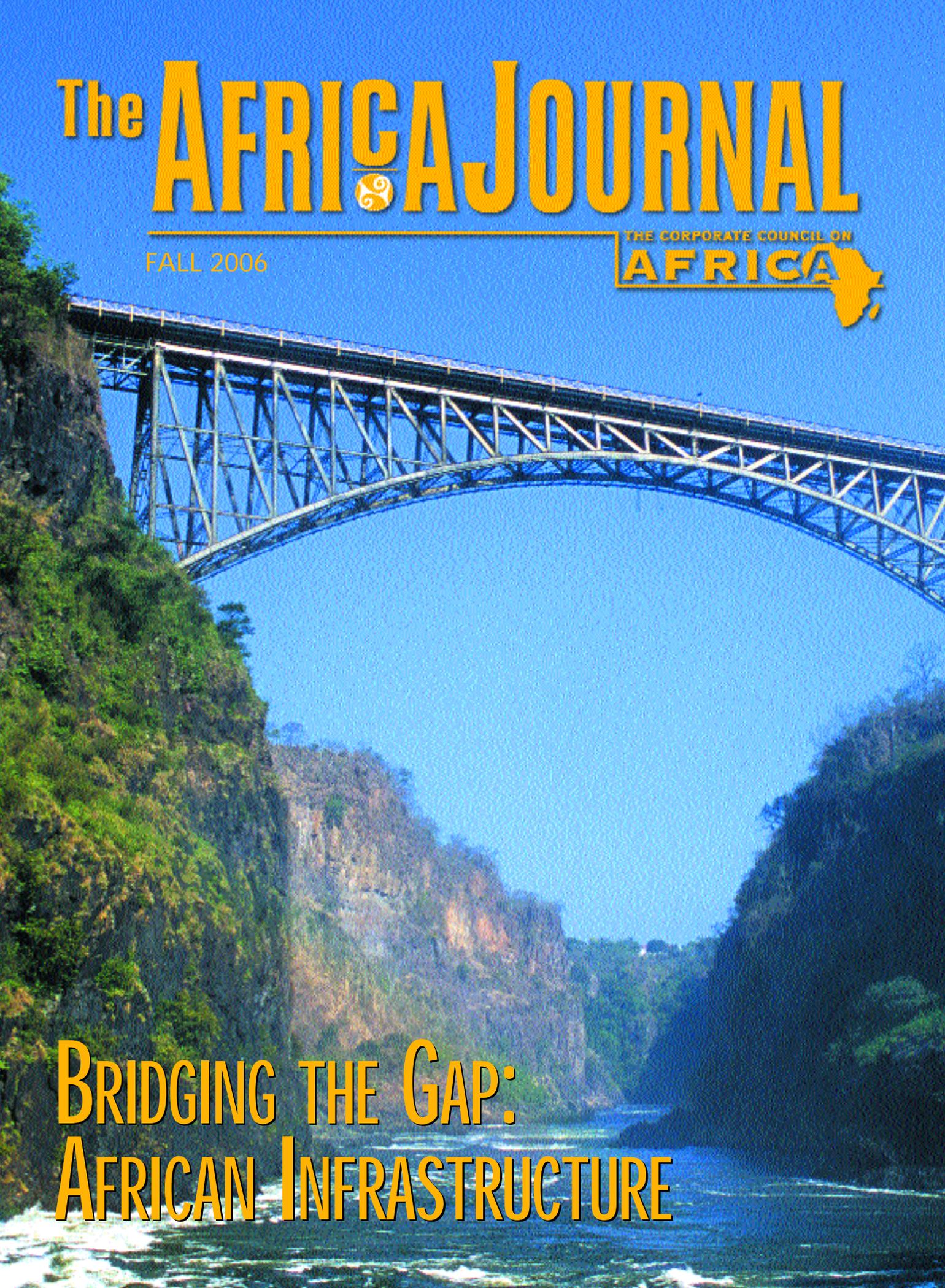


The AFRICA JOURNAL

FALL 2006

THE CORPORATE COUNCIL ON
AFRICA 



BRIDGING THE GAP:
AFRICAN INFRASTRUCTURE

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The Fall edition of *The Africa Journal* coincides with CCA's first annual U.S.-Africa Infrastructure Conference, which is co-sponsored by the U.S. Department of Commerce and the U.S. Department of Transportation.

This edition surveys the extensive infrastructure development opportunities that exist for U.S. companies throughout the African continent. Inadequate infrastructure is the greatest impediment to new investment in Africa and addressing these inadequacies is imperative to future economic growth. Articles in this edition provide readers with information about the benefits of implementing and sustaining infrastructure projects in Africa, as well as insight into critical factors for project success.

Infrastructure development has the potential to impact key areas such as health, education, agriculture, and transportation. The development of these key areas enhances intra-regional trade, propelling wider economic growth. The private sector must address the challenges associated with infrastructure development in order to enhance business and development opportunities on the continent. Public-private partnerships (PPPs) must also be explored and developed in order to better meet public and private infrastructure needs. The Corporate Council on Africa remains committed to encouraging its membership to take advantage of infrastructure project opportunities in Africa. Given the importance that a strong commercial infrastructure plays in facilitating business in any country, investment in infrastructure development in Africa can only be positive.

The Department of Commerce and the Department of Transportation's support of this conference is significant for enhancing U.S. business involvement in developing Africa's trade capacity. Private infrastructure investment will be essential to generate the amount of capital that is required to significantly increase growth. It is incumbent upon U.S. companies interested in market expansion to take the lead in this area and to explore the opportunities in Africa before the momentum passes, or the potential will be lost to countries that show a greater sense of urgency. ●

Stephen Hayes, *President*
The Corporate Council on Africa

PRESIDENT'S MESSAGE

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Design and Layout

Paul Fisher, www.fisherdesign.us

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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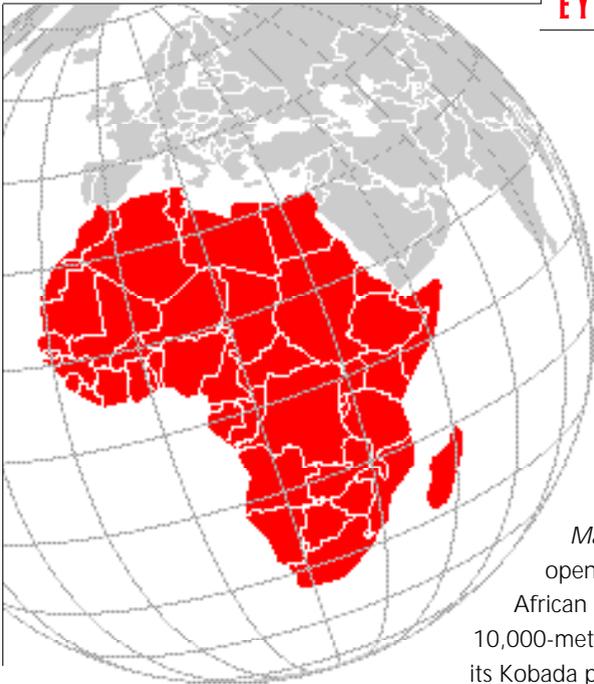


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The Africa Journal, initially a tabloid publication, was founded by Abdoulaye Dukele. In 2003, all rights were purchased by CCA from Mr. Dukele, and the publication was converted to its present magazine format.



Content provided by Mbendi Information Services (www.mbendi.co.za)

Central African Republic—Axmin reported progress on exploration activities across the 3,000 square km of its Passendro gold project.

Ghana—Ghana and Alcan signed an MOU for a potential bauxite mine and aluminum refinery.

Mali—Nevsun Resources opened its Tabakoto gold mine.

African Gold Group began a 10,000-meter diamond drill program at its Kobada project. Robex announced the discovery of high-grade gold values in 11 pits from the Fandou Zone on its Willi-Willu project.

Namibia—Afri-Can Marine Minerals is to proceed with diamond exploration program on Block J.

South Africa—Acerinox is expanding to South African steel plant Zambezi Resources. Anglo American plans to sell its shares in Highveld to Evraz and Credit Suisse.

Zimbabwe—Zimbabwe has signed energy deals with China worth \$1.3 billion, in which Zimbabwe would provide chrome fund the building of three thermal power stations.

ELECTRICAL POWER

Côte d'Ivoire—MTN spent Euros 172 million to increase stakes in its Côte d'Ivoire and Uganda operations.

DRC—The DRC signed a deal with MagEnergy, a Canadian company, to develop the Busanga hydroelectric site on the Lualaba River.

Ethiopia—Ethiopia and Kenya are jointly seeking Sh72 million from the African Development Bank to interconnect power systems in the two countries. Ethiopia and an Italian company signed \$2 billion hydropower project agreement.

Uganda—China is to build a 530 MW Ugandan power plant. MagEnergy expanded its activities at INGA II hydroelectric plant.

INFRASTRUCTURE

Algeria—Algeria is looking for a company to build a new five star hotel.

Cameroon—New sugar company, Forzi Sugar Limited, will open sugar plantations across Cameroon.

Cote d'Ivoire—Cote d'Ivoire is seeking a provider for airport handling services.

East African Community—the World Bank extended a credit grant of \$259 million to improve trade and transport services within the East African Community.

Ethiopia—The Ethiopian Roads Authority and MIDROC- Ethiopia Construction have signed an agreement to upgrade the 62 kilometer long Dembi-Bedele Road at a cost of 234.8 million birr.

Namibia—Namibian Ports Authority is planning to invest N500 million in expanding the capacity at the ports of Walvis Bay and Luderitz, while a dry port facility is to be constructed at Gobabis.

Nigeria—The Nigerian government plans to spend \$30 million to rehabilitate Nigerian Railways Corporation Infrastructure.

South Africa—Tedcor donated a share of profits to Ekurhuleni Metro in order to upgrade the region. South Africa chemicals group AECI plans to launch a R1.6 billion mixed-use development on an old factory site near Cape Town.

Uganda—Japan donated Shs20 billion to Uganda for roads and rural health.

TRADE DEVELOPMENTS

Burundi—Econet Wireless bought a 65% stake in a Burundian cell-phone operator.

Ethiopia—Ethiopia is to export 22,000 tons of raw sugar to the European Union later in 2006. Ethiopia has created a free port zone facility on the Red Sea at the newly expanded Massawa port.

Kenya—West Kenya Outgrowers Company has been granted a certificate by the Fair Trade Labeling Organization.

Rwanda—Rwandan coffee is to be marketed by Starbucks in the U.S.

Nigeria—Nigeria will launch its first communication satellite in the first quarter of 2007.

Senegal—The African Development Bank has opened a regional office in Senegal.

Uganda—Bidco opened a \$25 million edible oil complex in Jinja.

Tanzania—Bilateral trade between China and Tanzania has increased by almost 70% to \$47 million last year.

Tunisia—Dubai Holdings acquired a 35% stake in Tunisia's state telecom company.

MINING AND MINERALS

Botswana—LionOre Mining announced the completion of Project 5, at its Tati nickel Botswana project, is complete.

Angola—Angola has been invited to become a member of OPEC. Sonangol and BP announced the “Urano” oil discovery in ultra-deepwater Block 31, offshore Angola.

Nigeria—ExxonMobil started production from the world-class Erha deepwater development 97 kilometers offshore Nigeria in 1,200 meters of water. Chinese and Indian oil companies emerged winners in Nigeria’s mini-bid round for 18 oil exploration blocks.

Sudan—Sudan has been invited to become a member of OPEC

Cameroon—TOTAL announced a Cameroon oil discovery in the Dissoni Block.

Congo—Afren acquired Heritage Oil’s interests in Congo.

Namibia—EnerGulf Resources has engaged Netherland Sewell & Associates, Inc. to provide an independent assessment of prospective resources report on Namibia.

Libya—Libya’s National Oil Company is in talks to enter a joint venture with foreign companies to expand capacity in the refineries by more than 60%, or 210,000 barrels a day.

DRC—TOTAL struck oil in the Moho-Bilondo permit, offshore Congo.

Kenya—Kenya Petroleum Refineries will construct an LPG reception, storage and distribution plant in Mombasa.

Nigeria—The Nigerian National Petroleum Corporation (NNPC) will invest \$225 million in the Ogun and Oyo gas pipeline projects. The NNPC also signed a \$6 billion MOU for the Olokola Liquefied Natural Gas project.

Tunisia—Lundin Petroleum and Atlantis Holding Norway announced first oil production from the Oudna field, offshore Tunisia, is schedule for September.

FINANCE

Egypt—The World Bank offered a First Development Policy Loan for Egypt in the amount of \$500 million.

European Union—The EU pledged Euro 23.6 billion of aid to Africa and the Caribbean. The EU has given Sh950 million to fund water projects in arid and semi-arid areas of Kenya.

Gambia—Taiwan provided a \$1 million loan to Gambia for financing micro-finance and capacity building.

Ghana—The Ghanaian government received a grant of \$7.2 million credit to support Ghana’s Growth and Poverty Reduction Strategy. The International Monetary Fund (IMF) has completed the fourth and fifth reviews and approved a \$77.9 million disbursement to Ghana. The MCC approved a \$547 million anti-poverty program for Ghana.

Guinea—Guinea received a \$7.2 million credit to support efforts by the government of Guinea to improve commercial and operational efficiency.

Guinea-Bissau—The World Bank made a \$15 million grant to assist the Government of Guinea-Bissau in national infrastructure rehabilitation.

Kenya—The Shell Foundation and GroFin Kenya have launched a Sh900 million financing facility targeting small and medium enterprises.

Liberia—George Bush has approved a release of \$50 million to assist with the reconstruction needs of Liberia.

Mauritania—The International Monetary Fund (IMF) approved 100% debt relief for Mauritania. Sasfin acquired specialist Mauritan registered bank SBM Nedbank International from Nedcor.

Mozambique - The United States Agency for International Development (USAID) has granted \$5.5 million for the development of tourism in the northern Mozambican provinces.

Namibia—Germany gave Namibia N480 million for development.

Nigeria—The Export-Import Bank of the United States has approved a total of \$300 million for 14 Nigerian banks to support U.S. exports to Nigeria. The International Finance Corporation (IFC)

and Access Bank have provided \$15 million in loans to women entrepreneurs in Nigeria.

The World Bank—Cape Verde received \$10 million from the World Bank for poverty reduction support. The World Bank approved a \$31 million grant to Benin to bring malaria under control and \$10 million to Mauritania for health sector reforms. Nigeria’s Enugu State Government received a \$10.1 million World Bank grant for electrification projects. The World Bank also offered a \$240 million poverty credit. Tanzania signed two credit agreements with the World Bank worth \$240 million for the implementation of the fourth Poverty Reduction Support credit. The World Bank Board approved an International Development Association (IDA) credit of \$90 million in support of agricultural sector development. ●

USEFUL STATISTICS

- **Maghreb Union trade is now worth 500 million Euros.**
- **Kenya expects to earn Sh60 billion from the tourism sector this year and Morocco’s tourism revenue is expected to be about \$5.1 billion.**
- **South African GDP increases by 4.2% in the first quarter of 2006.**
- **Trade between China and Tanzania increased by almost 70% to \$47 million in 2005.**
- **Africa’s mobile telecom sector has grown by 39% annually since 2000.**
- **Landlocked Uganda earned \$110 million from fish exports in 2005.**
- **Namibia’s April inflation dropped to 4.4%.**
- **The Nigerian economy grew by 6.2 % in 2005.**

MERCK RECEIVES PRESTIGIOUS GBC HIV/AIDS AWARD



MERCK

The Global Business Coalition (GBC) on

HIV/AIDS paid tribute to the role of business in the global fight against HIV/AIDS by honoring Merck & Co., Inc. for its ongoing commitment to fighting the HIV/AIDS pandemic on a national level in Botswana.

The GBC presented six awards during its 5th annual Gala and Awards ceremony in London on May 22, 2006. Speakers included British Prime Minister Tony Blair, European Commission President Jose Manuel Barroso, Sir Elton John, and Graca Machel.

"Botswana's response to the HIV/AIDS epidemic stands as a beacon of hope to the global community, demonstrating that with political commitment, the right policies, effective partnerships, resource mobilization, and broad community engagement, it is possible to begin to reverse the course of the epidemic," said Merck Chief Executive Officer and President Richard T. Clark.

Merck received the GBC National Action Award for its efforts to combat the spread of HIV/AIDS in Botswana, a country where nearly 38% of the adult population is HIV positive. In response to the massive threat HIV/AIDS poses to the Botswana population, Merck, together with the Government of Botswana and the Bill & Melinda Gates Foundation, launched the African Comprehensive HIV/AIDS Partnerships (ACHAP) in 2000.

Largely due to the initiatives put in place and financially supported by Merck, Botswana is one of only three African countries to have exceeded the target of treating more than 50% of the HIV/AIDS patients who require antiretroviral therapy.

ANADARKO BUYS TWO GAS PRODUCERS FOR \$21BN

Anadarko

SAPA-AP reported that oil and natural gas producer Anadarko Petroleum is in the process of acquiring smaller

producers Kerr-McGee and Western Gas Resources. Houston-based Anadarko will pay \$16 billion in cash for Oklahoma City-based Kerr-McGee.

Kerr-McGee and Anadarko are both CCA member companies.

Published on the web by Business Report on June 25, 2006.

