

The **AFRICA** JOURNAL

SUMMER 2006

THE CORPORATE COUNCIL ON

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The summer edition of The Africa Journal examines the complex and fast-evolving relationship between Africa, China, and the United States. The subject is well timed given the recent trip of Chinese President Hu Jintao to the United States, as well as to two strategic African nations, Nigeria and Kenya. U.S. businesses must explore opportunities for cooperation and better understand the aims of China's economic engagement with Africa if they are to remain competitive on the continent. This is especially valid given the unabated global demand for natural resources and new consumer markets.

PRESIDENT'S MESSAGE

CCA commissioned a report on China and Africa, which was published this spring. The publication provides U.S. businesses with greater insight on the growing trade and investment relationship between China and Africa. It is the aim of The Africa Journal editorial team that this edition build upon the information put forward in the report and provide CCA members with a more complete picture of China-Africa relations.

It will remain necessary to comprehend how the China-Africa relationship impacts U.S. business interests throughout Africa and whether it affords new partnership opportunities. There could very well be new opportunities to partner with Chinese investors in Africa. In any case, given the growing role that China is expected to play on the continent in the years to come, any policy, trade, or business framework for Africa's economic development must meaningfully take account of China. ●



Stephen Hayes,
President
The Corporate Council on Africa

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Editors:
Ilda Diffley idiffley@afriacncl.org
Kathleen Wells kwells@afriacncl.org

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

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Computer Frontiers, Inc.
Tom Carver, Control Risks
CCA staff
Martyn Davis, Centre for Chinese Studies
Abdoulaye Dukele
Eurasia Group
Luanne Grant, American Chamber of Commerce, South Africa
Larry Luxner, Luxner News Inc (cover photo and travel article)

Mike Kelly, KPMG International
Ambassador Princeton Lyman, Council on Foreign Relations
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Sara Thannhauser
Carl Unegbu
U.S. Department of State
Virgin Nigeria
Rosalind Wilson, Emerging Markets Group

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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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INFRASTRUCTURE

Angola — The Government will spend \$80 million on road rehabilitation. The Secil-Lobito Cement Company will invest approximately \$80 million in the construction of a new factory in Angola's southern Benguela Province.

Burkina Faso — Burkina Faso seeks investors to participate in the partial privatization of Onatel Telecommunications.

Burundi — Burundi launched a seven-year reconstruction plan in the three provinces most affected by the country's 12-year civil war.

Egypt — Egypt is privatizing the Bank of Alexandria.

Ethiopia — Ethiopia budgeted \$184 million to upgrade the country's irrigation development and increase access to potable water. The Ethiopian government is also planning three major dam projects.

Kenya — In the telecommunications and IT sub-sector, Kenya is offering a 9% stake in the cell-phone service owned by Telkom Kenya to Vodafone as part of efforts aimed at restructuring the company.

Rwanda — The road linking Rwanda with Dar Es Salaam (Tanzania) is to be completed by December 2006. Rwanda has commissioned the construction of a 60km road to connect Kigali to the Burundian border town of Kirundo.

Namibia — Portugal Telecom won its bid to buy 34% of Namibia's sole mobile telecentres in the country.

Nigeria — Nigeria signed an MOU with China worth \$2 billion to develop the country's rail system. Nigeria has begun its port reform process to hand over Nigerian seaports to private terminal operators.

South Africa — Eskom is considering building a second Koeberg-type nuclear power station in the Western Cape to increase electricity supply. India's Tata Steel is to build a 120,000 ton ferrochrome smelter in Richard's Bay, South Africa.

Zimbabwe — India's Global Steel Holdings will invest \$400 million to rehabilitate Zimbabwe's ailing government-owned iron and steel works.

Multilateral — The United Nations and the African Development Bank announced a \$500 million clean water project. A rail link is to be built from Kaura Namoda in Nigeria through Sokoto to Birnin-N'konni in Niger.

MINING AND MINERALS

Guinea — The IFC acquired a 5% stake in Rio Tinto's Simandou iron ore project.

Senegal — Mittal concluded an MOU with Senegal for the development and production of iron ore from Falémé. Kumba Resources is taking legal steps through Senegalese courts to defend its rights to an exploration property near Falémé in Senegal that the local development agency has awarded to Mittal Group.

South Africa — BHP Billiton plans to invest \$700 million to expand two coal mines. India's Tata Steel has secured approval for the construction of a R650 million high-carbon ferrochrome smelter; Implats announced a smelter expansion project. Lornho Africa acquired a stake in South African diamond producer, Nare Diamonds.

Zimbabwe — The Government is tabling legislation to nationalize part of the mining sector.

ENERGY AND CHEMICAL

Kenya — Some Sh1.6 billion will be spent on Kenya's rural electrification this year.

Namibia — Russia's Sintezneftegaz

TRADE DEVELOPMENTS

Ethiopia — The National Bank of Ethiopia issued revised procedures concerning export loan collateral. An Ethiopian company is to cultivate and export Endod (a traditional African plant) to the U.S.

Kenya — The Kenyan government has allocated Sh250 million to revive the cotton industry in western Kenya.

Mozambique — Ginrod acquired a 12.24% share of Mozambique's Maputo Port. Mozambique has reduced the time to register a business from 180 days to one day.

Nigeria — Nigeria and South Korea signed energy and transport agreements. After years of litigation, Ecnonet has been offered a 65% stake in Nigeria's V-Mobile.

Sierra Leone — Sierra Leone is to start exporting sugar.

South Africa — South Africa has eliminated the 5% tariff on certain steel and stainless steel products imported into the country. South Africa signed a maritime agreement with India that will open direct shipping links between the two countries.

Uganda — The Ugandan Mushroom Association has received orders for the export of 44 tons of fresh mushrooms to Japan every month. U.S.-based company Pacific Capital, will invest \$20 million in Uganda's apparel sector.

earmarked \$84 million for oil exploration in Namibia.

Nigeria — Nigeria's oil industry has shown discrepancies amounting to hundreds of million dollars between what oil companies say they paid the government and what authorities say they received.

Rwanda — Dane Associates commenced a methane gas project in Rwanda worth 62 million Euro.

South Africa — South Africa's Competition Tribunal has blocked the merger of Sasol and Engen. Sasol and Engen will not appeal the decision. MAN Ferrostaal announced the establishment of a South African offshore oil and gas fabrication yard. Sterling Waterford and Ethanol Africa are to build eight maize-to-ethanol plants in South Africa.

ELECTRICAL POWER

South Africa — South Africa has invited bids from local and international firms for the construction of two open cycle gas turbine plants with a combined generation capacity of 1,000 megawatts. Independent Power Southern Africa plans to build two clean-coal power stations in the Eastern Cape.

Zimbabwe — Zimbabwean utility ZESA Holdings is reportedly on the verge of buying a 25% stake in Hidroelectrica de Cabora Bassa.

FINANCE

African Development Bank (AfDB) — The AfDB is to extend \$100 million grant to Rwanda for debt relief, budgetary support and other projects. The AfDB plans to cancel \$8.5 billion of debt owed by 13 countries.

European Commission (EC) — The EC signed two financing agreements with the Zambian government worth K113.5 billion for agriculture diversification. The EC allocated 20 million Euros to rehabilitate Northern Uganda. The EC signed an agreement

with Nigeria worth 15 million Euros for polio eradication in Kano State.

European Union (EU) — African countries will receive an additional 20 billion Euros annually from the EU starting in 2008. Namibia will receive N\$413 million from the EU for three years until 2009 for its Rural Poverty Reduction Program. The EU granted 55 million Euros for road construction in the Central African Republic. The EU granted \$19 million to Zimbabwe for drug procurement, including anti-retrovirals for HIV/AIDS treatment.

Millennium Challenge Corporation (MCC) — The MCC and Benin signed a \$307 million, five-year compact.

United Nations (UN) — Namibia secured \$8.2 million from the UN Development Program to improve the management of national parks. The World Food Program approved a new three-year program for Angola worth \$87 million. The UN Agricultural Fund provided \$15.5 million to the Democratic Republic of Congo (DRC).

United States Agency for International Development (USAID) — USAID is providing \$15.7 million in emergency food aid and \$26 million in drought assistance to Kenya.

World Bank — The World Bank loaned \$30 million to Mozambique for technical and vocational training. Morocco received a loan of \$120 million to improve public administration. The World Bank loaned Egypt \$20 million for pollution abatement. The Ugandan government has secured two Bank loans: \$7.5 million for the electrification of rural areas; \$135 million for poverty support. The World Bank loaned \$25 million to Gabon for the development of local infrastructure. The Liberian government received a grant of \$25 million. The East African Community received \$184 million in aid for trade and transportation facilitation. The World Bank is preparing an emergency project worth about \$50 million to help combat avian flu in Nigeria.

Bilateral — Sweden has given Uganda's Small Enterprise Media Agency a grant worth Shs2.5 billion for small and medium size agriculture enterprises. Japan is to reschedule Kenya's repayment of a Sh14.7 billion debt. Britain has cancelled Zambia's debt of \$245 million. The U.S. is to provide \$150 million assistance to Zambia's health sector. The Nigerian government is to receive \$188 million for Avian Flu and HIV/AIDS from the U.S. Germany provided \$13 million to Liberia for rural development. •

USEFUL STATISTICS

- Bilateral trade between China and Africa has risen by over 300% to \$40 billion per annum since the turn of the century.
- Trade between Kenya and the U.S. hit Sh77.8 billion with a trade surplus of Sh20.5 billion (\$285 million) that favored the U.S.
- Angola's non-oil economic sector expects a growth of 11.9% this year; Angola expected to see 26% growth this year; 209,959 travellers visited Angola in 2005.
- Mozambique's economy expanded by 7.5%; 2005 was the best year for Mozambique's sugar production in three decades with 2.2 million tons of sugar cane harvested.
- Tourism operators invested \$3.2 million in Mozambique's Inhambane resort area in 2005.
- Ethiopia has maintained an average growth rate of 7% over the last three years.
- Because of the drought, Kenya's tea production for January 2006 recorded a 47% drop when compared to January 2005.
- Kenyan tourist numbers increased by 11% in the first quarter of 2006, while South African tourist numbers rose 10% in 2005 to 7.5 million.

SHARED INTEREST HONORS CHRYSLER GROUP SENIOR VICE PRESIDENT

DAIMLERCHRYSLER

Shared Interest has honored Mr. Frank Fountain, CCA Chairman and Chrysler Group Senior Vice President—External Affairs And Public Policy (Auburn Hills), for his dedication to fostering economic development and for supporting HIV/AIDS health initiatives in Africa.

Fountain was selected for the Shared Interest award because of his accomplishments in helping to bring economic and social progress to Africa. In November of 2004, he led a business opportunity mission to South Africa to increase global opportunities and competitiveness for minority U.S. auto suppliers and black South African enterprises.

Fountain was a part of a select group of individuals who were honored for their contributions to African society, including anti-apartheid leader, former South African Member of Parliament and Former President of the World Peace Council, Albertina Sisulu, as well as former Executive Director of the American Committee on Africa and the African Fund, Jennifer Davis. The award was presented on Monday, March 6 in New York City.

A GREAT DAY FOR DIVERSITY



On March 28, 2006, Michael Neibauer of THE EXAMINER reported that the

Mayor of Washington, D.C., Anthony Williams, signed legislation creating the District's Office of African Affairs. This is the latest in a series of new departments specifically designed to advocate for, and reach out to, different ethnic and social minorities.

The native African community is 400,000 strong region-wide, Williams said, and

Africans represent 16.5% of new area immigrants. The office, with a proposed \$350,000 fiscal 2007 budget, will "ensure that African immigrants are able to get access to the full range of services provided by the District government," the Mayor said.

The bill, introduced by Ward 5 D.C. Council Member Vincent Orange, establishes the office and a 15-member commission on African affairs, both of which will serve as a voice for a growing community. Africans join Latinos, Asian and Pacific Islanders, and the District's gay and lesbian community as groups with dedicated offices. The government also has commissions representing African-Caribbean affairs and women.

The Mayor's Office of the District of Columbia is a new CCA member.

MARATHON OIL & EXXONMOBIL PARTICIPATE IN DEEPWATER DISCOVERIES IN ANGOLA



Marathon Oil Corporation and Exxon Mobil

announced that their respective subsidiaries, Marathon International Petroleum Angola Block 32 Limited, and Esso Exploration and Production Angola (Overseas) Limited, have participated in the deepwater discoveries on Block 32 offshore Angola.

Angola is sub-Saharan Africa's second largest oil producer after Nigeria. The Marathon International Petroleum Angola Block 32 Limited discovery was made at the Mostarda-1 discovery well. The well was drilled to a total depth of 4,495 meters (14,748 feet) and successfully tested at a rate of 5,347 barrels oil per day of 30 degree API fluid, from one of the reservoir intervals encountered. This discovery is the thirteenth discovery in Marathon's deepwater Angola exploration program on Blocks 31 and 32 in which the

company holds a 10% and 30% interest, respectively.

Esso Exploration and Production Angola (Overseas) Limited drilled at the Canela-1 well in a water depth of 5,050 feet (1,540 meters) and tested at a rate of 6,800 barrels of oil per day from one reservoir. The well is located in the eastern part of Block 32 approximately 10 miles (15 kilometers) to the southeast of Gindungo-1, the first discovery on the block announced in 2003.

ExxonMobil's subsidiary, Esso Exploration and Production Angola (Overseas) Limited, has a 15% interest, along with TEPA (Block 32) Limited (operator) and Marathon Petroleum Angola Block 32 Limited each at 30%, Sociedade Nacional de Combustiveis de Angola (Sonangol) at 20%, and Petrogal Exploracao at 5%. Sonangol is the concessionaire for the block.

TECHNOSERVE & GOOGLE JOIN FORCES TO PROMOTE ENTREPRENEURSHIP



The ACCRA MAIL in Ghana reported on March 15, 2006 that CCA member

TechnoServe and the Google Foundation joined forces to promote entrepreneurship and private sector development in Ghana. This will be done through a business plan competition and entrepreneurship development program aimed at turning great ideas into thriving, sustainable businesses.

The competition, which is dubbed "Believe Begin Become," will identify entrepreneurial people and equip them with the tools and networks they need to build competitive, self-sustaining small and medium enterprises that will accelerate economic growth and reduce poverty.

"The business plan competition will

solicit innovative new business ideas and provide training, mentoring and business development assistance to promising entrepreneurs," said Shika Acolatse, coordinator of the competition.

Nick Railston-Brown, country director of Technoserve/Ghana, who said the competition is modeled on business plan competitions TechnoServe has successfully implemented in Central America and is also rolling out elsewhere in Africa, for which Ghana is the first country.

ANADARKO AWARDED A 2.6 MILLION-ACRE OIL EXPLORATION BLOCK OFFSHORE MOZAMBIQUE

 BUSINESS WIRE (Houston) reported on March 8, 2006 that Anadarko Petroleum Corporation (NYSE:APC) announced it had been declared the winning bidder for exploration and production rights to Offshore Area 1 in Mozambique's second licensing round in the under-explored Rovuma Basin. Awarding of the block remains subject to finalization and signing of the exploration and production concession, expected by mid-year.

"Offshore Area 1 is a ground-floor opportunity to explore the highly prospective Rovuma Basin, where only two wells have ever been drilled," said Bob Daniels, Anadarko Senior Vice President of Exploration and Production. "Anadarko has been actively working seismic, well and other geologic data from the Rovuma Delta for the past three years and has concluded that the basin is similar in nature to the proven world-class petroleum systems of the Niger Delta, Mahakam Delta and the Gulf of Mexico."

Anadarko's bid included a four-year initial exploration term with options to extend another four years, and a 30-year

production term following any commercial discoveries. Anadarko was awarded the block on the basis of a work commitment to acquire new 2D and 3D seismic and drill seven wells during the initial exploration term. Anadarko will operate the block, initially with a 100% working interest.

FINESSE TO BUILD DIAMOND FACTORY IN SIERRA LEONE



The AWARENESS TIMES

Newspaper in Freetown, Sierra Leone, reported that the Minister of Information and Broadcasting Prof. Septimus Kaikai, announced that the Finesse-Celedove Company, a diamond cutting and polishing firm, has consented to construct a factory in the country within 90 days for the purpose of cutting and polishing diamonds. Minister Kaikai stated that the American company will employ and train an estimated 1000 Sierra Leoneans in the skills of cutting and polishing diamonds.

The Vice President of Finesse-Celedove, Mr. Alex Twersky, stated that the only way Sierra Leone can truly add value to its diamonds is by cutting and polishing from inside the country. "This will mean job creation and spinning in jewelry manufacturing and an increase in tax revenue and foreign exchange reserves."

Advancing a case for the need for local cutting and polishing in Sierra Leone, the President of Celedove Global Enterprises, Mr. Francis H.T. Dove-Edwin, who is also the Sierra Leonean partner in this investment, noted, "Indeed we need to add value to our diamonds, which can be achieved through a transparent pricing mechanism within a fair trade system. This will certainly discourage most operators within the diamond business

from smuggling." Mr. Dove-Edwin went on to disclose that the company would work closely with USAID, local NGOs, as well as advocates of Just Mining, to monitor specific areas of diamond mining in the country.

CARGILL TO BUY AFGRI'S COTTON UNIT



On April 7, 2006 BUSINESS REPORT reported that

Cargill, the largest U.S. agri-food company, conditionally agreed to purchase Afgri's cotton ginning business in southern Africa. This purchase will double the size of Cargill's African cotton unit.

With this agreement Cargill takes full ownership of three gins in Zambia, three in South Africa and a majority shareholding in a company owning two gins in Malawi. Once approved, the acquisition gives Cargill 13 cotton-ginning operations in southern Africa. Annual production at the company will increase by 150,000 bales, which will mainly be sold to textile mills in Europe and Asia. Cargill's customers will have access to greater variety, quality and availability of cotton.

Paul Kinney, president of Cargill's cotton business noted that "Cargill's international expertise in the cotton industry and reputation for business excellence, will help to enhance and develop the full potential of the gins."

Former CCA board member Van Yeutter said, "Cargill's vision is to be the global leader in nourishing people. With aspirations such as this, we at Cargill must continue to look for opportunities to invest on the continent." This deal involves approximately 500 permanent employees in the three countries. During the high season—between July and October - an additional 3,000 to 4,000 seasonal workers are employed at the gins. ●

US-SACU FREE TRADE AGREEMENT REACHES STALEMATE

By Philippe de Pontet

Free-trade talks between the U.S. and the Southern African Customs Union (SACU) have been postponed indefinitely due to differing perspectives of what should constitute such an FTA. As a result, expectations have been scaled back, and both sides acknowledge that an FTA will not be finalized by next year when Trade Promotion Authority expires. Negotiators are now considering incremental steps to improve trade and investment flows short of an actual FTA.

