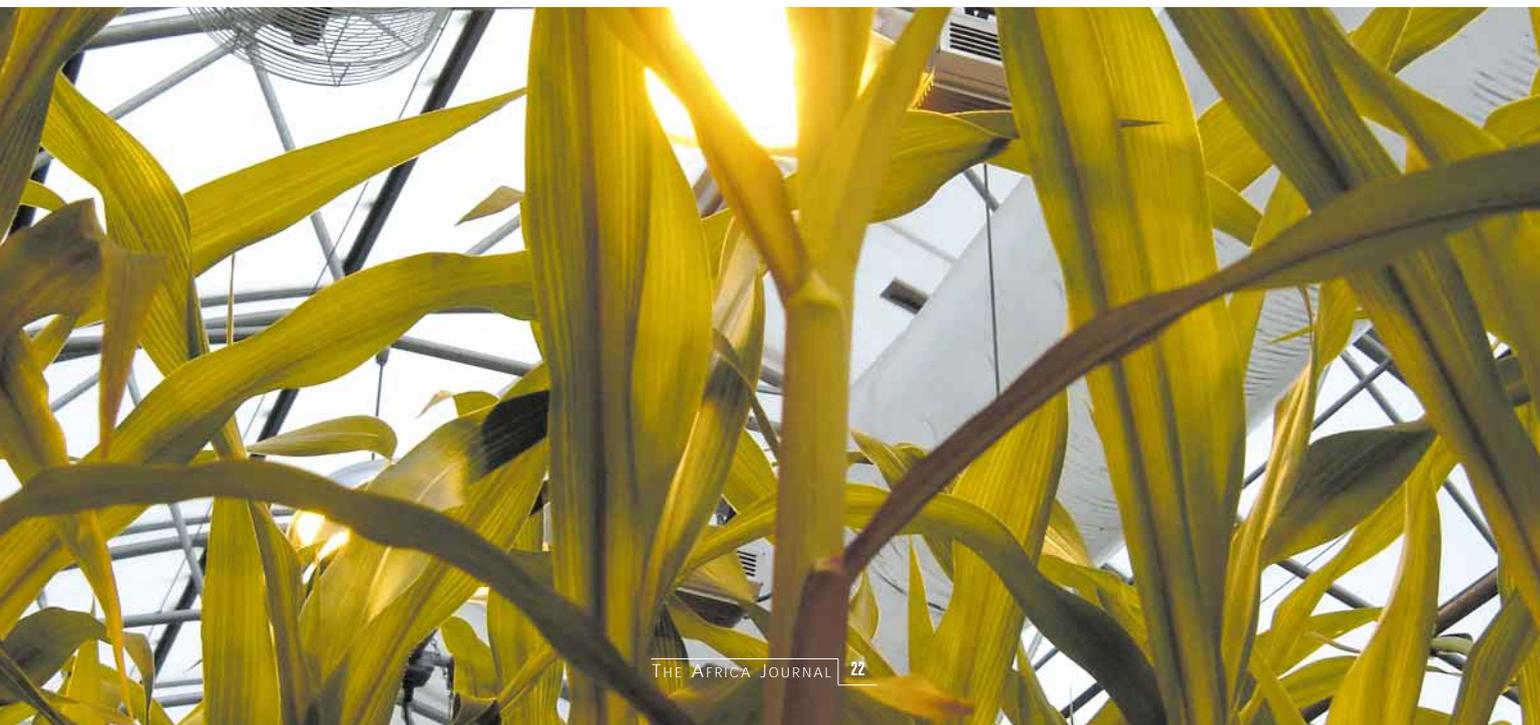
vary 20% or more from year to year.

Despite these challenges to agriculture in Africa, business can contribute to basic food security and help develop emerging markets by engaging strategies as diverse as the region itself. Monsanto has been active in developing and providing high-quality seed, technology, and crop protection products for farmers in Africa over the past 50 years. As a result of that experience, the company has learned that tailoring products, business models, and partnerships to different customer groups is essential.

## COMMERCIAL CUSTOMERS

One customer group is composed of the large-scale commercial farmers who

operate relatively large areas of land with advanced farm technology, equipment, and management. For example, the average farm size of major customers of corn seed and technology in South Africa is over 1000 acres. Around half of these farmers make use of biotechnology traits to help manage insect and weed pressure in their fields, supporting South Africa's position as a reliable supplier of grains to neighboring countries on the Continent in times of need. These customers can be served and helped to be more productive by the kinds of product development and marketing activities used in other well-developed markets. Other commercially stable customers of agricultural inputs, such as herbicides used by farmers in Nigeria, Kenya, and other countries, can be served in the same way.





## TRANSITIONAL FARMERS

There are also farmers, in South Africa and across the Continent, who may have access to markets and inputs, and who produce enough to provide for themselves and sell most years, yet they remain vulnerable to poverty and food insecurity when conditions are challenging. These 'transitional' farmers can benefit from coordinated offerings - products that are packaged in a special way or bundled with financial services - by the private sector along with other organizations. Access may be facilitated until farmers are profitable enough to move into a fully commercial mode, for e.g. voucher programs (*described below*). Beyond subsistence grain crops, these farmers eventually produce enough to have surplus grain sold into the local market, and obtain livestock, vegetables, and even off-farm activities to provide additional income.

One of the challenges in reaching this transitional farmer segment is to provide seed, fertilizer, and other inputs when needed, without harming the nascent businesses of the small input traders. These 'stockists' can be the most sustainable distribution channel serving smallholder farmers in rural areas. Novel strategies are being developed to do this, by issuing targeted poor farmers with vouchers that they redeem from their local input dealer for discounted seed and fertilizer. This serves the dual purpose of expanding access to agricultural inputs for the poor, while also supporting the growth of small private input traders. In Malawi and Kenya, Monsanto has participated in voucher programs that have enabled thousands of farmers to access affordable inputs through their local stockist, boosting both food security and business development.

## SUBSISTENCE FARMING

Farmers engaged in subsistence agriculture, are most vulnerable to variations in the environment and climate. In times of acute need, emergency food aid is the primary response. Other times, donations of seed, other inputs, and services can be a sustainable way to help those who would otherwise have no reliable access to quality inputs and no resources to allow participation in conventional markets. The private sector developers and suppliers of inputs can partner with governments and donor organizations to ensure that products and training on best management practices go together, to help very poor farmers escape poverty.

One example of this is the excellent work of the Millennium Villages project run by The Earth Institute at Columbia University and the United Nations Millennium Project, which is working in more than 75 villages in ten different countries across Africa. A series of investment activities in health, food production, education, access to clean water, and essential infrastructure are designed by the communities, working with experts. These programs are supported by a wide range of partners, including the private sector, who give according to their strengths. Monsanto has made a five-year commitment to donate approximately 240 tons of maize seed each year to Village programs, enough to reach 24,000 small holder farming families, and has also contributed vegetable seeds. The Millennium Villages Program ensures the seed is coupled with access for resource-poor farmers to other tools needed for successful agriculture: fertilizer, extension services, credit, markets, and knowledge of best management practices for their local environment.

While different business models and partnership strategies are needed to reach

these different kinds of farmers, improved technologies can help stabilize and increase agricultural productivity in Africa for farmers in all three categories. Access to high-quality hybrid maize and vegetable seeds, along with best management practices such as appropriate fertilizer and water use, can mean a doubling of yield for subsistence or transitional farmers. Conservation tillage practices can reduce labor in the field and improve the resilience of the soil.

Biotechnology products, such as insect-resistant corn and cotton, which have been in use around the world for over ten years, have made substantial contributions to increased yield in South Africa. There is great promise for their use in other countries in Africa as they move toward regulatory approval and adoption of these same products.

The future is even more promising for farmers in Africa, with technology in development in the U.S. which could help stabilize the yields of crops such as maize under drought conditions. With the right partnerships, mindful of the different conditions of Africa's farmers and their fields, this technology should be introduced in Africa in a shorter timeframe than previous technologies.

While no single strategy will be able to lift up the productivity and profitability of agriculture in Africa, the business community should develop targeted partnerships to introduce the technologies that will support Africa's potential. ●

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&lt; By Matthew Edwardsen and Barry Fisher &gt;

# FROM FIBER TO FABRIC: IMPROVING THE COMPETITIVENESS OF AFRICAN COTTON

Like all cash crops in Africa, cotton has a history riddled with success and failure. From production to processing, cotton is highly politicized. Underlying the politics is a crop typically grown by smallholder farmers that is a major contributor to the livelihoods of many east and southern Africans. With those producers and the complex value chain they supply in mind, the United States Agency for International Development (USAID), through its Nairobi-based Regional Agricultural Trade Expansion Support (RATES) project, has undertaken several key initiatives since 2003 to improve the local, regional, and international competitiveness of the cotton and textile sectors.

From the onset, the private sector drove the project, and the results have been staggering. Regional trade of cotton and textiles in eastern and southern Africa rose from \$253 million in 2001 to \$325 million in 2005, thanks in part to a cotton and textile trade portal, [www.cottonafrica.com](http://www.cottonafrica.com), developed by the USAID-funded RATES project. The portal's focus is the supply of regionally produced lint, yarn, and fabric to the textile, weaving, knitting, and apparel sectors. To that end, the portal boasts more than 770 registered traders and \$435 million in business transactions has been posted since 2004.

As is the case with all technology, the organization behind it makes it a success.

## TRADE FEDERATION FOR COTTON

Formed in 2005, the African Cotton and Textile Industries Federation (ACTIF) is a regional trade body established by the private sector with assistance from the RATES project. The Federation represents the sub-Saharan Africa cotton value chain in the global marketplace. As a federation of businesses, its goal is simple: to increase business linkages, trade, and investment.

Within weeks of its inception, ACTIF became the principal African cotton and textile organization involved in the renewal of a key piece of U.S. legislation linked to trade in Africa: the African Growth and Opportunity Act (AGOA). At question was not the renewal of AGOA, but rather the inclusion of language relevant to ACTIF members. A high priority was to maintain momentum of the apparel sector by ensuring that fabric suppliers were retained in the AGOA renewal, while promoting the inclusion of textile products as eligible for duty-free entry. Recognizing the importance of these concepts and other textile-related aspects of the AGOA legislation, ACTIF members drafted an AGOA white paper. The paper contained five key elements linked to growth of the African cotton and textile sectors, presenting a unified African position based on the interests of the textile and apparel sectors. ACTIF's position was presented to

the U.S. Congress in the summer of 2006, which negotiated and debated it throughout the summer and fall. When the legislation was signed into law, three of ACTIF's five recommendations were included - a notable step in the process of protecting and improving AGOA.

## ORGANIC COTTON

For ACTIF though, the proof of its success in policy facilitation and trade promotion is increased investment. One subsector where investment has taken off has been organic cotton and textile production. Across Uganda, Tanzania, Mauritius, and Kenya, significant investments have been made from farms to factories. In northern Uganda, Dunavant Uganda Ltd. is helping to improve livelihoods of more than 40,000 vulnerable cotton farmers in 300 villages through the promotion of organic cotton. This activity, which is one of the largest group organic certification schemes in Africa, will allow the cotton farmers of northern Uganda to earn 30% more per bale than conventional cotton. From the organic cotton processing side, Kampala-based Phenix Logistics Uganda Ltd., has witnessed 100% growth in its organic business. As the only mill spinning certified organic cotton in east Africa, it has developed export markets in Kenya, Tanzania, Mauritius, Ethiopia, and the

United States. Given significant infrastructure investments underway at its factory, it is poised to meet future demand by Europe and Japan.

## PREFERENTIAL TRADE AGREEMENTS

Such successes have not led ACTIF to scale back its activities. It is instead moving ahead with an ambitious and strategic agenda. Having proven itself as adept at influencing international trade policy, its next target is the European Union. As trade agreements between the European Union and Africa are set to expire at the end of 2007, ACTIF is working with its members to develop a unified position on cotton and textiles for new Economic Partnership Arrangements between the European Union and African countries. As with the AGOA white paper, the definition of the origin of cotton/textile products is important. ACTIF plans to submit a white paper on rules of origin to the European Union that will reflect a unified and balanced position between the interests of the textile and apparel sectors.

## GMO COTTON

ACTIF also recognizes that without a sustainable cotton supply, preferential trade arrangements mean little. As such, it is engaged in several activities to promote sustainable cotton production. One component of ACTIF's production enhancement agenda is Genetically Modified Organism (GMO) cotton. Although there is little debate over increased yields of GMO cotton, everything



else surrounding GMO cotton is contentious. Even if the cost of field trials can be overcome, the most significant hurdle on the adoption of GMO crops is government approval. To overcome these barriers, ACTIF is working with the governments of each ACTIF member country to promote a technology-driven approach to the GMO option and to assist where required in the GMO policy formulation process.