ORACLE PROMOTES CCA BOARD MEMBER DESI LOPEZ FAFIE

ORACLE

Oracle Corporate announced the promotion of Desi Lopez Fafie, Country Leader for Africa, to Vice President of Oracle African Operations, effective August 1, 2006, in recognition of his contribution to the company over the last 12.5 years and of his recent achievements in Africa. Lopez Fafie joined Oracle in 1993 and has held multiple positions in Pre-sales, Product Management, and Sales Management in Europe, the Middle East, and Africa, and has been in charge of operations in Africa since 2001. Over the last two years revenues have tripled under his management. His promotion is also meant to demonstrate the corporate commitment to Africa and to recognize the achievements of his team.

ETHIOPIAN AIRLINES CHOOSES GENX ENGINE

Ethiopian

The CINCINNATI BUSINESS COURIER reported on July 27, 2006 that Ethiopian Airlines has purchased General Electric (GE) Aviation's GENx engine to power its fleet of 10 Boeing 787 Dreamliners. The order is valued at \$330 million. Delivery is scheduled to begin in 2008.

Ethiopian Airlines will be the first in Africa to fly the GENx-powered Dreamliner, Roger Seager, GE Aviations Vice President of Sales, said in a news release.

The GENx engine is the sole jet engine with a front fan case and fan blades made of composites, which provide for greater engine durability, weight

reduction, and lower operating costs.

GE Aviation develops and manufactures jet engines for commercial and military aircraft. It is a unit of General Electric (NYSE: GE), headquartered in Connecticut.

HP TO LAUNCH CAPACITY BUILDING PROGRAM IN SOUTH AFRICA



MONEYWEB posted a press release announcing HP South Africa's proposed capacity building programs. In light of a skills shortage within South Africa's local Information Communication Technology (ICT) sector, HP South Africa and the Information Systems, Electronics and Telecommunication Technologies Sector and Education Training Authority (ISETT SETA) announced a series of capacity building programs. The programs include an Accelerated Development Program (ADP), and a Graduate Program. With an estimated 200 to 300 ICT-skilled resources leaving South Africa each month, programs of this nature are essential for South Africa's ICT development.

Basetsana Magano, HR Director at HP South Africa said, "We are committed to contributing to South Africa's ICT growth and, more importantly, we believe that technology is an enabler at every level, not just in the boardroom - but also in the classroom and in rural communities. At HP, our people are our most important business assets—their skills, ideas, and enthusiasm are crucial to our success. HP strives to attract and retain the best talent and continuously work with employees to help them fulfil their potential."

CCA members are encouraged to submit their Africa focused press clippings or press releases to The Africa Journal for publication in "Members in the News." Email submissions to diffley@africacncl.org

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CONGRESSIONAL PRESSURE ON ANGOLA TO SET AN ELECTION DATE

By Philippe de Pontet

The Africa Subcommittee of the House International Relations Committee held a hearing on July 20 on Angola's long-delayed elections, highlighting the need for a binding election date. Chairman Chris Smith conveyed the high stakes at play in his opening statement: "The outcome of this election is important not only for Angola itself and for the region, but also for the U.S." Not only is Angola Africa's second-largest oil producer, and a more stable one than Nigeria, but its production trajectory is on the upswing, jumping from just under one million barrels per day (bpd) in 2004 to about 1.4 million bpd now, with projections nearing two million bpd by 2010. More than 30 U.S.-based companies are currently operating in Angola, mostly in the oil and gas industry. From a U.S. energy security perspective, much is riding on the continued stability of Angola through the election process and beyond, particularly since Nigeria will continue to face political turbulence and oil shut-ins heading into its April 2007 elections.

Angola could join the Extractive Industries Transparency Initiative (EITI), according to the State Department's Director of Southern African affairs Dan Mozena, and it may soon ratify UN and African Union anticorruption conventions. Mozena, who spoke before the subcommittee, called upon China to promote transparency in Angola rather than exploiting its absence. Since 2004, China has provided the Angolan

government with about \$4

billion in soft loans that are backed by oil concessions to Chinese state-owned companies.

"Democracy is emerging in Angola," Mozena told the Subcommittee. He noted that the National Assembly passed a new electoral law and created a National Electoral Commission in recent months. But he acknowledged that elections, originally envisioned for September 2006, will probably not take place this year. The Angolan government has not yet committed to an election date, although President Eduardo dos Santos has insisted that the poll should take place no later than 2007. Several panelists, including UNITA representative Alcides Sakala, said that the country should set a binding date for elections to reduce uncertainty about the process, a view apparently shared by Chairman Smith and other members of the subcommittee.

CONGRESS EXAMINES AFRICAN SME SUPPORT

By Ken Modde

Drawing on the momentum of the fifth African Growth and Opportunity Act (AGOA) Forum, the U.S. Congress is examining how to support small and medium enterprises (SMEs) in Africa. The congressional moves are part of efforts by Chris Smith (R-NJ), chairman of the House International Relations Committee Subcommittee on Africa, to remove obstacles for African entrepreneurs.

This issue was the theme of the Subcommittee's June 8 hearing, held one day after the AGOA

forum. On June 22, the Subcommittee marked up the Assistance for Small and Medium Enterprises in Sub-Saharan African Countries Act of 2005 (HR 4319). The Subcommittee again assessed on July 27 the impact and effectiveness of microfinance institutions on poverty reduction.

For its part, USAID discussed microfinance institutions (MFIs) in its report to the subcommittee on the implementation of the Microenterprise Results and Accountability Act of 2004. USAID committed \$211 million to 435 institutions in fiscal 2005 in an effort to develop SMEs. Funding was used to increase loan capacity for MFIs by leveraging \$6.4 million through partial credit guarantees to create an additional \$224 million in private sector credit.

Two weeks after the AGOA Forum, the Subcommittee acted on HR 4319, marking up the bill and sending it up to the full committee for a vote. The bill in its current form would authorize \$5 million to support SMEs in sub-Saharan Africa for fiscal years 2007 and 2008, and authorize another \$3 million for the State Department to strengthen labor standards. The labor standards provision reinserts language dropped during AGOA III negotiations in 2004. Support for promoting African SMEs within the AGOA framework stemmed from concern over the dominance of African oil imports, which amounted to 87% of AGOA's 2004 trade imports. The activities supported by HR 4319 include facilitating bank financing for SMEs, helping countries meet U.S. food safety standards, developing entrepreneurial capacity with a focus on agriculture and youth, and supporting intellectual property rights.

The bill still faces a long journey through the legislative process. The strong support it enjoys from co-sponsors Tom Lantos (R-CA) and Smith will likely enable it to move past the full House International Relations Committee. Before making it to the House floor, however, the bill must pass through the House Ways and Means Committee, where it will likely have a more difficult time. The bill's co-sponsor on the committee, Jim McDermott (D-WA),

may not have sufficient political clout to overcome the committee's Republican majority and get the bill on the committee's agenda.

SENATE EXAMINES AFRICAN HEALTHCARE SUPPORT

By Ken Modde

The African Health Capacity Investment Act of 2006 (S.3775), introduced by a bipartisan team of U.S. senators on August 2, aims to develop African healthcare capacity and stem the emigration of skilled healthcare professionals. The bill authorizes a host of technical and financial assistance programs to develop local and national healthcare capacity as well as retain experienced health workers. While the programs emphasize enhancing human capacity, the bill includes equipment and supply provisions for health infrastructure improvements. The bill would authorize \$100 million in fiscal 2007, \$150 million in 2008, and \$200 million in 2009 to cover program costs.

Without a comparable House version, however, S.3775 is not likely to progress far along the legislative cycle. Its best chance for survival is getting tucked into another bill by the Senate Foreign Relations Committee. Even if it weathers a House-Senate conference, the bill suffers from lack of funding clout, as authorization bills do not require the White House or Congress to commit money. The bill may still have hope, however, through co-sponsors Dick Durban (D-IL) and Mike DeWine (R-OH), who also sit on the Senate Appropriations Committee's Foreign Operations subcommittee. Through bipartisan support, the two senators could secure the recommended \$100 million for fiscal 2007 if the same language is inserted in a spending bill.

HOUSE PANELS EXAMINE CRISIS IN SOMALIA

By Philippe de Pontet

The House of Representatives held a joint hearing on Somalia on June 29 to assess the threat of instability and terrorism

following the fall of Mogadishu to the Islamic Courts Union (ICU). Under the auspices of two subcommittees of the House International Relations Committee (Africa and international terrorism), experts and officials gathered to give testimony and exchange views. Leading the group was Assistant Secretary of State for African Affairs Jendayi Frazer, who called the crisis in Somalia the most serious threat in the region in many years and one that endangers U.S. interests, particularly in counterterrorism and regional stability.

Frazer noted that ICU Council Leader Shiekh Hassan Dahir Aweis is on the U.S. terrorist watch-list, which greatly complicates U.S. willingness to engage directly with the group. In particular, Frazer pointed to the ICU's suspected ties to terrorists sought by the U.S. for their involvement in the 1998 African embassy bombings, a concern that was echoed by congressmen such as Chris Smith and Ed Royce. She called upon the ICU to take four steps: turning over known terrorists residing in the country, preventing Mogadishu or other regions under ICU control to provide safe haven for terrorists, recognizing the Transitional Federal Government, and ceasing hostilities aimed at gaining more territory or destabilizing neighboring regions.

Frazer appeared to be holding out hope that moderate factions will reign in the militants, and she called for continued dialogue between the Transitional Federal Government (TFG) and the ICU. Stressing that the TFG is the only legitimate governing structure in the country, she said the U.S. would increase its support for the TFG, including police training. She added Washington would back international engagement through the Somalia contact group.

Smith and Royce raised pointed questions about suspected Saudi and Yemeni funding for the ICU. Royce noted that State Department counterterrorism officials have warned that ICU leaders know where some of the high-target terrorists are hiding. But the panelists provided differing perspectives on the ICU composition. Congressional

Research Service analyst Ted Dagne called the terrorist label exaggerated and unwarranted, while Dr. Peter Pham described the group's deep ties to al Ittihad al Islamiya and other terrorist groups. Former Clinton administration official John Prendergast cautioned that overt U.S. support for the TFG may actually hurt the group's credibility in Somalia, and that most of the ICU's funding is indigenous and stems from the Somali business community.

EX-IM BANK TO PROVIDE LOAN GUARANTEES TO NIGERIAN BANKS

By Philippe de Pontet

The U.S. Export-Import Bank, which continues to sharpen its focus on private-sector development in Africa and promote U.S. exports to the continent, has approved up to \$300 million in loan guarantees to Nigerian banks to facilitate the purchase of U.S. goods in the country. The goal is to improve access to credit in these banks for U.S. goods by providing financial guarantees in case of non-payment. Ex-Im has pre-approved loan guarantees worth \$10 million or more for 14 of Nigeria's largest banks. The program should expand the banks' ability to make credit available to Nigerian entrepreneurs and businesses while supporting U.S. exports, including commodities, consumer goods, spare parts, and equipment.

Many other countries, including India and China, are increasingly providing similar loan guarantees and credit lines to encourage trade ties with African nations.

Ex-Im first conducted a study of the consolidation in Nigeria's banking sector before concluding that these 14 banks, as the country's largest and most reputable, merit loan guarantees. The organization's Trade Finance and Insurance division is taking the lead role in implementing the Nigerian program, as well as others in Africa. ●

Content provided by the Eurasia Group, the world's leading global political risk advisory and consulting firm. www.eurasiagroup.net

IF YOU BUILD IT, THEY WILL COME,

< By Michael Trainor & Sarah Friedfeld >

Africa's underdeveloped infrastructure represents the most acute constraint on the continent's economic performance and growth, with corresponding outcomes for the region in terms of human development and welfare. Africa's massive potential remains essentially un-tapped; the lack of adequate transportation and energy infrastructure renders it next to impossible to fully exploit its natural resources and its abundance of low-cost (albeit largely unskilled) labor.

Mobilizing investment of the required magnitude remains a formidable challenge. To overcome it, an enabling policy and institutional framework must be built.

The inadequacy of Africa's infrastructure is largely a legacy of its colonial past, exacerbated by the decades of instability, regional conflict, and poor governance that have been the rule, rather than the exception, since the wave of independence spread across the continent in the latter half of the 20th century. During the colonial period, the development of Africa's energy and communications infrastructure (including transportation) was driven primarily by the

requirements of raw-materials export to feed manufacturing and processing industries in industrialized countries. The infrastructure's suitability for intra-African trade and support for the secondary and tertiary sectors of the region's economy was seldom a priority. Today, less than 10% of Africa's interstate trade is among countries of the continent itself, while manufacturing accounts for only 15% of GDP.

Since independence, too little has changed: the continent's



development has been constrained by varying degrees of poor governance, from “big-man” rule and wide-scale corruption benefiting small groups of elites, to the perhaps more innocent - but similarly harmful - misguided pursuit of statist and protectionist economic development policies. Alas, these phenomena have not been entirely eliminated, although Africa has certainly come a long way since the dark days of the mid-1970s.

Africa’s development needs have been the focus of increasing world attention over the past decade, and a number of new and ambitious initiatives have been launched to address them:

- The **New Partnership for Africa’s Development (NEPAD)** includes infrastructure development as a central element of its program, focusing on sector governance and policy framework to facilitate resource mobilization;
- A \$305 million **Emerging Africa Infrastructure Fund** has been established at the initiative of the British, Swedish, Dutch, and Swiss governments to provide long-term debt on essentially commercial terms to leverage private-sector infrastructure investments;
- Multilateral and bilateral development institutions continue to offer stimuli for private investments through various credit enhancement schemes (e.g., loan guarantee facilities such as **United States Agency for International (USAID)’s Development Credit Authority**); and

- An innovative new initiative announced recently has come from within Africa itself. South Africa’s Public Investment Corporation has proposed the establishment of a **Pan-African Infrastructure Development Fund (PAIDF)** - a multi-billion dollar equity fund to promote private-sector investment in the continent’s transportation, energy, water, sanitation, and telecommunications infrastructures. The PAIDF’s architects hope to initially raise \$1 billion of long-term capital from public pension funds from across the continent, and thereafter, to expand the fund by tapping into international capital markets once PAIDF’s viability is demonstrated. The focus will be on infrastructure investments that enhance intra-African integration and trade.

POLICY PRIORITIES, OPPORTUNITIES, AND RECOMMENDATIONS

To overcome the legacy of Africa’s colonial and post-colonial past, policymakers at the national, regional, and international development institution levels should focus on introducing the catalysts needed to mobilize investment in the region’s infrastructure and therewith spark the engine of growth for the region’s economy. With appropriately focused development of the continent’s infrastructure, two mutually reinforcing dynamics should emerge: export-driven growth (transitioning from raw-materials export initially to a mixture of raw materials and value-added output) and intra-African trade and specialization. To achieve this vision, two critical elements must be present: consistent and conducive policy frameworks at the state and regional levels, and adequate capital to finance the needed investments.

It is a given that few countries in sub-Saharan Africa have the wherewithal to finance from the public purse even a small portion of the massive investments in infrastructure needed for Africa’s growth - and to the extent that infrastructure services are viewed as private, rather than public goods, nor should they. Effective state policy addresses the causes of market failures and impediments to efficient resource allocation, not their symptoms. This principle should guide policymaking for infrastructure development.

While policymakers must recognize the need to tailor policies and programs to the unique challenges inherent in each discrete environment, what is essentially lacking across the board are sound and enforceable property rights regimes, legal and regulatory frameworks, and - most importantly - functioning public institutions to make these effective. As this framework is built, mobilizing private capital to fill the void in Africa’s infrastructure will become easier.

An encouraging feature of the PAIDF initiative is its implicit

AFRICA REMAINS THE MOST INFRASTRUCTURE-POOR REGION ON EARTH BY VIRTUALLY EVERY MEASURE:

- Compared to Latin America and the Caribbean, on a per-capita basis, inhabitants of sub-Saharan Africa are less than one-half as likely to benefit from improved water and sanitation services.
- The continent’s road network can be described at best as rudimentary, and its state is deteriorating. According to World Bank Statistics, in 1990 16% of its road network was paved. By 1999 (the last year for which statistics are available) that figure had dropped to 13%.
- Sub-Saharan Africa’s per-capita power generation is only 1/4 that of Latin America and the Caribbean. Perhaps more revealing of the true underdeveloped nature of Africa’s infrastructure is the fact that only 23% of its population has access to electricity - the corresponding figure for Latin America and the Caribbean is 87%. Moreover, the picture has scarcely improved over the past 20 years: Sub-Saharan Africa’s power generation per capita has remained virtually static, while for Latin America it has nearly doubled.



recognition of the importance of mobilizing domestic capital to finance infrastructure investments: domestic capital is less burdened by considerations of exchange risk, better able to manage and control political risk, and generally entails lower transaction costs through the employment of local professionals during project development, due-diligence and implementation phases. Accordingly, governments and international development institutions should focus on the deepening of domestic capital markets as a complement to, or perhaps even as a component of, infrastructure development programs. The availability of long-term domestic capital will accelerate the pace of investment in the continent's infrastructure.