The U.S. has favored a more ambitious approach that includes not only tariff and quota cuts but also so-called “new generation issues,” which SACU negotiators believe encroach upon policy. The issues that are considered problematic by SACU but essential by the U.S. include intellectual property, customs regulations and government procurement reforms, all of which are standard in the U.S. template for FTAs. But SACU negotiators, who are already concerned about U.S. pressure for tariff reductions on sensitive products (including core agricultural goods), claim that these issues are not aligned with their economic development policies and priorities. The U.S. emphasis on intellectual property, in particular, has raised concerns that future generic medicines for HIV/AIDS may face additional restrictions, although such worries are probably overstated. Some of the investment protocols may interfere with South Africa's Black Economic Empowerment laws, just to name one of several

obstacles in negotiations. The lack of harmonization within SACU on a range of investment and regulatory issues presents another complication highlighted by U.S. negotiators.

The U.S. has suggested the possibility of a strict U.S.-South Africa FTA as a way to salvage an agreement. South Africa, however, remains committed to negotiating under the SACU framework, in part because it believes that such a framework would yield a more favorable agreement. The most likely outcome is that U.S.-SACU talks will continue, but with limited goals. The first goal is the establishment of a joint-work program on the key negotiating issues, leading to a framework text and possibly a Trade and Investment Cooperation Agreement (TICA). Such a deal would fall short of an FTA but may facilitate some additional trade and investment in less contentious areas.

SACU appears satisfied for now with such a limited approach, given that African Growth and Opportunity Act (AGOA) preferences should remain in place until 2015. AGOA has clearly diminished the sense of urgency on the SACU side; South Africa, for example, has doubled its exports

to the U.S. in the last five years (to about \$6 billion) under AGOA, led by growth in juice, fruit, wine, mineral, clothing and leather exports. And U.S. officials, keen to maintain trade and investment growth with Africa, may seek to finalize new Trade and Investment

Cooperation Agreements with African countries over the next two years.

CONGRESS DEBATES AID PACKAGE FOR LIBERIA

By Ken Modde

Congress continues to debate a \$50 million Liberian aid package as part of the Iraq and Afghanistan supplemental appropriations bill. Liberian President Ellen Johnson-Sirleaf won congressional backing from House Speaker Dennis Hastert, who sponsored the amendment, following a speech to a joint session of U.S. House of Representatives and the Senate on March 15. The House version of the bill supports a series of reconstruction activities through USAID with \$30 million allocated for infrastructure development projects, democracy, human rights and rule of law programs. The remaining \$20 million is split between strengthening security and assisting with the demobilization and reintegration of ex-rebel combatants.

Johnson-Sirleaf's visit to Congress played a critical role in securing the additional aid for Liberia. The first democratically African female leader was able to capitalize on her unique status as well as tapping into U.S. foreign policy objectives of spreading democratization to harness the support. If Johnson-Sirleaf is able to carry momentum of her electoral victory and deliver tangible results from U.S. foreign assistance in the near term, she could establish herself as a donor darling of West Africa and secure more assistance from the U.S.

OPIC APPROVES \$50MN TO SUPPORT PRIVATE SECTOR FUND FOR AFRICA

By Philippe de Pontet

The U.S. Overseas Private Investment Corporation (OPIC) approved on April 27, \$50 million in financing to support U.S. private sector investment in Africa. The \$50 million will go into a private equity fund to be managed by Helios Investment Partners. The fund will initially focus on investment opportunities in West Africa and the Southern African Development Community (SADC). The goal is to provide funding support for promising local businesses and facilitate buyout opportunities for U.S. firms.

Over time, the fund is expected to expand into additional regions in Africa and invest up to \$200 million in private sector development on the continent. The fund could mobilize over \$500 million in procurement, according to OPIC. It will generate more than \$12 million in annual tax revenues for host country governments.

As a U.S. government agency, OPIC supports U.S. interests abroad, both commercial and foreign policy-related. Since 2003, it has deepened its focus on private sector led international development, with a growing funding commitment to Africa. While traditional aid under USAID and the U.S. State Department may have peaked in recent years and are likely to stay constant or even fall, other agencies such as OPIC may continue to ramp up funding for Africa, albeit from a lower base and in a private sector orientation.

One of OPIC's main initiatives in Africa under the Bush administration has been in housing development, with large programs underway in South Africa, Kenya and elsewhere. OPIC has mobilized \$367 million in financing for nine housing projects in Africa, with nine additional projects in the pipeline. OPIC held a three-day conference in South Africa from May 2-4 on housing, construction, land development, and mortgage financing projects.

TOBIAS OUTLINES FOREIGN ASSISTANCE REFORM AT USAID APPROPRIATIONS HEARING

By Ken Modde, Eurasia Group

U.S. Director of Foreign Assistance and USAID Administrator Randall Tobias gave testimony on April 26 to the U.S. House Appropriations Committee for the fiscal 2007 USAID budget. Tobias focused his comments on the reform of U.S. foreign assistance through an alignment of the strategic goals of USAID and the U.S. State Department. In particular, USAID resources will increasingly be used to accomplish the State Department's "transformational

development goals."

Tobias said the administration plans to introduce these still undetermined goals in a "Strategic Framework" that will act as the vehicle for foreign assistance. It has tentatively grouped countries into categories that will likely determine funding levels and shape overall country goals. These categories are transformational, fragile, global, geostrategic and humanitarian.

Moreover, the Strategic Framework will extend to the country level as a "roadmap" for USAID missions to meet their programming goals. The goals will form the basis of measuring accountability and tracking progress of activities developed by the country mission. Tobias intends to phase in the reforms with USAID missions in 35 fast-tracked countries that are preparing operational plans by January 2007 for fiscal 2007. All missions would go forward with the Strategic Framework model for planning and operation for fiscal 2008.

Tobias further explained that he will spend mornings at the State Department in his position as U.S. Director of Foreign Assistance and afternoons at USAID as the USAID Administrator. That division emphasizes where Tobias will focus his attention, as USAID is increasingly co-opted by the State Department.

Representatives at the hearing raised several questions over aligning the goals of USAID and State. Some noted a shift-reported by career employees in the State Department and USAID - away from five-year

strategy plans toward one-year programs, as favored by the Bush administration. There is some concern that U.S. foreign assistance would lose its long-term strategy in place of short-term diplomatic emphasis. Another issue raised was evidence that the Millennium Challenge Corporation (MCC) is siphoning away USAID funding. The program was designed to supplement USAID activities, but it was noted that the six countries with USAID missions received less USAID economic assistance after signing MCC compacts. ●

Eurasia Group is the world's leading global political risk advisory and consulting firm. The firm analyzes and forecasts political, security and economic developments worldwide.

Philippe de Pontet, Analyst, researches African markets, political trends and economic development.

Ken Modde, Associate, covers country developments in Sub-Saharan Africa providing analysis of issues pertaining to domestic and regional politics, security, trade and development.

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CHINA'S GROWING

< By Princeton Lyman >

Any one traveling in Africa today becomes quickly aware of the growing presence of China in Africa. From Ethiopia, Kenya and Tanzania in the east; through the Central African Republic and Congo; in Nigeria, Angola, and Equatorial Guinea in the Gulf of Guinea; and in Sierra Leone and Liberia in the west, Chinese companies, workers, traders, and officials are engaged in almost every economic sector.



ROLE IN AFRICA

One estimate puts the number of Chinese in Africa at 68,000. But an American corporate executive recently returned from Angola claims there are 80,000 Chinese in Angola alone.

China has a long history of involvement in Africa. In the early days of African independence China carried favor for diplomatic recognition in place of Taiwan and for displacing Taiwan from the China seat in the United Nations. China undertook some large-scale infrastructure projects such as the Tanzania-Zambia railroad and built stadiums and other buildings in many capitals. It also vied for influence with Russia among Africa's more revolutionary and radical regimes. It

backed Robert Mugabe against Russian-supported Joshua Nkomo for leadership in an independent Zimbabwe, forging an alliance that continues to the present. China also established its reputation as a member of the Third World, a true partner of developing countries, and as one analyst put it, the one permanent member of the UN Security Council that they could call their own. China trades heavily on that reputation today.

The driving impetus for China's involvement today is its need for resources to fuel its rapidly expanding economy. China has gone from being a net oil exporter in 1993 to the second



BETWEEN THE ZAMBIAN PEOPLE & THE CHINESE PEOPLE

Africa also is enjoying the ability to look to China as an alternative when western pressure is too heavy or uncomfortable.

largest importer of oil today. Its needs for imported oil are projected to grow from 33% of world consumption to as much as 60% by 2020. It is similarly a leading importer of copper, cobalt, nickel, platinum, zinc and other minerals, driving the prices of these commodities to record levels. Looming on the horizon is China's concern over food security, leading it to invest increasingly in agricultural potential in Africa and elsewhere.

China comes to Africa in search of these resources with substantial financing; with technology to compete in key sectors such as oil exploration and telecommunications; and with a seat on the UN Security Council that can protect its partners, as needed, from sanctions or other international pressures. China is striking deals across the continent, in oil exploration blocks in Angola and Nigeria, in oil and gas exploration along the Chad-Nigeria border and in Ethiopia, in copper mines in Zambia, copper and other mines in Congo, and in timber concessions throughout central and west Africa. It has leased farmland in Zambia, Tanzania, and Zimbabwe. But its economic interests go beyond natural resources. China boasts financing 600 enterprises in Africa, in textiles, malaria bed nets, telecommunications, hotels, construction and a host of other sectors. China's trade with Africa has ballooned from \$5.6 billion in 1999 to more than \$30 billion in 2005.

How Does it Add Up for Africa?

Africa is benefiting substantially from the higher prices for its raw material exports that China and other rising Asian economies are fostering. Zambia's Chambishi copper mine, closed since 1988, has been reopened, refurbished, and now produces 800,000 tons per year and employs 2,000 workers, thanks to Chinese investment and management. Africa also benefits from China's readiness to invest in or to finance infrastructure projects—roads, pipelines, communications, refineries—sectors from which the United States aid program withdrew decades ago. In addition to billions of dollars in new investments, China has forgiven more than \$1 billion in African debt, is training thousands of Africans in both civilian and security sectors, has 900 Chinese doctors working in Africa, and is contributing several hundred soldiers to UN peacekeeping operations on the continent.

Africa also is enjoying the ability to look to China as an alternative when Western pressure is too heavy or uncomfortable. Angola could dismiss pressures for greater

transparency and other demands from the IMF in the wake of a \$2 billion soft loan from China and the prospect of further such assistance from both China and India (the loan secured against future oil deliveries). Ethiopia's President Meles touted Ethiopia's growing relationships with China in the wake of European pressures over the post-election violence there. Several African countries have turned to China for arms when Western conditions or restrictions were in place, e.g. Sudan, Zimbabwe, Nigeria and Ethiopia.

On the negative side, Chinese exports of low cost textiles and other consumer products have undercut local production in numerous African countries, and been the source of considerable political controversy in South Africa which is seeking voluntary restraints on such imports. In northern Nigeria, already vulnerable to religious tension and political unrest, factory closings in the wake of Chinese imports are adding thousands of young people to the numbers of unemployed. With the end of the Multifibre Agreement (MFA) last year, ending quotas on Chinese textile exports to the United States, Chinese exports to the United States ballooned and choked off much of Africa's gains under the African Growth and Opportunity Act (AGOA). Lesotho, South Africa, Ghana, Kenya and other African countries saw private investment in their textile industries dry up, factories close, and people once again unemployed. Finally, Africans are looking askance at China's practice of bringing in Chinese labor to build the projects it finances, allowing little benefit to the local economy and leaving little skills training behind.

How Should the United States See China's Rising Role?

For the United States, China's rising role offers opportunities but also some serious challenges. One should distinguish between the challenges to the government and those to the private sector.

United States government goals in Africa include improving the quality of governance, the protection of human rights, and the steady advance of democratization. Goals also include a steady and safe supply of energy resources, as Africa's share of U.S. imports rises from its present 15% to as much as 20-25% over the coming decade. China, on the other hand, boasts that it comes to Africa without the "baggage" of such conditions as governance or human rights matters. "Business is business," say Chinese officials (never mind the irony of this from a

Marxist government). As such China has been a strong supporter of Mugabe in Zimbabwe, despite the crushing of human rights there and the virtual destruction of the economy. China has effectively blocked UN sanctions against the Khartoum regime over the alleged genocide in Darfur. And, as noted, it has emboldened countries like Angola to resist pressure for greater transparency in its oil sector and other reforms. One has to wonder, however, if China will come to see, as Americans are beginning to see, the danger to safe and secure oil supplies, in which China is so heavily investing, if the producing countries are convulsed by corruption, conflict, and lack of development, dangers which make transparency and good governance more than purely moral objectives.



These are policy issues that are beginning to be placed on the U.S.-China agenda, but how high they rank against the many other issues in that relationship remains to be seen. For the moment, except for Sudan and Darfur, the Bush Administration plays down China's role in Africa as a competitive one. "Why should we see ourselves in competition with any country in Africa?" asks Assistant Secretary of State for Africa Jendayi Frazer when asked about China. "There is enough good to be done." Certainly there are areas of potential cooperation for good, e.g. in health where both the United States and China are active, or in peacekeeping. But recognizing the genuine differences, and potential conflicts of interest, will also be a necessary part of even a healthy competition.

For the American private sector, there are also opportunities and downsides. Some Western oil companies are partnering with China, as BP has done in Angola. Other such partnerships may be on the horizon, especially as China expands into pipelines, refineries, and downstream distribution. But China's methods of operation pose serious challenges to American companies. Because many Chinese companies operating in Africa are state-owned, or generously financed by state banks, they can operate on low margins or even losses. A Chinese construction company manager in Ethiopia confessed that he was under orders from Beijing to bid low to win contracts, even if it meant a loss on the project. China also combines aid and the sweetener of other investments when bidding on oil blocks or other enterprises. In Angola, a \$2 billion loan helped China win the bid for such an oil block. Other Asian countries are following suit. South Korea recently won a bid to an oil block in Nigeria by agreeing as part of the deal to build a refinery. American companies complained, but the Nigerian government said South Korea was responding

to Nigeria's needs.

Chinese companies also frequently provide modest quantities of free equipment in order to lay the ground for much larger subsequent sales. David Shinn has provided an example from Kenya. There they donated computers to the National Assembly, communications equipment to Telkom Kenya, and TV equipment to the Kenya Broadcasting Corporation. China has subsequently won many tenders in Kenya such as a contract with Telkom Kenya to install 26,000 switching lines, the improvement of telecommunications facilities at Safaricom, and the sale of cranes for the port of Mombasa.

For American companies these are significant challenges. The United States

does not use its aid program to bolster American companies in private bids - indeed the OECD frowns on such practices. Nor can American companies compete easily with state-owned Chinese firms that serve a larger, longer term, mercantilist goal of their governments than individual project profitability. American companies thus face increased competition from China - and India, Malaysia, and other countries so inclined - not only in areas of natural resources but throughout Africa's economy. This might not seem so important today as most American investment in Africa is concentrated in the oil and minerals sector, where American companies still have substantial advantages of technology and reliability. But if the pledges made by the G8 last year to double aid to Africa by 2010 are fulfilled - from \$25 billion annually to \$50 billion - there will be many more contracts out for bids for infrastructural projects, machinery and business in general for which American companies will want to compete. Whether the United States can develop public-private partnerships that still comply with OECD principles, e.g. ones that leave aside aid, but bring Ex-Im Bank, OPIC, and TDA together more effectively in support of American companies, may well be the test of American competitiveness with China in the decade ahead. ●

Ambassador Princeton N. Lyman is the Ralph Bunche Senior Fellow and Director of Africa Policy Studies at the Council on Foreign Relations. He is also Adjunct Professor at Georgetown University. Ambassador Lyman's career in government included assignments as Deputy Assistant Secretary of State for Africa, Ambassador to Nigeria, Director of Refugee Programs, Ambassador to South Africa, and Assistant Secretary of State for International Organization Affairs. Ambassador Lyman has a Ph.D. in Political Science from Harvard University. Contact: plyman@cfre.org

Africa's Future is Tied to China's Growth < By Dr. Martyn J. Davies >

How should Africa position itself in a China-dominated global economy?

In China's relations with Africa, China is described as either a historical ally contributing to the continent's development or in contrast, a new commercial coloniser of the continent. The views are stark in their difference. Wherein lies the reality of China's engagement with the continent?

Offsetting trade imbalances

Over the decades, China has projected itself as a political and benign ally of Africa. Following the onset of economic reform in China since the late 1970s, Beijing's emphasis toward Africa is now commercially driven, rather than politically biased.

China's foreign policy toward the continent is geared toward expanding its commercial penetration. The rapidity with which Chinese companies have established a presence in African economies, is surprising. This speed has exacerbated China's trade impact upon the region. Chinese trading firms are fast becoming integral to the region's supply chains.

Total China-Africa trade was roughly \$29.5 billion in 2004, a significant increase of 59% over 2003. Growth since 2001 has increased at an average of 31.2% per annum. With pending trade liberalisation with South Africa, China's main trading partner on the continent, the growth trend will remain strong.

China-Africa trade is a classic North-South model - exporting raw materials while importing manufactured goods. As a result, China runs trade surpluses with the majority of its African trading partners. This is less a reflection of China's competitiveness than of the poor manufacturing bases of African economies.

Beijing is seeking to offset these trade deficits through encouraging state-owned enterprise (SOE) investment into Africa and offering low cost contracting services to

African governments. Construction, infrastructure development, agriculture and mining are the most common sectors in which Chinese SOEs are operating. If the promotion of these industries is what Africa desperately requires, then why the criticism?

Then: North vs. South; Now: East vs. West

In order to fuel its strong economic growth, China requires commodities and energy. China's free trade pursuits with African economies are intended to secure these strategic supply lines for China's resource and energy consumption needs.

China already procures roughly one-quarter of its oil from Africa in particular from Sudan and Angola where it accounts for 40.9% and 23.2% of these economies' total exports respectively. An export dependence has emerged that rests upon continued strong economic growth in China.

China's commercial engagement with Africa is challenging the vested interests of the former colonial powers in Africa. The displacement of the long standing (colonial) commercial presence of France and Britain in Africa may not be a bad thing. Competition between China and Western powers for energy assets in Africa will ultimately benefit cash-strapped African governments. But the problem lies in the support of unsavoury political regimes by outside powers that in return guarantee energy supply lines.

The U.S. and EU powers may criticise China for not tying political conditionality to its investments in Africa, but the record of the West is little different. The hypocrisy of Western foreign policy toward Africa should not result in China being branded the continent's latest colonizer. It is unfortunate that the clash of interests over strategic energy assets between China and

the West is likely to further entrench non-democratic regimes in oil rich states. Nowhere is this more evident than in Sudan.

China's growing investment

Chinese firms in Africa seek to secure access to energy and resources in order to fuel China's manufacturing machine and expanding economy. To guarantee long-term supply of strategic minerals, China is now investing in resource assets in Africa.