Analogous to improving on-farm production practices is supporting textile manufacturers within ACTIF member states through the identification of investment and financing opportunities. As [www.cottonafrica.com](http://www.cottonafrica.com) has branded itself as the principal way to link suppliers to buyers of African cotton and textiles, ACTIF decided that another Web portal was required to promote investment and financing. To that end, [www.actifafrica.com](http://www.actifafrica.com) was created. As the official web site for the federation,

[www.actifafrica.com](http://www.actifafrica.com) will house information on investment and financing opportunities for African and non-African firms. Applying the same supplier and buyer networking principles as [www.cottonafrica.com](http://www.cottonafrica.com), the site will also promote the purchase of second-hand textile equipment by ACTIF members from sellers in the United States and the European Union. The site will also feature a section promoting firm-to-firm links between ACTIF members and non-African investors. This aspect of the web site will seek to overcome one of most common barriers to trade between Africa and developed countries, and within Africa itself: the lack of information about viable investment opportunities.

Knowledge and innovation are shared across ACTIF countries and with business partners outside of Africa via the promotion of business-to-business partnerships. Through these relationships, based on mutual trust between suppliers and buyers, and aided by a motivated and responsive industry federation, Africa's cotton and textile sectors will continue to flourish—from fiber to fabric. ●

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# ENHANCED MARKET EFFICIENCY

< By Bill Guyton >

Cocoa trees need careful tending to be truly productive. Decades of underperformance in tree crop farming have affected the rural economy of the tree crop region of Nigeria. Cocoa, a major export cash crop for Nigeria, suffered a serious setback as result, with Nigerian production dropping to 180 metric tons of cocoa. Those who had a stake in the business of cocoa realized the need for an innovative approach to improving productivity at the farm level.

In 2002 the World Cocoa Foundation began working with the United States Agency for International Development (USAID), the cocoa and chocolate industry, and other partners to support the Sustainable Tree Crops Program (STCP). The program aims to improve the economic and social well being and the environmental sustainability of tree crop farmers, including cocoa farmers, in West and Central Africa.

## FARMER FIELD SCHOOLS: UNDERSTANDING THE COCOA BUSINESS

The Sustainable Tree Crops Program, operating in cocoa communities in Nigeria, Cameroon, Cote d'Ivoire, Ghana, and Liberia, has reached over 50,000 farmers over the last four years through farmer-to-farmer communication as well as farmer participation in group sales arrangements.

From 2003-2006, STCP-Nigeria worked with national partners to demonstrate innovative approaches to improving the productivity of cocoa farms through the Farmer Field School approach and strengthening farmer organizations for effective member services and profitable trade engagements.

The farmer field school approach involves farmers' active participation in understanding that cocoa trees can be taken care of in a manner that will increase the trees' productivity, leading to an increase in farm family income. The approach is not only helping farmers develop effective agricultural practices but also assisting with financing of fertilizers, tools, and other inputs necessary to produce a healthy, high quality crop.

Cross River State, Nigeria, is one example. In 2005, STCP-Nigeria began a pilot farmer field school under the auspices of the USAID-funded Sustainable Practices in Agriculture for Critical Environments (SPACE) project. Sixteen communities in Cross River hosted the schools, which graduated 480 farmers.

# FOR NIGERIA'S COCOA SECTOR

Once farmers graduated from the field schools they were interested in going a step further. Could their new farming skills be combined with collective marketing strength? The standard practice in Nigeria is for farmers to receive pre-harvest supplies from a specific buyer. They are then obligated to supply this buyer with their cocoa crop.

But new cooperative arrangements developed with Farmer Field Schools are changing the dynamic. The Tonikoko Farmers Cooperative Multipurpose Union, organized with STCP assistance, is made up of 33 societies with a total of 3000 farmer members. The cooperative itself is helping farmers finance tools and fertilizers. STCP Nigeria is helping the union in identifying buyers and monitoring data on prices and sales. By working together, the farmers are learning to negotiate with buyers and make informed decisions about how and when to get the best prices for their crops.

STCP helped organize another cooperative in Ondo State, Nigeria after farmers graduated from a Farmer Field School there in 2006. One of the Society's female members, Ekundayo Gbajumo, observed, "We have learned to view cocoa farming as a business and are determined to earn a better living from it."

Cocoa buying company Olam Nigeria has contributed to the cooperative revitalization program. The SPACE program used STCP to train farmers in Osun state and Cross River. SPACE, implemented by Associates in Rural Development, then worked to set up cooperatives involving 125 villages and 2285 farmers. Olam Nigeria has since stepped in to help, providing working capital loan, seedling, and capacity building through training programs.



## WHAT'S IN IT FOR FARMERS AND BUYERS?

Farmer members of the cooperatives have learned that by banding together and treating tree crop farming as a sustainable business, they can enhance their family's income growing cocoa and other tree crops. Buyers have an easier time collecting a quality, uniform available crop and have the assurance that quality cocoa will continue to be available in Nigeria.

## PARTNERSHIPS

Established in 2000, the World Cocoa Foundation plays a leading role in strengthening the partnership between industry and cocoa farmers. With nearly 60 member companies, the World Cocoa Foundation supports a range of economic, social, and environmental programs in cocoa communities in Africa, Asia, and Central and South America. A unique aspect of the World Cocoa Foundation is that while its members are in competition along the supply chain, they are working together on programs that focus on raising farm incomes, encouraging sustainable cocoa growing and

strengthening communities.

the World Cocoa Foundation and its members realize that encouraging sustainable agriculture practices, combined with educational support, community development, and the increase of family income leads to more stable environments in which to cultivate a crop important not only the chocolate industry, but also to millions of farm families around the world.

Despite recent declines in total cocoa production throughout the country, Nigeria remains the fifth largest producing country in the world. The World Cocoa Foundation hopes to have a vital impact on the country's rural economy by working with farmers to recover from recent crop losses.

Programs like Farmer Field Schools, the development of farmer organizations, and other tools offered to farmers will lay the foundation that can lead to success for farmers as well as the cocoa and chocolate companies throughout the supply chain. ●

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*Bill Guyton is the President of the World Cocoa Foundation, private sector, non-profit organization focusing specifically on farmer outreach, environmental, and business linkage programs. [www.worldcocoafoundation.org](http://www.worldcocoafoundation.org)*

# BIOFORTIFIED SORGHUM: THE PROMISE OF IMPROVED HEALTH AND NUTRITION

Sorghum is a dietary staple for more than half a billion people around the world, but it lacks essential nutrients and is not easily digested. Sorghum is an important staple crop because of its unique ability to grow in dry environments where irrigation is not accessible or affordable. Millions of people, and especially children, in sub-Saharan Africa suffer from health problems associated with vitamin and mineral deficiency; however, arid climates with poor soils cannot support the food needed to supply these nutrients.

**P**ioneer Hi-Bred, a DuPont business, is partnering with Africa Harvest as the scientific lead institution on the Africa Biofortified Sorghum (ABS) Project. Pioneer donated the initial technologies valued at \$4.8 million to help the project aimed at improving the nutritional value of sorghum, a staple crop in Africa. The ABS Project is funded by a grant to Africa Harvest from the Grand Challenges in Global Health initiative, with a budget of \$18.6 million over five years. The Grand Challenges in Global Health Initiative is funded by the Bill & Melinda Gates Foundation, the Foundation for the National Institutes of Health, the Wellcome Trust, and the Canadian Institutes of Health Research.

The ABS project provides a “promising long-term solution - using biofortification - to fight hunger, malnutrition, and poverty in Africa,” according to Pioneer scientist Paul Anderson, Ph.D. and principal investigator of the project. The project places nutritious seeds into the hands of the poor who reside in remote areas.

Arid climates with poor soil cannot support the fruits, vegetables, and grains needed to naturally supply essential vitamins, minerals, and other nutrients.

Sorghum is one of the few crops that grows well in arid to semi-arid climates, but it is deficient in most essential nutrients, and is difficult to digest when cooked.

“The ABS project is focused on further developing sorghum that grows well in harsh climates but also delivers more benefits to the consumer,” said Africa Harvest CEO, Dr. Florence Wambugu, who is also the project coordinator.

If successful, in the long term, the project could help improve the health of 300 million people in Africa. “This is a life-changing project that could save a lot of lives,” said Getu Beyene, a post-doctoral research fellow at the Center for Scientific and Industrial Research (CSIR) in Pretoria, South Africa, who has recently joined the scientists at Pioneer headquarters in Johnston, Iowa, to focus on ABS project research and development. The CSIR is the bridge from the scientific community within Pioneer to Africa - to ensure that the technology is properly transferred to and implemented in Africa.

The nutrients ABS is targeting with its biofortified sorghum are necessary for sorghum to deliver a higher nutritional

value by providing higher levels of vitamins A and E, micronutrients such as iron and zinc, and essential amino acids such as lysine, while improving digestibility.

Significant malnutrition exists in Africa - millions suffer from an invisible form of hunger known as micronutrient deficiency. It is estimated that half of the population of sub-Saharan Africa suffers from iron deficiency, a third from zinc deficiency and 90% of children in the region receive inadequate amounts of vitamin A.

Inadequate intake of these and other essential micronutrients can cause impaired immune systems, blindness, low birth weight, low cognitive development of children, impaired neuropsychological development, and general body stunting.

## IMPROVED SORGHUM NUTRITION

Researchers at Pioneer developed a technology to improve the nutritional value of sorghum. The technology produces a grain with 50% more of the essential amino acid lysine compared to traditional sorghum. Having sufficient amounts of lysine in the diet is important for health.

This is the first biofortified sorghum to be developed. A unique combination of trait improvements will target the most important nutritional needs in a single package, while simultaneously making the sorghum grain easier to digest when cooked. Improved food digestibility is an important benefit for people that suffer from insufficient calorie intake. No other nutritional sorghum improvement effort is currently able to deliver as comprehensive a solution as this one.

## PROJECT HELPS BUILD AFRICAN SCIENTIFIC CAPACITY

The ABS project is designed to support African science and technology development through human and infrastructural capacity building. The project has a strong focus on technology transfer and capacity building for African scientists.

African scientists are conducting research for the project on the Pioneer campus in Johnston, Iowa. To date, four scientists have participated. They have learned new techniques and have contributed to research and development efforts for ABS #2, the next generation of African bio-fortified sorghum. These scientists will also contribute to improving the nutritional value of crops in their home countries on return.

## DELIVERY OF BIOFORTIFIED SORGHUM RELIES ON TECHNOLOGY ACCEPTANCE

Biotechnology is a long-term solution to creating more nutritious sorghum since conventional breeding cannot produce nutritionally improved sorghum that meets the health needs. The ABS team is focused on improving the environment for the ongoing development and delivery of biofortified sorghum in Africa. The ABS team is committed to conducting all necessary studies to ensure the safe and effective introduction of biofortified sorghum, and

to openly sharing the results. They have offered workshops and visits to participating ABS Project facilities as a means to communicate scientific and other supportive findings. They continue to reach out to stakeholders and leverage synergies from related projects.

## AFRICAN-LED, GUIDED BY INTERNATIONAL EXPERTS

The ABS project is an Africa-initiated, Africa-led consortium, that pulls from a diverse, international base of knowledge and experience. The ABS consortium, a strategic alliance of nine member organizations, is a tremendous example of leveraging the best of private, public, and academic sectors to deliver technology that will help fight malnutrition in the developing world. An African-based biotechnology organization, Africa Harvest, is partnering with scientific teams from Pioneer and the CSIR in South Africa to make this project a reality.

The project member organizations include Africa Harvest; Africa Agricultural Technology Foundation; CSIR; Forum for Agricultural Research in Africa; International Crops Research Institute for the Semi-Arid Tropics; DuPont, through its subsidiary Pioneer Hi-Bred International; University of Pretoria; University of California Berkeley; and the Agricultural Research Council of South Africa.

The project is well structured, with multiple milestones and deliverables, and very specific roles for each member organization. Funding from the Grand Challenges in Global Health initiative is closely linked to the delivery of the milestones and the adherence to good laboratory, green house, and field practices, as clearly stipulated in the project policy manual, according to the Project Manager, Dr. James Onsando. The ABS Project team has also developed an access plan to ensure that any

improved sorghum strains developed by this project are made freely available to the poorest of the poor in Africa.

The ABS project receives ongoing feedback and advice from an external advisory board, comprised of internationally-renowned scientists and other highly-regarded subject matter specialists and consultants.

## PROJECT SUPPORTED BY THE GRAND CHALLENGES IN GLOBAL HEALTH INITIATIVE

The ABS Project is funded by a grant from the Grand Challenges in Global Health Initiative, with a budget of \$18.6 million over five years.