As implied above, Africa's abundance of natural resources and its human-capital wealth have the potential, if properly mobilized, to fuel the rapid growth of the continent's economy. Too often in the past, resource-rich countries have managed to develop themselves into single-commodity economies by neglecting investments in the enabling environment for economic diversification. A ground-breaking model for resource-wealth management can be seen in the Tanzanian Mtwara Region Gas-to-Power Project, where a foreign investor has been invited to develop the Mnazi Bay's gas deposits on the condition that there is a parallel investment in the expansion of Tanzania's power system and use a portion of the extracted gas for power generation. (Incidentally, the Emerging Africa Infrastructure Fund has provided a \$35 million, 12-year fixed-term non-recourse debt facility for this project). Going forward, African governments can look to this example in leveraging their economies' comparative advantages against one another, with natural resource exploitation serving as a catalyst for development and investment in the continent's infrastructure, which in turn will fuel investments in secondary and tertiary sectors.

While viable capital-intensive "mega-projects" should certainly be part of countries' infrastructure development agendas, equal consideration should be given to projects that generate immediate employment opportunities through labor-intensive construction methods, including smaller-scale, localized off-grid and renewable resources. This should be relatively easy to

justify considering present global shortages of heavy equipment fueled by booming construction activity in China, India, and the Persian Gulf.

SUMMARY

Sufficient opportunity exists to mobilize and leverage private-sector capital to provide infrastructure services in Africa. The often-bemoaned policy dictates of international financing institutions remain valid, despite the challenges of realizing them in practice. Market forces must be brought to bear to provide for the infrastructure sector's development, efficiency, and long-term sustainability.

National governments and international development institutions should emphasize the importance of sound public policy frameworks in attracting private capital for infrastructure investments, be it domestic or international. Natural resource exploitation through foreign direct investment should be encouraged as a catalyst for development, but should be framed in such a way so as to deliver long-term, trans-generational returns for the continent's national economies. Of equal importance, policies and development assistance should focus on deepening domestic capital markets to accelerate the pace of investment in the continent's infrastructure.

Africa's potential is waiting to be realized. The infrastructure sectors are waiting for capital from private investors. If countries in Africa can succeed in building the right policy and institutional frameworks, private investors, both domestic and international, will come. ●

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IN AFRICA, PRIVATE EQUITY IS VENTURE NOT VULTURE < By Thomas R. Gibian >

Private equity has taken it on the chin recently being compared to vultures and agents of plague. It is not so surprising that employees, customers, and suppliers to companies that undergo a “leveraged buyout” and find themselves an “investee” company in a private equity fund portfolio, may wonder about their future. After all, after loading up a mature company in a mature market with lots of debt, the first place one looks to quickly improve profitability is by slashing costs.

Private equity in Africa is different. Whether focused on Algeria or Zambia, private equity in Africa depends on identifying high growth business opportunities operating in low volatile business environments and providing them with growth capital.

Is using the words “low volatile” and Africa in the same sentence an oxymoron? Absolutely not. EMP Africa's experience over the past six years, now having four funds totaling almost \$1 billion under management, permits us to clearly state that certain African businesses operate in low volatile environments benefiting from high barriers to entry achieved through concessions (the right to mine, drill or transport), licenses (e.g. mobile phone), high upfront capital costs, or high brand recognition, (sometimes in the form of corporate good will generated through positive steps taken in their host communities).

At the same time, many of these businesses are responsible for some of the continent's fastest growing sectors. Businesses across all regions of Africa have been quietly demonstrating world class operating and financial results in areas where Africa has historically held a comparative advantage, such as in energy, base and precious metals, agro-businesses, and other activities that benefit from attractive climates or have been blessed with natural resources. Newer businesses, relying on the application of appropriate

technology, proven management with a global perspective and improved business environments are tackling the sectors where Africa has historically lagged.

That it is possible to make money in Africa cannot be a surprise to anyone who reads annual reports from some of the world's largest companies. Shell, ExxonMobil, Cargill, Caterpillar, Air France, Anglo American, Vodafone, Phelps Dodge, Vivendi, Canal Plus, Alcatel, Kawasaki, ABB, Barclays ...the list of well known companies with significant operations in Africa is a long one.

However, investment in Africa across the most attractive sectors has been severely restricted; not by lack of opportunities but rather by the type of investor and the resulting type of investment. Africa has become a continent of project financings - investments are made by subsidiaries in assets not corporations. The result: profitable investments by multinationals have failed to create discrete African companies. The small universe of African “black chips” create precious few African financial securities that can then be accessed by local savers or emerging market financial investors.

From our perspective, increasing foreign direct investment in Africa will naturally follow the creation of well governed companies that emulate successful companies throughout the emerging markets. In other words, nothing new needs to be invented for African companies to succeed. Rather, it is the time honored principals of transparency, sound corporate governance and other “basics” that will allow Africa's best enterprises to grow into regional and, in time, multinational companies. Companies that are driven by well governed, independent boards who are charged with the responsibility of maximizing value for all shareholders will create financial products such as listed shares, mezzanine and senior debt that will be researched, bought and traded by traditional emerging market investors.

INFRASTRUCTURE DEVELOPMENT

Is this development a long way off? The winds of change are blowing across Africa. Globalization, especially increased demand from Asia for products and goods that Africa has historically had a competitive advantage over, has had the effect of sharply escalating prices for the natural resources that underpin many African economies. The combination of higher prices and the addition of customers from Asia have created the need to expand and improve the infrastructure that supports the natural resource sector. With much of the incremental growth in demand coming from Asia, there has been an accompanying move away from some of the historical providers of services (read, European companies). A good illustration of this is the development of new ports along the Red Sea which handle traffic from Asia to Egypt and serve its large hinterland without the need to go through the Suez Canal or have anything to do with Europe. Liberalization is also taking hold and with it Africa's economies have for several years been growing faster than the U.S., Europe or Japan.

TELECOMMUNICATIONS BOOM

It is also interesting to see the continuing robust performance of the telecommunications sector across Africa. The surprising success of mobile phones in Africa occurred for a number of reasons. Among them; the data from the World Bank and the IMF that measured disposable income clearly understated reality. The telecom vendors were willing to discount first generation equipment while the costs of hand sets have steadily declined. Perhaps the most important single development was the application of pre-paid phone cards. Customers no longer needed to have a checking account or a credit history and could monitor and control spending (note the popularity of instant messaging in Africa). Operators

were no longer dependent on unreliable postal services to deliver bills. The initial feasibility studies conducted just a few years ago that projected the number of subscribers based on who owned a car, a refrigerator and had taken a trip to Europe, have been thrown in the bin as several African countries have surpassed 50% subscriber penetration.

But it doesn't stop here. We are now in for a wave of telecom consolidations led by African companies such as MTN (South Africa) and Orascom (Egypt), followed by Gulf companies including MTC (Kuwait) and Etisalat (UAE). This is particularly newsworthy as the transactions involve billions of dollars and originate from companies that either did not exist ten years ago or who are brand new to Africa.

There are other lessons to be derived from the success of both mobile phones and mobile phone companies. How come an industry that did not exist for all intents and purposes ten years ago in Africa has not fallen victim to all the negative news surrounding Africa?

It is precisely because the African mobile phone sector did not exist ten years ago that it has had the opportunity to succeed. Governments viewed mobile phones as little more than toys for the rich. With no mobile phone incumbent, no workers, no privatization procedures to follow there was, in effect, no existing social contract that called for governments to protect anybody. Mobile phone operators were free to run their businesses without interference.

Contrast this wide open playing field with the electricity sector where governments still perceive a social contract calling upon them to protect workers and consumers. The result, not surprisingly, has been that many electricity companies throughout Africa have failed to attract a fraction of the money necessary to fulfill their mandates.

In contrasting, say, telecoms with electricity, one conclusion that we draw is that investors working in the commercial environments of Africa must focus on how

they are, not on how we would like them to be. It is not the job of private equity fund managers to change the politics of a place or its regulatory environment or banking system. We have the relatively narrow focus of identifying 10-15 successful companies in proven industries who meet our investment criteria and are willing to put up with at least some of our notions as to how things should be done. While picking good companies is a challenge anywhere in the world, Africa, in fact, does not lack entrepreneurs and limited competition among private equity firms has been our friend. Our experience has shown us that some combination of discipline, a long-term view and old fashioned luck will continue to make Africa an attractive destination for private equity.

The most attractive opportunities favor large private equity funds, which can invest in proven companies that can maximize shareholder value by expanding either organically, through acquisitions, or both. These companies look to private equity funds to fuel their growth and achieve the next level of corporate development. In Africa, it is not necessary to pull companies kicking and screaming into adopting world class governance standards. Either they want to, or they don't. The management teams that "get it" provide research for analysts of African companies, which can be measured against similar companies in Latin America, Asia and Eastern Europe. An important bridge is crossed; our companies are talked about.

In Africa, private equity, as a security class, is

uniquely positioned to be a catalyst: guiding or prodding or, perhaps, just cheerleading their portfolio companies into becoming part of the universe of companies followed in London, New York, and Tokyo. In this manner, African companies will have access to huge new sources of capital, achieve a competitive advantage against their less transparent peers, and begin to have a positive impact on how African commerce is viewed in board rooms around the world. •

Thomas R. Gibian is the CEO of EMP Africa. The company, with offices in Johannesburg, Tunis, Abidjan and Douala, currently manages four funds totaling almost \$1 billion. Mr. Gibian serves on the board of the Corporate Council on Africa and the Center for Global Development, and is a Trustee of Sidwell Friends School. Mr. Gibian received a BA with honors from the College of Wooster, Ohio and an MBA from the Wharton School of Business, University of Pennsylvania. Visit www.empafrica.com

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MEETING AFRICA'S INFRASTRUCTURE CHALLENGES: EMERGING INITIATIVES

< By Reinier Lock >

Africa's economic advancement, and the urgent need to make sustainable progress in developing basic infrastructure, are inextricably linked. Indeed, economists can identify positive "multiplier" effects on national economies when much needed infrastructure investments are made well - and negative impacts when they are not.

Africa's primary infrastructure industries - power, water, and roads - are woefully inadequate in all but a few countries. Even after all the lofty development goals for Africa stated by the U.S., Europe, and the UN in recent years, and after multiple programs funded by the World Bank and other International Financial Institutions (IFIs), progress over the last decade has seemed minimal.

It appears as if this is about to change. The major building blocks for the sustainable economic growth, fueled by new approaches to infrastructure development and financing, are finally emerging. This article will examine specific initiatives, especially in electricity - at the country, regional and international levels - that should fuel that growth.

ELECTRICITY INITIATIVES

The first major foray of U.S. and EU independent power producers (IPPs) into emerging electricity markets such as India collapsed dramatically. This IPP "gold rush" in the 1990s taught developers a key lesson: unless the basics for sustained development have been carefully laid by the host nation, international investment will not succeed. Many African governments recognize their responsibility to create positive environments for private infrastructure investments.

The first signs of experienced international IPPs seriously re-entering African markets are also evident. Aldwych International, a group of executives experienced in managing both IPPs and African utilities,

was formed to fill the void left by the exit of major IPPs from Africa in 2002. Aldwych International intends to use IFI financing available to develop, own, and operate power projects across Africa. Aldwych is currently pursuing projects in Kenya, Senegal, Ghana, Uganda, Rwanda, Zambia, Tanzania, and South Africa. Company executives who recently returned from an exploratory mission to Nigeria, believe great promise lies in the privatization of generation and distribution. Their focus on the distribution business - where revenue collection from the final consumer occurs - is encouraging because it addresses the key underlying economic malaise of so many IPP developers in the 1990s: non-payment by the end-user.

Equally promising is the increased focus of NRECA International, the organization that successfully carried the U.S. rural electrification model to countries in Asia and the Americas, on developing pilot projects in several African countries, Nigeria included. The rural electrification model is essentially built on local consumer participation, including local industry, at the community level.

Nigeria's economy has been in need of serious expansion of an aging power system for a decade. Incredibly, with about three times the population of South Africa, Nigeria has about a tenth of South Africa's electricity operating capacity. In response, the second Obasanjo Administration and several States are instituting serious reforms in their legal, regulatory, financial, and institutional structures. Nigeria's privatization agency, the Bureau of Public Enterprises (BPE), has been actively managing sector reforms for several years yielding positive results. If Nigeria and other member countries of the Economic Community of West African States (ECOWAS) can generate a real take-off in infrastructure investment and development, sustained economic growth will be possible. As a result, their economies will not be overly reliant on

volatile price exports of primary products such as oil.

Another marker of progress has been the restructuring of two parastatal power giants in Africa into modern business units: Eskom in South Africa and NEPA (now PHCN) in Nigeria. Their restructuring is a probable prelude to the partial privatization of the power industry, a complex process that could yield great efficiencies. Both parastatals are also looking beyond their borders. Eskom appears focused on regional projects that could greatly expand electricity service. Most notable is Eskom's recent attention to implementing the long contemplated massive hydropower project on the Congo River, Grand Inga, which could light-up vast new areas of Sub-Saharan Africa if well executed.

There has also been major recent progress in the integration of increasingly interdependent power sectors in both the ECOWAS region in West Africa and the SADC region in the south. Regional trade in power can produce enormous economies of scale and scope, and can enhance electricity reliability, which is so critical to industrial development. ECOWAS has just installed a new regional electricity coordinator in Benin to manage the regional power grid on a more integrated and efficient basis.

CORPORATE GOVERNANCE

There is also a healthy recognition that many aspects of existing business and legal models for infrastructure development, and related regulatory and financing regimes have not worked very well. Countless IFI initiatives have made little progress in expanding infrastructure and, in some cases, led to serious wastages of scarce development capital - too often the product of corruption. World Bank President, Paul Wolfowitz, signaled this concern after his board's August meeting approved a new program to prevent corruption in its operations. He identified

the "private sector worldwide" as being one of the Bank's "most important partners" in fighting corruption.

Long plagued by the corruption label, Africa itself is also fighting back. A central feature of Africa's evolving NEPAD programs relate to closing Africa's infrastructure gap by enhancing the regional development of infrastructure, pooling development resources through partnerships at several levels, and harmonizing sector reforms and regulatory systems across regions. Regional integration allows for possible large infrastructure projects like Grand Inga that single economies cannot handle.

One key implementation initiative is the development by African countries of good economic and corporate governance codes. NEPAD advocates eight internationally approved standards to serve as a baseline for sound market and financial regimes.

Other concrete initiatives of NEPAD include the Africa Peer Review Mechanism (APRM), a self-monitoring system to enforce good governance, and a new energy transparency initiative centered on Nigeria and supported by the U.S.-based NGO, the Center for Strategic and International Studies (CSIS). The implementation of effective monitoring mechanisms is not easy or quick, as the California power experience demonstrates.

Individual African companies are also taking the lead in developing effective governance regimes. Witness a remarkable book authored last year by Eskom's leadership titled *The Power of Governance - Enhancing the Performance of State-Owned Enterprises* (SOEs). It is really a guidebook on how SOEs, that dominate so much of Africa's infrastructure sectors, should run themselves.

Another Africa-based initiative, also supported by NEPAD and gaining steam, is the effort by several international organizations to develop effective legal models for constructive business relationships between public and private businesses: public-private partnerships

(PPPs). The more engaged the U.S. private sector becomes in infrastructure sectors in Africa that are dominated by SOEs, the more one should draw on the experience of PPP implementation in different regions such as Francophone Africa.

ACCESS TO CAPITAL

Perhaps Africa's biggest challenge today lies in how to access adequate international capital for the enormous infrastructure investments needed, a challenge well addressed in Thomas Gibian's article. (Page 14). Two major U.S.-based initiatives have real potential to reverse this yawning capital gap.

One much publicized initiative, is a sizeable U.S. government foreign assistance-funding program managed by the Millennium Challenge Corporation (MCC). The program is designed to achieve sustainable economic growth in some of the world's poorest countries.

Governments must meet a number of criteria relating to free enterprise, anti-corruption, and social welfare in order to be considered. After just over two years, the MCC has signed compacts for \$2.1 billion of grant assistance with nine countries, and has started disbursing \$22.4 million as of May. Although this appears to be a modest sum, one must bear in mind that most disbursements occur later in 5-year grant cycles. With the recent launching of an impressive program in Ghana, the MCC appears to be gaining momentum in seriously contributing to African development.

Another initiative less publicized, is the Offtaker Contingency Fund, (OCF) a new mechanism for leveraging large international and domestic private sector investments off the financing supplied by the IFIs and major bilateral financing sources, including the MCC, the United States Agency for International Development (USAID), and the UK's Department for International Development (DFID).

Launched at the 2003 U.S. Africa Business Summit in Baltimore on a panel

shared with the MCC, the OCF has been carefully crafted into a scheme that could seriously attract private capital into African infrastructure. It has already been endorsed, and approved as a pilot program, by the Government of Cameroon, one of the few African countries that bridges the Anglophone/Francophone gap, but also displays many of the typical development challenges facing African countries. Cameroon may be a good place to start.

Initiative is not lacking from the African side. The South African Embassy organized, and the World Bank hosted, a large, diverse mission of South African businesses to the U.S. in June 2006. Interest focused on how U.S. and South African companies businesses could best partner in expanding operations throughout Africa. Earlier this year, an impressive Nigerian trade and investment mission, led by then Finance Minister Ngozi Okonjo-Iweala, showcased Nigeria's infrastructure potential to Wall Street, to the IFIs and to the U.S. private sector.