Chinese SOEs are rapidly expanding into international markets, including South Africa. According to China's Ministry of Commerce, Chinese companies invested \$3.62 billion in non-financial sectors in international markets in 2004, an increase of 27% year-on-year. This brings China's total direct investment overseas to \$37 billion. Africa, however, remains a minor destination for overseas Chinese investment but the trend is upward.

China's state-owned China National Petroleum Corporation (CNPC) has invested in oil assets in Sudan and Chad. Another SOE, China National Offshore Oil Corporation (CNOOC) has acquired energy interests in Morocco. Additional investments are in Nigeria and Gabon.

Regional priorities in Africa include obtaining government infrastructure contracts and the securing of raw material sources. Chinese SOE's ability to render cheap engineering and construction services is displacing foreign (and domestic) companies. If Chinese firms can deliver development to Africa at a cheaper price, then all the better. The Chinese Government's financial support for its SOEs through its so-called Policy Banks extends into Africa.

This however, has been to the detriment of South African construction firms operating in the region that can hardly compete with state-financed Chinese enterprises. What is

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China in Africa: How Should the U.S. Position Itself? < By Carl Unegbu >

Since 1996, a so-called Strategic Partnership has brought a sea of change in China-Africa relations, yielding more formalized close collaboration between the top leadership of both sides, including four senior official meetings, two ministerial meetings, and numerous state visits.

In April, barely one week after visiting the U.S. capital, China's Hu Jintao was back in Africa with stops in Morocco, Nigeria and Kenya. He did particularly well in Nigeria, where China obtained oil drilling licenses for four wells in exchange for a \$4 billion commitment to develop infrastructure in Nigeria, including refineries, railways, and power stations.

Another Chinese state-run company, the China National Offshore Oil Corporation (CNOOC), sealed a reported \$2.27 billion deal to purchase a 45% stake in a deep offshore oil well in Nigeria. With China's currency valuation practices and a huge \$202 billion trade deficit in favor of China in the latest year alone, it is little surprise that China's newfound fortune in Africa is increasingly worrisome in the U.S.

Why China Thrives

China has made the most of this partnership opportunity so far, boosting its trade volume with Africa from a meager \$5.6 billion in 1999 to over \$32 billion presently.

As a global power with double-digit growth, its most prized windfall from its African engagement has been the access to Africa's oil and natural resources. China alone accounts for about 40% of the increased global oil demand over the past two years; its current oil dependence on Africa stands at over 20% and growing.

China appears to have penetrated Africa by deploying a rather ruthless but brilliant two-pronged approach that is markedly different from the Western one and well-tailored to suit Africa's development needs. The one prong is the so-called principle of

non-interference in the affairs of African countries, a strategy that shows no sensitivity to issues of good governance and economic reform on the continent. Thus, in its quest for Zimbabwe's iron ore and Sudan's oil, China does business with and supports those countries' rogue regimes.

Then there is China's tendency to couple its oil and resource deals in Africa with irresistible pledges of loans and grants to develop needed infrastructure in Africa, like the one just concluded with Nigeria in April. China reportedly has an estimated 700 or more projects in Africa, from building schools and hospitals in Angola to roads and bridges in Rwanda.

Challenge for the West

In an era of rising global oil consumption, China's maneuvers with Africa's natural resources could supplant western positions in these sectors. In strategic places like Nigeria and Angola, China's supposed benevolence in billion-dollar financing of infrastructural developments is entrenching it on the ground in Africa's natural resources sector, especially in the oil industry.

Plus, thanks to inspiration from China's strategy, the rules of the game may soon be changing on the West. Recently, Nigeria reportedly insisted on a minimum commitment of \$2 billion in downstream industry facilities and infrastructure for oil companies wishing to bid for oil blocks in the May 2006 bidding round. So far, Western companies are balking at the idea but the Chinese, Indian, and other firms seem eager to proceed.

Despite the temptations, the West should neither aim to drive China from Africa nor engage it in a race to the bottom. A zero-sum struggle to drive the Chinese out of Africa will hardly succeed, not least because Africans themselves figure they could potentially benefit from China's infrastructural investment. Besides, a perception of outright Western onslaught

risks provoking a bunker mentality among China's leadership at a time they could assist the West in other global arenas.

When positioning itself, the West should take two underlying considerations into account: China's policy is at heart a rather opportunistic move that merely takes advantage of the political environment in Africa. Expectedly, the policy finds the most appeal among those leaders who feel threatened by growing international pressures for good governance, transparency and economic reforms.

The other consideration is that for all its potential, the Chinese largesse has yet to confer any appreciable benefits to African populations. The Chinese underbid local companies, use cheap imported Chinese labor that add little to local employment or skills development, and shut down African factories through a flood of cheap goods.

Bringing the scales back into balance against China ought to be the goal of the West as it confronts the China problem in Africa. The prevailing circumstances suggest that re-invigorated support for existing initiatives designed to promote openness and popular participation in decision-making could deliver this desirable outcome. These enlightened initiatives include the New Partnership for Africa's Development (NEPAD) and its Peer Review Mechanisms, as well as the African Growth and Opportunity Act (AGOA). To further enhance its credibility in this effort, Western nations should also consider increasing aid flows to Africa and relaxing existing trade rules to allow more African exports into the West. ●

Carl Unegbu is a Nigerian-born American lawyer and journalist based in New York City. He is a graduate of journalism from Columbia University, New York City. He also holds law degrees from the University of Toronto, Canada and University of Miami, Florida. He can be reached at: ocarls@yahoo.com, and (212) 766-1443.

Meet Ambassador John Danilovich

Although the Millennium Challenge Corporation's (MCC) mandate is global, much of our work is focused on Africa. Of the 23 countries that are currently eligible for MCC assistance, 13 are in Africa: Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Lesotho, Madagascar, Mozambique, Mali, Morocco, Namibia, Senegal, and Tanzania. In 2007, MCC aims to stimulate the policy and institutional reforms that drive poverty reduction through economic growth both in these countries and across the Continent.

Our competitive country selection process rewards countries that undertake the difficult policy reforms necessary for development. Our selection criteria were developed from decades of development assistance experience and seek to measure the presence of the policies that have been shown to foster growth. Becoming eligible, results in the opportunity to access Millennium Challenge Account (MCA) grants which are used for transformational investments that will lead to higher living standards. In addition, our selection process has proven to be a powerful incentive for non-eligible countries to embrace the reform process. MCA eligibility creates incentives for countries to improve their business environments, which should stimulate private sector investment. We continue to refine our selection indicators in order to accurately capture the policies that drive sustainable, broad-based economic growth.

The MCA Compact development process is a business relationship between MCC and MCA-eligible countries. MCC works with those eligible countries to design and implement programs that will lead to sustained income growth. MCC will continue to commit significant resources to poverty reduction in Africa in the coming years. We expect to have committed almost \$1.5 billion to Africa by the end of 2006. We expect our eligible countries to continue to demonstrate their commitment to their own development by implementing policy, regulatory and institutional reforms that allow MCA-funded investments to have the greatest impact on poverty.

Transformational economic development programs and the policies that enable them need to be implemented. MCA-financed programs are implemented by MCA-eligible governments, which means the recipient governments are responsible for program implementation, management, and oversight of the Compact program. MCC is committed to encouraging the sustained economic growth and poverty reduction that will promote positive policy development in MCA-eligible countries. MCA Compacts commit significant resources to strengthening a country's implementation and policy-making capacity to ensure that reform is sustainable and sustained.

Further, MCC is committed to continuing to strengthen our own organization. In



By Ambassador John Danilovich

2007 we will continue to build upon the recent improvements we have made in our operating model which will allow us to fund poverty reduction programs more rapidly. We believe the MCC incentive needs to be timely if MCA-eligible countries are to find it credible. Our ability to stimulate the policy changes that lead to broad-based, sustainable economic growth cannot be separated from our ability to deliver resources quickly.

With MCC support, MCA-eligible countries can enhance the environment for private sector investment, remove the barriers to growth and build new markets. As they do, they will become better partners for trade and opportunities for investment will multiply. MCC's investment encourage yours; yours create the markets and the jobs which will continue to stimulate public investment in poverty reduction. ●

Our competitive country selection process rewards countries that undertake the difficult policy reforms necessary for development.

A Message From Monrovia

< By H.E. Ellen Johnson Sirleaf, President, Republic of Liberia >

It is with pleasure that I write to the readers of *The Africa Journal* to spread the message that peace and stability have returned to Liberia. My country is open for business and our National Investment Commission (NIC) is actively seeking labor-intensive investments to redevelop the country and alleviate unemployment. My administration has already made great progress in terms of restructuring the regulatory environment to encourage international private sector investment. We look forward to providing a warm welcome to American businesses.

Liberia is the United States' oldest and most reliable ally in Africa. Given our unique historical connection it is only natural for Liberians to have a particular interest in developing business partnerships with American investors. The current administration plans outline focused investment on general infrastructure projects principally in education and healthcare. Outside of these areas, we hope the private sector will rise to the challenge and invest in the enormous potential of other sectors.

Agriculture is a sector with immense possibility. Only 10 percent of the arable land in Liberia is currently being utilized. The opportunity for agricultural development is unimaginable given the richness of the land. Construction and housing are also areas with promising growth potential. The airport, ports, and railroads require attention due to their important role in the movement of products and people. Telecommunications—specifically in fixed lines—electricity, as well as water and sanitation are all sectors ripe for investment.

Along with the development of Liberia come the challenges associated with 25 years of civil strife. The lack of infrastructure in the country makes working and doing business difficult, however my administration is working to ensure that this is a short-term issue. Investors should be prepared for the security issues associated high levels of unemployment and poverty. It is also important to keep in mind that Liberia has a small population and therefore a limited market size. Liberia is a member of ECOWAS, which provides access to a regional market.

Despite the challenges businesses should be encouraged that rule of law is being strengthened. A new supreme court has been established. The executive office believes firmly in the separation of powers. Liberia is also eligible for the General System of Preferences (GSP) and has a virtually free convertibility of currency, requiring few permits making it an enticing business destination for Americans particularly since Liberia deals in a dual currency (US\$ and Liberian \$).

I encourage you to visit Liberia and speak to the NIC about your business interests. I have no doubt that you will find Liberia is a land full of endless investment opportunities and a friendly, hardworking population with the desire to develop their country and make your business successful.



The African Brain Drain: Crisis or Concern? < By Sara E. Thannhauser >

Brain drain, the cross-border movement of highly skilled persons staying abroad for extended periods of time, is a growing phenomenon affecting the African continent. In the past, Africa's migration patterns were primarily based on refugee movements, but by 2000 the numbers of refugees had declined from 5.4 million to 3.6 million. During that same period, the number of non-refugee migrants rose by nearly 2 million to reach 12.7 million in 2000,¹ leaving African states with the critical challenge of managing human capital loss in the 21st century.

Consequences:

The consequences of Africa's brain drain are twofold. In the countries of destination, additional skilled manpower contributes to economic growth and development. The negative aspects affecting the country of destination include increased xenophobia,

especially during economic recession; and "brain waste," in which skilled African immigrants work for much lower wages than their qualifications merit.

The effects of migration on countries of origin are multifaceted. The emigration of highly trained nationals creates a significant loss of skills. Migration also leads to a lack of skilled labor in critical sectors such as health, education, and technological development. This exodus has forced the most effected African countries to recruit expatriates as replacements. Africa spends an estimated \$4 billion annually on recruiting some 100,000 skilled expatriates.² Yet, labor migration does lead to a more efficient allocation of manpower within the African continent as well as overseas. Similarly, migrants who return home after acquiring new skills abroad can transfer their knowledge to the country of origin. Remittances are another benefit of migration. In Northern Africa, remittances far outweigh official development assistance. Unfortunately, the same is not true for Sub-Saharan Africa, where development assistance dwarfs remittances (see Appendix, Table 1).

Regional Dimensions

Brain drain patterns differ by region in Africa. In North Africa migration is shaped by the region's geographic proximity and historic ties with Europe. According to the International Organization for Migration (IOM), "the dominant brain drain flow [in North Africa] is from the three French-speaking countries, Algeria, Morocco and Tunisia to France or Belgium, but also increasingly Italy."³ Furthermore, highly skilled Egyptians tend to favor southern Europe, the U.K., and North American destinations. Brain circulation, the inter-African cross-border movement of highly skilled persons, is not prevalent between North African countries and other countries of the continent. However, the IOM points to Egypt as an important

destination for academics from Arabic-speaking countries in Africa.

In Central Africa, the populations of the Democratic Republic of Congo (DRC) and Cameroon suffer the greatest loss of skilled migrants. Migration patterns tend to be intra-regional, with minimal numbers migrating to Europe and North America. The Republic of the Congo has emerged as a major destination for intra-regional migrants. Central Africa may experience an increase of brain circulation as a result of an agreement reached by the countries of the Economic Community of the Great Lakes (Burundi, DRC, and Rwanda) on the free movement of labor.

The African sub-region experiencing the greatest levels of brain drain migration is West Africa. It is estimated that the U.S. has the largest number of educated West Africans. According to the United States Census Bureau, as of the year 2000, there were an estimated 881,300 African immigrants in the U.S.: West African immigrants numbered at 326,507, with Nigerians accounting for 134,940, Ghana 65,572, and Sierra Leone 20,831.⁴ According to the IOM, the regions' inflation and recession periods throughout the 1970s-1980s, combined with the political conflicts throughout the 1990s, increased migration levels from Gambia, Ghana, Liberia, Sierra Leone and Nigeria, especially of medical professionals. Over 20,000 Nigerian doctors are practicing in Canada and the U.S.⁵

Like the Central and West African sub-regions, East African migration patterns are directly correlated to the varying levels of political conflict in the region. According to the IOM, for several decades the war-torn countries in the Horn of Africa-Eritrea, Ethiopia, Somalia and Sudan-produced huge numbers of refugees and legions of highly skilled emigrants. East African immigrants to the U.S. totaled 213,299 in 2000, with Ethiopians comprising 69,531.⁶ In Southern Africa, brain circulation between Malawi, Mozambique, Zambia

Causes of the Brain Drain:

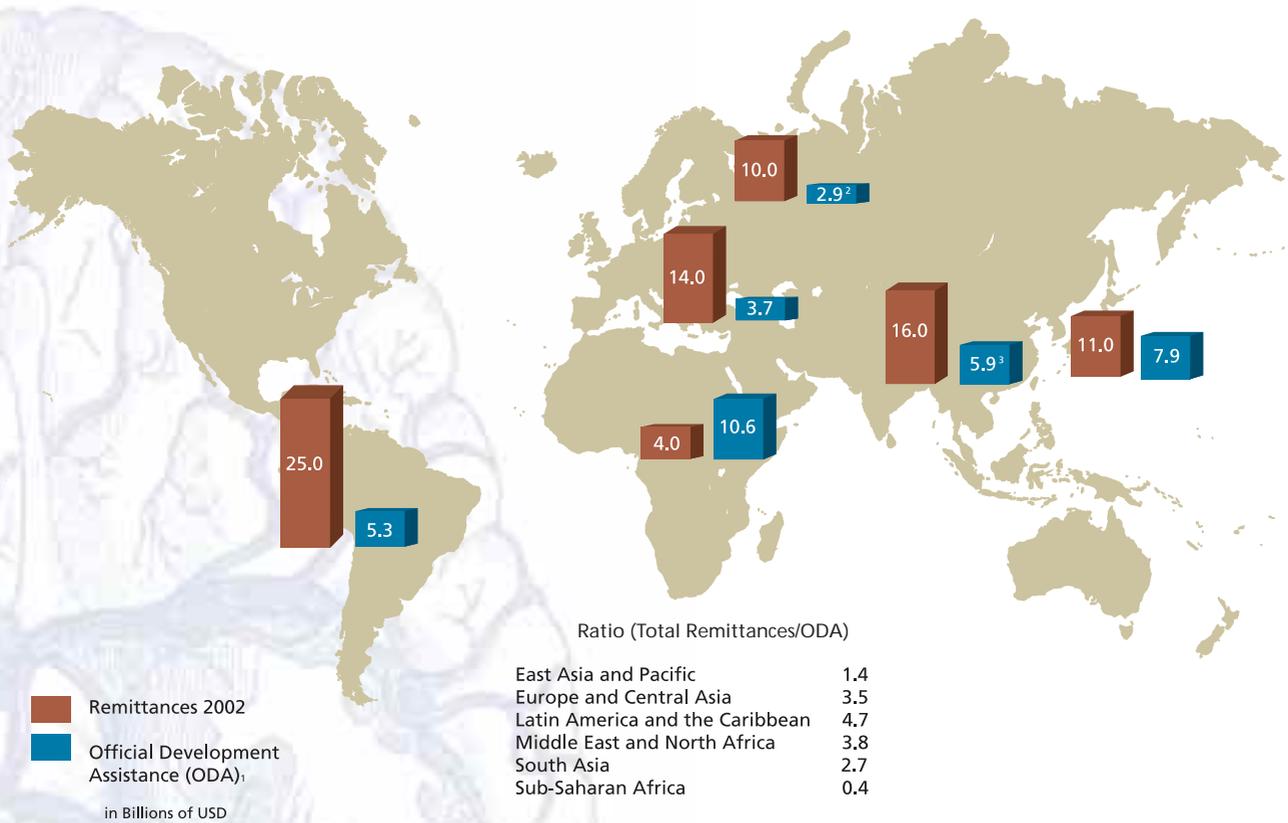
Surveys conducted in 2003 by the International Organization for Migration (IOM) among African returnees revealed the following push-pull factors driving Africa's skilled workers to emigrate abroad:²

Push factors:

1. Poor socio-economic living conditions
2. Unemployment
3. Drops in real income due to currency devaluation
4. Rigid government employment systems
5. Professional isolation
6. Corruption

Pull factors:

1. Higher salaries
2. Great job mobility and professional career development
3. Fewer bureaucratic controls and higher standards of living
4. Acquisition of high-level skills
5. Foreign scholarships and educational support
6. Active presence of recruitment agents



and Zimbabwe, to Botswana, Namibia and South Africa, is the most common migration. The three major countries of destination are heavily reliant on highly skilled human resources from the rest of the sub-region due to the loss of their own highly skilled nationals to the developed countries in Europe. For example, a recent survey of South Africa revealed that one-third of white South Africans and slightly more than one-fifth of black South Africans interviewed in 1999 contemplate migrating overseas in order to benefit from better working conditions.

Targeting Africa's Best and Brightest

A new twist in Africa's brain drain plight is a direct result of the diminishing birth rates in Western nations. Eager to maintain their labor force populations, countries like Great Britain, France, and Germany are enacting immigration schemes targeting the most skilled workers from the developing world. The U.K.'s Highly Skilled Migrant Program is based on a points-

calculator. Holders of Ph.D.s score 30 points, M.A., M.S. or M.B.A. holders earn 25 points, B.A. or B.S. earns 15 points, and holders of an M.D. earn 50 points.