The Grand Challenges initiative was launched by the Gates Foundation in 2003, in partnership with the National Institutes of Health, to help apply innovation in science and technology to the greatest health problems of the developing world. The ultimate goal of the initiative is to create "deliverable technologies" - health tools that are not only effective, but also inexpensive to produce, easy to distribute, and simple to use in developing countries.

## ONE OF FOUR PLANT NUTRITION PROJECTS

Grand Challenge No. 9 focuses on improving nutrition to promote health through four plant nutrition projects: banana, cassava, rice, and sorghum. The goal of this challenge is to create a full range of optimal, bioavailable nutrients in a single staple plant species. The nutritionally improved plants challenge provides a unique opportunity to explore technology that could make a difference but may not have occurred otherwise. ●

*Keep posted on the ABS Project by checking for updates at [www.supersorghum.org](http://www.supersorghum.org).*

# BOOSTING MALI'S MANGO EXPORTS THROUGH PUBLIC-PRIVATE PARTNERSHIPS

<By Laura Harrington >

In the last 20 years Mali's exports of mangos to Europe declined under pressure from countries such as Peru and the Côte d' Ivoire who have gained increased market share. However, today collaboration among many organizations is boosting Mali's mango export potential. Producers and exporters, the Malian government, development partners such as the United States Agency for International Development (USAID), the Dutch Centre for the Promotion of Imports from Developing Countries (CBI), the World Bank, the Dutch government, and international supermarket chain Royal Dutch Ahold - all are playing a role.

During 2005, Ahold purchaser Bakker Barendrecht visited Mali for the first time, and the idea of test shipments supervised by Ahold staff developed. To ensure test shipments met Ahold's standards, Mali needed to meet two conditions. First, the mangos needed to be pre-cooled as Ahold purchases only mangos shipped via sea freight. At the time, pre-cooled mangos were impossible as Bamako lacked a proper conditioning and cooling station. Second, exporter cooperatives needed to be in an advanced stage of Euro-Retailer Produce Working Group's Good Agricultural Practices (EurepGAP) certification, which is adhered to by nearly all large supermarkets in Western Europe.

In 2006 Mali's potential to export on a large scale via sea increased significantly. The Malian government provided two hectares of land for the new conditioning/cooling station, Périmètre Logistique Aménagé en Zone Agricole (PLAZA), located in the industrial airport zone of Bamako. The

Dutch Embassy in Mali agreed to contribute one million euros to construct the station.

Previously Malian exporters relied on air shipments of one to two tons, considerably smaller than the minimum 20-ton containers used for sea shipments. Air shipments are substantially cheaper to finance and much easier to organize logistically. For example, harvesting the increased tonnage (that is, one ton for air versus 20 tons for sea) of mangos in one day, additional conditioning standards, and an additional 12 hours to pre-cool the mangos increase the complexity of orchestrating a sea shipment.

USAID, the World Bank, and CBI began to help Malian producers and exporters to improve their ability to respond to market demand. Mango exporters in Mali had previously been supply-oriented. They were slow to respond to new market requirements for quality. These international development agencies have focused on improving quality standards, orchard maintenance, post-harvest handling including identifying suppliers of harvest crates and shipping carton packaging, sorting and grading, certification, and developing a national traceability system. They have also provided

organizational development support to exporters, consolidators, and producers, who had to form legal cooperative entities as part of the certification process. Thus far one exporter in Mali is EurepGAP-certified and five more are in the final stages of certification.

With Mali now meeting the two pre-conditions, Ahold is conducting test shipments for 200 tons (ten containers) of mangos for a minimum 2.5 euros per 4kg carton during the 2007 mango campaign (approximately April through June). To help ensure successful shipments, Ahold has contributed to this venture. Its logistical manager facilitated the transport arrangement, and its pack house manager is overseeing work at the PLAZA for mango grading, conditioning, cooling, and packing. In addition Ahold's pack house manager is mentoring Malian pack house managers and workers during this three-month shipping season.

Though early in the process, the outlook for mass export of Mali mangos is positive. Three of the ten containers have been shipped for their approximately 13-day journey to the Netherlands and one has arrived. Two of the first three exporters who shipped their produce have achieved a 93% acceptance rate at the pack house. Mali is on its way to providing mangos for one of the largest supermarket chains in Europe and the U.S., and may soon be exporting other tropical fruits and horticulture products from the PLAZA. ●

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www.chemonics.com*



# HYBRID SUNFLOWERS: DRAMATICALLY INCREASING UGANDAN FARMERS' INCOME

< By Matthew Edwardsen and Mark Wood >

**B**usiness and investment confidence is returning to northern Uganda after decades of conflict. One local company, Mukwano Industries Ltd., with the support of the United States Agency for International Development (USAID)-funded Agricultural Productivity Enhancement Program (APEP), saw the new business climate as an opportunity to locally source an alternative to imported vegetable oil. Its initiative has provided tens of thousands of internally displaced persons returning to their homes with hope for a better life.

The key to the mutual success of the farmers and Mukwano is a hybrid variety of sunflower that produces twice the oil content per acre as the traditional variety. As a successful uptake of the hybrid variety by farmers requires many different incentives, Mukwano and APEP worked together to develop a platform that would secure the investment of all parties involved. Their approach consisted of the establishment of extension and logistics services, elimination of middlemen, provision of hybrid sunflower seeds, and a guaranteed purchase. These incentives

have led to an enthusiastic adoption of the hybrid variety by farmers.

In a region where payments by farmers for seed are almost unheard of, farmers linked to Mukwano's outgrower scheme now purchase their seed several months in advance. The choice to buy seed in advance was made simple for them, as the hybrid variety is imported in limited quantities from South Africa, if farmers do not prepay for the hybrid seed, participation in the Mukwano scheme can not be guaranteed. Given the profitability of involvement in the scheme most farmers view involvement as a must. To date, the 34,000 participating farmers have witnessed their household income increase nearly 30%, with collective net earnings in the past three years of more than \$3.7 million.

Nevertheless, there are no signs that the sunflower boom in northern Uganda will slow soon. Through collaboration with international seed suppliers, a hybrid sunflower seed will be produced in Uganda in the coming years. As participation by farmers is limited only by availability of the

hybrid seed, it is envisioned that more than 100,000 farmers will participate in the program in the next two years due to the local production of the hybrid variety.

As one of the keys to Mukwano's successful relationship with the farmers has been a guaranteed market and price for the hybrid variety, the company is investing in a multi-million-dollar oil processing plant in northern Uganda so it can keep up with significant increases in production. As noted by Mukwano's managing director, Alykhan Karmali, "we have empowered the farmers to grow." ●

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# RAIN AFRICAN SPA: SUPPLYING A NICHE MARKET FOR NATURAL INGREDIENTS

< By Cherie Flowers >

Rain African Spa, a personal care and cosmetic company from South Africa, recently attended the exclusive industry-only, International Esthetics, Cosmetics and Spa Show during June in Las Vegas, Nevada. CCA's South African International Business Linkages program (SAIBL) funded by the United States Agency for International Development (USAID), assisted the company to exhibit at the show.

Rain is making an imprint on the cosmetics and natural products industry with its range of lotions and creams that contain natural ingredients. Currently, the U.S. market is experiencing an unprecedented increase in demand for natural products and plant ingredients and/or extracts. The company's product line ranges from an assortment of foot creams, soaps, and bath salts, to luxurious body masks, and other wellness gifts.

At its debut appearance at the Show, Rain exhibited its high quality products formulated with indigenous ingredients from South Africa. Rain products not only provide customers with aromatic benefits, they also promote general health and wellness. Below are just some of the ingredients and the benefits that can be found in Rain products:

- **Baobab tree:** Oil from the Baobab tree is used to strengthen nails and give hair added shine. Baobab oil also revitalizes the skin, it is excellent for scalp care, stretch marks and eczema, and has six times the Vitamin C content of oranges.
- **The Kalahari melon:** An ancestor to the watermelon, the Kalahari melon is known to the San tribes as the Tsamma Melon. This plant grows in the sands of the harsh Kalahari desert and is known for its life-saving water content. The extraordinarily water-retentive seeds are used to enhance many of Rain's moisturizing products.
- **Mongongo nut:** Archaeological evidence shows that Bushman communities have used these nuts for over 7000 years. During the dry Kalahari winters, the nuts are ground and rubbed over the body to clean and moisturize the skin. The nuts also supply nutrients to skin.
- **The Marula tree:** In addition to being brewed to make a potent drink, this tree produces a fruit that is high in natural protein, minerals, and vitamins. Marula kernel oil naturally moisturizes, softens, and revitalizes skin.
- **Mafura Butter:** Used throughout Southern Africa to soothe bites, wounds, and irritated skin, Mafura butter is naturally rich in essential fatty acids. It is known for its anti-aging properties.
- **African Khoigoed:** Also known as the Everlasting or Immortal flower, the African Khoigoed is found across most of Southern Africa. Early settlers used the plant for its healing and anti-fungal properties. It improves skin conditions and reduces scarring and discoloration of the skin.
- **Cape Chamomile:** Indigenous to the mountains of South Africa, Cape Chamomille is an exquisitely blue oil valued because of its fragrance, and used in high quality fine fragrances.

Exhibiting at the Spa Show has allowed Rain to introduce many of these ingredients to U.S. spa owners, retail shops, and consumers for the first time. Rain has continued to successfully capitalize on the new niche-market demand for natural products and cosmetics in the United States. Next Rain will exhibit at the New York International Gift Fair from August 11-16, 2007. ●



# THE CHANGING FACE OF THE SOUTH AFRICAN WINE INDUSTRY

< By Judith A. Chambers, Ph.D. >

In 1994, the world stood witness to South Africa's historic transition from apartheid to democracy. While the years of apartheid struggle were well documented in the media, the recent, quiet progress of South Africa's democracy, especially in the area of global trade, is a story less well known. Nonetheless, it is a story worthy of note, as South Africa attempts to match its political progress with economic progress for its historically disadvantaged population. Among those sectors of the economy showing a leadership role in the march towards economic transformation is the South African wine industry.

Wine production, a dominant industry in the Western Cape, has a long tradition in South Africa, dating back to the 17th century when the Dutch established a trading center in Cape Town. However, until the abolishment of apartheid, the industry remained parochial in nature since wine exports were blocked as a result of the global economic sanctions placed on the country. The demographics, as in other sectors of the economy, mirror the legacy of apartheid, dominated by a black and colored labor

force which has had little real equity participation in the industry itself.

In 1999, attempts to transform the wine industry, and create opportunity for the historically disadvantaged workforce began in earnest with the creation of the South African Wine Industry Trust (SAWIT [www.sawit.co.za](http://www.sawit.co.za)). SAWIT, in line with the government's broad-based Black Economic Empowerment Act (BEE), has a mandate to support and uplift the historically disadvantaged wine workforce and its communities across the entire wine value-chain, and to assist new entrants into the market through the provision of funding and expertise.

Among the various programs which SAWIT has undertaken is a Wine Education/Training Program, which supports previously disadvantaged individuals to obtain formal qualifications and to participate in exchange programs. A program with the Burgundy region of France is in its sixth year of operation.

In 2006, SAWIT initiated its first training and exchange program with U.S. wineries. The wine regions of Monterey, CA and Charlottesville, VA were chosen for the pilot program, in part due to the

progressive attitudes prevalent in both regions. After a rigorous screening process before a committee of South African and U.S. wine and education professionals, ten historically disadvantaged apprentices were selected for the U.S. program. The program, which lasted approximately ten weeks, consisted of a two week academic course at Piedmont Virginia Community College, which was designed to acquaint participants with the intricacies of the U.S. wine industry and market. Apprentices then spent the remaining time in a hands on experience at hosting wineries - five were placed in VA and five in CA. Hosting U.S. wineries ranged from small (2000 case per year production) wineries to large corporate wineries. One intern in California was placed within the Monterey County Vintners and Growers Association to accommodate her interest in wine marketing. Of the ten interns, four were women and six were men. Interns were exposed to state-of-the-art practices in winemaking as well as to the business of running a wine operation and gained an appreciation for the breadth and width of the U.S. wine industry - with exposure to the polar opposite appellations in Virginia and California. All apprentices received a certificate of completion for their training and have since returned home. SAWIT continues to mentor their progress and professional development. To continue the program, SAWIT has since established a sister foundation in the U.S., the United States South Africa Wine Foundation (USSAWF [www.ussawine.org](http://www.ussawine.org)). Through an intensive public awareness and fundraising campaign, USSAWF hopes to expand the training program to include training in viticulture, marketing, and wine hospitality. ●

U.S. Wineries and Organizations	South African Wineries
<b>California</b>	Beyers Truter Estates
Blackstone Winery	Cabriere Estate Winery
Cima Collina Winery	Distell Group Ltd
Hahn Estates	Douglas Green Brands
Monterey Cty Vintners & Growers Ass.	Oranjerivier Wine Cellars
Scheid Vineyards and Winery	Paul Cluver Estates
<b>Virginia</b>	Rustenberg Wine Estate
Afton Mountain Winery	Waterford Estate
Barboursville Winery	Weltevrede Winery
First Colony Winery	Withoek Winery
Jefferson Vineyards	
Kluge Estates and Winery	
Piedmont Virginia Community College	

*Judith Chambers is the U.S. Program Director of the South African Wine Industry Trust. To learn more about the Foundation e-mail [info@ussawine.org](mailto:info@ussawine.org).*

# ALL EYES ON NIGERIA

This time a year ago in this column, I urged readers to maintain a careful vigilance on Nigeria because of the forthcoming elections. The elections have now come and gone but the vigilance will need to be maintained, for sadly Nigeria's much anticipated poll did not cure any of Nigeria's open sores. In fact, the manner in which the election was conducted and the resultant uproar have made a bad situation worse.