If these developments and initiatives take firm root, there is a potentially enormous role for U.S. expertise and products. It is not surprising then that U.S. companies with such broad-ranging expertise and products as General Electric (GE) are playing a lead role in organizing CCA's *U.S.-Africa Infrastructure Conference*. Major U.S. service companies and law firms are interested in expanding their Africa operations and seeking co-operative partnerships with African counterparts. ●

Reinier Lock independently consults governments and private companies on legal, regulatory, and institutional challenges and solutions to infrastructure development in Africa, and related CSR issues, especially in power and water. His advice is based on 20 years of practical experience in the development and financing of projects to expand electric and water service in Africa, the Americas, Europe and India. Email lockreinier@yahoo.com

On behalf of the Commerce Department, I am delighted that we are co-sponsoring the first *U.S.-Africa Infrastructure Conference* with the Corporate Council on Africa.

Most African countries have not adequately reaped the benefits of increasing trade flows that have occurred worldwide during the past decade. What Africa needs today is new thinking and new policies that produce results. We need to move beyond good intentions and symbolic gestures. We need – as President Bush says – partnership, not paternalism. While governments can assist private businesses by ensuring transparency and defending the rule of law, it is entrepreneurs who must drive economic prosperity. The challenge for African governments is to foster entrepreneurship in Africa by providing the proper infrastructure, which includes both the regulatory environment and the physical infrastructure.



The World Bank's Doing Business in 2006 report states that “Entrepreneurs face more regulatory obstacles in Africa than any other region.” Inadequate rule of law and protection of property rights and perhaps the key factors inhibiting many countries’ growth. Without rule of law and secure property rights, potential investors will look elsewhere and important economic growth will be lost. According to the same report, there is a direct and strong correlation between low barriers to doing business in a country and job growth. The World Bank estimates that the top quartile of countries in the Doing Business indicators reap an additional 1.4 to 2.2 percentage points in economic growth.

A number of African governments have recognized the need to develop policies that will help stimulate private sector activity, both domestic and foreign. This includes fostering transparency, respecting the rule of law, combating corruption, and reducing regulatory barriers for entrepreneurs to set up businesses or invest in a particular country. While we applaud the steps that have been taken, we recognize that much more needs to be accomplished.

Along with creating the proper policy infrastructure, establishing adequate, or in many cases superior, physical infrastructure also is critical to setting the stage for private sector led growth. In some cases, this can be done by liberalizing certain industry sectors. Telecommunications, and in particular mobile telecom, is one such example. Mobile telecom has proven to be a quick and efficient way to increase communication penetration in developing countries. Reducing barriers to mobile telecom growth, such as lowering high taxes on handsets and airtime and removing regulatory hurdles, would provide incentives for U.S. companies to enter a particular market.

There are many exciting opportunities highlighted at this conference for the U.S. private sector to build a stronger foundation for African trade to flourish. There also are opportunities to assist post-conflict countries, such as Liberia, where the infrastructure needs are vast. Infrastructure projects provide opportunities for strategic partnerships between U.S. and African companies, which can complement domestic laws and policies to help facilitate trade. Frankly, without improving Africa’s infrastructure, increasing U.S.-Africa trade – or African trade with any country – will be exceptionally difficult.

American companies have the technology and expertise in all areas of infrastructure, and bring a lot to the table that many of their foreign competitors do not. It is essential that African governments be strategic in their selection of partners for infrastructure projects. For example, American companies tend to hire local companies and people to carry out specific parts of a project. By hiring locally, American companies share their technology and skills, and provide jobs that offer good training and capacity building. In addition, most American companies have extensive corporate social responsibility programs in their local communities, on issues such as the environment and health. They are good “corporate citizens.”

The Department of Commerce stands ready to assist American companies in their pursuit of infrastructure projects in Africa. Our Commercial Service can provide advocacy and offer a vast array of other support, including Commercial Liaison Officers at the World Bank and the African Development Bank, to help U.S. companies get contracts, many of which are infrastructure-related. Our Office of Africa can assist companies with problems they may encounter while pursuing these projects, as well as with market access and trade agreement compliance problems throughout Africa. Please contact the Department of Commerce’s Office of Africa at (202) 482-4928 to learn more about our available resources.

A handwritten signature in black ink, which appears to read "Carlos M. Gutierrez".

Carlos M. Gutierrez

Carlos M. Gutierrez is the 35th Secretary of the U.S. Department of Commerce and has served since February 7, 2005. The former chairman of the board and chief executive officer of Kellogg Company, Secretary Gutierrez is a core member of President Bush’s economic team. Born in Havana, Cuba in 1953, he came to the United States with his family in 1960. In 1975, he joined Kellogg as a sales representative. Rising to president and chief executive officer in 1999, he was the youngest CEO in the company’s nearly 100-year history. In April 2000, he was named chairman of the board of Kellogg.

EXPANDING OPPORTUNITIES IN AFRICA THROUGH TRADE FINANCE

< James H. Lambright >

As one of the U.S. government's trade agencies, the Export-Import Bank of the United States is working to help build mutually beneficial trade with Africa by assisting African buyers with access to financing for U.S. goods and services. To that end, we have enjoyed working closely with the Corporate Council on Africa, including a successful workshop in Johannesburg two years ago. That's because we share and support CCA's mission of strengthening and facilitating the commercial relationship between the United States and the African continent.

Ex-Im Bank provides financial products that address the needs of both our exporters and their international buyers. For many countries, such financing is an essential tool to developing their natural resources. Our guarantees support working capital loans to U.S. exporters to buy or produce goods or services for export. We also provide export credit insurance to cover the risks of foreign buyer default on payment for political or commercial reasons. Our structured and project financing supports U.S. exports to international projects involving oil and gas, telecommunications and major manufacturing—all of which are of increasing importance to Africa.

In Cameroon, for example, Ex-Im Bank supported the sale of new and used textile machinery to Brodwell SA, a company located in Douala that decided to manufacture clothing for export to the United States after the African Growth and Opportunity Act (AGOA) was passed. We provided approximately \$745,000 in medium-term insurance cover and the U.S. exporter, Southern Textile Exchange LLC, based in Charlotte, North Carolina, provided computerized cutting and sewing machines in the transaction.

In Nigeria, Ex-Im Bank provided \$115 million in project financing for U.S. exports to a liquefied natural gas plant that will

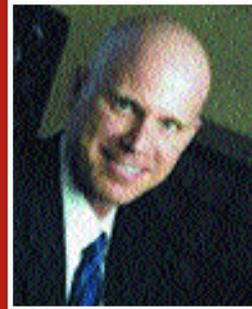
provide clean energy exports to Europe and the East Coast of the United States.

As a result of activities like these, fiscal year 2005 turned out to be a big year for Ex-Im Bank in sub-Saharan Africa. Ex-Im Bank completed 115 transactions valued at more than \$462 million to support U.S. exports to 20 countries in sub-Saharan Africa. This year, which ends September 30, 2006, is on pace to meet the standard of last year.

Because sub-Saharan Africa continues to be a priority region at Ex-Im Bank, we have developed a sub-Saharan Africa Initiative to ensure we are doing everything we can to expand trade with the region. First, the Bank has established a Sub-Saharan Africa Advisory Committee of private and public sector leaders who have special expertise in the region to make recommendations on how best to develop our initiative from year to year. We established an internal Africa Business Development Group of trade finance professionals dedicated to developing business on behalf of U.S. exporters in sub-Saharan Africa. Our Africa newsletter allows U.S. exporters and African buyers to keep abreast of all of the Bank's activities in the region. Finally, we have a special pilot program that makes our short-term export credit insurance available to support U.S. exports to 19 sub-Saharan African countries that would otherwise be ineligible.

Our initiative has been quite successful in responding to changes in the marketplace. Most recently, the Bank recognized positive developments in the banking sector of Nigeria that have allowed us to respond to increasing demand for financing both from U.S. exporters to Nigeria and their Nigerian buyers. We approved a total of \$300 million, allocated among 14 Nigerian banks, to support U.S. exports that will help growing business opportunities in the Nigerian market.

Each of the 14 banks has been pre-



James H. Lambright ,
President and Chairman, Ex-Im Bank

approved for amounts of \$10 million and higher, which may be renewed. The Nigerian banks are not limited to the new financing facility and are eligible to apply for additional Ex-Im Bank financing under other programs.

We at Ex-Im Bank are committed to finding creative approaches to the financing needs in Africa. In the cases where local companies do not meet Ex-Im Bank's regular credit standards, for example, we are developing new financing structures that will enhance local company credit and debt capacity and ensure that the debt is repaid through third-party contractual payments.

That is what Ex-Im Bank is doing to establish itself as a committed partner with U.S. companies and their international buyers in sub-Saharan Africa. We want to do everything that we can to help build the mutually beneficial trade between the United States and African countries. Ex-Im Bank has the financial products that can help African buyers to source from the United States, to develop their own companies and take full advantage of AGOA. ●

James H. Lambright was sworn-in on July 31, 2006 as the 22nd Chairman and President of the Export-Import Bank of the United States (Ex-Im Bank)

UNDERSTANDING PROJECT FINANCE RISKS < By Mahesh Kotecha >

PROJECT FINANCE RISKS THAT CONCERN LENDERS.

Project financings involve contractual arrangements among the government (as regulator and/or concessionaire), sponsors (public or private entities), equity investors, operators, rating agencies, guarantors, lenders, etc. The financings typically involve a special purpose vehicle (SPV), which may borrow on a non-recourse basis, based solely on the project's assets and cash flows and not the credit of the sponsor.

Understanding how lenders look at risks in such transactions may help those seeking to structure successful project financings. The key credit risks in project financings can be grouped into three categories: political risk, commercial risk, and financial risk.

1. POLITICAL RISKS

While some 20 African countries are now rated, country ratings only address the ability and willingness of the sovereign government to repay its own debts. Project lenders tend to focus in more detail on two other areas of sovereign or political risks.

First, they ask if the country lives by the rule of law. Are there effective legal protections for physical, movable and/or intellectual property, for perfection of security interests in physical or financial assets, for enforcement of contracts/claims, and for use of special purpose operating/financing entities? Is there risk of "creeping expropriation" through contract frustration and/or abrogation? Do local courts honor judgements of foreign courts and awards from international arbitration, (e.g., through adherence to the New York Convention and entry into Foreign Judgment Enforcement Conventions) with all capital-surplus countries?

Second, investors consider regulatory risks, which include the predictability of the tax regime and the process and reliability of

the regulatory regime in securing cost recovery through rate increases, in limiting new licenses, and in maintaining a level playing field. The best mitigant of such risks is a regulatory authority that operates with maximum transparency within a system of laws and regulations that provides redress for actions considered arbitrary.

2. COMMERCIAL OR PROJECT RISK

Commercial or project risks concern the economic or financial viability of a project and include project construction/completion risks, sponsor risks, operational and supply risks, and demand/concession/offtaker risks.

2.1 COMPLETION OR CONSTRUCTION RISKS

Construction or completion risk arises when even a well-conceived project fails to be completed, or fails to perform as expected. Construction risks include design and technology risk, permits and siting, environmental, social and a range of other risks that could result in delays and/or cost overruns and/or in underperformance versus specifications. Construction risk can be significant due to the capital-intensive nature of infrastructure development, its political and economic context, and the long time it takes to build projects. While construction risk generally ends when a project is operational, underperformance or planned modifications (e.g., conversion over time from high-cost oil to low-cost gas) may re-introduce some construction risks.

Completion risks can be reduced through a variety of means. One method is to shift a portion of this risk to contractors through engineering, procurement, and construction contracts (EPC) that provide for substantial liquidated damages for breach of contract. While EPC contracts may reduce construction risk, they do not

eliminate it as penalties are typically capped. The reputation, experience and potentially the credit rating of the EPC contractor are thus critical.

2.2 SPONSOR RISKS

The sponsor is the principal equity investor and/or promoter of the project although the financings typically use SPVs, without recourse to the sponsor. While the sponsor may or may not be responsible to meet financial obligations of the project, the sponsor is the "driving force" and can influence borrower actions. Investors assess the sponsor's track record in completing and operating similar projects in similar jurisdictions. When the sponsor provides a completion guarantee, a partial performance guarantee, a termination payment guarantee, additional equity, liquidity advances, or other project support, the lender may also be exposed to the creditworthiness of the sponsor, an assessment of which goes well beyond the sponsor's operational capabilities.

2.3 OPERATIONAL AND SUPPLY RISKS

Once the project has been completed, it may face a variety of operating risks affecting the quantity and/or quality of its production. Risks could arise from labor strife, financial problems, equipment failures, or natural disasters. Operating risks are the lowest for projects employing a tested technology. Operating risks are typically mitigated through: (i) a careful selection of an experienced operator and/or an operations and maintenance (O&M) contractor with relevant expertise, track record and financial strength, (ii) contractual provisions that include payment of liquidated damages if the project underperforms, and (iii) appropriate insurance.

An important operating risk relates to

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Table 1: Sources of Risk Mitigation for African Infrastructure Financings

	Bilateral Institutions	Multilateral	Private Sector
Political Risk	Export Credit Agencies (ECAs) such as U.S. EX-IM; development finance institutions, e.g., OPIC	The World Bank Group (IDA, IBRD, MIGA); African Development Bank, ATI, etc.	AIG, Sovereign Risk, Zurich Re, etc
Credit and Commercial Risk of Project Participants	Development Finance Institutions such as OPIC, SIDA, DFID, FMO, KfW	The World Bank Group (IDA, IBRD, MIGA, IFC); GuarantCo; African Development Bank	Specialty financial guarantors (AMBAC Assurance Corp, MBIA, Financial Security Assurance, XL Capital Assurance, etc); Performance Bonds from Multi-Line Property/ Casualty Insurers
Limitations	Can be subject to national interest of home country	Low leverage of providers is a constraint on capacity; compliance with environmental and other guidelines is often costly	Financial guarantor participation subject to investment grade rating for project before the guarantee; performance bonds can be difficult to obtain for projects in certain areas

supply of inputs, e.g., the fuel needed to generate power. The fuel supplier should be carefully selected and the supply contract should provide for sufficient inputs to support project operations at expected levels. To protect against the risk of inadequate supplies, it may be possible to obtain a performance guarantee, where an insurer agrees to indemnify the project by paying cash or covering the shortfall in kind.

2.4 DEMAND/CONCESSION/OFFTAKE RISKS

A project typically generates products or services to meet expected levels of demand, which may fail to materialize. For example, a toll road may generate lower levels of traffic than expected because the toll may be unaffordable or because alternative roads may retain their attractiveness. A power project may be capable of producing a lot more power than needed if projected growth in demand fails to materialize. When project demand is lower than expected, cash flows may be insufficient for timely repayment of debt.

To protect against collapsing demand, a power project may undertake a Power Purchase Agreement (PPA) with a public or private sector electric power distribution company (the buyer or offtaker), which is often a monopoly. Under the PPA, the offtaker may promise to (i) buy a specified level of power output (and capacity) for a specified price or (ii) pay the seller a minimum amount if it fails to take up power per contract. To value such a PPA, the lender will assess the credit quality of the offtaker.

A key consideration is whether the project is a low or a high cost producer. In the absence of mitigating circumstances, a high cost structure makes debt service payments more risky. Another key element for economic viability is whether the project provides an essential product or service with limited or no substitutes.

3. FINANCIAL RISK

Projects must withstand numerous financial risks both with respect to revenues and expenditures, e.g., market risk if interest rate on the loan is not fixed but floating, or

currency risk if the financing is in foreign currency but the project earns local currency.

Lenders use stress tests to see if the project cash flows are robust enough to service the financial obligations under a variety of adverse economic, financial and operational conditions. They look for the duration of the credit to be shorter than that of the project concession. Finally, they assess the adequacy of the terms of the financing (such as interest rates, amortization schedule, etc.) in relation to the project cash flows. Excessive exposure to currency and interest rate volatility reduce financial flexibility. An amortizing debt structure provides greater reassurance to lenders than one with bullet maturity.

Lenders use a number of financial ratios: e.g. debt service coverage ratio (DSCR), loan life coverage ratio (LLCR), project life coverage ratio (PLCR), and debt-to-equity ratio. DSCR is the ratio of cash from operations (CFO) to principal and interest obligations. CFO is calculated carefully and conservatively by deducting from revenues all expenses and taxes

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USING BILATERAL INVESTMENT TREATIES TO MITIGATE INVESTMENT RISKS IN AFRICA

< Martin Lutz & Dylan Cors* >



Africa offers abundant opportunities for foreign investors. Oil, gas, mineral resources, new and promising markets, and inexpensive labor attract many U.S. investors to Africa. In addition, incentives provided under programs such as the African Growth and Opportunity Act (AGOA) provide valuable benefits for certain investors considering the establishment of operations in Africa.

At the same time, some of the most attractive opportunities in Africa are in investment environments that are regarded as very high risk by many investors. In some African markets frequent changes in governments and government policies, tribal or separatist tensions, and underdevelopment in civil, political, and commercial spheres have made investors wary of committing significant resources to long-term projects. In such complex investment environments, the availability of an applicable Bilateral Investment Treaty (BIT) may provide an effective means of mitigating some of the most considerable risks.