Applicants with the highest scores are granted permanent residence. Such supply driven systems are also used in Canada.

The U.S.'s H-1B program grants temporary residency for foreign nationals with at least a B.A. For permanent residence, the U.S. uses a demand driven system where employers petition for specific workers.

Healthcare Drain

As a result of the immigration schemes and the departure of health professionals, the stability of medical and social services in several African countries has been eroded. Thirty-eight of the 53 African countries fall short of the minimum World Health Organization's standard of 20 physicians per 100,000 people. It is estimated that between 1993 and 2002, Ghana lost 630 doctors, 410 pharmacists, and 11,325 nurses. Data from the American Medical Association revealed that as of 2002, 5,334

non-federal physicians who were trained in African medical schools were licensed to practice medicine in the U.S.⁷ Similarly, despite the U.K.'s new codes to prevent the active recruitment of Africa health-care professionals to its National Healthcare System (NHS), the British Medical Journal estimated that 23,000 health-care professionals still emigrate annually from Africa.

Crisis or Concern

While existing statistics may cause some concern, overall African skilled immigrants make up only about 5% of the total foreign-born populations in OECD countries, and the U.S. is home to fewer African immigrants than Europe. The brain drain phenomenon has intensified over the years to the detriment of many African countries, but organizations like the African Union (AU) are taking steps to reverse this pattern. The New Partnership for Africa's Development (NEPAD) has identified "investing in human resource development/reversing the brain drain, as

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2005 Produces Mixed Results for AGOA Trade < By Paul Ryberg >

The African Growth and Opportunity Act (AGOA) has been remarkably successful in spurring increased two-way trade between the United States and the AGOA beneficiary countries of sub-Saharan Africa. During AGOA's first four years in effect, 2000-2004, U.S. imports from Africa increased 52.8%, growing from \$23.5 billion in 2000 to \$35.9 billion in 2004. Over the same period, U.S. exports to Africa increased by 44.5%, from \$5.9 billion in 2000 to \$8.6 billion in 2004.

By 2005, however, the trade data has begun to tell a somewhat different story. Total U.S. imports from Africa during 2005 (both duty-free under AGOA and dutiable trade) were up sharply to \$47 billion, representing 37% growth over 2004 and a stunning 114.2% growth since 2000. The same pattern of strong growth was repeated in 2005 duty-free imports from Africa under AGOA, which grew 43.6% to \$38.1 billion. Moreover, an increasing share of Africa's exports to the United States qualified for duty-free status under AGOA in 2005. U.S. duty-free imports from Africa represented 81% of total imports in 2005, up from 77% in 2004 and 70% in 2003.

But there is a parallel tale of disappointing trade declines lurking beneath the surface of these impressive statistics. That is largely because 92% of U.S. duty-free imports under AGOA in 2005 consisted of petroleum products.

While energy product imports from Africa were up 53% in 2005, most of that increase was in fact due to the sharp run-up in crude oil prices last year, rather than an increase in the volume of petroleum trade with Africa. Thus, while the volume of U.S. petroleum imports from Africa has increased by 26.5% since 2000, the value of these imports has more than doubled, growing by 131.8% by 2005.

Moreover, it is virtually certain that the United States would have imported exactly the same amount of oil from Africa since 2000 regardless of whether AGOA had

2005 Duty-Free Imports under AGOA

Products	2005 % of Total AGOA Imports (\$ million)	Duty-Free
Petroleum Products	\$35,208	92.3%
Textiles and Apparel	1,425	3.8%
Minerals and Metals	494	1.3%
Chemical Products	329	0.9%
Transportation Equipment	274	0.7%
Agricultural Products	272	0.7%
Forest Products	32	0.1%
Machinery	19	<0.1%
Electronic Products	19	<0.1%
Footwear	2	<0.1%
Miscellaneous	72	0.2%
Subtotal: Non-Petroleum	\$2,938	7.7%

U.S. Duty-Free Petroleum Imports under AGOA, 2000-05

U.S. Petroleum Imports from Africa	2000	2001	2002	2003	2004	2005	% Change 2000-04
Barrels (millions)	565.9	542.3	446.7	574.7	656.3	715.9	26.5%
\$ (billions)	\$16.3	\$13.3	\$10.9	\$17.0	\$25.0	\$37.8	131.8%

U.S. Duty-Free Non-Petroleum Imports under AGOA, 2000-05 (\$ billion)

2000	2001	2002	2003	2004	2005	% Change 2000-05
\$5.139	\$6.300	\$5.409	\$6.231	\$3.506	\$2.938	-42.8%

been enacted. Accordingly, any meaningful analysis of trade under AGOA must start by excluding petroleum imports. But when one does that, the result is disturbing: U.S. imports of non-petroleum products under AGOA in 2005 were actually down -16%, falling from \$3.5 billion in 2004 to \$2.9 billion in 2005. The level of non-petroleum imports in 2005 is almost exactly the same as the \$2.8 billion of imports in 2003. In other words, viewed over the past two years, AGOA trade has

experienced virtually no growth.

Those few categories of non-petroleum products that experienced growth involved relatively small volumes of trade, such as machinery and electronic products, which together constituted just 0.1% of total U.S. imports from Africa. By contrast, the more significant sectors, including textiles and apparel, metals and minerals, and transportation equipment, all experienced declining volumes in 2005.

On a country-by-country basis, Nigeria and

U.S. Non-Petroleum Imports under AGOA, 2004-05

Products	2004 Duty-Free AGOA Imports (\$ million)	2005 Duty-Free AGOA Imports (\$ million)	% Change
Petroleum Products	\$23,053	\$35,208	52.7%
Textiles and Apparel	1,620	1,425	-12.0%
Minerals and Metals	728	494	-32.1%
Chemical Products	222	329	48.2%
Transportation Equipment	539	274	-49.2%
Agricultural Products	265	272	2.6%
Forest Products	34	32	-5.9%
Machinery	17	19	11.8%
Electronic Products	16	19	18.8%
Footwear	1	2	100.0%
Miscellaneous	63	72	14.3%
Subtotal: Non-Petroleum	\$3,506	\$2,938	-16.2%
Total	\$26,559	\$38,146	43.6%

Angola were the largest AGOA exporters in 2005 to the United States, representing \$22.4 billion and \$8.3 billion respectively. Not surprisingly, petroleum products represented 99% of U.S. imports from Nigeria and Angola.

Excluding petroleum products, South Africa has consistently been by far the largest exporter to the United States under AGOA, shipping \$5.8 billion in non-petroleum products during 2005. But this represents a slight decline from 2004, when South Africa exported \$5.9 billion to the U.S. market. Metals and minerals are South Africa's largest export to the United States, representing \$3.9 billion in 2005 up 1.6% from 2004.

Total African exports of metals and minerals decreased by -32.1% to \$494 million.

The decline in metals and minerals imports was spread across most products, except for precious metals such as gold and platinum, imports of which were up 11.1% in 2005. Otherwise, most other metals were down sharply, with imports of zinc down -99.5%, copper down -72.0%, and iron and steel were down -27.2%.

After South Africa, the next largest supplier of non-petroleum products under AGOA

remains Lesotho, but with just \$403 million in exports to the United States in 2005, Lesotho's exports are of a completely different order of magnitude than those of South Africa and the large petroleum suppliers. Even more troubling, Lesotho's 2005 exports were down -14% from 2004. Apparel represents Lesotho's only significant export to the United States. Other AGOA beneficiaries with significant declines in exports in 2005 were Benin -66%, Cameroon -53%, Namibia -46%, Madagascar -31%, Cape Verde -29%, and Mauritius -18%.

Trend of Declining Apparel Trade Continues in 2006

When petroleum products are factored out of the trade data, apparel trade has clearly been the engine driving AGOAs success. U.S. apparel imports from Africa shot up a remarkable 167% during 2000-2004, making apparel the second largest category of U.S. imports from Africa behind only petroleum products.

AGOAs success in developing an apparel industry in Africa was seriously undermined on January 1, 2005, with the expiration of

the Multi-Fiber Arrangement (MFA) system of quotas.

U.S. apparel imports from Africa under AGOA fell 15.6% by volume and 12.0% by value, as compared to 2004. Especially troubling is the fact that the rate of declining apparel imports from Africa actually accelerated as 2005 progressed, despite the imposition of U.S. safeguard quotas on imports from China, first in May and then in the comprehensive bilateral quota agreement in November. Even worse, the pattern of declining apparel imports has continued into 2006, free-falling by -37.31% in January-February 2006.

Because the world apparel industry is still adjusting to the end of the MFA quotas, it is too early to predict at what level AGOAs apparel trade will stabilize. Unfortunately, there appears to be no reasonable basis for U.S. apparel imports from Africa to return to their 2004 level.

The increasing concentration of AGOA trade in petroleum products is troubling, but even more worrisome is the general decline in trade in other products, including apparel, metals, transportation equipment and other products. It remains to be seen whether the negative experience of 2005 is a one-time anomaly or the beginning of a disturbing trend. It is already clear, however, that much greater effort needs to be devoted — both by the United States and by the AGOA beneficiaries themselves — to further diversify the types of products being traded under AGOA and, equally important, to maintain the levels of trade that have been achieved so far in apparel and other sectors. ●

Paul Ryberg is the President of the African Coalition for Trade (ACT), a non-profit trade association representing the interests of the African private sector groups regarding expanding the opportunities for mutually-beneficial trade and investment between the U.S. and Africa. Mr. Ryberg is also the senior partner in the Washington-based law firm of Ryberg and Smith, L.L.P. For more information on ACT, contact ACT at 202-965-3444 or visit the website at www.acttrade.org. Contact Mr. Ryberg at pr@rybergandsmith.com.

Black Economic Empowerment: A brief overview of the BEE Codes of Good Conduct < By Luanne Grant >

The first attempt by South African companies to sell off a portion of their shares to black stockholders was made in the late 1990s. Many of these deals failed to achieve their objectives as a result of the stock market crash in 1998.

Late in 2001, the South African Government announced that mining companies would be required to sell 51% of their shares to black owners within 10 years. The impact of this was severe and possibly contributed to the collapse of the Rand at the time. This resulted in a more consultative process, and led to the development of the Mining Charter which required mining companies to sell a minimum of 15% of their shares to black owners within 5 years and a minimum of 26% within 10 years. The Mining Charter also included conditions such as affirmative procurement, skills development and community development.

To avoid having the Government impose conditions on them, other industries developed their own charters based on what their members felt were achievable.

A number of charters have been completed; others are still in the process of completion. A range of difficulties in interpretation and implementation of BEE requirements have arisen. This persuaded the Government to compile all embracing BEE Codes of Good Conduct.

The aim of the Codes of Conduct is to incorporate many elements of the individual Charters.

The 1st phase of the BEE Codes was introduced in November 2004 and dealt mainly with issues of ownership and control. Over 340 submissions commenting on these Codes were received by Government. A revised set of

Codes was published in June 2005.

The 2nd Phase of the Codes, which dealt with employment equity, skills development, enterprise development, affirmative procurement, and corporate social investment, was published in December 2005.

The Codes aim to eliminate uncertainty about what constitutes BEE, what qualifies for it and how many points can be earned in respect of action to promote the different elements of BEE.

The 2nd phase of the Codes contains over 1000 pages of guidelines on the aspects listed above. One of the shortcomings in BEE is how to deal with shares that have been allocated to black parties should such shareholders wish to sell their shares. Would the company that sold the shares to the black partner to meet BEE requirements retain its BEE status? The Codes provide for a "warehousing fund" which would buy the shares from black investors' exiting empowerment deals while still allowing the original company to retain their BEE status. These companies now have three years to transfer their shares to new black shareholders.

Another important issue dealt with by the Codes was the sale of shares by multinational corporations. In some instances this has acted as a disincentive for new Foreign Direct Investment (FDI).

Multinationals are now given the option of exemption from selling 25% equity providing they participate in an equity equivalent. There is still some uncertainty



The skyline of Johannesburg, South Africa.

about what constitutes an equity equivalent.

The Codes have also allowed small businesses exemption from selling equity as long as they comply with other requirements for BEE.

These Codes move the emphasis from ownership and control ("narrow-based BEE") to other aspects of BEE, such as skills development, enterprise development, affirmative procurement and corporate social investment ("broad-based BEE").

The institution of BEE, it is hoped, will help to diffuse possible sociopolitical and socio-economic tension and conflict. BEE is essential to empower previously disadvantaged communities economically. The two phases of the Codes introduce a complex set of guidelines on how empowerment should be implemented. It remains to be seen what impact this will have on the economic productivity of business.

One must welcome the constructive and flexible approach taken by the 2nd phase of the Codes and the importance of shifting more emphasis on aspects other than ownership and control. ●

Luanne Grant is the Executive Director of the American Chamber of Commerce in South Africa. Visit www.amcham.co.za

Doing Business in Africa: Navigating the Anti-Corruption Rules

< By Edward B. Rowe & Thomas R. Snider >

Corruption continues to pose challenges to commerce throughout the world, and Africa is no exception. African leaders are working to tackle the problem, in part, by committing their governments and their people to a growing body of rules outlawing acts of corruption and regulating how businesses and entrepreneurs interact with each other and with government officials. Over the long-term, these expanding commitments are vital to Africa's economic development and beneficial to foreign companies doing business in Africa. In the short-term, however, they create complicated challenges for companies investing on the continent who seek to ensure that they operate within the confines of these new rules.

From the perspective of U.S. businesses, the impact of the Foreign Corrupt Practices Act (FCPA) continues to expand, and it remains the most critical anti-corruption law that must be considered. However, the FCPA is no longer the only anti-corruption law that may be in play when U.S. companies invest in Africa. The UN Convention Against Corruption recently entered into force, and several African countries have adopted it. In addition, regional agreements—soon likely to include the African Union Convention on Preventing and Combating Corruption—and domestic laws have important implications for U.S. companies investing in Africa.

The Growing Bite of the FCPA

Ten years ago, a U.S. company working in Africa essentially had to concern itself only with the FCPA. Although the FCPA was a significant development in terms of anti-corruption laws and provided for both criminal and civil penalties, the FCPA was, at that time, more narrow in scope, and there were relatively few

enforcement actions. Today the environment is much different. Amendments to the FCPA over the years have broadened the FCPA's scope and the number of investigations and enforcement actions has dramatically increased.

For example, the FCPA was changed in the late 1990s to meet new obligations that the U.S. had taken on under the Anti-Bribery Convention of the Organization for Economic Cooperation and Development (OECD). These amendments expanded the FCPA's reach to cover non-U.S. persons acting in the United States and made it easier to reach U.S. persons acting outside the United States. They also broadened the scope of activities that were considered improper. Before these changes, a company was liable if it made payments with a corrupt intent towards "obtaining or retaining business." Now a company may also be liable for any payments made with a corrupt intent to secure any "improper advantage," a broader, more vague standard.

The latest changes have important implications for U.S. companies pursuing investments in Africa given that many of these investments are made by means of subsidiaries, local consultants, agents, or joint ventures. Under certain circumstances, U.S. companies can be held liable for the actions of such persons or entities. Joint ventures between U.S. companies or their subsidiaries and government-owned entities, which are commonplace in Africa, give particular rise to FCPA issues and exposure.

The Rise of International and Foreign Anti-Corruption Laws

For U.S. companies and their subsidiaries doing business abroad, the legal regime governing corruption no longer stops with the FCPA. With increased emphasis on anti-corruption measures and greater transparency throughout the world, several new sets of anti-corruption laws now exist.

Foremost among these rules is the UN Convention Against Corruption, which came into force on December 14, 2005. As of April 2006, 51 countries have ratified this convention, and 22 of them are in Africa, including key countries such as South Africa, Nigeria, and Egypt.

Ratification means that these countries are now obligated to implement domestic laws consistent with the convention. These mandatory domestic laws include not only criminal sanctions but also provisions that make corruption a legal basis for annulling or rescinding contracts. Additional provisions grant the right to companies and individuals damaged by corruption to sue those responsible for the harm. Another important aspect of the UN Convention is that it applies to corrupt acts that occur within the private sector, not just those acts occurring in the public sphere. Several more countries have signed, but not yet ratified, the UN Convention, including the U.S. Should the U.S. ratify the convention, further amendments to the FCPA could occur.

In addition to the UN Convention, regional conventions on corruption are emerging in different parts of the world. In Africa, the African Union Convention on Preventing and Combating Corruption was signed in July 2003 by all 53 members of the African Union. Although this convention has not yet become law, it likely will soon. As of April 2006, 12 of the signatories—Burundi, Burkina Faso, Comoros, Libya, Lesotho, Madagascar, Mali, Namibia, Rwanda, South Africa, Tanzania, and Uganda—have already ratified the convention, and only three more ratifications are required for the convention to enter into force in those countries. The AU Convention makes it a criminal offense to engage in a wide range of corrupt acts in both the public and private sectors. It also contains mandatory provisions regarding the funding of political parties.

Continued on page 41

NIGERIA: NOKIA OPENS NIGERIAN OFFICE, UNVEILS PLANS

Nigeria's THISDAY newspaper reported on April 12, 2006 that Nokia has officially opened its office in Nigeria to serve both the country and the West African sub-region.

Vithesh Reddy, Area Manager, Nigeria, Ghana and Liberia, Nokia Customer and Market Operations, said the initiative will expand Nokia's footprint in Africa and demonstrate that Nokia is capable of delivering in the Nigeria market.

"Establishing a physical presence in Nigeria will enable us to consolidate on such social interventions, whilst further entrenching the Nokia brand in the region" he said.

Nokia is the first manufacturer to introduce local Nigeria languages like Hausa, Yoruba, and Ibo as an option on their mobile phones, THISDAY reported.

The Executive Vice Chairman, Nigeria Communication Commission (NCC), Ernest Ndukwe, said he has no doubt that Nigeria will continue to be an important market for all serious players in telecommunications.

"Telecommunications plays a major role in the GDP growth and Nokia is a contributor in Nigeria. As such, Nigerians will work with the company to ensure that the set goal is achieved," he said.

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MTN TO PAY N715BN FOR INVESTCOM

Nigeria's THE DAILY CHAMPION reported on May 3, 2006 that the MTN Group, South Africa's multinational telecommunications group operating in Africa and the Middle East, will buy Investecom for \$5.53 billion (about N715 billion) in a deal expected to create the biggest mobile telecoms operator in Africa and the Middle East.

The landmark deal, apart from creating a pre-eminent mobile operator in the emerging markets of Africa and the Middle East, will also push the enterprise value of the combined company to some \$23 billion (about N3 trillion) compared to the \$15 billion (about N2 trillion) value of Orascom, currently the Middle East's preeminent mobile operator.

The transaction will make the enlarged group one of the world's largest emerging market players in telecommunications and the clear leader in Africa and the Middle East, operating mobile networks in 21 countries, covering a population under license on a combined basis of approximately 488 million people and serving in excess of 28 million subscribers.