Let's start with the positives: this marked the first time that Nigeria has conducted three elections in a row (1999, 2003, and 2007) without interference from the military since the country's independence. Civilian rule, which began in 1999 with the sudden demise of General Sani Abacha, looks like it is here to stay. No one in Nigeria is clamoring for a return of the generals but there is deep unhappiness and disenchantment at the quality of the civilian government.

President Obasanjo spent the first half of last year trying to strong-arm the Nigerian parliament into letting him change the constitution so that he could stay in power. When the parliament surprisingly won the showdown, Obasanjo switched tactics and focussed his attention on making sure that his successor was his man. As a result, the election became little more than a transfer of power within a ruling clique.

The winner, Umaru Yar'Adua, was a complete unknown 12 months ago without a national political base who went on to win an astonishing 70% of the poll in what international and Nigerian observers said was a very flawed process. The

Commonwealth Observer



Mission said the elections "fell well short of the standards Nigeria had achieved in 2003." The EU mission said that the election "fell far short of basic international and regional standards for democratic elections." The Nigerian Bar Association and the Nigerian Labour Congress called the election the "worst ever" and the "most rigged in Nigeria's history."

In some areas, ballot papers arrived with the name of the ruling party, the People's Democratic Party (PDP), already checked; in other places - usually areas where the PDP was weak - the papers did not arrive at all. There were numerous examples of official election agents being bribed, allowing underage and repeat voting and not putting security seals on the boxes. One of the most troubling breaches was that none of the presidential ballot papers had serial numbers, so there was no way of connecting ballots to individual polling stations creating multiple opportunities for fraud. Four days before the presidential poll, armed men from the state security service raided the leading private TV station, threatening staff and taking away tapes. None of this bodes well for Nigeria's future as a beacon of democracy in Africa.

Despite having his face plastered across a million billboards, Umaru Yar'Adua remains an unknown entity. The one small consolation is that he is a Muslim from the North of the country, whereas Obasanjo is a Christian from the South. This should do something to dampen the North/South antagonism. He also has no military background, another welcome break with the past. However, he is widely seen as a cipher for Obasanjo who will continue to remain a formidable political presence behind the scenes and he is rumored to be unwell, having reportedly suffered a heart attack during the campaign. If Yar'Adua is forced to step down because of ill health, it could trigger a constitutional crisis given the sense of illegitimacy surrounding his election in the first place.

In the Delta, it was hoped that a

transparent election might encourage Movement for the Emancipation of the Nigerian Delta (MEND) to give up their weapons and seek restitution through more traditional political means; instead, what has happened is the opposite. In the days that followed, MEND sent a strong signal about its future intentions by seizing 28 oil workers and blowing up three pipelines in what was a well coordinated attack MEND said the election was a "sham...the worst in the history of black Africa." The new Vice President, Jonathan Goodluck, comes from the Niger Delta which could increase the amount of federal support for the region. But if the past is any guide, precious little of that support will ever reach the people in need.

What Nigeria is witnessing is the growth of one party rule, similar to the emergence of Institutional Revolutionary Party (PRI) in Mexico. In this kind of political environment, the ruling party controls nearly all the sources of wealth and the levers of power so that anyone wanting to make money or have some influence has little alternative but to join the party. Why has the anger and resentment result not spilled onto the streets? Where were the nationwide protests? The truth is that the opposition in Nigeria remains very fragmented; there is no Vaclav Havel or Nelson Mandela to rally around and instead there is a myriad of competing regional and special interests which the ruling party divides and conquers.

It would be a tragedy if the most lasting effect of this election was to accelerate the sclerotic decay of one of Africa's most vibrant political cultures. After such a flawed process, it is certainly going to be difficult for Nigeria to dispense advice to others on democracy. Nigeria is arguably Africa's most important nation, but it has seriously undermined its own political credibility and the implications not just for Nigeria but for the entire region could be severe. ●

*Tom Carver is Senior Vice President at Control Risks, a risk consultancy which has helped clients operate successfully in Africa for 20 years. His email is tom.carver@control-risks.com*



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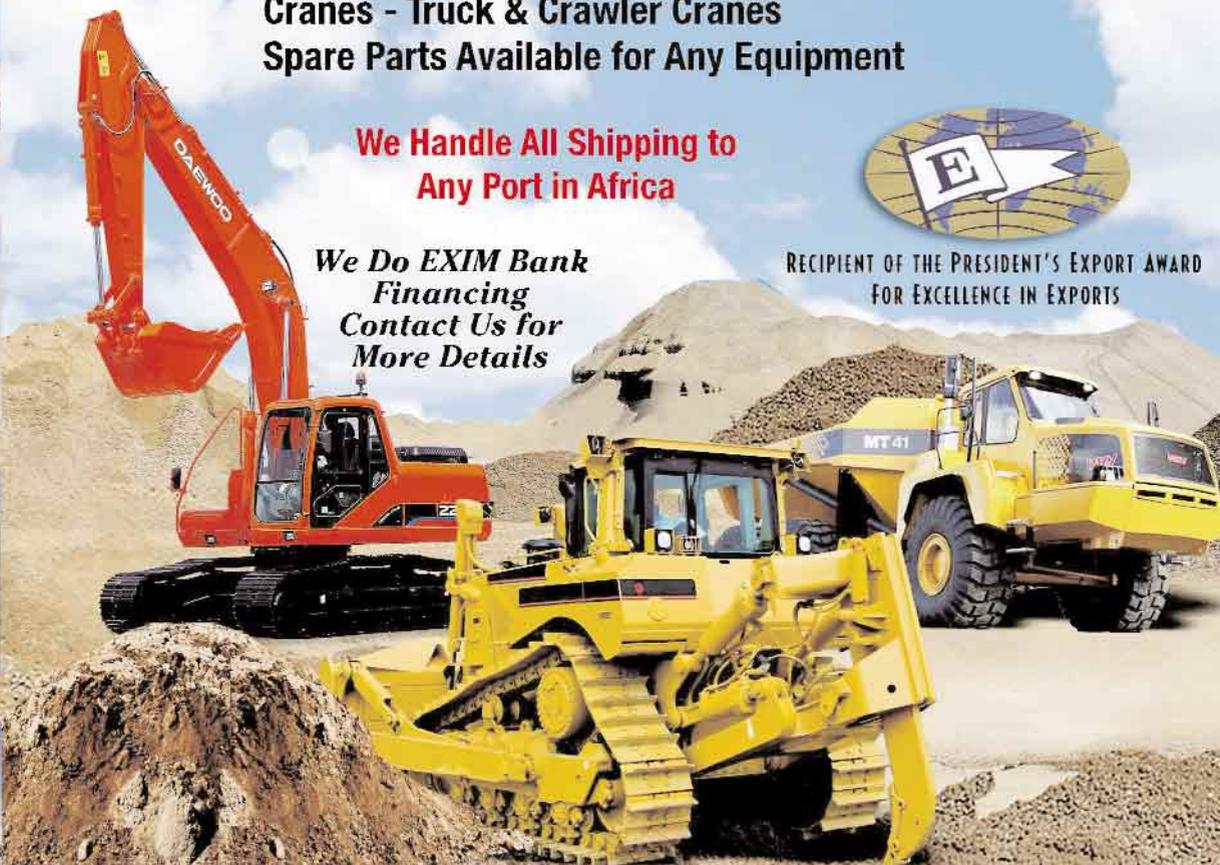
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# DJIBOUTI: USING TRADE, FOREIGN DIRECT INVESTMENT, HORN OF AFRICA

< By Ambassador Lange Schermerhorn and Dr. J. W. Wright, Jr. >

**D**jibouti has long been considered a country with little to offer the global economy. But that was before Dubai Ports World (DPW) saw enough opportunity there to make a major investment in the Djibouti Port, and before the U.S. decided to position a Combined Joint Task Force for the Horn of Africa (CJTF-HOA) in Djibouti. Djibouti has 'location, location, location' to sell. The DPW and CJTF-HOA investments simply began to prove it. Now other logistical support firms are investing heavily, the country is now a central food aid distribution center, and it boasts a new luxury hotel.

Djibouti has had tremendous investment promotion success over the last five years and is now one of the leading FDI areas in Africa. Its government has decided to use its Red Sea position and proximity to Ethiopia to the West and the Arab Gulf to the East, as the driving theme for major investment promotion. But it also recognized that location alone is not enough, so over the past five years it established a Djibouti Free Zone (DFZ), and a new, more modern, foreign investment regime that would support new direct investment into that Zone.

In addition, there have been significant moves to liberalize and facilitate trade with Ethiopia. There have been agreements to co-locate customs operations at the Djibouti Port. The two countries are also working towards adopting harmonized clearance and inspection documents and procedures. The DPW is building 'joint' facilities at the new port at Durlaleh so goods can

transit freely into the Ethiopian market. Such innovations lower overall distribution costs, and the positive impacts will extend across the Horn of Africa.

Djibouti's investment promotion success since 2000 has been phenomenal. The main catalysts have been the DFZ and leading investments in it by such groups as Dubai Ports World and, more recently, by Bahrain Maritime and Mercantile International (BMMI), and parallel investments such as the Kempenski Hotel. The second driver has been expansion of CJTF-HOA base and supporting investments by firms like Halliburton.

But the government and potential investors have other things to consider. In terms of gross investment and volume of containers transferred, all is well and good. If reforms of investment rules in the DFZ are considered a model that can be used for the rest of the country possibly in agreements with Ethiopia, the outcome is also good. If, however, growth is seen through the lens of development and measured by the degree of local employment generation, the results are not so impressive. Unemployment is excessively high and there has been no real move to address workforce development problems.

## WORKFORCE DEVELOPMENT

Djibouti wants to emulate Dubai, and while the gap between the two is wide, the model for solving Djibouti's problems can be found in the Dubai model. That

model was and is based on economic analysis of the types of investors they wanted to come to Dubai, mainly in the higher level services, and to focus on educating both public and private sectors on the roles of government and in regional service sector economies. Along these lines, Djibouti should:

- Communicate to local businesses and foreign investors what sectors will be developed by the government and what sectors will be developed by the private sector, and focus new investment promotion activities accordingly.
- Invest heavily in developing a base of analysis and data production skills so that the private sector can identify economic opportunities and trading relationships for investment.
- Develop integrated strategic plans wherein ministries, municipal agencies, and the Chamber of Commerce can jointly promote regulatory efficiency and public-private partnerships.

In Dubai, the result has been a steady flow of investment from companies ranging from Cisco to Halliburton, and other major international companies that operate around key distribution hubs; notably, these are also global firms that have been early investors in Djibouti. Needless to say, Djibouti is still far from being on par with Dubai, and its workforce issues are very different. Still, by creating a comprehensive investment promotion strategy that focuses on services and workforce development, its growth can translate into greater local and regional jobs creation.

# AND WORKFORCE PLANNING TO DRIVE GROWTH IN THE

The biggest concern of potential foreign direct investors is probably the state of the workforce in Djibouti. According to a 2002 report on Djibouti's competitiveness by the United States Agency for International Development (USAID), one of the critical constraints "is a workforce that is largely illiterate, lacking in formal education and bereft of the knowledge and skills required by a modern economy." That assessment remains true today. Therefore, to expand investment and the local benefits of foreign investment, workforce education and training in Djibouti must be upgraded. Djibouti could readily undertake the following activities to enhance workforce development:

**Assess next generation skill sets with labor demand study:** Efforts to upgrade skills must be based on projected investment priorities and labor demands. Djibouti should survey potential investors to gather data on the next-generation skills they will need, compare the results with available training opportunities, and identify gaps and priorities.