BIT BASICS

Many investments require a considerable pay-back period in order for the investor to recoup its investment, and the investor's capital may be at significant risk all the

while. The security of that capital is dependent not only upon the terms of the investment itself, but also upon the durability of those terms and the overall stability of the legal and political climate in which the investment is made. BITs are intended to provide investors with legal assurances that mitigate the risks of some of the detrimental actions that might be taken by the host State, including by national or provincial governments. BITs typically include the following sorts of protections:

- National Treatment provisions require the host State to treat foreign investments on a basis no less favorable than that accorded in like situations to investment activities of its own nationals.
- Most-Favored-Nation provisions require the host State to treat investors protected by the BIT on a basis no less favorable than that granted by the host State to investors under other investment treaties.
- Fair and Equitable Treatment provisions require that investments shall at all times be accorded fair and equitable treatment, shall enjoy full protection and security, and shall in no case be accorded treatment less favorable than that required by international law.

- Protection Against Arbitrary or Discriminatory Treatment requires that the host State not impair, by arbitrary or discriminatory measures, the operation, enjoyment, acquisition, or disposal of a covered investment.
- Protection Against Expropriation prohibits measures that effectively nationalize or expropriate a covered investment, unless those measures are taken in the public interest, not discriminatory, subject to legal process, and accompanied by prompt, adequate and effective compensation.

Two other features of most BITs are of critical importance to investors. First, most BITs typically apply protections for any company registered in a signatory country, even if that company is 100% owned by a parent company in another jurisdiction. For example, if a U.S. company is considering an investment in an African country that does not have a BIT with the United States, the investor will usually be able to incorporate a project subsidiary in a third country that does have a BIT with the host country, and thereby secure the protections of that BIT.

Second, and very importantly, most BITs provide that these protections may be enforced by the investor in a neutral, third-party international arbitration. Many BITs

provide for access, at the investor's choice, to arbitration either before an ad hoc tribunal according to the model rules of the United Nations Commission on International Trade Law (UNCITRAL), or before the International Centre for Settlement of Investment Disputes (ICSID), an organ of the World Bank specifically designed to host investor-State arbitrations. Additionally, multilateral treaties governing the enforcement of arbitral awards operate so that the awards issued by such arbitral panels are enforceable not only in the courts of the host country or the country in which the arbitration is held, but also typically in any jurisdiction where the host government may have assets subject to seizure. For this reason, structuring an investment to take advantage of an available BIT should be a significant element in any investor's due diligence analysis when contemplating an international investment.

INCREASING ACCEPTANCE OF BITs

In the last decade, the number of BITs and arbitrations arising out of these treaties has risen dramatically. For example, the number of known investment treaty arbitrations grew from six in 1995 to 229 in 2005. Moreover, of the 94 investment arbitrations thus far resolved by ICSID, almost 30% involve investments made in Africa.

According to the UN Conference on Trade and Development (UNCTAD), 54 African countries are signatories to roughly 700 BITs, and more than two-thirds of these have been entered into by sub-Saharan countries. The number of BITs signed by the United States with African countries should grow considerably in the near term. Since the collapse of trade negotiations with the Southern African Customs Union (SACU) earlier this year, the United States has announced plans to launch a new work program on trade and investment issues, which is to include the negotiation of new BITs with a number of African countries including Kenya, Mauritius, Mozambique, and Ghana.

The growth in the number of arbitral

decisions interpreting BIT provisions has provided a body of international law that has invited questions as to whether certain standard investment treaty terms strike an appropriate balance between investor protections and the inherent right of States to govern and regulate commercial activities within their borders. These questions have resulted in recent modifications to the U.S. model BIT-modifications that many believe shift the balance slightly in favor of the host government, weakening somewhat the standards of protection for investors - and surely there will be continued evolution of BIT terms generally. In addition, the BIT programs of the United States, United Kingdom, and other developed countries have produced model BITs that contain slight variations in the formulations of the various investor protections contained in the treaties. Therefore, investors should expect that the BITs entered into by any host country will vary depending upon when they were negotiated and which countries are involved.

MAKING USE OF BIT PROTECTIONS

As noted above, any company seeking an investment in a target country may be able to take advantage of several of the BITs that the country has entered into by making the investment through a subsidiary in one of the available BIT countries. For example, a U.S. investor interested in pursuing an infrastructure project in Kenya will find that Kenya has BITs with Germany, Italy, the Netherlands, and the United Kingdom. Even though Kenya does not have a BIT with the United States, a U.S. company contemplating a significant investment in Kenya ought to consider making the investment through a subsidiary in one of these countries if the project will be subject to significant risks.

As part of any planning exercise, the



investor should undertake a careful examination of the scope, protections, and enforceability of the investor's rights under the available treaties, as the BITs could differ markedly in their terms. For example, among the Kenya BITs listed above, the Kenya/Netherlands treaty does not require Kenya to agree to submit investor claims to arbitration, but merely calls for "sympathetic consideration" to be given to an investor's request for arbitration. This is a very fuzzy standard indeed; as a practical matter, one wonders how any investor could ever present evidence sufficient to prove that the host government's evaluation of the investor's request for arbitration contained no "sympathetic consideration" anywhere in the process. Therefore, the investor should expect that the Netherlands BIT would be of little value if a contentious dispute did arise, and use of the other available BITs should be considered instead.

Careful evaluation and use of available BITs are a key element in any investor's due diligence process, and obviously the more unstable the political climate in the host country, the more important it is to make use of the protections a BIT will provide. ●

Martin Lutz and Dylan Cors are attorneys in the International Law and Dispute Resolution Practice Group at Hunton & Williams LLP. Additional information on Hunton & Williams is available at www.hunton.com. This article has been prepared for informational purposes only and is not intended to create an attorney-client relationship or to constitute legal advice.

ANGOLA: TECHNOLOGICAL INNOVATION EARNS ANGOLA TELECOM GOLDEN LION

Angola's PRESS AGENCY newspaper reported on August 2 that Angola Telecom's commitment to continued technical innovation has earned the firm the Golden Lion award during the 23rd edition of the Luanda International Trade Fair (FILDA/2006), in the category of telecommunications.

Manuel César, press officer for Angola Telecom, said the presentation of a modern stand and services such as large band internet, easy internet, and fix-mobile telephones, coupled with the possibility of customers to apply for new lines and lodge failure complaints at and during FILDA, were factors that helped the firm to get the award.

Besides the fix line operator, the exhibition was attended by mobile network runners, Movitel and Unitel.

There was a total of 657 exhibitors, of which 340 were local businesses in the field of telecommunications, banks, industry, beverage, food, oil, civil construction, machinery, automobile, information technology, insurance, housing, clothing, and shoes.

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ZIMBABWE: ZIMPLATS NETS OPERATING PROFIT OF \$25.4 MILLION

Zimbabwe's THE HERALD newspaper reported on August 2, 2006 that the leading platinum producer, Zimbabwe Platinum Mines (Zimplats), recorded an operating profit of \$25.4 million for the three months ended June 30. The group said revenue was up 27% from \$41 million to \$52 million despite lower volumes, reflecting high metal prices, which have remained buoyant.

A \$258 million investment had already been approved for the development of a new underground mine and construction of a new concentrator at Ngezi. The first phase is expected to result in an increase

in platinum production from the current 85,000 ounces to 160,000 ounces per year. This project will involve the development of two new underground mines, a concentrator and related support infrastructure at Ngezi. The project was expected to be completed in 2010 and increase annual production to 160 000 ounces per year.

Zimplats is also planning a massive \$2.5 billion investment program over the next ten years which will see it establish an integrated production chain in Zimbabwe with new mines, concentrators, smelters, base metal refining and precious metal refining plants. The first phase of a major expansion program will create thousands of jobs and see platinum production increasing more than 10-fold over a period of 15 years. The project will be the single largest mining investment in Zimbabwe's history and the most aggressive expansion in the platinum mining industry.

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NIGERIA: CORPORATE NIGERIA ROOTS FOR BLACKBERRY

Nigeria's DAILY CHAMPION newspaper reported on August 4, 2006 that the BlackBerry has become an instant success after its launch in Lagos. Chief executives of blue chip companies indicated interest in subscribing to the revolutionary communication tool introduced in Nigeria for the first time by Globacom.

The cream of the business, diplomatic, and information technology (IT) community who gathered at Eko Hotel, Victoria Island, Lagos to witness the historic launch, showed enthusiasm for the new product.

Special guest of honor and Chairman, Shell Nigeria, Basil Omiyi, and Cadbury's Managing Director, Bunmi Oni, described BlackBerry as capable of enhancing the performance of business executives. They made a commitment to become the first subscribers.

While unveiling the product, Omiyi said BlackBerry is the ideal communication tool for busy corporate executives like himself who read as many as 300 emails a day and who must take critical decisions on the spot. The Shell boss said that he was not surprised that this innovation was coming from Globacom as the company has a passion for taking the lead in various areas of its core line of business and in corporate social responsibility.

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NAMIBIA: CAPRICORN FORMS JOINT VENTURE WITH RUSSIAN COMPANY

Namibia's ECONOMIST newspaper reported on August 4, 2006 that Vneshtorgbank, the second biggest bank in the Russian Federation, has concluded a joint venture agreement with Capricorn Investment Holdings Limited, as efforts continue to attract foreign investment into the country as well as into southern African markets.

The joint venture agreement enables the establishment of VTB Capital, a Namibian registered company with ownership shared between Vneshtorgbank and Capricorn, said Gida Nakazibwe-Sekandi, Capricorn's marketing director in a statement.

Vneshtorgbank has chosen Namibia as one of its preferred bases for southern African operations and identified Capricorn as its strategic partner, said Nakazibwe-Sekandi. Capricorn Investment Holdings reported assets in excess of N6.5 billion as of June 2005. It is the holding company for Bank Windhoek, one of Namibia's leading banks. Vneshtorgbank, which was established in 1990, has total assets in excess of \$36 billion. It operates as a commercial bank and provides corporate and individual customers with a wide range of banking and financial services.

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WATER: A CURRENCY FOR PEACE

"Water projects can empower communities, supporting them on their way to self-sufficiency. And, making clean water available can provide an inclusive process to bring together their governments with their citizens - the components of civil society to develop the needs for democracy and good government." **Malcolm Morris, Chairman Living Water International**

In March 2005, 20 teenagers were killed due to scarcity of water in Mai Mahiu in the Nakuru district of Kenya. Masai and Kikuyu tribes both claimed water rights to a well in the community of Mai Mahiu in the Nakuru district of Kenya. This year has been no better and the Masai and Kikuyu tribal grounds, less than two hours from Nairobi, were draught stricken dustbowls earlier this year with scrawny cattle and goats scavenging a bone-dry landscape.

In a country like Kenya where, according to President Mwai Kibaki, "two-thirds of the 32 million Kenyans are experiencing a serious food and water shortage due to a serious drought that has plagued the area for more than two years," clean water and sanitation make people healthier and therefore more economically productive. Water is the basis of all life. A lack of water can lead to death either by means of dehydration or in some cases violence.

In an effort to combat the death and violence attributed to the scarcity of water in Kenya, President Kibaki wrote a letter to President Bush earlier this year. In it he urged the U.S. to continue its support for water and sanitation related programs and thanked President George W. Bush and the American Congress for enacting the Senator Paul Simon Water for the Poor Act.

The Water for the Poor Act makes access to safe water and sanitation for developing countries a specific policy objective of U.S. foreign assistance

programs. The Act requires the Secretary of State to develop a strategy in consultation with the administrator of the United States Agency for International Development (USAID). According to President Kibaki, "the legislation will go a long way towards alleviating the serious problem of water scarcity affecting many countries in Africa, including Kenya."

Water for the People of Kenya

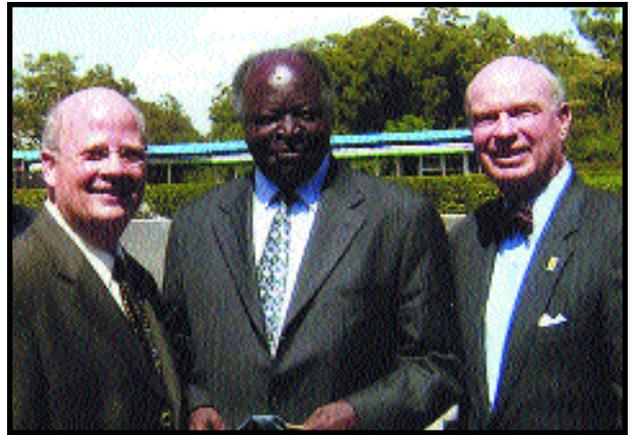
Committed to helping end the violence, CCA member Living Water International (LWI) undertook a visit to Kenya earlier this year. LWI determined that it would make a commitment to provide water through two wells, one in the Masai village, and the other in the Kikuyu community. President Kibaki personally commissioned the two wells and dedicated them as "Peace Wells."

Now, the people in the area no longer have to fight one another for water and the Masai and Kikuyu are at peace. The "Peace Wells" will provide clean water for 20,000 people and hundreds of livestock.

Water is Life

Water can prevent conflict and violence. In Kenya, President Kibaki has urged Kenyans to cooperate over shared water resources. He said the ability to work with each other "can serve as an incentive to limit conflict and a starting point to resolve conflict."

LWI Board member Mark Winter



Living Water International; Chairman Malcolm Morris and Board Member Mark Winter congratulate Kenya President Mwai Kibaki following the Peace Well dedication ceremonies

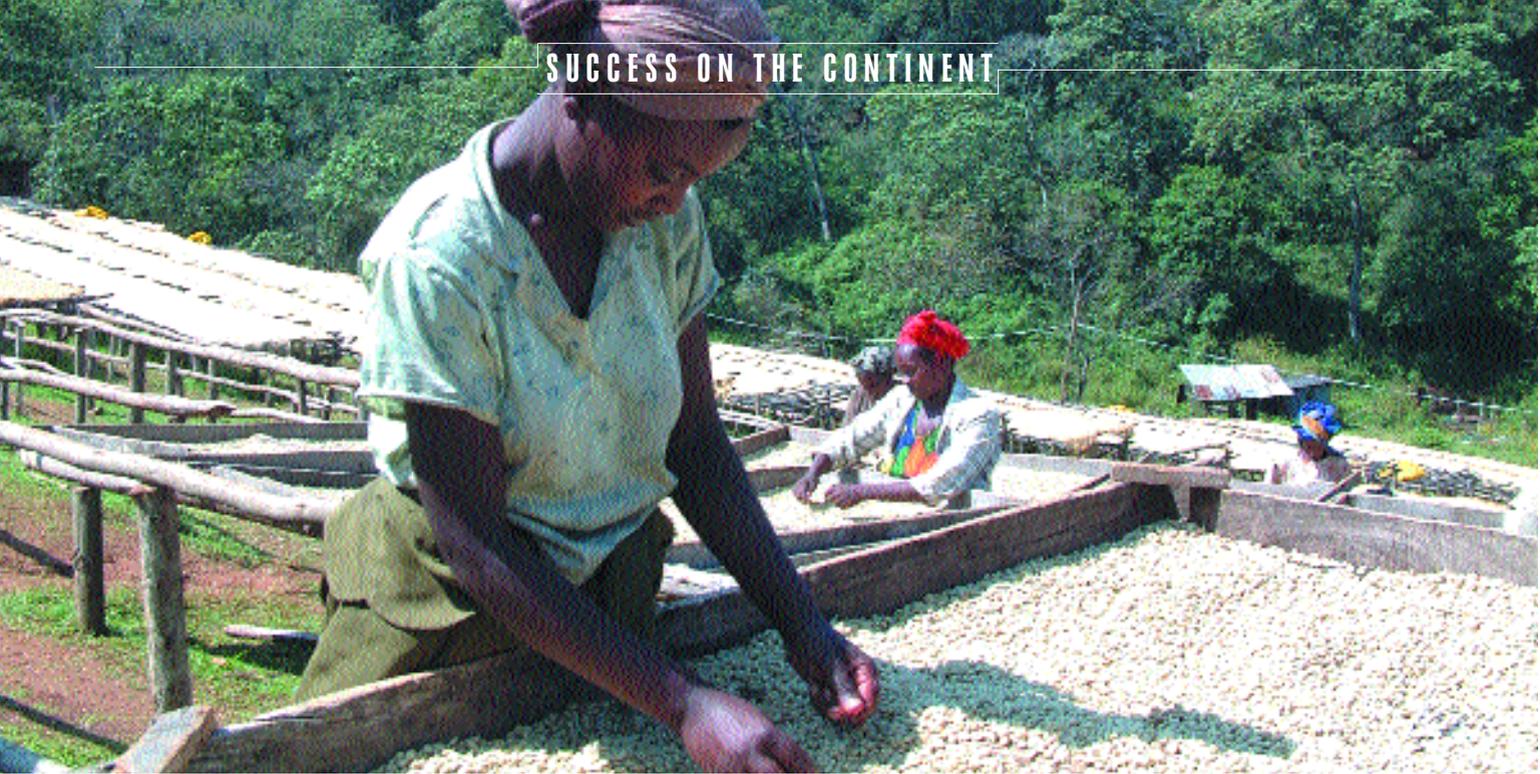


Masai women await clean water for their jerry cans.

considers investments in water and sanitation as some of the most effective investments in development, growth and ending poverty. Winter states that, "Water is a strategic resource that has economic, humanitarian, and security dimensions and has the potential of helping millions of people around the world."