Launched in 1994, the MTN Group is listed on South Africa's Johannesburg Stock Exchange (JSE) and has more than 23 million subscribers across Africa. MTN operates in ten African countries.

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LIBERIA: MULTI-MILLION INVESTMENT

Liberia's ANALYST newspaper reported on May 8, 2006 that a multi-million investment in Liberia by Palm Spring Casino and Resort, is almost complete. According to the newspaper, management said they are set to officially kick off operations by end of May.

Public Relations Manager, William L. Bryant described it as a conglomeration of various types of businesses such as bars, restaurants, hotels, guest houses, and casinos, that is likely to catapult the Johnson Sirleaf-led government's private sector investment opportunities.

The establishment of the investment, according to Bryant, will provide job opportunities for Liberians. He said about 65 Liberians are currently being

employed and are undergoing intensive training in order to meet the working standards of Palm Spring Casino.

He said the company was making the huge investment because it has confidence in the government of President Ellen Johnson Sirleaf.

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EAST AFRICA: AKRIGHT INVESTS SH12 BILLION

Uganda's NEW VISION reported on May 7, 2006 that Akright Projects Ltd, Uganda's leading real estate developer, has invested sh12 billion in the country. The investment is said to provide the Ugandan government with the opportunity to provide proper housing, Godfrey Tumusiime, East African Development Bank (EADB) chief, told the NEW VISION.

He said Akright's nine housing estates had created hundreds of jobs and led to appreciation of land value, impacting on economic growth.

"Every dollar invested in housing has a multiplier effect of \$8 and many sectors end up benefiting," Tumusiime said.

Tumusiime handed over ten houses built under the EADB Financial Housing Support Scheme.

Tumusiime said governments should use mortgage as a form of forced savings.

Anatoli Kamugisha, Akright's managing director, thanked EADB for the Sh500 million loan.

He said financial institutions had previously shunned housing finance calling it "risky."

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U.S.-Africa Sister City Relationships < By Daniel Wolf >

In April, South Africa celebrated its 12th Freedom Day marking the end of apartheid. While the country has done much to eradicate its racist policies in government and business, the economy remains in transition. Since 1982, the Chicago Sister Cities International Program (CSCIP) has committed its resources to economic development, trade and investment opportunities, as well as cultural and educational exchanges with cities on the African continent. In developing partnerships with African sister cities, the CSCIP has built upon its 50 years of experience, and 25 successful relationships with sisters cities throughout the world. "We have a broad mission rooted in culture," explained Deputy Director Trevor Hall, "The CSCIP provides an umbrella structure for individuals, ethnic community leaders, and international organizations to communicate with one another and further Chicago's position as an internationally vibrant city."

Working closely with the municipal government of Durban, South Africa and Motorola, a Chicago-based corporation,

the CSCIP is focused on information and communications technology (ICT) projects in South Africa, long considered Africa's key growth sector. The programs of the CSCIP have facilitated Chicago-based corporations to improve African infrastructure in regional communications networks and transportation hubs. Because of private investments in ICT in Africa, it is estimated that most African countries will achieve the 7% annual growth rate necessary to significantly reduce poverty. CSCIP efforts to collaborate with African city officials' and Chicago corporations have created an alternative forum to solidify partnerships, bringing the benefits of trade and investment in the African continent to the forefront.

The CSCIP has also played a critical role in Chicago's global position, providing a portal for international communication and meaningful educational exchanges that truly effect the day-to-day lives of participants in Chicago and its twenty-five sister cities. The Ananse Project utilizes ICT infrastructure in Accra,

Ghana, enabling students in Labone Senior Secondary School and in Chicago Public High Schools to create and exchange web video stories about their lives and their cities developing long-term partnerships and sharing cross-cultural experiences. Subsequently, the CSCIP creates performances and exhibits based on these exchanges to stimulate the communities "to creatively learn, work and solve problems together through reciprocal cultural, educational, municipal, business, and technical exchanges and projects," Hall clarified. Also, through the Sister Schools Abroad Program, students of Walter Payton College Prep High School in Chicago engage in isiZulu classes, including actively corresponding and video-conferencing with their South African counterparts. This specific initiative provides an interactive forum for youths from both cultures to communicate, while simultaneously supporting and enhancing American schools' multicultural education curriculum and world programs. ●



VIRGIN AND NIGERIA PARTNER TO



Since the demise of Nigeria Airways in 2001, Nigeria has been without a national flagship carrier. Some two years ago, the Federal Government of Nigeria invited tender proposals from qualified international carriers to become the technical partner to a privatized Nigerian flag carrier. The Federal Government stipulated that the new airline should be 51% majority owned by Nigerian investors in order for it to qualify as a flag carrier, and the technical partner was permitted a 49% minority share. Virgin Atlantic Airways won that tender to create a new Lagos-based network carrier flying globally: Virgin Nigeria.

Virgin Nigeria's Nigerian shareholders include some of the largest private sector

institutional investors in Nigeria, including Capital Alliance, Dantata Investments, UBA Group and 17 other banks, insurance companies and other corporate bodies.

Virgin Nigeria's first flight commenced on June 28, 2005 to London and the airline now operates internationally from Lagos to London (U.K.), Johannesburg (South Africa), regionally from Lagos to Accra (Ghana), Douala (Cameroon), Dakar (Senegal), and domestically from Lagos to Abuja, Kano and Port Harcourt.

Aviation is a global business, and from Lagos, Virgin Nigeria is competing against long established, safe and efficient international airlines. In order to compete at that level, Virgin Nigeria is

committed to world-class standards in every aspect of its operations. The airline commenced operations with two Airbus A320-200 aircraft wet-leased from a Bulgarian airline, BH Air, until later this year, and two Airbus A340-300 aircraft from Virgin Atlantic. Virgin Nigeria is now also flying three Nigeria-registered Boeing 737-300 aircraft leased from General Electric Commercial Aviation Services (GECAS) on its own Air Operator's Certificate within Nigeria and the West and Central African regions. The airline continues to expand its own Nigeria-registered aircraft and fully trained pilots and cabin crew, the vast majority of whom are Nigerians.

Today the company has around 700 staff and six aircraft operated safely and

TO TAKE FLYERS FURTHER

securely to its destinations worldwide. By the end of this year the airline will have taken delivery of a further four Boeing 737-300 aircraft and will have a fleet of nine aircraft, with a staff strength of over 1,100.

Virgin Nigeria's vision is to have 40 planes by 2010, a staff strength of 6,000 direct employees, with an estimated 100,000 jobs indirectly created within the tourism and aviation sector as a result of its regional and international expansion. Indirectly created jobs include those from hotels, expanded airport ancillary services such as ground handling and catering, jobs for porters and taxi drivers, for tour guides and bus drivers.

The airline blends customer needs and preferences in Nigeria with Virgin Atlantic's global airline expertise together with best practices in private sector business. Its in-flight products offers customers a choice of 14 video channels, including a selection of Nigerian movies on any flight. It also offers nine audio channels including Nigerian music, and the best of Nigerian and international cuisine on all flights.

Virgin Nigeria's philosophy is to bring the best relevant international standards to its business in Nigeria. In addition to conforming to its primary regulatory body, the Nigerian Civil Aviation Authority (NCAA), Virgin Nigeria's absolute focus on safety and standards has led it to elect to operate to additional scrutiny and standards including audits by Virgin Atlantic and also the JAAR Ops standards governed by the Joint Airworthiness Authority European regulatory body. In December 2005, Virgin Nigeria Airways passed IATA's Operational Quality Audit and

became an IATA member.

Safety is made all the more pertinent given the recent unfortunate air tragedies in Nigeria. Following these incidents, the President of Nigeria inaugurated a Special Task Force on the aviation industry of which Virgin Nigeria is a member. This Task force reviewed all aspects of the industry and makes recommendations to ensure that safety and security of air transportation adheres to international standards. Given the realities of today's aviation world and in line with ICAO's new regulations, Virgin Nigeria also increased its security measures—the first in Nigeria to do so, with all hand-carried and cabin baggage being subject to a 100% screening for explosive devices, fire arms and other items inimical to air safety.

There are challenges to making Lagos the hub of West Africa and certain steps must be taken to meet these targets. Many of these steps involve investments at the airport in technical infrastructure requirements such as regional maintenance centers, facility upgrades, and service centers to enhance the customer experience. Virgin Nigeria will build a transit lounge and an international Clubhouse at Lagos this year. In order to achieve its aims, Nigeria as a whole must continue to use the support offered by the international community including the FAA, international investors and manufacturers.

Another key constraint is the availability of pilots. This is a worldwide problem, but it is exacerbated for Nigeria due to the reduction in training undertaken in Nigeria since the hey-day of Nigeria Airways. Virgin Nigeria is starting ab-initio pilot training of 50 locally hired

Nigerian graduates at international training centers this year to meet its medium term demand for pilots as it grows its fleet. The company is entering into a mutually beneficial long term partnership with the Nigerian College of Aviation Technology in Zaria to provide pilots, engineers, and other technically trained aviation personnel like air traffic controllers to satisfy the nation's aviation needs.

The new airline is currently in expansion phase, developing a global network of intercontinental, regional and domestic routes from its home base in Lagos and increasing travel options for customers.

Virgin Nigeria submitted an application in December 2005 to the United States Department of Transportation for authority to operate a service between Nigeria and the U.S. This application is still being opposed by another airline, but Virgin Nigeria is hopeful that the situation will be resolved and flight operations will commence between the two countries.

In addition to its hope for permission to fly to the U.S., Virgin Nigeria also plans to commence flying to Dubai, Libreville (Gabon), Bamako (Mali), Freetown (Sierra Leone), Monrovia (Liberia) and several other destinations.

It is currently very difficult to travel from the U.S. to Nigeria, and one has to transit over Europe with the attendant cost of time and money. Virgin Nigeria's proposed direct service from the U.S. to Nigeria would meet this strong demand and will enhance price and service options available to the traveling public - resulting in huge savings in time and money to the customer. ●

"WHERE IS NIGERIA HEADING?"

This week I got a phone call from a client stuck in a traffic jam in downtown Lagos. "It's raining again," he said despondently. As anyone who's been to Lagos can testify, rain shuts down Africa's largest city more effectively than a military coup: the roads turn to tributaries, the traffic lights go on the blink, the police go home and everyone else sits in a pothole fuming.

Nigeria is the world's 8th largest oil exporter and yet it seems incapable of making the traffic flow when it rains. It is a country bursting with talent that constantly fluctuates between becoming Africa's powerhouse, and collapsing under its own weight of corruption, political chicanery and secessionist impulses. This makes predicting the future in Nigeria a tricky business but any U.S. company serious about investing in Africa needs to pay close attention to what happens in Nigerian politics between now and the presidential elections, which are slated for April next year.

As Sir John Browne of the BP said recently, Nigeria matters. In March, President Obasanjo was welcomed by President Bush at the White House. The next month, the Chinese President Hu Jintao went to Abuja to address the Nigerian assembly. Thanks to the tightness of the global oil market, every time MEND threatens action, the oil markets jump. Add a presidential election and you have the potential for serious unrest.

In May President Obasanjo finally said he was going to stand down, but only after the Nigerian Senate forced his hand by rejecting the bill that would have given him the legal authority to run for a third term. Had it gone the other way and the Senate approved the move, many think Obasanjo would have tried to pull it off. Obasanjo is a mixture of the old and the new Africa. He undoubtedly deserves credit for helping to put Nigeria onto a more stable financial footing, introducing stiff penalties for corruption in high places

and bringing in a cadre of professional technocrats like the Governor of the Central Bank. But he suffers from the old temptations of African leaders and would probably be president for life if he thought he could get away with it. And just because he isn't running next year isn't going to stop him from trying to influence the outcome of the election, by preventing his arch rival, his Vice President, Atiku Abubakar, from winning.

The two men have never liked each other. Obasanjo is from the powerful Yoruba clan in the Christian South-West; Abubakar is from the Muslim north. The ethnic faultlines of Nigeria run right through the presidency. The vice-president has accused Obasanjo of trying to block him; claiming that Obasanjo's anti-corruption campaign is aimed solely at him and his supporters. Obasanjo's supporters accuse the vice-president of stirring up the fighting in the Delta to undermine the president's authority. There is circumstantial evidence linking both sides to the militants who are bunkering oil and storing weapons in the Delta.

"Things Fall Apart" is the title of one of Nigeria's most famous novels and Nigerians are well used to living in instability. Power has fluctuated between the military and civilian rulers; Obasanjo ruled Nigeria as a military dictator from 1976-79 only to return as an elected president in 1999. In the late sixties, things fell apart so badly that Nigeria was thrown into a brutal three-year civil war. Today, after seven years of democratic rule, the critics claim that Obasanjo has failed to deliver the "democratic dividends" he promised. Nigeria has earned \$280-billion from oil over the past 30 years, but much of it has been squandered by the ruling elite or drained away through corruption. The World Bank estimates that 66% of the population lives on less than a dollar a day, making Nigeria one of the world's 20 poorest nations, with an average life expectancy of 47 years.



Tom Carver

The high oil price is both a blessing and a curse. Money is gushing into Nigeria's coffers at an unprecedented rate, but the opportunity for greed and graft is growing just as fast.

Both the Muslim North and the Christian South believe they are entitled to the presidency in the forthcoming election. Abubakar has a formidable political machine, with the support of most of the 36 powerful state governors. But Obasanjo is doing everything he can to portray Abubakar as corrupt and unfit for the highest office. Meanwhile, various former generals, like the one time ruler Ibrahim Babangida, lurk in the shadows looking for a chance to get back into power.

U.S. businesses need to factor all these political risks into their business calculations, not just by taking out political risk insurance but by actively monitoring the situation. It's important for companies to assess the impact that national upheavals could have on the regions where they operate. Which presidential candidate will the local governor support? Where does the loyalty of the people lie? How far are the ethnic groups prepared to push their demands for greater autonomy?

For better or worse, Nigerian politics are likely to be the subject of many boardroom discussions over the next 12 months. ●

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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This fare is valid through June 12, 2006.

Business Person of the Quarter: Oracle's Desi Lopez Fafie

"In parts of the world where most natural resources are available and where the spirit of its people is entrepreneurial and creative, I feel Africa provides all the opportunities that one can seek."

Beholden with his impression of a great, colorful continent during his first visit to Africa (Dakar, Senegal) 36 years ago, Desi Lopez Fafie now works diligently to promote business on the continent as Managing Director for Oracle's operations in Africa. Born and educated in Europe, Desi began his career with Oracle 12 years ago; 2005 marked his sixth anniversary in this position.

Under his direction, Oracle is investing and successfully doing business in Africa. It has developed a large number of customers in both the private and public sectors that are deriving benefits beyond the expected return on investment. "The

key to success in Africa is to take a long-term approach to business and to work as much as possible with local staff who know the business environments and culture."

In adopting this strategy, Oracle received the Best Employer of 2005 award from Africa Investor.

Reflecting on his observations of the fluctuating fortunes of African countries, Desi came to the conclusion that two of the biggest challenges to doing business in Africa are capacity building, particularly in skills development, and the image of the continent. "For countries to develop, they need to create sufficient capacity and skills among the local population. If enough skilled resources are locally available at rates more affordable than imported skills, they can be applied to any project that will help grow the economy." Desi believes Africa's negative image hinders Foreign Direct Investment

(FDI) that could finance greater economic activity. Desi says that building capacity and stimulating FDI must be done simultaneously, as they are interdependent.

As a successful businessman, Desi encourages U.S. companies to invest in Africa. Africa is a part of the world where most natural resources are readily available and has populations with entrepreneurial spirits. There are many opportunities for U.S. knowledge, skills, and experience to be put to good use for mutual benefit. "The U.S. business mentality



Desi Lopez Fafie

is one of free enterprise and creativity. This is a good match with Africa."

Desi views his involvement with CCA as a means to promote business partnerships between the world's poorest and richest continents. "I like to contribute to an organization that is promoting trade and investment between the U.S. and Africa."

Oracle's investments in Africa are making an impact. The company's products and services create employment within the company and in the community through customers and business partners. "Since we work extensively through a local partner network, revenues derived through Oracle business contribute immediately to the local GDP's of countries."

Oracle is the world's leading supplier of software for information management and the world's second largest independent software company. For nearly three decades, Oracle has provided the software and services that let organizations get the most up-to-date and accurate information from their business systems. Today, Oracle is helping more governments and businesses around the world become information-driven. With a presence in more than 90 countries, Oracle is a global company with an international reach. ●

*Contact Information: Oracle PMB-CT 28, Cantonments, Accra, Ghana
Ph: + 41 792 372451
Email: Desi.Lopez.Fafie@oracle.com
Web: <http://www.oracle.com>*



Cargill

Cargill proudly supports
The Africa Journal for raising
awareness of Africa's
profile in the U.S.

Meet Bobby J. Pittman Jr.

Bobby J. Pittman Jr. currently serves as the Principal Deputy Assistant Secretary in the Africa Bureau of the U.S. Department of State. Prior to his current appointment, he was the Deputy Assistant Secretary for International Development Finance and Debt at the Department of the Treasury.

Mr. Pittman was a key architect and the lead U.S. negotiator of the 100% debt relief proposal endorsed by the G8 at the Gleneagles Summit in July 2005. He also acted as lead representative of the U.S. government for the multi-billion dollar replenishment negotiations of the World Bank, African Development Bank and Asian Development Bank in 2004-2005.

Prior to joining the Department of the Treasury, Mr. Pittman served as Director for African Affairs at the National Security Council (NSC) where he helped plan and advised the White House on the 2003 U.S. intervention in Liberia, served on the working group that designed the Millennium Challenge Account (MCA), and organized the U.S.-Africa Trade & Economic Cooperation (AGOA) Forum. He has also worked for the Central Intelligence Agency and as a consultant with RCF Economic & Financial Consulting.

Mr. Pittman graduated summa cum laude from Florida State University with a B.S., studying economics, computer science and mathematics. He received an M.A. in economics from the University of Chicago, where he also did doctoral work in applied economics.

Mr. Pittman is part of the Bureau of African affairs team that is implementing the policy vision of Secretary of State Condoleezza Rice. Secretary Rice's guiding principle of transformational diplomacy is based upon the idea that partnerships are the best way to work with our friends and allies. In sub-Saharan Africa, partnerships are especially important as we move away from dependence on direct aid to Africa, to performance-based economic

investment agreements, and recognize the abilities of Africans to shape their own future.

Economic Vision for the Bureau of African Affairs

Since 2001, President Bush has introduced a number of new initiatives aimed at reducing poverty, building prosperity, and expanding trade between the U.S. and Africa. The U.S. has forgiven 100% of eligible bilateral debt that certain heavily indebted nations in Africa owe to the U.S. The U.S. also led the charge for 100% debt cancellation in the World Bank, African Development Bank, and International Monetary Fund for eligible countries.