**Strengthen adult and vocational education:** The national vocational college system should establish pilot programs in areas such as automated stevedoring, data entry systems, construction electronics, and port operations. The programs should include train-the-trainer and faculty-to-factory activities that upgrade teacher training skills and broaden businesses' access to consulting services.

**Establish a polytechnic college:** Using the Dubai Chamber of Commerce and Industry model—that is, having local and

foreign investors not only utilize but assist in funding the college, the Djibouti Chamber could institutionalize its training activities in a British-style polytechnic with certification and licensing programs in aviation management, maritime operations, and public administration.

**Engage and train suppliers:** Foreign investors often prefer to procure goods and services locally, but often fail to do so because of concerns over quality, timeliness of delivery, reliability of volume commitments, and adherence to contract stipulations. Djibouti (and its Chamber) should engage its local suppliers in a comprehensive program of supply chain training and technical preparation.

**Develop Global Development Alliances (GDAs):** USAID often uses GDAs to provide seed money for developing initiatives local and international investors will potentially fund in the future, such as setting up new training centers for distribution hubs in developing countries.

**Engaging youth through YES programs:** Youth Entrepreneur Service programs have provided sector-specific training to secondary school and college students and places them in internships with businesses or local associations. Students learn technical skills on the job and are asked to fulfill a social support requirement, applying what they have learned in community service.

Djibouti has set the stage for exponential growth. By partnering with groups such as Dubai Ports World and BMMI, the country's leadership has proven itself savvy at investment promotion. By

creating the Djibouti Free Zone and engineering a less burdensome regulatory environment, it shows openness to trade and foreign investment. And by taking a prominent role in leading its neighbors to peace—especially Somalia, but also Ethiopia—it has demonstrated a commitment to regional stability (also true of its work with CJTF-HOA). Simply put, no other country in the Horn of Africa has moved so decisively in the direction of economic and political reform.

As a result, major Arab investment has been made and many global investors are looking to do the same. Yet the impact of these positive moves could be greater still if Djibouti will work with local as well as potential foreign investors to set a comprehensive economic growth strategy that focuses not only on construction but also on service sector infrastructure as well as on workforce development. International actors alert to the benefits of regional stability are certainly eager to assist Djibouti—this rare beacon of economic promise in an otherwise troubled Horn of Africa. ●

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*Ms. Lange Schermerhorn, U.S. Ambassador to Djibouti from 1998 to 2001, is a consultant specializing in East Africa affairs. Dr. J. W. Wright, Jr. is a Senior Manager at Development Alternatives International (DAI), an international development consulting firm whose support made this article and other reports on Djibouti possible. We also thank Stuart Symington, the current U.S. Ambassador to Djibouti, and his country team for their support. A longer Working Paper is available from DAI (J\_Wright@dai.com).*

# MICROFINANCE SUPPORTS SUSTAINABLE GROWTH: A PRIVATE SECTOR MODEL OF DEVELOPMENT

< By Robert Pettit >

The developmental challenges facing Africa are staggering. Often published figures cite over 300 million sub-Saharan Africans living under \$1 a day. The number climbs to a half billion if the threshold is raised to \$2. The Continent is home to 35 of the world's 50 least developed nations, as rated by the United Nations Development Index Report. The statistics are depressingly familiar. After decades of failed developmental policy, it is becoming increasingly clear that the hand-out model of assistance is not working. What tools then are left to encourage a more effective development track?

Microfinance has emerged as a unique solution to the Continent's developmental challenges. By offering an environment for saving for those living in the informal economy, microfinance can bring individuals into the mainstream economy, enabling the investment required for sustainable development to take hold. After a disappointing history of government-sponsored development, microfinance has a refreshing new host: the private sector.

The International Labor Organization estimates that three-fourths of all Africans work in the informal sector, comprising of over 40% of the Continent's overall Gross Domestic Product (GDP). Barred from access to more traditional banking tools, these individuals - hair cutters, taxi drivers, farmers, and merchants - are forced to live on a cash basis. While their labor contributes substantially to their respective economies, casual workers do not pay taxes, cannot save large amounts for the long-term, cannot participate in retirement or pension plans, and very often do not hold title to the land on which they live. There is no incentive and no means to invest for the long term; the day-to-day financial existence is the only remaining option.

By providing a platform for saving, microfinance has begun to play a powerful role in the communities in which it operates. Leveraging the combined savings of a group of borrowers to grant small loans to individuals with no property or credit history, these programs provide an alternative financial model for its participants. Programs throughout Africa offer loans for small businesses, home ownership, and other objectives.

Participants are taught to save and to plan for the long-term. With tools to help their business expand or title to their properties, borrowers are given incentives to continue to save and invest. It's a capacity-building exercise that brings the poorest of the poor into the realm of the formal sector; once living on a subsistence basis, these individuals are now income earners, consumers, savers, investors, and tax-payers. In short, the building blocks of an established capitalistic economy.

The social and moral mandate is strong, but more exciting is the possibility that these development goals can be profitable. Recipients of micro-loans have been found to be remarkably reliable borrowers - default rates of less than 10% are common. Typical interest rates of 10% to 15% promise a reasonable return for lenders. Still more promising is the scale of this nearly untapped market: the vast majority of the world's people live beyond the reach of mainstream banks. Though extremely poor, the sheer number of individuals makes for an extremely large potential market with little or no competition. The pull is still more compelling considering the potential results through access to proper tools, many of these borrowers may soon wield substantial spending power.

Many companies have already found the

calling too loud to ignore. Citigroup has established a microfinance arm now operating in over 50 countries, while insurance giant AIG has launched a micro-insurance program in Uganda - a similar initiative offering extremely small insurance policies covering, say, an individual cow. As the model is fine-tuned, many more companies are likely to find value in this market of vast potential.

Non-governmental organizations (NGOs), governmental, and multi-lateral organizations have an important goal to play as the movement gathers steam. With strong grass-roots connections and without the profit-centered responsibilities of private-sector corporations, these organizations can help to establish a working, sustainable model. NGOs can assist in educating local constituent groups on the benefits and tools of savings and investments, while governments, in recognition of microfinance's role in meeting its own developmental goals, can best assist by providing a supportive legal environment.

Ultimately, however, the capitalist model requires that for-profit corporations lead in this transformation. As the private sector learns to see Africa's four billion people as potential clients, development will gather a sustainable pace. A relatively new discipline only beginning to command attention among private sector leaders, microfinance is now beginning to reveal its enormous potential. Mainstream corporations do not yet see Africa as a promising clientele base, but it may not be long. ●

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# AGRICULTURE AND HIV/AIDS

< By Eva Kolker >

## Unilever Tea Tanzania: A Co-Investment Public-Private Partnership

While some companies have developed basic treatment programs to address HIV/AIDS in the workplace, Unilever Tea Tanzania has taken its response to the epidemic to the next level. Using the type of public-private partnerships known as co-investment, Unilever has leveraged its private sector infrastructure and expertise in collaboration with public sector technical assistance and financial resources to scale-up its internal HIV/AIDS employee treatment program. In 2005, the Tanzanian Ministry of Health selected Unilever Tea Tanzania's employee clinic, the Lugoda Care and Treatment Clinic, in Mufindi, to be one of 91 medical centers to provide antiretroviral drugs free of charge to community members. The overarching framework for the endeavor comes from Tanzania's National Care and Treatment Plan, which aims to provide anti-retroviral (ARV) treatment to 400,000 people by 2009.<sup>1</sup>

The Health Ministry's initiative to incorporate Lugoda Clinic into the national treatment plan, demonstrates a true private-public partnership. Financial support for the scale-up of the treatment program came from the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the President's Emergency Plan for AIDS Relief (PEPFAR). The Health Ministry and the Medical Stores Department provided ARVs. Family Health International, one of the key non-governmental organization (NGO) contributors to the project, supplied technical assistance through improved drug and lab supply lines, clinical supervision and mentoring, as well training by hospital staff to provide care and treatment services according to nationally

approved standards. Deloitte provided financial management services to the hospital, while Unilever, apart from supplying the hospital building itself, committed staff hours and equipment to improve treatment for the surrounding community.

### RECIPE FOR SUCCESS

Co-investment public-private partnerships are difficult to articulate and implement. The private and public sectors operate in



completely different workcultures, with distinct modes of thought, prioritizing, and pacing. Miscommunication is a constant obstacle. In an attempt to prevent such friction, Deloitte and Family Health International teamed up to take on the leading roles as facilitators of the partnership. Dr. Eric van Praag of Family Health credits this project's success in part to the marked effort of both the public and private players to communicate: "A particular lesson we learned as one of the brokers is that personal relationship

building between the partners is crucial in the initial phase of the project." Dr. Geoffrey M'mbaga of Unilever Tanzania had a similar opinion of the importance of partner relationships, "This co-investment project worked because of a combination of strong company commitment to workplace programs, NGO, and donor identification of the opportunity that companies can support delivery of their targets, and government recognition of the role businesses can play in the delivery of national strategies. Recognizing and fostering these partnerships have been fundamental to building workplace programs."

The initial relationship between brokers and partners is critical for a project's success, however, several other elements are vital for the survival of the project, including a shared long-term vision. Dr. van Praag notes that, "what should be replicated from this partnership is the sense of responsibility by both the public organizations and the private companies to serve all people in need living in the catchment area. In this particular project, [Unilever] saw this as an investment with eventual spin offs like better health and productivity in future generations but also a public relationship of trust and respect." By the end of May 2007, 1620 people had been enrolled at Lugoda, of whom 35% were company employees and their dependants, signifying that the majority of the clinic's patients were community members. Approximately 770 patients, or 48% of the people who have visited the clinic, are currently receiving ARV treatment.<sup>2</sup>

*Continued on page 46*

# AFRICA SURFACES AS NEW FRONTIER

2007 might as well be called “the year of climate change and biofuels.” As the U.S. and EU ramp up their ethanol production and Brazil sets the stage for leadership in the field, sub-Saharan Africa plays an increasingly important role. Many sub-Saharan African countries, primarily South Africa, Angola, and Mozambique might soon become leading biofuel and carbon credit suppliers to world markets.

Sub-Saharan Africa's emerging biofuel industry serves the interests of developed markets on many levels, most notably by providing an alternative to hydrocarbon dependence. Industrialized countries subject to the Kyoto Protocol Greenhouse Gas Emissions caps can also meet their emissions reduction targets through Clean Development Mechanisms (CDMs). CDMs award credits to companies that invest in energy efficient projects in developing countries.

The current portfolio of 800 CDM projects worldwide includes very few biofuel-oriented projects. Private and public sector institutions such as Agrinergy and the United Nations Conference on Trade and Development (UNCTAD) are currently working to streamline the CDM biofuel approval process, which will enable industrialized countries to facilitate biofuel projects in Africa for their benefit. Increasingly, Africa will be a frontier for developed nations to diversify their energy supplies and attain carbon “neutrality.”

## BRAZIL, CHINA, AND THE EU

As sub-Saharan Africa moves to take part in the budding global biofuels boom, Brazil, China, and the EU are taking steps to help develop the industry on the Continent. Brazil leads this effort. The country's pioneering investments in Africa's biofuel industry derive from a

commitment to South-South cooperation and Brazil's own interest in diversifying its supplies and creating worldwide biofuel demand. Brazil has technical cooperation agreements in agriculture with both Angola and Mozambique, which allows for easy development of the agriculture biofuel feedstock industry in both countries. China seeks to participate in the agriculture and biofuel craze, while the EU needs to reach its target that 5.75% of vehicle fuels be renewable by 2010. If the EU tries to reach this target from supplies in Europe alone, one quarter of the Continent's land would be covered with biofuel crops. No one wants that.

Brazil's national oil company, Petrobras, recently teamed up with Italy's premier energy firm Eni to explore African biofuel sources to export to Italy. The companies are currently looking to collaborate on the construction of biodiesel plants in Brazil, Angola, and Mozambique. Petrobras' likely accord with Eni is only one of many biofuel projects in Africa sponsored by Brazil. In late 2006, Embrapa, Brazil's leading government body for agriculture and biotechnology research and the world's leading institution for tropical research, created a satellite office in Ghana's capital, Accra. The office is one means through which Brazil will provide technical assistance and technology transfers to countries looking to develop biofuel industries. Already, Embrapa Africa has engaged Angola to help develop that country's soybean biofuel industry, and Mozambique, to bolster biofuel research capacities in the country's Institute for Agrarian Research. China is partnering up with Embrapa to provide the infrastructure such as road, railways, and waterways necessary to bring the fuel to markets.

Angola is slated to be Petrobras' most critical destination for biodiesel production, and Mozambique for ethanol. Both countries are large, with relatively small populations and thus, thousands of hectares available for biofuel crop growth. Angola has one of the largest non-forest agricultural lands in the world, even taking into account lands that can't yet be tilled due to landmines and that are already tilled for food purposes. The country's biofuel export potential is estimated at approximately six exajoules of bioenergy per year, the equivalent of 2.7 million barrels of oil per day (bpd).