With the dedication of the two wells in Kenya, the peace spigot has been turned on. Clean water is a source of life and sustainable development. Simply put, water is a Currency for Peace. ●

LWI is a nonprofit, interdenominational Christian ministry that provides clean drinking water to people in developing countries, in particular Kenya and Ethiopia. In its 12 years of operation in Kenya, LWI has drilled more than 300 wells and brought clean water to an estimated 1 million Kenyans. Visit <http://www.water.cc/main.aspx#home> for additional details.



A VALUE-CHAIN APPROACH TO COFFEE PRODUCTION: LINKING ETHIOPIAN COFFEE PRODUCERS TO INTERNATIONAL MARKETS

Starbucks recently featured a sun-dried Ethiopian coffee as a Starbucks Black Apron Exclusive™. This coffee sold in the U.S. at close to \$25 per pound in Starbucks retail shops. ACDI/VOCA's Agricultural Cooperatives in Ethiopia (ACE) project, with funding from the United States Agency for International Development (USAID), has helped the Ethiopian coffee industry to achieve global competitiveness by adopting a comprehensive value-chain approach.

Ethiopia's range of coffee varieties and unique flavors, its long and deep cultural appreciation of good-quality coffee, and its traditional organic, shade-grown, and bird-friendly production provide Ethiopia with a comparative advantage in the international specialty coffee market. Ranking eighth in the world and first in Africa, Ethiopia's annual coffee production is approximately 280,000 metric tons (MT), almost half of which is consumed domestically. Most coffee in Ethiopia is produced by smallholder farmers with one to two hectares of land, earning less than a dollar per day.

The primary goal of the ACE project is to increase farmer incomes through the



Dub Hay, Senior Vice President of Starbucks presents a framed copy of the artwork that adorns the Black Apron Exclusive packaging to Endeshaw Janje, manager of the Ferro Coffee Cooperative.

development of smallholder cooperatives. Since its inception in 1999, the project has transformed over 775 primary cooperatives in the Oromia, Amhara, Tigray and

Southern Nations regions from government-mandated organizations into private, democratic associations providing marketing services to more than 750,000 members. Of the total farmers assisted by ACE, close to 180,000 are small-scale coffee producers that are members of 154 cooperatives federated into four coffee unions: Sidama, Yirgacheffe, Oromia, and Kafa.

By linking these cooperatives and unions to markets, the ACE project has helped these smallholder cooperatives to become market leaders in the fast-growing specialty coffee sector. With prices of approximately \$1.20 to \$1.50 per pound for washed coffee, the specialty market is an avenue for Ethiopian farmers to increase their incomes significantly and improve the quality of their lives.

TAKING A VALUE-CHAIN APPROACH

At the start of the ACE project, the challenges to the coffee industry seemed overwhelming: poor processing resulted in low and inconsistent coffee quality, and loan funds for marketing, investments in production, and processing were unavailable. Ethiopia also regulated its export sales through a national auction, which mixed coffees from different locations into a single lot and prohibited cupping prior to sales. Additionally, coffee cooperatives were institutionally and technically weak. Most importantly, a lack of understanding of international market demand resulted in a concentration on quantity rather than quality.

In order to create a competitive Ethiopian coffee industry that maximizes returns to smallholder producers, ACIDI/VOCA applied a comprehensive value-chain approach to address the constraints at each level of the supply chain. A comprehensive market development program combined with capacity building was necessary to ensure the sustainability of the value-chain on the one hand, and the complete integration of smallholders into this value-chain on the other.

ACE began by strengthening cooperation among smallholder producers, as well as establishing secondary cooperatives or "unions" to achieve the economies of scale needed to reach international markets. The coffee unions were established to buy coffee supplied by smallholders through their cooperatives. Coffee unions also wash the coffee, consolidate it and market the product to international markets.

Capacity building services by the ACE Project included:

- Helping union and cooperative managers improve washing operations;
- Training farmers on post-harvest handling;
- Training cooperatives in contract and delivery agreements and requirements;
- Providing technical assistance in areas in such as cupping, fermentation, water



conservation and other processing activities;

- Assisting the unions to participate in the Specialty Coffee Association of America's annual exhibitions; and
- Assisting with export procedures

Increased cooperation between the cooperatives has resulted in improved coffee quality and operational efficiency. Cooperatives share market information and collaborate in contracting for transportation and warehousing services.

The unions are also assisting each other by sharing market information and contacts, and assisting each other with shipping and logistical problems. All four unions collaborated to establish an internationally-judged cooperative coffee competition, as well as internet coffee auctions.

END MARKETS

By conducting end-market analyses and seeking out international specialty coffee buyers, the coffee unions are strengthening their members' bargaining position in the international marketplace and achieving a higher share of market price to producers. As a result, profits are returned to the small-scale farmers: in 2004, the coffee unions paid out \$1.63 million in dividends to cooperative members.

ACIDI/VOCA helped develop a new, highly efficient market channel. Direct exports of specialty coffee by small-scale producers'

unions have increased from \$0.25 million in 2001 to \$31.9 million in 2005.

SPECIALIZED MARKET DEMAND

Many coffee cooperatives have invested in certification programs - 24 are registered Fair Trade, and over 70 are certified organic - in order to obtain additional price premiums. Organic certification generally adds approximately 10% to the price received by farmers. Several cooperatives are selling to Starbucks Coffee Company and have conformed to their Coffee and Farmer Equity (C.A.F.E.) Practices verification program. Other smallholder coffee is marketed as "relationship coffee," which is based on developing the consumer's understanding of the producers' culture, living conditions, and economic situation in order to develop a sense of connection between producer and consumer.

ACCESS TO FINANCE

Lack of financing is a constraint at the cooperative and union levels. With USAID support, ACIDI/VOCA attracted a private bank into a U.S. government loan guarantee mechanism. In its first year, \$680,000 was made available in local currency to the unions for the purchase of product from member cooperatives for later sale. Repayment rates have remained constant at 100%. The program has since been expanded to include a second bank and cover medium-term loans for equipment and infrastructure investments with a new ceiling of \$18 million.

ACIDI/VOCA's interventions in the Ethiopian cooperative coffee sector have had a significant, positive impact on small-scale coffee producers and the coffee value-chain as a whole. Increased cooperation is making Ethiopian coffee more competitive in the world market. Producers have improved the quality of their coffees and gained access to higher-value markets. Most importantly, farmers are earning substantially more income from their production, and taking charge of their economic future.●

U.S. AND AFRICAN CITIES PARTNER TO ADDRESS INFRASTRUCTURE

< By Daniela Mavume >

The well-known organization Sister Cities International (SCI), recently celebrated its 50th anniversary, marking a new age of global culture exchange. SCI is a citizen diplomacy network that creates and strengthens partnerships between the U.S. and international communities.

In order to address African issues, SCI also created a subgroup called "U.S.-Africa Sister Cities" more than a decade ago. Through this African Sister Cities project, representatives from 100 U.S. cities and 90 African countries, cities, towns, or villages have met over the last 14 years to expand their business horizons, enhance commerce relationships, and create pro-development programs.

"The main purpose of the U.S.-Africa Sister Cities is to create programs through volunteering actions between the cities in the two continents," said Shirley Smith, Chair of U.S.-Africa Sister Cities.

The U.S.-Africa Sister Cities group has organized outstanding information technology (IT) and business development projects in Africa to address infrastructure and skills development:

ENERGY INITIATIVES

The Network for Sustainable Development was created to provide services and a means to sustain resources that people require in their everyday life. In an era of high cost energy and environmental concerns, the role of sustainable energy systems play an important role in both the developed and the less developed world. Many African cities might be able to acquire their sustainable development by adopting low cost and environment

friendly techniques. The Sister Cities Network for Sustainable Development focuses on different areas such as: building technology, clean and renewable energy, energy efficiency, and improved energy standards.

INFORMATION TECHNOLOGY

Sister Schools of Africa

SCI, in conjunction with The Africa Channel has created the "Sister Schools of Africa." This program allows U.S. students, from elementary school through high school, to explore and exchange cultures with African communities. The program is based on "connecting" classrooms in the U.S. and Africa through email, video-link ups, and personal visits, enabling both parties to interact and gain sustainable knowledge about each other's cultures.

Bringing Technology to Agogo, Ghana

Sister Cities Fort Lauderdale, Florida and the Ghanaian city of Agogo are working with Citrix Systems Inc, the global leader in access infrastructure solutions, to provide technology access and training to rural communities in Ghana. The project will enable local residents to gain access to information and communication that offers improved healthcare, education, and business opportunities.

WATER

Denver- Axum potable water project

The Axum water project was created with the assistance of Denver Water and the Water and Sanitation Consultancy Group (WSCG) in order to address poor sanitation infrastructure in Axum, Ethiopia. Axum is a primary tourist attraction in Ethiopia, but

poor sanitation has threatened Axum's economy. The WSCG and Denver Water's first step is to raise \$35,000 in donations as well as to donate medium size (800 to 1200 gallon capacity) septic trucks.

TRADE & BUSINESS DEVELOPMENT

Sister Cities and the FTA

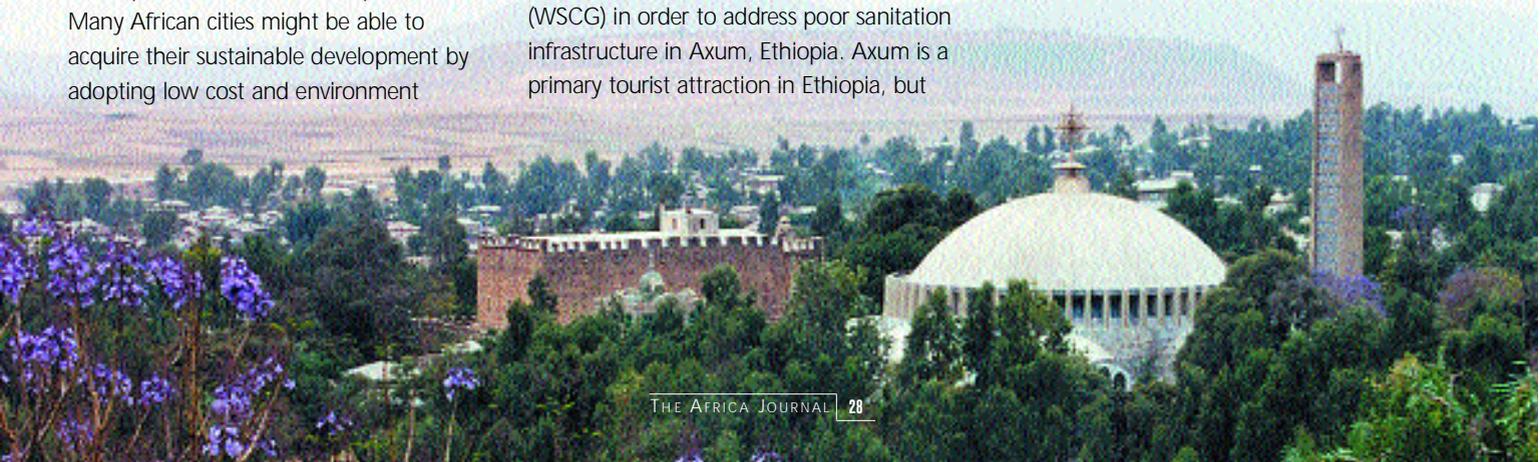
The sister cities of Chicago, Illinois and Casablanca, Morocco work with the World Trade Center Chicago to promote business opportunities between the U.S. and Morocco. Morocco has a Free Trade Agreement (FTA) with the U.S.

Provisions of the FTA were recently discussed by the business community at the *2005 Chicago Conference*. Chicago-based corporations doing business in Morocco are primary examples of how the agreement is being implemented successfully.

Micro-Finance

The sister cities of Pocatello, Idaho and Kwaramenguel, Burkina Faso have worked together to launch a micro finance project to assist local small enterprises by providing loans with a payback interest of 5%. This has increased loan money available allowing a greater number of individuals to start their own small businesses such as sewing and fisheries.

Currently, there are 103 U.S. cities with 94 affiliations in Africa, and the number of member's involvement in SCI is increasing. For more information on how to get involved, visit: <http://www.sister-cities.org/sci/getinvolved>. •



A BUSINESS PARTNERSHIP ACROSS THE ATLANTIC < By Kim Autrey >

It's an unimaginable distance from the spare bedroom of the California house where David Morgan founded his transportation management and supply chain consulting business in 1990, to the teeming streets of Johannesburg, South Africa.

Nevertheless, in December 2005, Morgan found himself in Johannesburg as a member of the U.S.-based National Minority Supplier Development Council's (NMSDC) trade mission to South Africa. The NMSDC provides a direct link between women- and minority-owned businesses (MBEs) and corporate America. The NMSDC mission was sponsored by Cisco Systems, IBM and Motorola, as an effort to leverage South Africa's growing importance as the economic gateway to the continent and the opportunities created by the government's Broad-based Black Economic Empowerment (BBBEE) legislation. The D.W. Morgan Company, a Corporate Plus NMSDC member, was invited along with other key MBEs serving the high technology and telecommunications sectors. Their goal was to find ways to share technology and opportunities with South African counterparts.

"The takeaway from meeting the people of South Africa was their eagerness to build partnerships - not just on the African continent, but with the world," Morgan said. "South Africans are great entrepreneurs, and the BBBEE legislation has created a historic opportunity for them. The government is committed to broad inclusion in their country's economic success."

The trade mission visited with the Cape Information Technology Initiative (CITI), the Black Information Technology Forum (BITF), black-owned businesses and government officials, and learned the importance of corporate America's embrace of South African black empowerment efforts.

Morgan saw his opportunity to create a one-stop, end-to-end distribution solution

for U.S. manufacturers - combining certified U.S. minority spend with BBBEE compliant partners in South Africa.

"The introductions that the NMSDC arranged were invaluable for finding quality local partners," Morgan said. "Through this trip, I met such distinguished business

leaders as Dr. Mamphela Ramphele's Circle Capital Ventures, Africa Venture Partners and the Sebenza logistics group. They helped me quickly establish credibility in the marketplace and avoid the typical traps facing newcomers to an economy."

Those introductions are particularly critical in a dynamically growing - and changing - economy. In South Africa, for example, the infrastructure needed for 2010's FIFA World Cup is forcing telecommunications companies to build infrastructure at a breakneck pace. Yet, such dynamic growth comes against an economy in which 40% of all blacks are unemployed, inflation has shrunk from nearly 20% to less than 5% in just fifteen years.

Clearly, the potential, while great, is evolving. Circle Capital Ventures Chairperson Ramphele agrees, emphasizing the value of BBBEE legislation: "BEE is a multi-faceted approach to redressing some of the social-economic ills of South Africa's past, and we believe that our joint venture with D.W. Morgan gives U.S. multinationals a solution to the government's BEE mandate."

Fast forward six months from the NMSDC trip, and it's clear that trade missions build more than goodwill by producing concrete business opportunities. Morgan has invested in South African partners and last month introduced its first program tailored to U.S. companies seeking minority spend at home and BBBEE compliance abroad. The initiative allows global Fortune 1000 manufacturers to buy goods through



Harold Mills from ZeroChaos, Denise Coley from Cisco, and David Morgan from D.W. Morgan.

Morgan in the U.S., gaining minority VAR and transportation spend.

After Morgan arranges for transportation to South Africa, in-country logistics, systems integration, and installation services are performed by Morgan's BBBEE-compliant partners. "One key result of this program is that it's not just a mechanism to create opportunity for foreign companies. The spirit of BBBEE legislation is to transfer skills and opportunity to black-owned businesses at home in South Africa."

"Companies doing business in South Africa will be measured on their empowerment progress in seven areas such as management control, employment equity and ownership," said Hlumelo Biko, CEO of Circle Capital Ventures. "It's a business imperative that global enterprises with a product or sales presence in South Africa meet the thresholds of the BEE scorecard. We are confident that Morgan's solution is the right idea at the right time to meet the requirements of this initiative."

"We're humbled to play a small part in enabling these kinds of opportunities for South African integrators, installers and transportation companies. I never imagined that a U.S. MBE would be included in the story of South Africa's success. I guess that's the real meaning of broad-based inclusion: In a global economy, all of us either fail or succeed together." •

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“Is CSR an Outdated Term?”

Is CSR an outdated term? The phrase “Corporate Social Responsibility” was introduced in the early nineties by NGOs who hoped it would make companies more sensitive to the impact they have on stakeholders including the communities in which they operate. Fifteen years on, many corporations are still struggling with the concept.

Part of the problem is the very term itself. The notion of “corporate social responsibility” reflects the viewpoint of the activist: that a corporation has a “responsibility” to the local community and other stakeholders.

Many companies, particularly those who sell intangible concepts such as identities and lifestyles, take CSR very seriously. A bad social issue can threaten the very survival of companies like Gap, Nike, Starbucks and others. Consequently they go to great lengths to make sure that all their vendors and supply chains are properly scrubbed and audited for any human rights or social issues.

Other companies have made a conscious decision to make CSR part of their value proposition. They hope that this will create enhanced value in the long term.

But many other companies, for whom CSR is neither critical to survival nor a central part of the brand, still see CSR as little more than an annoying additional cost. They spend money on it reluctantly because of pressure from shareholders and NGO activists. All too often, a company's CSR department is given a fixed budget and then left to get on with it, cut off from the activities of the main business units.