The President established the MCA which directs foreign assistance to governments that invest in their people and encourage economic freedom. Lastly, President Bush has also signed into law an extension and expansion of the African Growth and Opportunity (AGOA) Act, which grants duty-free access to the U.S. market for nearly all products from 37 eligible African countries. In the President's vision, these initiatives are ways to work in partnership with the Africans who are leading change on the continent.

In the late 1990s, real economic growth in sub-Saharan Africa was about 3%, barely outpacing population growth. In the last two years, growth has breached the 5% mark and is more than double the growth in population. Even if oil is excluded, the picture remains positive, with real non-oil growth.

These positive changes reflect real shifts in policy in individual nations that have resulted in better governance and necessary economic reforms. The next step is to empower the private sector. At present, there are three major obstacles facing small businesses in Africa. The first is limited access to credit. The second is the environment of excessive regulation. The third is the lack of free markets and the continued



Bobby J. Pittman Jr.

existence of too many barriers to trade.

Access to credit is most often cited by African business as the hurdle to business creation and expansion. In most African countries, there is limited access to credit outside of the banking sector and entrepreneurs who hope to provide services to bridge this gap face huge barriers to entry.

The regulatory environment also represents a huge challenge to entrepreneurs.

Lastly, the average entrepreneur faces daunting barriers to trade. Although AGOA provides extensive market access to the U.S., tariff barriers between African countries continue to hinder opportunities for regional growth and integration. Moreover, entrepreneurs face extensive challenges to export before leaving their own countries borders. In order for an African business to export, owners must obtain 19 separate signatures, on average. This is nearly three times the average in either East Asia or Latin America.

The U.S. government hopes to work with its partners in Africa to find solutions to these challenges, by engaging the private sector in both United States and in Africa. This was the idea behind the theme of the 2006 AGOA Forum, that focused on ways that the private sector can fuel Africa's economic growth.

In the years ahead, the U.S. hopes to continue working with our partners in Africa to unleash the talent and ingenuity that is waiting in the wings, ready to expand a new, dynamic spirit in economies in every corner of Africa. ●

Q&A with CCA Infrastructure Planning Committee Chairman, Tim Richards



Timothy J. Richards

Africa Journal: *What are some of the key outcomes that U.S. infrastructure companies can expect in Africa?*

Tim Richards: There is a growing recognition that a modern and efficient infrastructure is a key enabler of economic and social development. U.S. companies have the technology and experience to assist African nations in building this infrastructure, specifically in the IT and telecommunication, energy, transportation, water, and security fields. In particular, the World Bank plans to increase its lending from \$1.8 billion to \$3 billion a year for infrastructure projects such as building roads, improving water and sanitation services, and increasing power production.

Africa Journal: *Is it possible for U.S. companies to win infrastructure bids in Africa?*

Tim Richards: Absolutely. In fact, U.S. companies are already winning major infrastructure contracts on the continent. My company, for instance, signed a contract last year to support 500 megawatts of power generation to Nigeria.

Africa Journal: *How much of a competitive presence do emerging countries such as China and India have in the infrastructure sector in Africa?*

Tim Richards: China has a particularly strong presence in African infrastructure and we are seeing an increased interest from Indian companies as well.

Africa Journal: *Could you speak about your company's presence in Africa?*

Tim Richards: GE has been operating in Africa since 1898 when it established an office in what is now South Africa. Today GE is active in more than 35 African countries, with more than 700 regional employees. It has corporate and business offices in Egypt, South Africa, Kenya, Ghana, Morocco, Tunisia, Algeria, Nigeria, and Angola. Other pan-African GE facilities include a call center in Tunisia, a service

center in Nigeria, and other facilities for GE's oil and gas business in Angola.

In 2004, GE launched a five-year humanitarian project in Africa. This \$20 million project aims to reduce mortality rates by bringing improved healthcare and related infrastructure to African hospitals and clinics.

In October 2005, GE expanded its African healthcare initiative to include two new sites in Ghana, providing healthcare and power generation equipment, water filtration systems, appliances, and lighting.

Africa Journal: *How will CCA's U.S.-Infrastructure conference make a difference in improving infrastructure in Africa?*

Tim Richards: I am excited about the conference, which is an opportunity to bring together government policy makers, technology providers, service companies, and financial institutions to advance real project ideas, and increase awareness of opportunities and needs. The combination of high level speakers, focused workshops, and networking events will deepen understanding of the overall infrastructure environment in Africa, develop new ideas, and shape business opportunities. ●

U.S.-AFRICA INFRASTRUCTURE CONFERENCE SEPTEMBER 27-29, WASHINGTON, D.C.

- The Infrastructure Conference will provide specific plenary sessions on development projects in airports and aviation, building and construction, energy, heavy equipment, ICT, roads and rail, and water, deepening our understanding of the overall infrastructure environment in Africa. The Infrastructure Conference also will enhance existing private-public partnerships.
- Networking sessions with African government officials, investors, capital market experts, infrastructure providers, utility operators, and investment bankers will also assist businesses in expanding into the African markets.
- Timothy Richards, the Senior Manager for International Trade and Investment for General Electric (GE), is the Chairman of the planning committee of the Infrastructure Conference.
- Representatives from the following companies serve on the planning committee: 3M, Acrow Corporation, American Worldwide Inc Black & Veatch, Caterpillar, Cisco Systems, Computer Frontiers, DaimlerChrysler, Evergreen International Aviation, Fluor Daniel Inc., Glenscare Africa Harris Corporation, Hunton & Williams, Kellogg Brown and Root, Motorola, Moving Water Industries, Qualcomm Inc., Samuels International Associates Inc., Schaffer Global Group, South African Airways, Pegasus Energy, and The Boeing Company.
- At this time, we have begun the registration for the Conference on CCA's website (www.africacncl.org).

Internet Exchange Points for Africa < Peter Baldwin >

An Internet Exchange Point (IXP), as described by the Wikipedia, is physical infrastructure that allows different Internet Services Providers (ISPs) to exchange Internet traffic between their networks by means of mutual peering agreements, which allow traffic to be exchanged without cost. IXPs reduce the portion of an ISP's traffic which must be delivered via their upstream transit providers, thereby reducing the average per-bit delivery cost of their service. The primary purpose of an IXP is to allow networks to interconnect directly, via the exchange, rather than through one or more 3rd party networks. (In the case of African countries, these 3rd party networks are often located in the West, over costly bandwidth.) With an Internet exchange, local traffic stays local.

Why is an IXP important to business in Africa?

In the developed world, each country has at least one IXP; in the U.S. alone, there are twenty-nine.

But most countries in Africa do not have an IXP, meaning that value-adding services are not available to consumers, and businesses cannot take advantage of the distance-conquering capabilities and

economies of scale offered by the Internet. In the absence of an IXP, traffic must take circuitous routes through different countries or points and each stop introduces a delay, known as latency, in serving the requested web page. Latency is not that important for things like email, but for instant messaging, streaming media, or Voice over Internet Protocol telephony, it becomes significant.

But lack of an IXP has far greater consequences than mere latency. When web page requests take many hops, the Internet Service Provider has to pay the owner of each of those servers for the use of international bandwidth along that hop. Bandwidth is in short supply in many countries in Africa and consequently, can be 8 - 20 times more expensive (in real terms) in developing countries than in the developed world. By way of comparison, the average wireless router that enables you to connect to the Internet wirelessly in the U.S. can provide as much "throughput" as the entire country of Mali has at its disposal for international traffic. Internet Exchange Points save international bandwidth for truly international queries and save ISPs money by routing local traffic locally, resulting in lower access fees for the consumer. With an Internet Exchange Point, local traffic stays local.

Every African Country Should Have a National IXP.

National IXPs hold the promise of overcoming two major barriers to realizing the potential of ICT-related services in Africa: the high cost of Internet access, and slow bandwidth. Every African country should be encouraged to establish an IXP. In the developed world, the extraordinary productivity gains of the past few decades have largely come from the increased use of ICT in every aspect of the economy. But the high cost and scarce supply of bandwidth in Africa means that Africans are missing out on those productivity gains.

If the consumer benefits from the existence of IXPs due to decreased latency, and Internet service providers benefit due to lower costs, why don't some countries have IXPs? The answer is more political than economic. Simply put, it is difficult to get competitors to agree to share the cost of setting up an IXP, even if all parties benefit. However, if one looks at the explosion in the use of mobile phones in Africa, it amply demonstrates that there is tremendous demand for connectivity among African consumers, provided the price is right. If businesses in Africa advocate successfully for the establishment of national and regional IXPs, they will find a large market for their ICT-enabled services. ●

Black Gold: Innovative Energy < Rosalind Wilson >

Integrated forestry and paper manufacturer Mondi needed to look no further than the company's waste products to create an innovative and commercially sustainable social enterprise in Kwa-Zulu Natal, South Africa.

Overview

In 2002, Mondi, an integrated forestry and paper manufacturer, received a grant for £112,344 from the Department for International Development (DFID) funded Business Linkages Challenge Fund (BLCF)¹, administered by Emerging Markets Group, to implement a three-year project to establish the charcoal producing company, Black Gold. Mondi also invested £115,846 of its own funds in the initiative, resulting in a successful partnership between the private sector and a donor funded program.

Black Gold transforms Mondi's waste timber into charcoal which can be sold as a value-added product to larger charcoal distributors for a profit. Not only has this been a successful business venture, achieving commercial sustainability by 2004, but the company's activities have had positive social and environmental impacts. Black Gold's charcoal production units give rise to entrepreneurial and employment possibilities for the local community by creating new business opportunities and providing access to

domestic and international markets. In addition, by removing waste timber for charcoal production, the business has contributed to a reduction in the risk of forest fires in the area, which have previously been a serious and common problem affecting both the environment and the community.

The Model

Mondi started with a 30% stake in the company, the remaining 70% being split 10% with a community trust and 60% with a consortium of local entrepreneurs called Firing Trading. An investment was made by Mondi and together with funds from the BLCF. Black Gold was able to finance the construction of kiln sites which could be used for the production of charcoal and the training of the local entrepreneurs and their employees. The extensive training program for entrepreneurs included topics such as forestry entrepreneurial skills, supervisory skills, chainsaw operating, health and safety skills, first aid, and getting drivers licenses.

For each kiln site that is active, Black Gold has employed a local entrepreneur to lead the business. There are currently ten active kiln sites, one bagging site and another bagging site in the pipeline.

The kiln sites employ their own timber collectors who are given access to Mondi's timber sites. They collect any



Entrepreneur Robert Mswane at the Kiln site.

timber that has been deemed as 'waste material' due to the size (diameter) of the wood being too small for the paper making process. The local entrepreneurs manage staff engaged in the collection and processing of this timber into charcoal and are consequently building their managerial and HR skills. The entrepreneurs are also engaged in quality control of the final product, ensuring that smaller pieces of charcoal and ash are sifted out.

The bagging site is run by Black Gold's first female entrepreneur and its workforce is currently comprised of over 80% women. Black Gold charcoal, which has been bagged at this site, is sold on to an intermediary company which in turn supplies an international market that includes the supermarket chain Tesco, illustrating the high quality of the Black Gold product.

Now that Black Gold is a self sufficient business, Mondi has reduced its stake to 10%, transferring the remaining 20% over to the community trust. All of the

entrepreneurs are entitled to join Firing Trading, the consortium with the largest equity stake in the business. The model is in line with the Black Economic Empowerment (BEE) initiative in South Africa as the local entrepreneurs represent people from a previously disadvantaged background.

Commercial Success

In 2003, the first year of operation, Black Gold issued dividends to the entrepreneurs who are part of Firing Trading. In the second year it doubled its turnover to \$991,911 and an un-audited profit of \$129,711. By 2005, at the end of the project, turnover was at \$335,638 with each site earning between \$10,679-\$15,248 monthly. With the entrepreneurial ethos behind the project, opportunities for scaling up have been identified in an additional refinement stage to produce charcoal for water filters and some medicinal purposes. Capturing the diverse market for

charcoal will be a good way to keep the company at high production levels and with an assured market. Black Gold can also market its product to environmentally conscious buyers, as the firm has a Forest Stewardship Council certification which guarantees high environmental standards in its forestry practice. In addition to this, it obtained an environmental award at the eighth World Health and Environmental Congress in Durban, South Africa.

In spite of its commercial sustainability, there is still much that Black Gold can do to grow and increase its market share both domestically and internationally. Selling to intermediaries denies Black Gold potential profit margins due to the large difference between the buying price of charcoal from producers and the final selling price to large-scale buyers such as supermarkets. One way that Black Gold can break through the barrier provided by intermediaries is to expand their packaging lines and supply their

own branded bagged charcoal ready for direct distribution to supermarkets. The demand for charcoal briquets has provided Black Gold with an additional market for any wasted small charcoal and ash from the production process. There is even a possibility that they will be able to charge a premium for their product, as Black Gold represents a BEE company that pays fair wages and has certification to support its high environmental standards. Consumers are increasingly willing to pay more for a product that makes efforts to provide a positive environmental or social impact, as demonstrated by the increased demand for FairTrade products. ●

The BLCF is financed by the UK Government's Department for International Development and managed by Emerging Markets Group (EMG) Ltd. More information on the BLCF can be found at www.businesslinkageschallengefund.org or May 2006—Rosalind Wilson, Emerging Markets Group (EMG) Ltd.

¹The Business Linkages Challenge Fund (BLCF) supports private sector partnerships that bring commercial benefits to the businesses that participate and help to reduce poverty in target developing countries. Companies have access to grants between \$93,024-186,048 to increase access to markets, transfer technology, improve competitiveness, or address the policy and regulatory environment for business.

The African Brain Drain: Crisis or Concern? *Continued from page 19*

one of the priority areas for African development." Additionally, the IOM runs a program called the Migration for Development in Africa. Its overall objective is to assist governments to achieve their development goals through the mobilization of vital skills and resources (financial and others) of qualified nationals living abroad. The UNDP also operates a TOKTEN Program (Transfer of Knowledge through Expatriate Nationals) in Africa which recruits diaspora members in developed countries to volunteer their services for short, well-prepared consultancy assignments in their countries of origin. African policymakers are working to mitigate the development costs of the brain drain by instigating programs like the virtual linkages designed to tap into

the knowledge reserve of nationals living abroad. ●

This report was written by Sara E. Thannhauser, Program Officer at Georgetown University's Institute for the Study of Diplomacy. She holds an M.A. in International Affairs from American University. Sara would like to acknowledge Chester A. Crocker, James R. Schlesinger Professor of Strategic Studies at Georgetown University, Susan Martin, Executive Director of the Institute for the Study of International Migration, and Scott Taylor, Assistant Professor at Georgetown University's African Studies Program, for their comments and suggestions.

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U.S. Company Imports Lobster Tails From Mozambique

New CCA member company KSA Consulting is tasting the success of doing business in Africa. After a few years of research and dedication, the company's efforts are now paying off. KSA Consulting currently imports three tons of lobster tails from Mozambique per month and is encouraged by the enormous growth potential. "Our buyers will buy as much lobster as we can get," said Richard Weiss from KSA Consulting.

Demand for the lobster tails is high and lobsters are abundantly available. In fact, the vast coastline of South Africa and Mozambique is rich in many seafood species attractive to the U.S. market. Weiss believes that these products offer a "great opportunity to American and African businesses to import and export." In fact, KSA Consulting is also investigating importing other products like shrimp, crab, and fish.

Despite the natural abundance, the ability to supply the tails is limited. Most Mozambican lobsters are caught by hand, limiting the amount that can be supplied. "One of the big challenges we faced in procuring the lobster is the rudimentary way the lobsters are caught. This means we have to buy from many different areas and still manage to get

the product to the processing facility in a timely manor," Weiss explained.

In addition to supply and transportation difficulties, KSA Consulting faced challenges in finding appropriate processing facilities. In order to import seafood into the U.S., the company had to work with a facility that met U.S. Hazard Analysis and Critical Control Point (HACCP) standards approved by the Food and Drug Administration (FDA). The company was able to find a HACCP-approved facility in Maputo. Once processed, the lobster tails are air freighted from Maputo to Johannesburg and then to the U.S. The product is delivered in two days. Thus far, KSA Consulting has had no problems with U.S. customs.

Finding U.S. buyers has been relatively easy. Weiss says that "many companies want lobster from this part of the world because the lobster meat is more flavorful." The company's predominant buyer is a large seafood distributor in Florida. Smaller distributors sell the lobster tails mostly to restaurants and grocery stores. Weiss says that on the whole buyers are satisfied with the product. However, there has been some mention of inconsistent quality and



sizes of the lobster tails due to processing.

To overcome what Weiss has labeled as the company's biggest challenge, KSA Consulting is now exploring the possibility of opening its own processing plant in Mozambique. The company held discussions regarding project financing with H. E. Armando Alexandre Panguene, Ambassador of Mozambique to the U.S., the World Bank, and the IFC. Once funding for a plant is secured, KSA Consulting will construct a state-of-the-art facility capable of exporting large quantities of seafood around the world.

KSA Consulting plans to continue shipments and grow its business with the expectation of increasing its imports to ten tons of lobster tails per month by next year. ●



CSR Reporting and Changes Globally < By Mike Kelly >

While regulated financial reporting has been providing stability to capital markets for the last 150 years, it is only in the last decade that corporate responsibility (CR) has become such a key indicator of non-financial performance that CR reporting has increased dramatically around the world.

In many countries the initial increase in reporting has been prompted by regulation. However, disclosure of CR performance is quickly moving away from compliance-related data, to the reporting of information that is relevant to an organization's key stakeholders and decision-makers. Recent corporate scandals have highlighted to companies that it is not sufficient to merely talk about responsible practice, they need to be seen to be acting in a responsible way as well. Reporting on CR activities provides an effective way of actively communicating with stakeholders in a transparent manner.

Since 1993, KPMG International and the University of Amsterdam have carried out a global survey on corporate responsibility every three years. The survey analyzes trends in CR reporting of some of the world's largest corporations, including the top 250 of the Fortune 500 and top 100 companies across 16 countries. This coverage helps the survey to provide a global picture of reporting trends over the last ten years.

The most recent edition of the survey was published in June 2005 and showed a dramatic increase in the amount of CR reporting around the world. In 2005, 52% of the Global 250 and 33% of the National 100 companies issued separate CR reports—compared to 45% and 23% respectively in 2002. If annual financial reports which contain CR information are included, these percentages are even higher.

Looking specifically at Africa, with the

exception of South Africa, public reporting by companies on their CR performance is still a comparatively new concept. However, South Africa is not lagging behind the rest of the World. Its mining, food and beverage, retailing, and insurance sector companies have been producing environmental and corporate citizenship reports for several years. Indeed, the KPMG International survey showed South Africa to be one of the countries with the highest increase in reporting.