Mozambique is widely hailed as the most promising hub for biomass production in Africa, with production capacity of up to 6.7 exajoules per year, the equivalent of three million bpd or one billion barrels per year. The country's suitable agroclimatic and agro-ecological conditions can facilitate the growth of a wide variety of energy crops. The Mozambican government would like to pursue biodiesel from jatropha and ethanol from sugar cane. Both feedstock have significant growth potential in Mozambique, and aren't significant sources of food for the population, which will help to avert the heated “food versus fuel” debate. Mozambique's often praised governance and emerging agricultural infrastructure make the country an ideal destination for Brazil's expansion.

The EU is piggybacking on Brazil's leadership and has expressed commitment to diversifying its own energy resources, as outlined in its 2006 Green Paper, “A European Strategy for Sustainable, Competitive, and Secure Energy.” Working together with Brazil, the EU will facilitate and fund a biofuels task force in South Africa to fast track South Africa's industry.

# FOR BIOFUELS

## ETHANOL: SOUTH AFRICA LEADS THE WAY

Ethanol Africa, a South African company, is slated to construct Africa's first ethanol plant in Bothaville, South Africa. The project requires a \$1 billion investment, the seed financing for which will be provided by the asset management company, Sterling Waterford. The plant will be maize-based, drawing from the maize surplus in the Free State. According to Ethanol Africa, the Bothaville plant is a prototype that will be replicated in eight other plant projects in the country. The company is also pursuing ethanol opportunities in Zambia, Mozambique, and Angola.

Biodiesel will likely be the dominant biofuel coming out of sub-Saharan Africa for the near term. Only politically stable African countries will follow in suit, due to the large investments required for ethanol plant construction. An average sized ethanol plant costs approximately \$85 million to build. Ethanol production requires much more investment than biodiesel, which can be produced relatively cheaply on a small scale. Due to Mozambique's relatively stable political and investment climate, the UK is presently seeking to construct an ethanol plant in the country.

## BEYOND "FOOD VS. FUEL"

The biofuel market is frequently discussed as a glossy and politically correct substitute for oil. Yet, increasingly, economists and leftist leaders express fears that biofuel cropfeed such as sugar, cassava, maize, and soybean, will compete with food needs. This "food vs. fuel" debate is particularly prescient regarding Africa, where food supply is already unpredictable in many countries.

Food industry analysts fear the introduction of the profitable and value-added biofuel market will lead many farmers to sell crops to biofuel producers instead of to local food markets, and the cropfeed biofuel market will increase the price of food.

In spite of the fears expressed, the launch of the biofuel market in Africa will also help to alleviate food insecurity as a result of technical assistance provided to farmers, lead to infrastructure improvements, and spur income generated by biofuel sales. The development of Africa's biofuel industry is in fact a means through which political will can grow for agricultural development in Africa. There is much greater political support and investment for biofuels than there is for agriculture. Countries such as China, Brazil, and EU nations will invest in irrigation and cultivation technologies to attain high crop yields. Such technologies will entail the development of irrigation systems from deep water tables, the establishment of new crop varieties, and the reconstruction of degraded soil. Small-scale communities will likely be able to take advantage of these technological improvements, particularly if the projects are registered as CDMs, which require projects to benefit the economic development of surrounding communities.

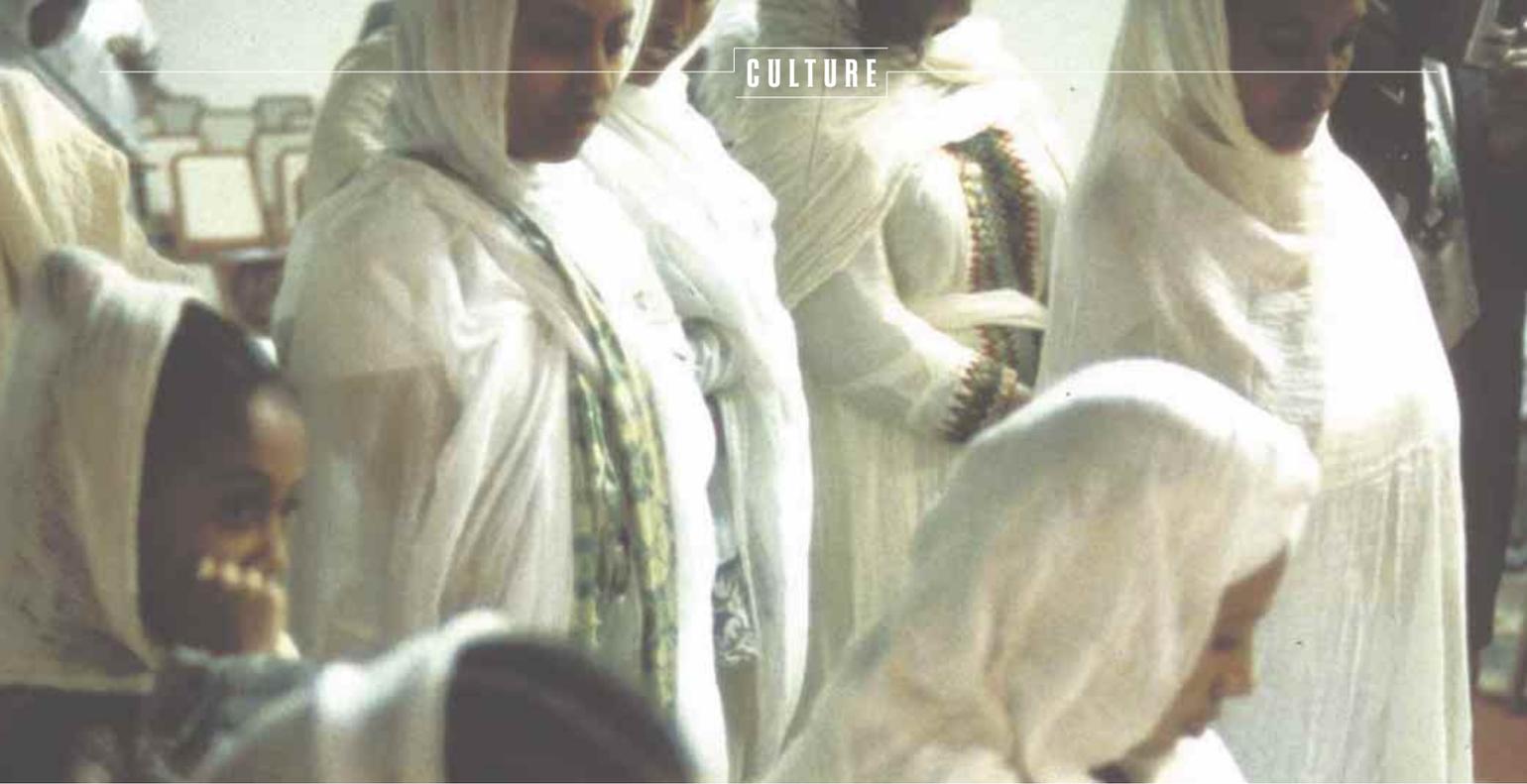
A less common but equally farsighted criticism for Africa that accompanies the biofuels discussion is the risk such fuels pose to regional water supplies. Sugarcane in Brazil for instance evaporates approximately 2200 litres for every litre of ethanol produced. For drought-ridden areas of sub-Saharan Africa, this number is staggering. However, there are solutions to the problem, many of which may benefit the Continent. Again, water capture and

irrigation technologies are often neglected areas in African development, as they require significant investment and technological capacity. Since developed nations benefit from the biofuel craze, political will and financial support to capture and recycle food water and tap into deep water tables will likely emerge. In addition, rainmaking techniques such as those utilized in Thailand and seawater-irrigation could also draw attention from researchers.

## THE PATH TOWARD BIOFUELS

With the billions of dollars invested in the Continent's prospects in just this past year, Africa as a biofuel frontier seems inevitable. As with oil and mineral resources, international firms looking to exploit the vast climatic and agronomic potential in countries such as Angola and Mozambique cannot be stopped. However, the increased political will to produce biofuels yields immense trickle-down effects. The benefits to the countries at hand include a deployment of Africa's agricultural potential, real investment into irrigation technologies, and lasting land-based infrastructural developments. Biofuel criticisms should be addressed through pragmatic solutions. Nonetheless, the frontier has launched and will, if managed with foresight, yield increased trade, investment and food security on the Continent. ●

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# CULTURE AS COMPETITIVE ADVANTAGE

< Ken Zdunich and C. Ross van Horn >

## ORGANIZATIONAL PRINCIPLES VS. STANDARD PROCEDURES

For most organizations culture is either developed unconsciously from shared norms and beliefs or, is the result of practical decisions made as new situations are encountered. From time to time more formal processes may be undertaken to explicitly define and outline the organizational values that implicitly describe the culture. It is very rare that the overarching principles upon which the values are based are ever examined or made explicit.

The result of this restricted view of company culture is often only evident when the organization expands its operations beyond its geography and interacts with new and different groups and organizations. When those in the new geography do not share some norms and beliefs there is a disconnect which will impact, if not significantly impair, the competitiveness of the business.

For example, in North America companies

will often establish pay practices based on a notion such as base pay being at the median of the industry with potential (with bonuses and other benefits) to reach higher levels of remuneration. This is one of the ways the organization can operationalize a principle like, "We will be the employer of choice in our community." However, because the underlying assumptions that characterize the principle are not realized, the approach in new country offices becomes implementation of the home pay practice and not the principle of being the "employer of choice."

In a new cultural setting the application of the principle may encounter a much different set of needs and assumptions that do not place such an emphasis solely on direct pay as it may on other issues, such as reasonably flexible schedules for weddings and naming ceremonies, school assistance for employees' children, lunches provided by the company, or a host of other different characteristics.

Another aspect of culture that is often overlooked is the power of community within the organization. Every employee

wants to feel that they belong and these feelings are all the more powerful when the employer's actions actively demonstrate consideration for, if not always complete adoption of local concerns.

An organization that operates from principles rather than norms communicates that it is open to the influence of local circumstance and ideas. As well, it is more likely to take ideas from new geographic locations and look for application opportunities throughout its entire global organization.

This is the true underpinning of culture as competitive advantage; principles, not standard procedures, are the foundational element that will have long term benefits.

## MATRIX MENTORING

For large- and medium-sized companies with operations in two or more cultural settings, another method to increase competitiveness through a cultural lens is through matrixed mentoring. In this process, managers from various regions and in various functions in the organization can utilize knowledge

management practices, both online and in person, to learn from and teach each other in practical ways.

With this approach, for example, new hires in Kenya can benefit from established company leaders in India and the United States. Over time, local new hires will innovate and expand their capabilities and contribute back into the system in turn. The key strength of this system is that it can be structured to be non-hierarchical and untethered by formal function roles within the organization. Senior managers, middle managers, and all staff can contribute and benefit from each other. The method works best when in-person meetings are arranged on a regular basis. ●

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*Ken Zdunich is a senior associate with the Palomar Consulting Group with expertise in coaching executives for performance and growth in circumstances of new challenges, change and transition. Ken is particularly interested in the various leadership and organization implications arising from the development and implementation of market facing business strategy. kenz@palomarconsulting.com*

*The Palomar Consulting Group is a strategy-based change management company. <http://www.palomarconsulting.com>*

### Illustration 1:

## THE EDUCATION STORY

Education is the gateway to success. Within the local culture, attachment to family in lending a hand up is a fundamental value. Predominantly, Western cultures believe in and operate in support of meritocracy.

Companies that have successfully established local operations have found ways to blend the local and Western values.

Internally they establish policies and practices that encourage and reward personal development both in the workplace and academically. At the same time decisions on filling new opportunities and promotions are based on merit.

Companies provide on site upgrading programs on a continuous basis and support external studies covering tuition and books (in advance, where there is economic hardship). Management Development programs are extended to local staff at more junior levels than in the home country to accelerate participation of locals in operations management. With the growth of internet content, e-learning has become incredibly cost effective.

In addition, companies can sponsor or directly operate programs to tutor employees' children both in regular school courses and in preparing for application to post secondary institutions. Expatriate staff can help parents and children identify overseas institutions and support them in navigating the application and entry processes.

The double win from all of this is accelerated career progression and skill development for locals (reducing requirements for expensive expats and diversifying leadership ranks with locals) and building expat ties into local culture and opportunity to participate in community life.

### Illustration 2:

## THE PERFORMANCE STORY

Western organizations generally mandate and use regular and standardized performance measurement systems. They are typically focused on individual performance with each employee separately evaluated on attributes aligned with those used in the home country process.