But social investment—if done well—can produce impressive results, and can turn CSR from a cost center into a revenue-enhancer.

Let's talk about “sustainability” instead of CSR. For a company, sustainability is its “license to operate”: its ability to keep working profitably in the regions it wants to work in. It is vital to every business practice: an oil company cannot survive without a sustainable supply of engineers, a mining company needs guaranteed uninterrupted power, a haulage company needs a functioning transport infrastructure. All of these are sustainable needs.

For a community, sustainability is having the means to grow and prosper on an ongoing basis. The 1987 Brundtland Commission defined it as meeting “the needs of the present without compromising the ability of future generations to meet their own needs.” Effective sustainable investment creates a win/win for the company and the community.

With compliance officers putting increasing pressure on risk management, sustainable investment can play a powerful role by mitigating risks on a number of fronts: it makes the operating environment more secure, it is an important crisis management tool, and it ensures greater business continuity. Instead of being isolated investments for PR purposes, it is properly integrated into the operating functions.

Take two mining companies who both decide to develop a copper mine in a part of eastern Congo where local communities have a long history of conflict and unrest. The first company buys its energy supply from neighboring Tanzania, and imports much of its management and labor from South Africa. It does little to try to understand the dynamics of the conflict or engage local community leaders. Instead, it hires a sizeable guard force from the dominant party to make sure the violence does not spill into the mine.

The other company, believing that the mine will produce significant revenue for 10-15 years, decides to make some

sustainable investments early on. It takes an equity stake in an IFC project to rebuild the local hydroelectric generating station and contributes to an EU-sponsored public/private partnership to create a local mining college. It hires a consultancy to examine the impact that the mine will have on the community dynamics and uses that to fund a few well-chosen social assistance projects. It signs the Voluntary Principles and only employs guards that have been vetted for human rights abuses.

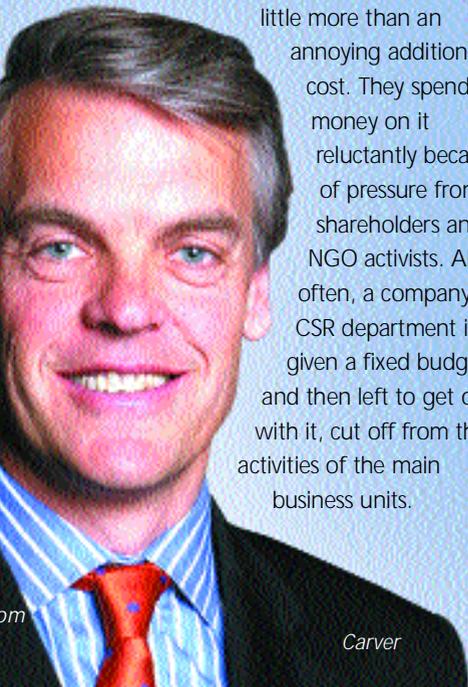
Which company is managing its risks better?

The first company is facing a number of risks: a security guard uses a company gun to kill five villagers as part of the community unrest; the power company in Tanzania is unexpectedly closed down as uneconomic; labor problems multiply underground due to a misunderstandings of cultural sensitivities; and the business continuity is disrupted by a shortage of qualified miners.

By investing in the hydroelectric project, the second company reaps two benefits: it creates greater business resilience by having control over its own supply of power, and it stands the chance of being repaid handsomely on its investment if the plant is sold off to a global power company. Through its investment in the creation of a mining college, the company generates goodwill by helping to create jobs, as well as a supply of qualified local miners thus ensuring business continuity.

One-off CSR projects will do little to insulate you against crises; they impress the outside world less and less, and they are often a waste of money. Creating a sustainable environment for your business to operate in makes good business sense. And it enables you to manage your risks proactively - which will please your risk management team back at corporate headquarters. ●

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



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BUSINESS PERSON OF THE QUARTER: TRANS ATLANTIC CORPORATION'S VERNON DARKO

The Africa Journal congratulates Mr. Vernon Darko, President & CEO of Houston-based Trans Atlantic Corporation (TAC) on his selection as Business Person of the Quarter. TAC recently supplied 20 Mack trucks and oil tankers to Nigeria to help build the oil transportation infrastructure.

Darko began his career in Africa with a trip to Ghana in 1992. His first impression of the country was that there "was a lot of room for opportunities in international trading." Since his initial visit to Africa, Mr. Darko has been focused on making business happen on the continent. He believes that TAC is making a positive impact on the economic and labor workforce in Africa.

TAC's most recent success story in Africa began as a result of an introduction made during CCA's 2003 U.S.-Africa Business Summit. Upon returning from the Summit, TAC made arrangements to visit Nigeria. The trip enabled company representatives to uncover the transportation needs of one of Africa's most populous countries.

"TAC worked diligently to research products, locate suppliers, and as a result, established a new customer, opened-up opportunities, and helped build the infrastructure of the Nigerian transportation industry," said Darko.

Although the company has been successful in Africa, it still encounters challenges when doing business on the continent. Darko believes the primary challenge faced by the U.S. private sector is securing financing from local (African) banks due to high interest rates. The secondary challenge has been that U.S. companies are not always eager to complete a transaction in Africa based on the percentage of closed transactions, and the length of time required to conclude a transaction.

Despite these challenges, Darko encourages the U.S. private sector to do business with and invest in Africa. There are programs offered by organizations such as Ex-Im Bank, OPIC, and the IFC that enable buyers to minimize financing and investment challenges. Darko views Africa as "an untapped market with vast resources." He believes that Africa offers resources rich in quality and quantity, and that conducting business on the continent produces a win-win scenario for the U.S. company, the African worker, and the country's potential economic growth.

TAC became a member of CCA to assist the organization in overcoming some of the challenges of doing business in Africa. Mr. Darko feels that membership in CCA is useful because "the organization creates a vehicle for networking with African business owners" whom he may not have met otherwise.

"We support CCA because of its commitment to keeping Africa at the forefront of trade and development, and its determination to not allow Africa to be thought of as the Forgotten Continent," Darko stated.

Trans Atlantic Corporation is dedicated to providing products and equipment to enhance sales and productivity for companies worldwide. Darko has been President & CEO of TAC for 12 years. He holds a Bachelors of Science in Business Administration with an emphasis on International Business from Lee University in Cleveland, Ohio. Darko resides in Houston, Texas with his wife and three daughters. ●

For more information on Trans Atlantic Corporation, please visit www.transatlanticcorp.com.



GENERAL ELECTRIC: LEADING INFRASTRUCTURE DEVELOPMENT EFFORTS IN AFRICA

GE is solving big needs for countries that need the broad range of infrastructure, financing, and healthcare that economic growth demands. Here is an overview of their efforts in Africa.

A five-year, \$20 million GE Africa project was launched in October 2004 to bring improved healthcare provision and infrastructure to hospitals and clinics in Africa. Donating equipment from their businesses was a clear way to improve the region in a strategic and sustainable way. By tapping into their diverse portfolio of infrastructure businesses, GE was able to match its technical capabilities with communities by providing access to cleaner water, medical treatment, and electrical power in Ghana, and per the project plan, additional African countries.

Four GE businesses - GE Healthcare, GE Energy, GE Infrastructure, and GE Consumer & Industrial - are donating healthcare and power generation equipment, water filtration systems, appliances, and lighting to African clinics and hospitals. In addition to equipment donations, they provide the necessary training and support to ensure maximum product efficiency. By combining GE's technology with their training and management skills, a complete and sustainable service in these communities is ensured.

In addition to the product donations and training, GE has engaged its African

American Forum (AAF), a GE affinity network, to establish on-going relationships at the community level. Each site, once launched, is "adopted" by a GE business-based AAF chapter, which engages senior managers on site visits, initiates benchmarking studies and tracks community health progress.

For the project to be sustainable, there needs to be local involvement and ownership in the project. GE developed partnerships with the state and local government agencies, local tribe leaders and NGO's working on the ground. Each partner played their part in making the installations successful - from working through import regulations to digging trenches for water pipes and constructing buildings to house the clinics.

AAF has also sponsored a project to collect school supplies and "Mom and Baby" kits. More than 22,000 items have been collected to date.

To date, GE has successfully commissioned four sites with plans for five more this year:

- In Ghana's capital city of Accra, their critical care monitoring system, (integrated into a complete computer system that allows nurses to monitor an entire ward of pre-op and post-operative patients), will assist the Korle Bu Teaching Hospital in its mission to provide lifesaving healthcare and train doctors from all over the country.

- In the rural town of Asesewa, a local clinic serving 100,000 people, was upgraded into a fully equipped district hospital.
- Komfo Anokye Teaching Hospital (KATH) in Kumasi serves about half of the 20 million people of Ghana, as well as the neighboring Burkina Faso and also the Cote d'Ivoire as the main tertiary referral centre. A new fluoroscopy system, water for the kidney dialysis center, and a retrofitted electrical power system were among the donations made.
- The Kintampo District Hospital, serving a population of 160,000, now has the necessary equipment and training to enable the rural hospital to help reduce disease and lower maternal and infant mortality. GE donated lab equipment and provided Internet connectivity to Kintampo's Rural Health Training School and the Health Research Centre, which provides training for Ghana's entire paramedical staff.

As quoted by Jeff Immelt, Chairman and CEO, GE, "Solving Big Needs is an aspiration that inspires us-and reminds us of our responsibility and our challenges. Each year we strive to reach the right balance and fulfill our opportunity to be both a great company-and a good one" .

Tim Richards, Senior Manager for International Trade and Investment at GE, is chairing the 2006. U.S.-Africa Infrastructure Conference. •



ICT IN AFRICA: STILL ROOM FOR GROWTH < By Mark Ball >

The African Information and Communication Technologies (ICT) industry has recently experienced phenomenal growth. Over the past five years, the penetration of mobile telephony has averaged 59% annual growth, higher than any other region in the world. The nine largest publicly traded African telecommunications companies have averaged 993% total return over the past three years. The key question is whether ICT companies can sustain this growth and continue to provide alpha returns to investors.

In order to deliver sustainable growth, superior returns, and economic impact, ICT companies in Africa will need to adopt customer-focused business models and deliver high-quality, innovative products, and services. African governments need to be progressive and create environments conducive for open competition, which will ultimately lead to greater innovation and lower prices. Investors also need to carefully understand which markets and companies pose the greatest opportunity for alpha returns, for capital to be allocated efficiently.

This is a particularly suitable time for analysis of the different variables affecting ICT growth in Africa because, more than ever, African governments and private corporations recognize the need for sound technological capacity in order to compete in the global arena. The power of high-

speed, low cost communications can only be achieved when the rhetoric of public officials and the capacity of private players are translated into action. Several African markets are on the right track, but there is need to build on the current momentum.

A key barrier to growth is the prohibitively high costs to end-users for ICT services in Africa. The relative high costs of fixed-line, mobile, Internet and broadband services will negatively impact further penetration and growth, particularly in the non-urban and low-income communities, unless African governments and ICT companies adopt progressive regulations and customer-focused business models.

FIXED-LINE TELECOMMUNICATIONS

Currently, many African fixed-line operators have business models that are not customer-centric. The poor levels of access and high costs of fixed-line telephony are well documented. This is largely due to the fact that fixed-line operators have historically been poorly regulated government owned monopolies. Fortunately, governments across Africa have become increasingly progressive as many African countries are implementing economic reforms that include the privatization of state-owned assets. In the last few years, more than one third of all state-owned operators have been privatized, with others slated for

privatization. Additionally, Second National Operator (SNO) licenses have been granted in several countries, which should introduce competition and reduce, or at least contain, pricing to consumers.

Sustainable Growth for Fixed-line Operators

Increased competition, privatizations, and the dominance of mobile telephony create an environment where fixed-line operators must focus on new and innovative services beyond just voice. Investment in value-added services, including data services supported by a robust network infrastructure will be critical. Recent examples include Uganda Telecom's rollout of the first phase of an IP-based Next Generation Network, combining voice, data, and video services over one pipe. South Africa's Telkom SA also plans to spend \$2 billion over the next five years to upgrade its network infrastructure and invest in Next Generation Network capacity. This type of activity will need to continue if the incumbent operators are to actively participate in the betterment of African ICT.

MOBILE TELECOMMUNICATIONS

Over the five-year period from 1999-2004 the number of mobile subscribers in Africa grew at an average rate of 59%, more than double the global growth rate. Cellular subscribers took advantage of

Country	Fixed-line Penetration	2000 - 2005 CAGR	Privatization and Regulatory Highlights
Egypt	14%	10.2%	Govt. sold 20% of Telecom Egypt through public offering in 2005
Ghana	1.5%	7.9%	Ghana Telecom privatized in 1996; SNO license granted same year
Kenya	0.8%	-2.9%	Govt. currently pursuing privatization of Kenya Telkom
Nigeria	0.9%	13.8%	Govt. owned Nitel sold 75% stake to Transcorp in 2006; SNO Globacom has been operational since 2002
South Africa	10.4%	-2.9%	Telkom SA partially privatized in 1997; SNO to launch in late 2006
Tunisia	12.5%	4.6%	Govt. plans to privatize Tunisie Telecom in late 2006
Uganda	0.5%	5.5%	Uganda Telecom privatized in 2000; Third National Operator launched in 2005
Africa	3.2%	5.0%	

Source: International Telecommunication Union (ITU)

Fixed-line Operator	Exchange	Current Price (USD)	1-year Return (\$US Millions)	3-year Return	Market Capitalization
Maroc Telecom	Morocco - CSE	\$13.00	33.7%	n/a	\$11,032.1
Telkom SA	South Africa - JSE	\$18.64	-2.1%	228.1%	\$10,157.7
Telecom Egypt	Egypt - CASE	\$2.02	n/a	n/a	\$3,286.4

Source: African Bourses; Data as of July 24, 2006; all returns measured in U.S. dollar terms

greater access and flexible pricing models from an increasing number of carriers. Nearly 85% of all African telephone users use mobile - the highest ratio of mobile to total telephone subscribers in the world.

The key growth driver in mobile telephony in Africa is the ability for mobile operators to provide coverage more rapidly and cost effectively than fixed-line operators. Over 60% of the African population is within range of a mobile signal, whereas fixed-lines are predominantly concentrated in major cities. Private-sector competition in mobile telephony has resulted in steadily declining tariffs and more customer-centric

the diminished returns on investments in non-urban communities largely because of lower population densities, lower incomes, and the likelihood of lower cell phone usage. However, the forward looking operators are developing strategies to capture the potential posed by low-income, non-urban communities. This is also an area where operators are likely to be aided by more progressive regulatory reforms.

Ericsson, a leading telecommunications equipment supplier, recently proposed a "Shared Network" model which would enable operators to share the same

INTERNET AND BROADBAND

Internet penetration in Africa - currently at 2.6% - is constrained primarily due to the high cost of personal computers, and Internet access, with monthly charges of over \$50 in several countries. Regarding the latter, the primary reason is the fact that in most cases Internet Service Providers (ISPs), mobile telephone companies, private networks, and value added network service providers must get their international bandwidth through government-owned public telecom operators. Many government-owned operators have chosen to maximize short-

Mobile Operator	Exchange	Current Price (USD)	1-year Return (\$US Millions)	3-year Return	Market Capitalization
MTN Group	South Africa - JSE	\$7.67	-2.2%	253.8%	\$12,627.1
Orascom Telecom	Egypt - CASE	\$42.83	-16.9%	1,374.3%	\$8,999.8
Vodafone Egypt	Egypt - CASE	\$14.37	-11.9%	n/a	\$3,294.2
Mobinil	Egypt - CASE	\$22.96	-17.8%	195.1%	\$2,404.8
Sonatel (Senegal)	Cote D'Ivoire - BRVM	\$158.73	71.7%	342.0%	\$1,587.3
Econet	Zimbabwe - ZSE	\$4.45	370.9%	3,561.9%	\$506.1

Source: African Bourses; Data as of July 24, 2006; all returns measured in U.S. dollar terms

packages that have brought cellular telephony within reach of lower income groups. Still, less than 12% of Africa's population owns a cell phone, illustrating the fact that this technology is still rather expensive for the majority of the continent.

Over 60% of Africa's 915 million people live in non-urban communities. Increased competition and market saturation in the urban centers suggests that for mobile operators to continue to grow profitably, they must find innovative and cost-effective ways to service non-urban communities. Operators have long feared

network, share the subscriber base, share operational and capital costs, and spread the risk. A similar approach has been successfully implemented by T-mobile and O2 in Germany, and Vodafone and Optus in Australia.

Shareholder returns for mobile operators in Africa have been significant. Sustainable growth will be generated by the operators who develop creative solutions and customer-friendly pricing models to further penetrate into Africa's non-urban and low-income communities.

term profits while sacrificing long-term customer access.

This phenomenon is especially evident in the area of broadband services. While various broadband initiatives have been launched, the African consumer currently pays on average \$1,800 for 1 Gbps of data per month; much higher than the \$100-300 rates seen in Europe and America. The recently launched East African Submarine System (EASSy), a 6,000 mile fiber optic cable connecting east and southern Africa, promises to drastically reduce broadband and telecommunications costs. The EASSy

Continued on page 46

THE QUEST FOR SUSTAINABLE COCOA

To those of us in the developed world, chocolate may be an everyday snack, but for millions of farmers in West Africa, it is fundamental to their livelihood. More than three million tons of cocoa beans, the key ingredient of chocolate, are grown each year, with two-thirds of this coming from West Africa where it is estimated that more than 10 million people depend on cocoa for at least part of their income. Sue D'Arcy talks about the work that Mars undertakes to ensure a sustainable cocoa supply chain.