This increase in South African CR reporting has a number of drivers: increased corporate governance requirements, including the adoption of King II Code of Corporate Governance for all listed companies; and the advent of the first Socially Responsible Investment (SRI) Index in an emerging market, the Johannesburg Stock Exchange Securities Exchange's SRI Index. Investors and analysts are becoming increasingly interested in how South African companies are managing their levels of social and environmental responsibility.

Reporting Framework

The survey also showed a significant increase globally in the number of organizations using the *Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines* as a framework for reporting. As of March 2006, the GRI website listed 791 companies in 56 countries as having applied the guidelines. Interestingly, South Africa ranked ninth among these 56 countries.

HIV/AIDS

The reporting of HIV/AIDS has become a significant subject for South African companies to discuss in their Annual and/or Sustainability Reports. Although the reporting of AIDS as a significant business risk has been noted in the past,

the last two years has seen marked improvements in both the quantity and quality of data being supplied by companies. No longer are companies simply identifying the issue, but it is highly probable that companies are attempting to apply GRI recommendations for AIDS disclosure.

Many companies are now providing a much clearer picture of the impact of AIDS by enhancing the level of detail in their reports. Companies now commonly provide statistics around the HIV/AIDS prevalence rate among employee populations, as well as relatively detailed information regarding the provision, and relative success, on anti-retroviral treatments (ART's). Moreover, companies have already begun to adopt GRI HIV/AIDS reporting guidelines.

Black Economic Empowerment

Another issue relating to CR reporting within South Africa, is that of Black Economic Empowerment (BEE). Recent years have heralded the inclusion of reporting against sector-specific Charters within both combined and stand-alone sustainability reports. Interestingly, the companies which have begun to incorporate the Charters into their public reports have done so in a manner that supports, rather than replaces GRI reporting guidelines. Rather than focus on the requirements of their respective Charters, companies have combined GRI reporting criteria with the complementary set of criteria that specifically address the reporting demands of their Charter.

CR reporting within Africa is increasing and it is important to acknowledge those companies that have made a sincere effort with regards to balanced public disclosure. The challenge for these companies is now in the integration of corporate responsibility into their business strategy. Companies in Africa

Continued on page 39

Building Local Capacity to Fight HIV/AIDS

< By Jennifer Hyman >

Kenya—Far from lurking in the shadows, the Nyarami Voluntary Counseling and Testing (VCT) Center for HIV/AIDS in Migori, South Nyanza Province stands brightly in the center of town, amid municipal offices and storefronts covered with thick dust and crackling paint.

With Migori as one of the areas in Kenya with the highest HIV/AIDS prevalence rates, the absence of a center to test for infection and trained staff to run it adequately, have greatly hindered disease prevention and treatment efforts. Opened in December 2003, through the persistent efforts of Migori's 34 community based organizations (CBOs) and supported by community members, NGOs, and the U.S. and Kenyan governments, Nyarami became the first VCT clinic in the district to open its doors to the public. Since then, it has worked to combat the oppressive stigma that has plagued one of Kenya's most underserved and needy places. Not only is Nyarami encouraging people to know their HIV status, but it is also transferring skills and knowledge to other CBOs in the district that provide care and support for Migori's infected and affected.

Although this rural, hilly region feels a million miles away from the bustling capital of Nairobi, one thing that has reached this remote enclave in force is HIV/AIDS. The

lack of a VCT clinic before now made official prevalence rates difficult to ascertain. However, those working at Nyarami estimate that at least 30% of the adult population are HIV-positive, compared to the national average of 6.7%. The most recent epidemiological fact sheet on Kenya from UNAIDS in 2004 gives credence to such projections, with both neighboring Suba and Kisumu districts having 35% prevalence rates—although the Kenya Health Demographics Survey for 2003 indicated the HIV prevalence rate for Suba is nearly 42%, which is the highest in the entire country.

"Despite how many people are positive, a recent survey shows that approximately 84% of people here don't know about AIDS," explained Blackie Otieno, Nyarami VCT's Program Manager. "Moreover, we also have many traditions like wife inheritance and rampant polygamy impacting infection rates, which are very, very difficult to change."

Sitting in one of Nyarami's counseling rooms with the program's leaders, counselors and municipal officials, Blackie and other Nyarami stakeholders talked frankly about polygamy and other reasons for Migori's high prevalence rate, which also include commercial sex work, superstitions, and local taboos in talking openly about sex.

But the substantial success that came from actually establishing Nyarami VCT was not enough to ensure that it could offer adequate services to the people in Migori. The staff needed training in testing and counseling; they needed to understand how to do outreach to community members; and they also needed the critical organizational and financial management skills that would put them on the path to long-term sustainability.

Working in partnership with the Centers for Disease Control and Prevention, CHF International's Local Prevention and Treatment of HIV/AIDS and Grants Management (LPATH-GM) Program in Kenya identified Nyarami as an ideal recipient for its capacity building interventions. Funded by the President's Emergency Plan for AIDS Relief, LPATH-GM has been working since November 2004 with 31 NGOs spread all over Kenya to provide tailored, customized assistance that matches each NGO with the specific resources it needs.

LPATH-GM participants like Nyarami have learned the technical skills to provide better services to their clients, and the organizational and financial management tools that will put them on the road to fiscal responsibility, minimizing the need for international assistance in the future. The grants management component of LPATH-



GM also provides each recipient with some of the funds it needs to achieve its organizational growth goals.

“Through our partnership with CHF International, we have seen many benefits, including staff trainings on financial management, and the employment of a Financial Controller who can put things in order,” said Blackie. He added, “We are now strong enough that we’ve expanded to three other sites, and the client flow has grown dramatically since we began our partnership with CHF.” Prior to Nyarami’s partnership with LPATH, they saw an average of 182 clients each month; now, their monthly

average has grown to 1016 clients.

Nyarami VCT Vice-Chairman and RAPP Program Coordinator Leonard Oloo noted that the main challenge expansion has brought is that human resources are spread thin, and it is becoming increasingly difficult to find enough qualified staff.

Still, the growing pains Nyarami is feeling as a result of the capacity building process are vastly outweighed by the myriad benefits, especially when it comes to the impact it is having on reducing HIV/AIDS stigma among Migori’s residents, and the supportive role it has been able to provide with the network of 34 CBOs in the Migori District.

But for all the talk of how difficult it is to

change traditions in a place like Migori, the staff of Nyarami, and CBOs like Dago within the RAPP network, are helping to blaze the path of changing attitudes and practices with the help of CHF International’s capacity building assistance. ●

CHF International is a global humanitarian assistance and international development organization established in 1952. CHF currently operates 88 programs in 38 countries, including active projects in western (Darfur) and southern Sudan, Liberia, Kenya and Rwanda. Jennifer Hyman is Communications Manager at CHF International’s headquarters. For more information, contact jhyman@chfinternational.org

CSR Reporting and Changes Globally *Continued from page 37*

need to value the importance of reporting on corporate responsibility alongside their financial performance.

About Survey

The survey involved a parallel analysis of the CR reporting of two groups of companies. The first set consisted of the top 250 companies of the Global Fortune 500 (G250) and was analysed by the University of Amsterdam. The second set, consisting of the top 100 companies (N100) in 16 countries —Australia, Belgium, Canada, Denmark, Finland,

France, Germany, Italy, Japan, Netherlands, Norway, South Africa, Spain, Sweden, UK and the U.S. was analysed by the KPMG member firms in those countries. The N100 list was created by revenue ranking based on a recognised national source.

The reports were gathered between September 2004 and January 2005. These were the most recently published, covering the calendar year 2003 or financial years 2003/4.

Reports from both groups (G250 and N100) in the survey were analysed by country, sector as well as level and type of

assurance. The analyses were conducted systematically using a standard questionnaire to maximize consistency and objectivity. The commentary on four regions where CR reporting is emerging was based on desk research by field practitioners.

About KPMG

KPMG International is the coordinating entity for a global network of professional services firms, providing audit, tax, and advisory services, with an industry focus. www.kpmg.com ●

Africa’s Future is Tied to China’s Growth *Continued from page 14*

naturally South Africa’s regional commercial space is fast becoming China’s.

Resource reliant

With few exceptions, Africa’s economies are largely resource dependent. The continuing demand for commodities from China is contributing to African GDP growth statistics. Forecast growth for the continent this year is 4.7%. Undoubtedly a large part of this is being driven by commodity and energy exports to China.

Africa’s growth is becoming inextricably linked to China’s.

In the event of an economic slowdown in China resulting in a fall in imports and commodity prices, African growth would be adversely affected.

Undoubtedly, the relationship holds out great opportunity for African economies. The challenge lies in resource-based economies channelling export generated income into domestic development. It is unfortunate that the linkage between the two is often tenuous.

China will over time displace Western commercial interests and political influence on the continent. China is not the new colonizer. It is an expanding global power toward which Africa must pragmatically align itself. ●

Dr Martyn J. Davies is a Director at research and strategy firm Emerging Market Focus, Director of the Centre for Chinese Studies, Stellenbosch University, and a Senior Lecturer at the Gordon Institute of Business Science. mdavies@emergingmarkets.co.za

FOCUS ON FOUNDATIONS: MONSANTO

< By Neil de Smidt >

Africa is a continent of harsh extremes, especially in the needs of its different peoples.

However, one constant is that the enormous agricultural potential of the continent lies largely untapped - in stark contrast to the frequent tragedy of hunger, debilitating the lives of millions of Africans. What prevents the people of Africa from feeding themselves through use of the vast agricultural resources?

Resources do not equal farming success. Skilled farmers and agricultural

entrepreneurs must combine production resources with viable agricultural enterprises to unlock the economic potential of agriculture. However, the lack of experienced production management and commercial business skills severely inhibits the realization of Africa's vast agricultural potential.

The Challenges

In South Africa, state land reform programs are rapidly placing 20 million hectares (ha) of farmland into the hands of aspiring African farmers. Where will the

farming know-how and skills come from to sustain commercial production on this land? Providing these farmers with the resources, knowledge and skills to produce and market agricultural commodities on a commercial scale is the best solution.

Monsanto answered the call by setting up the Food Health Hope Foundation¹ specifically to address this issue. In August 2000, Buhle Farmers' Academy² began their first crop production course on an ideal 150 ha training farm donated by Monsanto. It was

officially opened by Minister of Agriculture Ms Thoko Didiza. Former U.S. Ambassador Andrew Young attended the occasion. Over the six years since inception, the Monsanto Fund has donated more than \$900,000, thereby providing the financial viability of the program.

Training is based on the tried and tested "learning by doing" approach and provides:

- A sound theoretical knowledge base;
- Hands-on practical farming skills training;
- Training in farm business management;
- Training in life skills; and
- Effective post-training support

Trainee farmers manage their own production units on 2 ha crops or 420 m² vegetable plots or 100 chickens with newly acquired knowledge in a commercial context. They plan, prepare, plant, cultivate, harvest and market their produce. The focus is to help aspiring young farmers understand critical agricultural processes and give them the practical competence that will empower them to successfully establish themselves in their own farming businesses. Graduates create a basis for their own livelihood and employment opportunities for families and communities.

Progress

More than 1,100 students have completed courses at the academy, growing from 57 students in the first year to currently 300 students per year. The Tshwane University of Technology was involved in setting up and presenting the initial curriculum for the crop and vegetable production and human nutrition courses. Subsequently, poultry and livestock courses and a range of short courses in crop and project management were added. The majority of trainees are unemployed young people



Trainee of Buhle Farmers Academy in South Africa.

between the ages of 25 and 35, with a female-to-male gender ratio of about 1:2. Trainees attend from seven of the nine provinces in South Africa. Accommodation provided on the training farm has been upgraded and electrified through special grants from Monsanto Fund in 2001. In 2003, for their efforts in establishing the Buhle Farmers' Academy, Monsanto was presented with the bronze award in the "Stars of Africa" education and training

category by the American Chamber of Commerce in South Africa. This award recognises the best social responsibility programs carried out by U.S. companies operating in South Africa.

Siphiwe Ntuli, a top Buhle student won a certificate in the "Female Farmer Competition 2004" in the special youth category and has subsequently secured a bursary to study agriculture at the University of Pretoria. Joint ventures are

also being established between Buhle graduates and commercial farmers.

Full accreditation was awarded to the Academy in November 2005 by AgriSETA the sector education and training authority.

Interest has been expressed from Nigeria, Tanzania, Zambia and Malawi in the skills training approach and Buhle is being feted as a model for furthering farmer skills development in Africa. ●

¹ The Food Health Hope Foundation (FHHF) is an educational trust registered in S.A.

² The Buhle Farmers' Academy is a registered non-profit company wholly owned by the FHHF

Doing Business in Africa: Navigating the Anti-Corruption Rules *Continued from page 23*

In addition to the array of international laws, it should not be forgotten that most African countries have their own sets of domestic laws governing corruption. These laws may be difficult to uncover and understand, particularly for companies operating in a country for the first time. It is important that companies be diligent in learning about and continually keeping abreast of the laws.

The Challenges of Compliance

No two companies are the same, so the necessary safeguards to avoid exposure under applicable anti-corruption laws differ from company to company. Many companies provide themselves with basic protections by adopting internal compliance programs tailored to the individual company. These programs include elements such as having top executives explicitly state their company's intent to abide by anti-corruption laws in the company's code of conduct or a compliance manual and designating a person or team to implement and oversee the compliance program.

Other precautions include annual training for employees on adherence to anti-corruption laws, particularly those employees who have or may have contact with foreign businesses or officials, and

the establishment of reporting and disciplinary procedures. Setting up screening procedures for foreign agents, consultants, and representatives and including anti-corruption law compliance provisions in contracts with these parties, joint-venture partners, and others are also common elements.

Conclusion

The growing emphasis on anti-corruption measures and transparency should be a welcome development for U.S. companies and their subsidiaries doing business in Africa as it will enhance predictability and ensure greater protection of U.S. interests. Nonetheless, such measures impose greater responsibility on companies and additional requirements to which companies will need to adhere to ensure compliance and protection from legal action. ●

Mr. Rowe and Mr. Snider are attorneys in the International Law and

Dispute Resolution Practice Group at Hunton & Williams LLP where they focus on Africa and the Middle East. Currently based in the Washington, D.C. office, they both formerly resided in Africa, covering client matters in the region. Contact the authors at erowe@hunton.com and tsnider@hunton.com or visit www.hunton.com for additional information.



Boeing and AGOA —
Building the Future Together

South African Giftware Companies to Exhibit at the California Gift Show < By Kidist Desta >

From July 28-31, 2006, a group of South African companies will exhibit their products at the California Gift Show, one of the largest and most prestigious U.S. events in the giftware industry. The California Gift Show attracts about 30,000 buyers representing some 11,800 companies from the U.S. and around the world.

The South African International Business Linkages (SAIBL) program is assisting select South African Black Economic Empowerment (BEE) companies to attend the trade show. These companies were chosen because of their unique product selection, export capacity, and suitability to the U.S. market.

To prepare the companies to exhibit at

the California Gift Show, SAIBL hired a U.S. giftware consultant to travel to South Africa to visit each company's operations. The consultant helped to familiarize the companies with U.S. buyer practices and to formulate U.S. market entry strategies. The consultant also evaluated each company's product range and helped to develop realistic pricing structures for the U.S. market.

Meet the Companies



Artists of Africa, Johannesburg

A most rewarding hobby turned into a serious business when Beth Graney came across a group of artists that were looking for ways to sell their small collection of beautiful ceramics. Artists of Africa was founded in 2002 in an endeavor to help these

artists, and to help the social upliftment of the community by creating employment.

The company manufactures ceramic art pieces for the

domestic and international giftware market. The products start as a bag of wet clay and turn into works of art, in the form of unique gallery pieces and tableware. Each piece is hand painted by talented artists.



African Art Factory, Cape Town

The African Art Factory was established from experience gained from funding start-up businesses in the townships. Wilna Lithgow, founder of Willow Works, established her ceramics business in 2000 in an empty hospital building close to the historic Waterfront in Cape Town with the help



of EMS, a Swiss funded empowerment company. The current owner, Janet Pillai, was engaged as a consultant in July 2003 and has transformed the

business from being an "incubator" for local craft industry to a "Development Trade House" focusing on sales and marketing.

Inspired by the rich and varied African culture, new and trendy products are developed. Their functionality and design attracts recognition in the local and international market. The products range widely from beaded products, candles, ceramics, corporate gifts, dolls and clay animal, glass products, handbags, jewelry, ostrich eggs, paintings and mosaics, arts from recycled tin and plastic, wire and metal products, and traditional baskets.

The companies assisted by the consultant included Artists of Africa, SA Jewel, African Art Factory and Mhulumo Art Gallery.

Held bi-annually, the California Gift Show features ten product divisions and six special focus areas. The product categories represented at the show include: At Home, Boutique, Extracts, Fashion Accessories, Gifts, Hand Made, Jewelry (Cash and Carry), LA Contemporary, Resort, Souvenir & Licensing, Stationary & More, and World Style.

On behalf of DMG world media, George Little Management, LLC (GLM) manages the trade show. DMG world media is the name behind over 260 of the largest

trade exhibitions, conferences, and a diverse mix of publications and on-line services. ●

About SAIBL

Created in 1998, the USAID-funded South African International Business Linkages (SAIBL) program helps to improve trade between the U.S. and South Africa.

SAIBL works with U.S. and South African companies and governments to assist small and medium sized business owned by 'historically disadvantaged' South Africans (individuals discriminated against under apartheid) to export to local and U.S. markets. Through its TRADE program, SAIBL also helps these companies find new export markets in Botswana, Lesotho, Swaziland, Tanzania, and Zambia.

For more information about SAIBL's BEE giftware initiative, please contact Tim Bergstrom, SAIBL Program Director: tbergstrom@africacncl.org

Mhulumo Art Gallery, Nelspruit



Mhulumo was created in 2002, but the history of the company began when it was established in 1998 under the name "Lidwala le Africa" to promote the Shona art of stone carving in its true form. Lidwala le Africa means "the rock of Africa."

The two main artists involved in the gallery are Robert Chimungwa and

Tichaona Mathew Gidi. Both artists grew up in Zimbabwe and learned to master the art from young age. As a sculpturing medium, they use natural stones such as Serpentine, Wonderstone, Butter Jade, and Verdite, also known as Africa's Green Gold (semi-precious stone), which ranges in color from emerald to brown. Zimbabwean artists most commonly use Serpentine also known as Spingstone.

Their work of Shona stone sculptures embraces the ancient African culture and often local artists travel many kilometers to attain the right rock with the "right spirit".



South African Jewel, Johannesburg

Established in 2001, South African Jewel manufactures and supplies designer quality hand-made beaded jewelry products. The company was formed with the objective of training and empowering

unemployed women in rural and urban areas. South African Jewel is one of the first companies in South Africa to train in the Bead Craftship. Most of the artists are from the community of Alexandra township near Johannesburg, South Africa.

There are 40 women who are trained as professional bead-crafters who were previously unemployed.