As documents prepared for individuals they are well suited as inputs to remuneration and promotion decisions.

In some local cultures the linkage of performance and pay may not be considered such a direct relationship. Others may be group-oriented and expect any evaluation of performance to speak to group accomplishments.

Local culture mixed with home country assumptions ... a recipe for disaster?

Stepping back from the operational viewpoint, a look from a strategic perspective can open up alternatives. The performance system tells people how they are doing. It identifies what additional skills they would benefit from acquiring and underpins salary adjustments and taking on larger roles.

The approach: for work in teams, group evaluations were established with a separate development plan for each individual. Salary adjustments were made on a group basis. For individual contributors the same format was used so that the system was uniform in its components. As time goes on the company will continuously assess the use of team evaluations.

The end result was that the need for a performance management system that would support personal development and advancement was met while accommodating the local culture in respect of pay practices.

# BUILDING ON STABILITY: THE U.S.-AFRICA INFRASTRUCTURE CONFERENCE

< By Erik Arnetz >

## U.S.-AFRICA INFRASTRUCTURE CONFERENCE OCTOBER 8-10, 2007, WASHINGTON, D.C.

- Plenary sessions and workshops on public-private partnerships, risk mitigation, secure banking and data transmission, joint venture and strategic alliances, distance health care delivery mechanisms, agribusiness, ports, airports, roads, rail, bridges, logistics and distribution, the utilization of hedge funds and other cutting-edge financial instruments, and sustainable energy projects
- Network with African government officials, investors, capital market experts, infrastructure providers, utility providers, and investment bankers
- Registration for the conference is now open on the CCA website - [www.africacncl.org](http://www.africacncl.org)



From October 8-10, 2007, CCA will host the second annual *U.S.-Africa Infrastructure Conference* in Washington, D.C.

The conference will

be chaired by Terry Dunmire, the Director of Business Development of DynCorp International (DI). Dunmire, who was also recently elected to the board of directors of CCA, will lead efforts to engage key stakeholders in infrastructure development in Africa. *The Africa Journal* spoke to Dunmire about infrastructure in Africa and the conference goals.

### Why is infrastructure so critical to the continued economic development of Africa?

Infrastructure and its effectiveness and stability are the key skeletal structures on which the economies depend. It is the transportation systems that permit the goods and service providers to move effectively to and from the markets; it is the telecommunications and IT infrastructure that link the Continent with the rest of the world; it is the

logistical systems that deliver products for all aspects of daily life; it is the electrical and power systems that make it run - in short, it is the efficiency and sufficiency of infrastructure that is essential to continued economic development in Africa.

### How far has Africa come in developing its infrastructure?

The last quarter of the 20th century was significant in the development of the IT systems, in the development of the transportation systems, and the other aspects of infrastructure that accompanied the population growth, the increasing urbanization, and the globalization of the economy.

### What has been your corporation's involvement in Africa, and how has that market helped expand your business opportunities?

We provide logistical support, manage construction, and conduct security and equipment training. We also provide advisors and serve as a liaison with the U.S. State Department. The State Department awarded the Sudan Peace Grant to DI in 2001. The grant provides funding in support of the National Democratic Alliance, and was important

in securing the Comprehensive Peace Agreement that was signed in 2005. DI was instrumental in the agreement, and we continue to support the peace process in Sudan. Another State Department initiative, the Africa Peacekeeping Program, includes a number of projects managed by DI:

**Liberia Security Sector Reform**—We are helping stand up a new democratic armed forces and establish a Ministry of Defense

**ECOWAS**—Our Peace, Security, and Logistics Advisors assist the Economic Council of West African States

**Africa Union**—Based in Addis Ababa, Ethiopia, we provide a Logistics Advisor to the AU

**Sudan Security Sector Transformation**—We are involved in nation re-building with the Sudanese People's Liberation Army

**Senegal**—Infrastructure repair and construction management

**Somalia**—We provided the logistical support required to transport 1,600 Ugandan peacekeepers from Uganda to Somalia as part of the UN-sanctioned, Africa Union-led initiative to promote peace and stability in the region.

DI is also managing construction of an international airport in southern Nigeria for the Province of Akwa Ibom. The project includes a runway, interim terminal, hangar, and the first and only Maintenance, Repair, and Overhaul (MRO) facility on the Continent. Our company's experience in logistics, contingencies, security training, field construction, and facilities management is a valuable asset to many efforts such as peacekeeping, humanitarian aid, and national reconstruction.

*Continued on page 46*

# CONSERVATION, DEVELOPMENT AND TOURISM: THE SANCTUARY AT OI LENTILLE

< By Kate Gersh >

In Kenya's Laikipia Plateau, the African Wildlife Foundation (AWF) and the Kijabe Group Ranch recently opened a new lodge called The Sanctuary at OI Lentille that sets a new standard in safari lodging. For AWF, OI Lentille is a flagship project within its Conservation Enterprise program (a conservation enterprise is a commercial activity that generates economic benefits in a way that supports the attainment of a conservation objective). At OI Lentille tourists are provided with a truly unique, luxurious experience while at the same time, land has been set aside for wildlife, and the lodge has created jobs and income for the local community.

OI Lentille is the result of a groundbreaking union between the Laikipiak Maasai of the Kijabe Group Ranch, AWF, and a conservation-minded private investor. With support from AWF, the United States Agency for International Development (USAID), and the European Union's Tourism Trust Fund, the Maasai community secured ownership of OI Lentille and established a long-term partnership with Regenesys Ltd., a conservation tourism company operated by John and Gill Elias. Regenesys Ltd. will manage the tourism business and the 6,500 acre conservancy in which the OI Lentille property is situated. The local community has both a voice and a stake in this venture which allows for sustainable economically-appropriate enterprise, conservation, and community development.

"Regenesys is honored to be a part of such a historic partnership. We hope that other similar partnerships develop across the Continent," said John Elias.

*The lodge sits within a 6,500-acre conservancy that is home to African wild dogs, greater kudu, leopards and other species.*

## BENEFITING THE COMMUNITY

The Maasai owner-partners will be fully engaged in OI Lentille's operations as conservation personnel and members of the staff. Approximately 100 residents were employed in The Sanctuary's construction. In addition, many women in the Maasai community have been working with Regenesys and AWF to develop and expand small craft businesses, obtain job training, and to build a Maasai cultural village.

In another landmark action, the Maasai community created The Kijabe Trust, a charitable entity designed to attract donor and investment funds to the community. The purpose of the Trust is to enable the Kijabe leadership, members, and dependents to create and maintain a thriving, sustainable property in which people, livestock, tourism, and other commercial enterprises and wildlife harmoniously coexist. In addition to serving as a trustee, AWF is providing the community with fiscal and administrative guidance on how to equitably manage and share the benefits accruing from the lodge. The Trust will provide financial resources to community projects such as livestock husbandry, community security, and bursary programs for young people.

"By design, The Sanctuary at OI Lentille vitalizes the local community," says Elias. "Although Regenesys manages the tourism aspect of this destination, the Maasai community is the foundation; without its engagement and leadership, this venue would not exist."

## PROTECTING THE LAND

The land surrounding the lodge has been set aside as the OI Lentille Conservancy. Carpeted in grassy hills and deep valleys and shrouded by woodlands, visitors can find a wide array of wildlife, including endangered African wild dogs, greater kudu, leopard, both the spotted and striped hyena, and klipspringers. The Conservancy is studded with many species of acacia trees, African olives, and fig and fever trees.

OI Lentille provides the setting for an exciting experience in which visitors can experience local wildlife. The lodge boasts four luxurious fully-staffed country houses with an abundant mixture of courtyards, decks, gardens, and lawns. For those seeking additional pampering and comfort, the destination features swimming pools, spa and massage facilities, common lounging and dining areas, and a game-viewing deck. Immersed in East Africa's exquisite beauty, The Sanctuary at OI Lentille epitomizes responsible conservation tourism. •

*Founded in 1961, the African Wildlife Foundation (AWF) is the leading conservation organization focused solely on the African continent. Visit [www.awf.org](http://www.awf.org) for more information. Visit the lodge at [www.oi-lentille.com](http://www.oi-lentille.com).*

Photo: Paul-Johnson-Hicks

## BUILDING ON STABILITY: THE U.S.-AFRICA INFRASTRUCTURE CONFERENCE *Continued from page 44*

### Considering the success of the first annual U.S.-Africa Infrastructure Conference, what would improvements can we expect this year?

The success of the first Conference was significant from the standpoint that people could meet other professionals who could either help generate business or act as partners. It also highlighted infrastructure projects in a variety of technical areas and geographical areas. This year we plan

on making this an inter-active, transaction/networking conference. The purpose is for participants to come away with a "shopping list" of projects and potential projects; an understanding of the financing options available to investors; and with a much stronger set of connections for operating effectively in Africa.

### Why is the conference an attractive opportunity for potential entrants into the African market?

What could be more attractive than to meet those who have various expertise, experience, products, and financing to offer? The entire thrust of this Conference is to be practical, to be effective in catalyzing transactions, to showcase projects that are successful, to introduce projects for potential business, and for each and every participant to come away with a portfolio of business opportunities and potential partners. ●

## AGRICULTURE AND HIV/AIDS *Continued from page 39*

In addition to the in-house treatment plan, the partnership also developed a home-based care program through which Mufindi staff partners with community organizations to support people living with AIDS by delivering food, drugs, and insecticide treated bed nets. This home-based care project serves over 1000 people living with the virus in the communities surrounding the clinic.

### OVERCOMING CHALLENGES

No one participating in this partnership project claims that it is without obstacles. Dr M'mbaga notes that there is still stigma among employees and that the scale-up process has increased the workload of Unilever staff. Dr. van Praag mentions the problems associated with trying to guarantee continuous anti-retroviral treatment to seasonal workers who are often on the move. Both Dr. M'mbaga and Dr. van Praag cite the program's donor dependence as a threat to its long-term sustainability. These are issues that

the team at Lugoda are facing and working through one day at a time. Yet, despite these setbacks, both doctors are optimistic about the future of this project and co-investment partnerships in general: "Businesses can provide a focal point for delivering HIV/AIDS programs to the wider community," states Dr. M'mbaga, "and at the same time secure a more sustainable approach to workplace interventions."

### PUBLIC-PRIVATE PARTNERSHIPS: THE WAY OF THE FUTURE?

Although the real success stories of public-private partnerships are few to date, programs such as Unilever's initiative at the Mufindi Clinic in Tanzania offer examples of best practice for future endeavors. "Our success required dialogue and perseverance," says Dr. van Praag,

"but we at Family Health International are committed to supporting the full range of programs by offering improved knowledge, skills, and practices."

The potential impact of the private sector is vast, and with intensified coordination, the private and public sectors can come a long way to achieve their mutual goals of economic and social well-being. ●



*Lugoda, Unilever Tanzania's hospital/HIV clinic situated in Mufindi district.*

*Eva Kolker is a Summer Intern with the HIV/AIDS Initiative at CCA. She is currently an undergraduate at Brown University, majoring in Economics and International Development.*

<sup>1</sup> "Co-Investment Works: The Unilever Tea Tanzania Example," Global Fund Newsletter—Global Business Coalition April 2006. [www.businessfightsaids.org/pp.asp?c=gwKXJfNVJtF&b=1555669](http://www.businessfightsaids.org/pp.asp?c=gwKXJfNVJtF&b=1555669)

<sup>2</sup> Data obtained from Dr. Geoffrey M'mbaga on 5 June 2007?

# THE 2007 SUMMIT GOES TO AFRICA

<By Erik Arnetz>

The Corporate Council on Africa will host its flagship event, the biennial *U.S. Africa Business Summit*, for the first time this year on the African Continent. From November 14-16, 2007, approximately 2000 participants are expected to gather at the Cape Town Convention Center in Cape Town, South Africa for the Summit. Over the years the Summit has become known as the primary business conference between the U.S. and Africa, attracting African heads of state, senior U.S. government representation, and many high-level business executives from the U.S. and Africa.

CCA recently appointed veteran news anchor Angela Rae as Director of the 2007 Business Summit. During her 12 years on air, Rae anchored the 5PM, 6PM, and 11PM newscasts at WFOR-CBS4 in South Florida. She is the only African American woman to ever be the lead anchor in this market. Rae also took her signature style to the number one television market, New York City, where she was again the lead anchor for the local CBS station. Rae is a graduate from one of the U.S. top law schools, the University of Virginia School of Law. She has a BBA in Finance and International Business from the University of Texas, and worked as a financial analyst before making the leap into broadcast journalism.

*The Africa Journal* spoke with Rae about the upcoming event.