South African Jewel sells the beaded products locally and internationally. The company specializes in hand-made beaded products such as designer jewelry, table settings, beaded clothing, tourist gifts, badge pins, international flag pins, aids ribbons and corporate gifts. In addition, the designers make custom-made items incorporating corporate colors and logos in beaded designs.

Contemporary African Arts Evolve < By Victor Barnes >

Africa is a culturally diverse and rich continent, with a longstanding tradition of excellence in the arts. While many may be aware of this historical fact, far fewer are familiar with Africa's rapidly evolving contemporary movement in the arts.

On June 9, 2005, the painting *L'espoir fait vivre* [Hope is Life] by painter Chéri Samba, from the Democratic Republic of Congo, sold in Paris for 32,000 euros - a record for a contemporary African work of art. Africa is forging onto the contemporary art market with artists such as Senegalese sculptor Ousmane Sow, and his compatriot, the "father" of the contemporary art movement in Senegal, Iba Ndiaye. Other notable African contemporary artists include El Anatsui from Ghana, Ouattara from the Ivory Coast and Zimbabwean sculptors, Nicholas Mukomberanwa, Sylvester Mubayi, and Eddie Masaya.

The 2005 "Africa Remix" exhibition at the Centre Georges-Pompidou in Paris showcased the work of 84 African artists and demonstrated their vitality in the plastic arts. On the continent itself, the Dakar Biennial of Contemporary African Art, "Dak'Art", launched in 1992, has established itself as the preeminent contemporary art exhibit and showcase for African artists in sub-Saharan Africa. Among numerous private collections, The Contemporary African Art Collection (CAAC) created by Italian venture capitalist Jean Pigozzi is perhaps the most extensive, with several thousand artworks from contemporary artists living in sub-Saharan Africa. The latest exhibit from the Pigozzi Collection, "100% African Art" will open at the Guggenheim Bilbao in October 2006.

Sculptures made from salvaged materials by Cameroon artist Sumagne Joseph-Francis exhibited at the 2004 Dak'Art, established him as part of an important artistic "recycling" movement, widespread in Africa since the 1980s. "Dak'Art" 2004 also enabled multimedia works to emerge,

notably video installations, and created an innovative and permanent space, the Dak'Art Lab, dedicated to electronic art forms.

Another aspect of the Biennial is the African Design Fair. A long way from arts and crafts, exotic and tourist clichés, African designers such as Kossi Assou (Togo), are creating decidedly modern objects and furniture, based on a cultural heritage and local materials. This new generation of designers is grouped into the Association of African Designers, chaired since 2004 by Cheick Diallo. Dak'Art 2006 took place in Dakar, Senegal from May 5, through June 5, 2006. The theme of this year's International Exhibition was "Africa Understood, Misunderstood and Poorly Understood"

Until recently, what the world saw of African photography was essentially the product of European eyes; several festivals, and especially the 6th Festival of African Photography in Bamako Mali, have enabled African photographers to emerge from the shadows. The 6th biannual event showcased 2,000 photographs by 110 photographers and highlighted the influence of two legendary figures of Malian photography: Seydou Keita and Malick Sidibé, renowned worldwide since the 1950s for their studio portraits. The "Seydou Keita Prize" was awarded to the best portrait photographer and special recognition was given to Sidibé and his "unposed" images of Malian youth. Guyanese Serge E. Jongué, Malian Youssouf Sogodogo, and Ivorian Dorris Haron Kasco were also recognized for their outstanding photography.

Today, African photography is dominated by photojournalism and since the



Ndary Lo "The long march towards change"

beginning of the Bamako Festival in 1994, it has showcased all the great present-day photographers including South African photojournalist Peter Magubané and Mozambican Ricardo Rangel, as well as art photographers, Samuel Fosso of Cameroon, with his series of carefully composed studio self-portraits and South African Zwelethu Mthethwa with his interiors of shantytown homes and his scenes of religious life. All of these venues and exhibits/collections have helped to propel African talent on to the international stage. ●

Adapted from an article by Barbara Oudiz

SOWETO BRINGS HOME THE OSCAR

Soweto brought home its first Oscar when the movie *Tsotsi* was awarded the best foreign film at the Academy Awards earlier this year.

Tsotsi is a truly South African story, written and directed by South African Gavin Hood and based on the only novel ever written by the acclaimed South African playwright

Athol Fugard. Hood adapted the novel to a modern setting.

"A story of poverty, hopelessness and struggle transformed into faith and a profound moral re-awakening leading to better future, *Tsotsi* is another appropriate representation of the 'Age of Hope'," South African President Thabo Mbeki stated after the Oscar winners were announced in March.

Mbeki said the award was "yet another well-deserved accomplishment of our country and people."

The film is set against the backdrop of modern day Soweto and depicts the realities of youth entangled in crime, poverty and unemployment.

"*Tsotsi*," meaning gangster or thug, is also the name of the main character, a hardened criminal played by South African actor Presley Chweneyagae. The film follows the 19-year old as he highjacks a car with a baby in it.

The film revolves around *Tsotsi's* wrenching decision to return the baby to his parents.

"We may have foreign language films, but our stories are the same as yours stories. They are



Oscar with Terry Pheto, Zola and Presley Chweneyagae.



Oscar with Presley Chweneyagae, Former President Nelson Mandela and Terry Pheto.

about the human heart and emotions," director Hood said when accepting the Oscar for this film.

Peter Fudakowski, producer of *Tsotsi* and head of the UK Film and Television Foundation, financed 50% of the movie. Fudakowski viewed the Oscar as a huge boost for South African producers and financiers

The UK Film and Television Foundation and South Africa's Industrial Development Corporation (IDC) are equal partners in the venture, with South Africa's National Film and Video Foundation also making a contribution.

It is only the second time a South African film has been nominated for an Academy Award, the previous nominated film was "Yesterday," produced in 2004. •

SOUTH AFRICA'S FIRST ISLAMIC-FR

Port Elizabeth, South Africa: Go on a game drive. See the springboks. Enjoy the elephants. Indulge in sumptuous dinners. And do it all without violating one iota of Islamic law.

That's the idea behind Kwantu, a five-star game lodge located 90 km northeast of Port Elizabeth, in South Africa's vast Eastern Cape province. Kwantu is South Africa's first black-owned game reserve.

Kwantu, which means "special place of gathering" in the local Xhosa language, has welcomed visitors of all faiths since its opening last year. However, it has been able to distinguish itself by being the only reserve that's 100% Islamic-compliant.

That means a lavish cuisine featuring Halal meat, and a variety of local African and Eastern delicacies—all served in an alcohol-free environment. A nearby musalla, or small mosque, is available for prayer.

"As a game reserve, we cater to all nationalities," says Yusuf Jeeva, the Port Elizabeth businessman who started Kwantu. "For the moment, our largest markets are England, Germany, Sweden and, of course, the Middle East. This is a newly established place, and people are coming mainly through word-of-mouth."

Jeeva, 46, is a soft-spoken and deeply religious Muslim whose grandfather emigrated from India's Gujarat state to South Africa in 1902. He made his fortune in the food distribution business and still runs Cash and Carry, a local

supermarket chain.

"My father always told me, you're not selling food, you're putting affordable food on the table," recalled Jeeva. He said that growing up, he was always around cattle, sheep and other animals.

Under South Africa's old apartheid regime, persons of color like Jeeva were prohibited from owning land, and a black, Indian or colored-owned game reserve was out of the question.

Things changed in 1994, with the election of Nelson Mandela and the dismantling of South Africa's apartheid laws. With the country no longer off-limits to foreigners, game parks have proliferated throughout the Eastern Cape as eager tourists flock to South Africa for a glimpse of the "big five"—elephant, leopard, lion, buffalo and rhinoceros.

Sensing an opportunity, Jeeva invested R30 million (about \$4.5 million) to start Kwantu. He spent half that amount to acquire 6,000 hectares of farmland, including the historic town of Sidbury, and the remaining R15 million on the animals, as well as on building the infrastructure and hiring qualified personnel.

"There were many challenges here. It wasn't all smooth sailing. Initially, we had some loss of game, and we had to bring our bricks, our building materials, everything from outside. It was trying at times."

Boasting five of South Africa's seven biomes—or communities of plants and animals living together in a specific type of climate—Kwantu is the only place in South Africa where Muslim families can go on safari without violating the basic precepts of Islam.

Kwantu is a family operation. Jeeva's wife, Faieza, oversees the kitchen, cuisine and interior decorating, while sons Nadir, 23, Munir, 21, and Shakir, 16, are also involved in the business. His 20-year-old daughter Nooshin has a Level 1 certificate from the Field Guides Association of South Africa, and acts as Kwantu's unofficial spokeswoman.

Nooshin, like her mother, covers her hair with a scarf but doesn't wear a veil. She leads safaris for Muslim women for whom being in the company of a male ranger would constitute a violation of their religious beliefs.

At the moment, 60% of Kwantu's guests are South Africans, and 40% foreigners. Broken down by religion, 30% are Muslims and 70% are non-Muslims.

At the entrance to Kwantu's main lodge is a large glass panel engraved with the first verse of the Koran, in both Arabic and English. It's the only visible evidence of Kwantu's orientation, other than a small musalla in Sidbury.

"The village of Sidbury has the second-oldest

FRIENDLY GAME RESERVE

< By Larry Luxner >



Anglican church in South Africa. It also has a Methodist church," said Nooshin. "We cater to vegetarians and all dietary requirements. We're wheelchair-friendly as well. We don't want to restrict anybody from enjoying what Kwantu has to offer."

She added: "We want to provide a place where people can come as families, but also have a complete holistic experience. Kwantu is for the mind, body and soul."

He's also pitched Kwantu for two consecutive years at the Arabian Travel Market in Dubai, and has hosted visitors from Saudi Arabia, Qatar, Yemen, Kuwait and the United Arab Emirates.

Yet Jeeva, noting that he's also hosted Israeli visitors, says "we don't think in terms of Jewish and Muslim or black and white. We take you at face value, and we give you service."

A visit to Kwantu is prohibitively expensive for most South Africans, but reasonable by international standards. Jeeva charges R1,500 (about \$220) per person per night, including luxury accommodation, two

game drives, an optional night drive, a visit to Kwantu's predator educational center and all meals and beverages.

For tourists on tighter budgets or little time to spare, Kwantu offers day visits that include either lunch or dinner plus a three-hour game drive and

visit to Sidbury village, the educational center and a cultural exhibition. Cost: R500 (\$73.50 per person), plus an extra R100 (\$14.70) for round-trip transportation between Port Elizabeth and Kwantu.

The lodge comprises 25 rooms, which will be expanded to 35 by year's end. A conference center can accommodate up to 80 guests; Kwantu has already hosted events for the National Ports Authority and Volkswagen South Africa. In time, Jeeva also intends to add a sauna, steam room and aromatherapy, as well as workshops on alternative healing.

Jeeva isn't sure how long it'll take for him to break even on all these investments and start making a profit.

"It all depends on our occupancy rate," he said, "but we feel quite confident that, with the grace of the Almighty, business will be good."

Jeeva says he's encouraged by the fact that Qatar Airways already flies from the

Middle East nonstop to Johannesburg and Cape Town. Meanwhile, rival Emirates Airlines is offering round-trip service from Dubai to Johannesburg for only R2,000 (\$294) during the month of August. Also helping is the new direct service by South African Airways to Johannesburg from Washington, SAA's second U.S. gateway city. (the airline also flies from New York.)

Competition from nearby game parks such as Makhala and the very upscale Shamwari doesn't bother Jeeva.

"I think the more game reserves there are in an area, the better it is for everyone. Besides setting your standards quite high, there are so many people traveling," he said. "The time will come when people will spend two nights at Kwantu and two nights at Makhala, for example. When we promote Kwantu, we promote the Eastern Cape. Even if it's just getting tourists to come to South Africa, that's good enough for us."

Religion aside, visitors come to Kwantu for the wildlife - and with such a concentration of hippos, rhinos, giraffes, warthogs, zebras, antelope and endangered birds, they're unlikely to leave disappointed. ●

Larry Luxner, Florida-based photojournalist, writes about Latin America, the Caribbean and Africa. His stories and photographs can be viewed at www.luxner.com.

Meet Sherry-Lee Abrahams < By Daniel Wolf >

A Research Analyst for CCA, Sherry-Lee Abrahams has a passion for South Africa, a talent for business, and is incredibly well-versed in U.S.-Africa trade policy and regional investments in Africa. She describes Africa as a "place of potential, creativity, and a cradle of entrepreneurial growth, or as the consumer market of the future."

Born in Pietermaritzburg, South Africa, she attended The University of Kwa-Zulu Natal graduating cum laude with a B.A. (Honors) in Political Science in 2001. First traveling overseas to Washington, D.C. in 2000 as a Ronald H. Brown Foundation Fellow, Sherry-Lee thrived on learning, competing, and debating with peers in the international trade and commercial diplomacy program. As a Kwa-Zulu Natal Rhodes Scholar, Sherry-Lee continued to flourish in the academic environment at the University of Oxford. In 2004, she graduated with an MPhil in International Relations from St Antony's College, Oxford with a thesis titled "The United States' Passage of the African Growth and Opportunity Act of 2000."

While Sherry-Lee has done extensive research on the African Growth and Opportunity Act (AGOA), she still manages to step back to gain a broader perspective of sustainable progress in Africa. Her daily work at CCA involves research and analysis, member services, publications, and programs

management.

Sherry-Lee enjoys working with CCA's diverse membership and says that sustainable development will be achieved through public-private partnerships, which serve mutual interests in vocational training, capacity development, manufacturing, and corporate social responsibility. The private sector can play a tremendous role in skills development and improving individuals' livelihood by using their expertise in technology, innovation, and production development, and the public sector can support these efforts by creating enabling policies and programs. The development of value-added trade is essential for sustainable trade between the U.S. and Africa. Because of this growing awareness within the private sector, water, energy, roads and rails, transportation, security as well as telecommunications are becoming Africa's key growth sectors.

"The fact is," Sherry-Lee explains, "the U.S. private sector must lead investment in Africa, and must be committed to its success. Such a relationship will reap long-term rewards for the U.S. and for sub-Saharan Africa."

Before joining CCA, Sherry-Lee was an Associate Consultant for Kaiser Associates,



a business strategy consulting firm, where she worked in both the London and Washington, D.C. offices. Since joining CCA in April 2005, Sherry-Lee has worked to help strengthen the relationship between U.S. private sector businesses, the public sector, and political counterparts in Africa. Her experience at CCA includes jointly coordinating events

around the June 2005 U.S.-Africa Business Summit, the 2005 AGOA Private Sector Forum in Dakar, Senegal, and the U.S.-Africa Oil and Gas Forum in Washington, D.C. in November, 2005, among numerous other successful CCA programs. At CCA, she maintains her "If not Africa where else" spirit.

Recently she edited the 2006 AGOA Private Sector Report demonstrating that AGOA has indeed opened real opportunities for business and employment growth in the U.S. and in Africa. In the AGOA Private Sector Report, she provides an overview of the international framework for trade, accomplishments under AGOA, as well as the challenges that remain to effectively promote trade and investment opportunities to the U.S. business community.

"If you are truly a global company," she explains, "you have every reason to be positive about Africa." With an optimistic demeanor, Sherry-Lee makes you believe that Africa is indeed the next frontier in global market development. If she believed otherwise she would not be South African, or a true stalwart of CCA. ●

MARS
incorporated

Dr. Jeffrey L. Sturchio

Dr. Jeffrey L. Sturchio is Vice President, External Affairs, Human Health Intercontinental at Merck & Co., Inc., in Whitehouse Station, New Jersey. He is responsible for the development, coordination, and implementation of a range of health policy and communications initiatives for the region. He has been centrally involved in Merck's participation in the UN/Industry Accelerating Access Initiative to help improve HIV/AIDS care and treatment in the developing world. He is also a member of the private sector delegation to the Board of the Global Fund to Fight AIDS, TB and Malaria.

Dr. Sturchio received a B.A. in history (1973) from Princeton University and a Ph.D. in the history & sociology of science from the University of Pennsylvania (1981). His previous positions include the AT&T Archives, the Beckman Center for the History of Chemistry at the University of Pennsylvania, Rutgers University, and the

New Jersey Institute of Technology. He has also been a Postdoctoral Fellow and Senior Fellow at the Smithsonian Institution's National Museum of American History (NMAH). In 2004 he was appointed a Visiting Fellow of LSE Health and Social Care at the London School of Economics and elected a Fellow of the American Association for the Advancement of Science. He joined Merck in June 1989 as the Company's first Corporate Archivist.

His publications include *Chemistry in America, 1876-1976: Historical Indicators* (Reidel, 1985; paperback edition, 1988), written with A. Thackray, P. T. Carroll, and R. F. Bud; *Values & Visions: A Merck Century* (Merck & Co., Inc., 1991); "Pharmaceutical firms and the transition to biotechnology: a study in strategic innovation" (with L. Galambos), *Business History Review* 72 (Summer 1998): 250-278; "Against: Direct to consumer advertising is medicalising normal human experience" (with S. Bonaccorso), *British*



Dr. Jeffrey L. Sturchio
Vice President, External Affairs, Human Health Intercontinental, Merck & Co., Inc.

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Ambassador Cook

Ambassador Cook earned her B.A. at Mary Washington College of the University of Virginia, after spending her junior year in France (*Universite d'Aix-Marseille*); and a Masters in Public Administration, at Harvard University's John F. Kennedy School of Government. She was awarded an LL.D. (Honorary Doctorate) at Shenandoah University in 1998.

Ambassador Cook began her career in the Foreign Service in Paris, where she served first as Special Assistant to the U.S. Ambassador to France, Sargent Shriver, then later, as a member of the U.S. Delegation to the Paris Peace Talks on Vietnam. She subsequently served in Sydney, Australia before beginning a long involvement with Africa, starting in Senegal, where she served as Cultural Attaché. Cook was appointed to a series of positions in African affairs, including

Director of the State Department's Office of Public Affairs in the Bureau of African Affairs, and later as Director of the Office of West African Affairs. Named Ambassador (to Burundi) in 1980, she was the youngest career diplomat to serve as ambassador for the United States. She subsequently served as Ambassador to Cameroon (1989).

With her assignment as Consul General in Alexandria, Egypt, Cook became the first female head of post in the Middle East for the United States. Later, in the Sultanate of Oman, she was the first female, from any country, named Ambassador to a GCC State in the Arab Gulf.

In recent years, Ambassador Cook has occupied senior positions in Washington, including Deputy Assistant Secretary of State for Political-Military Affairs, where she was in charge of U.S. military



Ambassador Frances D. Cook

assistance abroad. Previously she was Deputy Assistant Secretary of State for Refugee Programs, where she administered the large American government contributions to international refugee assistance. .

Ambassador Cook transitioned to the private sector in May 1999, and is now an international business consultant with her own firm, The Ballard Group, LLC. ●

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