"This new role is a somewhat different undertaking from my work in broadcast journalism, but also shares many similar qualities. It allows me to talk to and persuade people about the vast investment opportunities available on the African Continent," Rae explained. She described the Summit as a package or "product" that she is marketing to U.S. businesses as a bridge to trade and investment in Africa.

Rae believes that African countries provide trade and investment opportunities that

support American businesses in diversifying their business portfolios. "The buzz in the international business community is that Africa is the last emerging market frontier," she added, recognizing Africa as a lucrative emerging market among competitors such as China and Brazil.

Despite some of the challenges of doing business in Africa, Rae said that the difficulty of getting past some of the market entry barriers of Africa has largely been resolved, evidenced by the large number of multinationals already heavily invested there. She asserted that the possibilities of capitalizing on trade and investment with the Continent are remarkable.

"The idea is to open up new opportunities. There are great challenges, but that does not mean that we should not do it. This is a chance for businesses to be in on it from the ground up, to see something flourish," she continued to explain.

Rae's goal for the Summit is not simply to eliminate obstacles and marginally increase U.S. trade and investment; she is thinking big. Rae envisions U.S. business as a leader in the market, driving innovation, product development, and skills transfer through new and future investment.

"Traditionally, the U.S. has been at the forefront but is lagging in Africa," Rae said. Her vision is that U.S. businesses will take the lead in exploring opportunities for growth in Africa.

## NEW BUSINESS PARTNERSHIPS

"I am very excited about the possibility for the Summit to spark new partnerships. It is a key venue to connect with businesses and developers that are part of the growing market," she stated.

Rae recognized the challenges involved in moving the Summit to the African



Angela Rae

continent. However, she noted, "I aim to bring as many people to South Africa as for previous Summits. And I believe that the African locale can serve as a catalyst for great business deals."

Rae believes the relocation of the Summit to Africa will add an edge to a "meeting of this magnitude," which already is unique in what it offers participants.

"It speaks to CCA's commitment to really bring new business to the Continent. U.S. businesses will be able to visit African businesses on their home court," she concluded.

"I've met people in Africa, and here in the U.S., with a passion for trading on the African continent," she said. "This [Summit] will help create awareness about the importance and viability of the African market"

This year's *U.S.-Africa Business Summit* is the sixth conference of its kind hosted by CCA. With support from the U.S. and African private sector, the 2007 Summit looks set to be a success. ●

Questions about the Summit can be directed to Angela Rae at [arae@africacncl.org](mailto:arae@africacncl.org)

# BUSINESS PERSON OF THE QUARTER: TOM GIBIAN, EMERGING CAPITAL PARTNERS

*"Through our investment strategy and dedication to the region, we are proving to the global investment community that the perceived risk of investing in Africa is greater than the actual risk," Tom Gibian, CEO, Emerging Capital Partners.*



Tom Gibian, Chief Executive Officer of the international private equity firm Emerging Capital Partners (ECP), is the

Summer 2007 Business Person of the Quarter. ECP is the first private equity group to raise over \$1 billion for investment in companies across the African continent. At \$523 million, ECP's recently closed fund, the EMP Africa Fund II PCC (Africa Fund II), is the largest private equity fund ever raised for investments across the African continent. It is the fifth fund managed by ECP in addition to Africa Fund I, the West Africa Growth Sicar, the Central Africa Growth Sicar, and the Moroccan Infrastructure Fund. Over the past seven years, these ECP-managed funds have made more than 35 investments in 30 African countries.

According to Gibian, the key to ECP's success in Africa is not only a sound understanding of the investment landscape in Africa, but the company's "information gathering infrastructure" on the Continent. Sixteen of the 25 ECP staff members reside in Africa, and it is this network of "on the ground intellectual capital," that gives ECP unparalleled insights into the region's businesses. ECP operates from offices in Washington, D.C., Abidjan (Cote d' Ivoire), Casablanca (Morocco), Douala (Cameroon), Johannesburg (South Africa), and Tunis (Tunisia.)

When ECP first began investing in Africa, "we found that the funds were

somewhat small and that it was not commonplace for other investors to use a disciplined approach when selecting portfolio companies," Gibian said.

The key for ECP was to get its funds to the right size for Africa, and to use proven private equity methodologies that have worked throughout the emerging markets. Gibian cited "rigorous due diligence, a focus on exits, and an insistence on world class governance" as key components of ECP's approach.

"We apply these same principles to African commercial enterprises and have found that the companies we invest in typically produce above market returns that are uncorrelated to other global economies," Gibian added.

Gibian emphasized that African companies are held to the same standards of governance and transparency as other companies in any other market.

The ECP investment team has screened thousands of investment opportunities throughout Africa. Its investments focus on some of the highest growth sectors in Africa—such as financial services, telecommunications, agribusiness, and natural resources.

"We focus on sectors where Africa has a comparative advantage or where Africa has typically lagged developed markets. ECP can then play a variety of roles from a pure financial investor to a co-developer prior to entering the business, providing anything from executive recruiting and financial advisory services, to active board representation and strategic guidance on exit opportunities. This strategy has resulted in significant opportunities for growth and strong returns for our investors," Gibian explained.

Many of the companies in which ECP has

invested in the past have been successfully exited through sales to strategic and financial investors, listings on regional exchanges, or through structured, pre-agreed exit mechanisms.

The recently closed Africa Fund II focused on larger markets such as Nigeria, South Africa, Egypt, and Kenya with a focus on telecommunications, natural resources, financial services, agribusiness, transportation and utility businesses.

This fund received strong support from investors in ECP's previous funds, as well as new investors that include pension funds, financial institutions, foundations, high-net-worth individuals, and development finance institutions. "Several investments have already been made, including Anvil Mining Limited (Democratic Republic of Congo), Ecobank Transnational Incorporated (Pan-African), Spencon International Limited (East Africa), Continental Reinsurance Plc (Pan-African), Notore Chemical Industries (Nigeria), Artumas Group Inc. (Tanzania and Mozambique), and Bank of Africa (Pan-African).

Gibian believes Africa has been generally overlooked, thereby creating significant growth opportunities.

"In addition, there is a strong impetus for capital in African markets, where the demand for investment far outweighs the supply," Gibian stated. "Africa is a vast continent with 53 countries, a fresh and exciting entrepreneurial spirit, and the world's highest economic growth rates in recent years," Gibian concluded. ●

*ECP has been investing in Africa since 2000. Gibian currently also serves as a Member of the Board of Directors for CCA. <http://www.ecpinvestments.com>*

## Tom McDonald

Tom McDonald was the U.S. Ambassador to Zimbabwe from 1997 to 2001. With Zimbabwe in crisis during this period, Amb. McDonald helped the country face critical issues ranging from terrorism to a health and nutrition crisis that threatened its people.

On the economic front, Amb. McDonald worked with multinational corporations as they established operations and relationships in this emerging market. He advised and guided major American corporations through complex issues of security matters, economic concerns, government relations, and customs and cultural issues.

When he returned to practice law, Amb. McDonald applied his unique knowledge

of international government policy and business to serve multinationals in Africa and in emerging markets in the Middle East, Central Europe, and Southeast Asia. As a partner with the law firm of Baker Hostetler, hiring partner of its Washington office, and head of its Government Policy Practice, Amb. McDonald services clients at the highest levels, where international corporate strategy meets international government policy.

Whether the issues require sensitive negotiations, special attention to move through processes and procedures, or legal counsel related to international business issues, clients rely on Tom McDonald and his team for knowledge, reputation and results.



*Tom McDonald*

In addition to his service on the board of the CCA, former Ambassador McDonald is a recognized authority on geopolitical issues. He is a member and a frequent speaker before The Council on Foreign Relations.

## Bill Guyton

Bill Guyton is the president of the World Cocoa Foundation, a private sector, non-profit organization focusing specifically on farmer outreach, environmental, and business linkage programs. Currently, Guyton oversees regional public-private partnership programs that focus on cocoa sustainability. He also helps to coordinate an international research program with the United States Department of Agriculture (USDA) and other partners.

Guyton assisted in forming the World Cocoa Foundation in July 2000, which now has over 60 chocolate companies and trade association members from

North America, Europe, Latin America and Asia. Prior to joining the chocolate industry, he was Director of Business Development at the U.S. Grains Council where he helped to identify new market opportunities. Guyton worked for more than ten years in developing countries, advising and implementing agricultural and environmental programs for the United States Agency for International Development (USAID), the World Bank, German Technical Cooperation Agency (GTZ), Organization for Economic Cooperation and Development (OECD), Peace Corps, and other development organizations. He holds a Master of



*Bill Guyton*

Science from Michigan State University in Agricultural Economics and a Bachelor of Science from Colorado State University.

## THE ELIZABETH GLASER PEDIATRIC AIDS FOUNDATION

The Elizabeth Glaser Pediatric AIDS Foundation seeks to prevent pediatric HIV infection and to eradicate pediatric AIDS through research, advocacy, and prevention and treatment programs. In 1981, Elizabeth Glaser was infected with the AIDS virus through a blood transfusion, and unknowingly passed it on to both of her children. The Glaser family's tragedy inspired the creation of the Foundation in 1988. Since then, the Foundation has been at the forefront of the fight against pediatric HIV/AIDS, making remarkable strides in the struggle against an illness that has ravaged the globe. The Elizabeth Glaser Pediatric AIDS Foundation has three main avenues for fighting pediatric AIDS: funding critical research, launching global health programs, and advocating for children's health. Whether it is working to attract top researchers to the field of pediatric AIDS, creating programs that provide a full continuum of care in developing countries, or collaborating to accelerate clinical discoveries, the Foundation's programs offer hope for all children and families living with HIV/AIDS.

Its research efforts focus on urgent and innovative projects, bringing vigorous minds together in collaboration and bridging gaps within the medical and research communities.

The Foundation's international HIV/AIDS programs prevent mother-to-child transmission of HIV and provide antiretroviral treatment and care for children and adults.

The Elizabeth Glaser Pediatric AIDS Foundation is constantly working to provide a healthier future for children by being a strong voice and an advocate in the Administration, Congress, the courts, and even abroad.

[www.pedaids.org](http://www.pedaids.org)

## ABT ASSOCIATES

Abt Associates applies scientific research and technical assistance expertise to a wide range of social, economic, and health issues, international development, clinical trials and registries, and complex business problems. Since its founding in 1965, Abt Associates has provided services to U.S. federal, state, and local governments; foreign governments; international organizations; foundations; and business and industry. The company's staff of over 1,000 is located in offices in Cambridge, Lexington, and Hadley, Massachusetts; and offices in Bethesda, Maryland; Chicago, Illinois; Durham, North Carolina; and over 35 project offices around the world.

The Company is a recognized leader in providing technical assistance and strategic consulting to facilitate policy reforms in countries moving to market oriented economies. It has extensive experience in advising countries on economic growth and development. Working with the United States Agency for International Development (USAID), its experts in health, agriculture, the environment, and trade have helped governments improve service delivery and implement sustainable market-based reforms. Abt applies its multi-disciplinary expertise in strategy, policy analysis, economics, statistics, biostatistics, medicine, data collection, and measurement to a wide variety of problems in the public and private sectors. In the U.S., Abt Associates has helped shape many important and complex public programs, including Medicaid, welfare reform, Head Start, crime reporting, and housing experiments.

In 2006, Abt Associates was ranked as one of the top 20 U.S. research organizations, one of the top 25 global research firms, and one of the 100 largest employee-owned companies in the United States. Abt Associates' gross revenue was approximately \$199 million for the fiscal year ending March 31, 2007.

[www.abtassociates.com](http://www.abtassociates.com)

## INTERNATIONAL TRADE DEVELOPMENT CORPORATION

International Trade Development Corporation (ITDC) is a Florida-based consulting and investment firm, originally established in 1989 to channel family investments in Africa. The company at one time had offices in New Orleans, Washington, D.C., Pointe Noire, Kinshasa, and Brazzaville, and oversaw investments in the forestry and wood treatment business, international bulk shipping, oil and gas natural resource acquisition, rural electrification, automobile distribution, and truck assembly. The company's principal has been a legal advisor and consultant to many of the largest American oil companies, banks, insurance firms doing business in Africa, for the past 30 years, developing strategies for the resolution of disputes through innovative means of natural resource acquisition and development. The principal of ITDC was also the founder of a company that makes telephone and utility poles from cloned eucalyptus trees, as well as a company that makes magnesium metal from the solution mining of carnallite salts.

The company is presently developing projects in gas-to-liquid technology from stranded natural gas; producing biodiesel from trees; focusing revenues as a private source of funds for forest conservation, local school funding, health facilities, rural electrification, and public transport for small entrepreneurs; as well as protecting cash flows with internet-based systems for cash collection and security.

Kim Barkan, the founder, speaks fluent English, French, Spanish, and Portuguese and operates the company from Barcelona, Spain.

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