Theobroma cacao, the cocoa tree, is native to the upper Amazon Basin although its cultivation has spread throughout the tropical regions of South and Central America, Africa, and Asia. The tree flourishes in warm, wet conditions and many of the countries that are in the unique position to grow cocoa depend heavily on the crop's successful production to help sustain their economies. This is particularly true in West Africa where most of the world's cocoa is grown, and where, for Côte d'Ivoire and Ghana in particular, cocoa is a major export crop.

Yet this dependence is not without risk. The cocoa tree is surprisingly fragile and each year as much as one third of the global production can be lost to pests and diseases. Worldwide this threatens more than two million smallholder farmers who are at the heart of cocoa production and individual farmers can lose entire crops from the incursion of new pests or diseases. With cocoa beans often the family's primary source of cash income, any threat to the quantity or quality of the crop can have a significant impact on their livelihood.

The vulnerable nature of cocoa was demonstrated during the late 1980s when the Brazilian crop was devastated by a fungal disease that spread from the Andean region, turning Brazil from a major exporter into a net importer of cocoa. Since that time, concerned for the future of cocoa supplies world-

wide, Mars has been a leader in the quest to ensure that cocoa is grown in a sustainable way for the benefit of all those involved.

SUSTAINABILITY: A BROAD-BASED APPROACH

Mars is committed to playing its part in economic, social, and environmental programs that help to support the rural livelihoods of cocoa farming communities. The company's programs are also designed to be broad-based - i.e. programs are designed to impact all the farmers of a particular region - not just a select few.

Mars pursues its programs in collaboration with many stakeholder groups. Mars' current program includes partnerships with experts from the wider global cocoa industry, scientific institutions, multilateral and bilateral donor organisations, producer country governments, environmentalists, not-for-profit organisations, and farmers' organisations. Individually and collectively the partners work to share knowledge and resources in a bid to deal with the challenge of growing quality cocoa under positive environmental and social conditions while achieving a viable economic return for farmers and their families.

This broad-based approach to improving cocoa farming techniques and protecting the tropical environment



is focused on helping farmers get the most out of their crops while supporting their families and communities, as well as protecting and enhancing the rich biodiversity of the environment in which cocoa is grown.

MARS PROGRAMS IN COCOA GROWING COUNTRIES

Mars Cocoa Sustainability Programs operate throughout the cocoa-growing world. In West Africa, it is estimated that there are in excess of 1.5 million cocoa smallholders, each farming one to two hectares of land with yields sometimes as low as 250kgs per hectare. Here agro-economic projects seek to improve farmers' incomes and reduce their losses to pests and diseases; social programs support education; and environmental projects focus on improving and expanding the biodiversity benefits related to growing cocoa.

One partnership in Africa, the Sustainable Tree Crops Program (STCP), is operated under the auspices of the International Institute for Tropical Agriculture with funding from a range of partners including the U.S. Agency for International Development (USAID) and other industry members. A key element of this initiative delivers relevant agricultural skills to cocoa smallholders through a program of farmer field schools, literally schools without walls. Within this formal curriculum farmers learn skills relevant to their direct needs. Results, in particular increases in farmer incomes, have been very positive. In the first phase of the STCP more than 26,000 farmers in Cote d'Ivoire, Ghana, Nigeria, and Cameroon benefited from the schools.

As well as productive farming methods, the students learn about post-harvest techniques to improve quality, health and safety on the farm and develop co-operative working practices as they progress to graduation from the program. A socially oriented element of the program raises awareness of the importance of schooling for the children of cocoa communities and also the risks associated with HIV/AIDS.

THE MARS CENTER FOR COCOA RESEARCH

Mars is the only major chocolate company with its own farm-based, fundamental cocoa research facility. Since 1982, Mars has operated the Mars Center for Cocoa Science at Almirante Farm in Bahia, Brazil.

Located in a major cocoa-growing region, work at Almirante is focused on developing and disseminating to local smallholder farmers best practices in cocoa production, on distributing improved cocoa planting materials, and investigating new methods to control pests and diseases.

Research work is not confined to Almirante or Brazil. In a unique public-private research partnership Mars works with the U.S. Department of Agriculture (USDA) to research crop resistance to pests/diseases and to develop environmentally friendly biological controls.

The work is shared to the benefit of all cocoa growing interests. Last year a delegation of farm-trainers and teachers from Côte d'Ivoire and Ghana was hosted at Almirante. The enthusiasm generated by a stimulating learning environment ensured that skills were transferred to the benefit of the West African cocoa farmer.

SUPPORT FOR COCOA FARMING COMMUNITIES IN WETS AFRICA

In Côte d'Ivoire, the world's biggest exporter of cocoa, Mars is working in partnership with Winrock International, a not-for-profit organisation dedicated to delivering educational opportunities in developing countries. With Mars funding and Winrock expertise, a vocational dimension has been added to the curriculum at Adzope High School, in the heart of the cocoa-growing region. While learning about agriculture,



students also have the opportunity to develop important life skills.

As a member of the global cocoa and chocolate community, Mars was one of the founding members of the International Cocoa Initiative (ICI). This Swiss based organisation is dedicated to ensuring that cocoa is farmed in a responsible manner. Throughout the cocoa growing regions of West Africa the ICI is making a direct contribution to improvements in the social conditions that prevail in cocoa communities, particularly demonstrating the fundamental importance of avoiding the worst forms of child labour (as defined in ILO Convention 182) and ensuring that children are free to enjoy their childhood and benefit from an education.

THE LONG TERM PERSPECTIVE

As a leader in research and innovation, Mars realizes cocoa's full contribution to the global economy, and the environmental, economic and social benefits that can be generated for cocoa farmers and their communities. ♦

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LINKING CORPORATE GOVERNANCE TO SUSTAINABLE DEVELOPMENT < By Leslie Fox >

As an increasing number of U.S. and international companies invest for growth across Africa, many senior executives are realizing that being “a good corporate citizen” is not only important in promoting social and environmental good, but can also bring significant benefits to companies themselves by helping them do well on the bottom-line. This article examines some of the key issues and emerging trends surrounding Corporate Social Responsibility (CSR) and comments on the role of Corporate Governance as a factor in program success.

CSR originally developed and evolved from the private sector's realization that traditional business values and practice do not necessarily lead to desired bottom-line economic results. Some companies arrived at this conclusion themselves; others have been driven to this position in reaction to public pressure. Today many organizations see best practiced CSR programs as adding significant value beyond the core benefits of regional development and poverty reduction.

Previously, the private sector focused almost exclusively on the bottom line and accountability to shareholders. Typically, these businesses did little to promote sustainable social and economic development at the individual and community level, or across society in general.

Irrespective of external pressures, a small group of progressive-minded businesses, including local companies and some of the larger multinational corporations, saw that moving beyond the narrow confines of traditional business models was not only critical to their own survival but also good business practice.

The twin factors of external pressures and progressive thinking gave birth to the notion that corporate sustainability and sustainable development were not incompatible ideals, but in fact shared the same commitment to addressing issues of

social development and environmental conservation while enhancing corporate performance.

In a new book entitled *The Triple Bottom Line*, authors Andrew Savitz and Karl Weber call finding the “common ground” or overlap between business interests (shareholders) and public interest (stakeholders) as “the sustainability sweet spot.” This notion represents a marked shift from the traditional emphasis on creating shareholders' wealth to aligning social and environmental concerns with economic ones (the triple bottom line). It is only when companies take both shareholder and stakeholder interests into consideration that they can develop an overall understanding of their business calculations.

Despite this advance in corporate thinking, it is important that we comment on the wider context in which these companies operate and understand how corporate governance can also impact CSR program performance. Corporate Governance should not be viewed as a phenomenon that is independent of the environment in which business operates. Rather, it should be viewed in a broader social, economic, and political context that affects and is affected by the local context.

To understand how Corporate Governance and core thinking developed, we need to look at some of the debates and trends that have occurred over the last two decades. In 1990, after three decades and billions of dollars spent on social and economic development, there was still very little empirical evidence suggesting that foreign development assistance had delivered any sustainable results. One school of thought suggests that a factor contributing to this lack of visible results is how governance was perceived.

Throughout the 1990s, good governance - within a political context - was characterized by the accountability of political leaders to their constituents, and

more specifically the decisions they made and the environment of transparency surrounding those decisions. Good governance was often seen as the last best means of ensuring good public policymaking and the effective delivery of public services. Together these represent fundamental conditions necessary to achieve sustainable development objectives.

The key question that was being asked, however, was how do you get good governance?

The answer, as viewed by both political scientists and ordinary citizens, was democracy. This was perceived as the political ideology most likely to ensure good and effective governance, and by extension, sustainable social, economic, and environmental improvements.

Democracy placed great importance on the rights and obligations of citizenship and the participation of citizens, civil society, and the private sector, together with the role of governments in making and implementing decisions that affected all members of society.

Ultimately, the term “democratic governance” was coined to convey the notion that successful democracies, sustainable development and good governance are dependent on making and implementing public decisions by businesses, government, and civil society partnerships to achieve collective or societal goals.

If democratic governance is to be successful today, what are the implications of this broader view for corporations and corporate governance?

A key challenge that organizations face is ensuring that decisions associated with Corporate Governance do not take place in a vacuum. One way to achieve the common goals of good governance, democracy, and sustainable social, economic, and environmental

development, is to internalize what has previously been external to corporate governance structures. For example, by engaging a wide array of stakeholders, such as workers, their families, communities, and other members of the supply chain, into a governance process, corporations will ensure that more diverse views are heard in the boardroom while engendering a voluntary commitment to accountability and transparency as core values and practices. This is distinctly different from the view that shareholder interest is the principal driver behind corporate decisions.

Another challenge is the fact that a small number of multinational or large national companies dominate several markets across Africa. This often leads to a situation in which economic power is concentrated in the hands of a few companies. When this situation is combined with public sector involvement (e.g. government shareholdings in large corporations) it can lead to weak corporate governance, which undermines the notion of a level playing field and free market competition, and ultimately distorts the rational allocation of scarce private and public sector resources for economic growth and business development.

So the real question then becomes what can businesses do to address these problems? If organizations are committed to developing good governance and CSR programs, there are a number of actions they can take to develop and implement these programs:

1. While it may seem counter-intuitive, large multinational and national corporations can help broaden the base of the economies in which they operate by helping to accelerate the creation and growth of new local enterprises. Building new enterprises and facilitating the access to credit among existing enterprises, are two important areas in which large companies can contribute to society and economic development, especially if assistance is provided by leveraging their internal supply chains.
2. Companies interested in delivering good governance can also influence the creation and implementation of norms and practices to measure corporate performance in adhering to recognized standards of behavior in the areas of social, economic, environmental, and political life. *The Global Reporting Initiative, the Extractive Industries Transparency Initiative, Publish What You Pay, Forestry Certification Requirements, and the OECD Principles on Corporate Governance* are just a few examples of the tools available.
3. More companies, not just multinationals, need to be progressive and creative in their CSR thinking and practices. There is no question that companies have moved away from the traditional programs of charity and philanthropy that are typically narrow in scope, to more coherent social, economic programs that are consistent with broader national development priorities. When feasible, smaller companies should develop a better understanding of such priorities and develop CSR initiatives that contribute to these more holistic national or regional objectives.
4. Companies can consider expanding the scope of their programs to focus on national issues and concerns rather than initiatives that focus on the workplace and stop at a company's gate or boundaries.
5. Those responsible for corporate CSR programs should also review the value of partnering with international aid agencies for certain projects. The key questions to ask are: does this contribute to sustainable development or corporate sustainability? Does this build indigenous capabilities and capacity? Often such programs bypass planning processes at the local, state, and even national levels.
6. There are several companies that are skilled and knowledgeable about CSR and corporate governance practices in Africa and around the globe. Reaching out to these companies can help both established and new companies to develop innovative approaches to CSR.

While all of the above points are key considerations for companies operating across Africa, governments also need to play a more proactive role in contributing to the success of CSR programs. They can do this by creating the enabling conditions necessary to ensure that businesses can deliver optimum value. One of the current complaints is that even as taxes are paid and government pressure builds for more CSR spending, the policy environments in which businesses operate act as a constraint to making the money that is needed to pay taxes and fund social programs. This issue is something that governments can address now to enable better CSR programs tomorrow.

As we all become more familiar with some of the challenges that have constrained the success of past CSR initiatives, companies, governments and communities must collaborate more proactively to create policies, governance processes, and frameworks that enable sustainable development efforts. If these are implemented and monitored, the opportunity for continuous development in the area of CSR and corporate governance is significant.

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ECONOMIC STRENGTHENING AT THE CORE OF ORPHAN SUPPORT

< By John Bronson, MA; Renslow Sherer, MD; Sandra Dalebout, MPH; Alice Roussaux, MD, MSc; Nelson Prada, BS >

The sheer quantity of children being affected by HIV/AIDS in Africa is staggering. An estimated 13 million have lost either one or both parents¹. As the overwhelming majority of orphans and other children affected by HIV/AIDS are living with immediate or extended family members, the safety and well-being of these children depend largely on the ability of these relatives to protect and care for the expanded household. Without economic strengthening, many households and communities are unable to access basic health care and appropriately care for orphans and vulnerable children.

Project HOPE, an international non-profit health education organization, is conducting a five-year program to provide sustainable economic strengthening for families caring for orphans and vulnerable children (OVC) in Mozambique and Namibia. Project HOPE's approach to expanding the coping strategies of households that are supporting and caring for OVC combines economic strengthening activities with targeted education and

improved access to OVC services via community volunteers.

The intervention has three components. The first component provides micro-loans to caregivers to engage in small-scale business activities, which will generate increased income and financial resources. The second component provides the caregivers with education and access to information and resources to help them support the needs of all children under their care, including orphans. This education encompasses a variety of domains including household nutrition, health, parenting skills, and bereavement guidance. The final component establishes a community-based network of volunteers that can give on-going support and assistance to caregivers and orphans by providing peer counseling and referrals to specialized services.

A baseline survey was conducted using a stratified random sampling methodology (Lot Quality Assurance Sampling) with 95 randomly selected households in targeted

districts with high HIV/AIDS prevalence. The survey focused on coping strategies of caregivers and needs of OVC. In Namibia², the majority (95%) of caregivers of orphans are in economically active households. Furthermore, much higher proportions of households are caring for orphans than official statistics suggest, with 76% of households surveyed in these targeted districts caring for orphans. Caretakers reported that 34% of the children in their households had lost one or both parents, as compared to the officially reported national rate of 11%. Households caring for orphans were caring for an average of two and a half orphans.

The overwhelming response from families caring for OVC focused upon the economic demands of the expanded household and its impact on all aspects of their lives: inability to purchase the quantity of food they need, difficulties in paying for school fees and uniforms, inability to access needed health services because of high cost, and other related constraints. More than half of households in Namibia





Young school boys in Ile, Namibia learning basket weaving as a micro-enterprise project.

reported their income was not sufficient to meet their needs for more than three months in the past year, with over 25% having to sell assets in order to have money. Over one-third of households in Namibia could not seek medical services when they needed to, almost always due to financial reasons (86%). Additionally, only 41% of teenagers in Namibia had four or more meals in the past two days.

Findings from Project HOPE's program have implications for employees and employers in areas heavily impacted by HIV/AIDS. A sizeable proportion of the

workforce is likely responsible for the support and care of OVC. Employees may be directly caring for orphans within their household or providing economic support to the caregiver. Project HOPE found that 89% of orphan caregivers in Namibia are relying upon regular receipts of cash and goods. In either case, the income earners are critical to the quality of care through their contribution of resources. The obligations and needs of the extended household may affect workforce productivity. Recognizing and responding to these challenges through collaboration

and linkages with organizations that can provide assistance and support to help individuals and households address the needs of OVC will likely yield a more productive workforce and help strengthen prospects for the next generation. Project HOPE and others are leading the way in helping AIDS orphans through economic development.

This article was made possible through support provided by the Office of HIV/AIDS, Bureau for Global Health, USAID, under the terms of Award No. GPO-A-00-05-00019-00. The opinions expressed herein are those of the authors and do not necessarily reflect the views of the USAID. ●

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¹ 4 USAID, "Sub-National Distribution and Situation of Orphans: Countries Targeted by the President's Emergency Plan for AIDS Relief", 2003

² Data from the Mozambique survey are not yet available.



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FROM DARFUR TO SANTA FE: A JOURNEY OF EMPOWERMENT

< By Jennifer Marcy >

The internal conflict ravaging the western region of Sudan has affected the lives of millions, and has brought the plight of the people of Darfur to the consciousness of the world. Due to the conflict, hundreds of thousands of people have been forced from their homes and are now living in camps for Internally Displaced Persons (IDPs), where they have been dependent on the support of the international humanitarian community to provide for their basic needs, including food, clothing, and shelter. Compounding the trauma of being displaced from their homes, IDPs face the threat of disempowerment and apathy that can come from complete reliance on others for their means of survival, making it harder to readjust upon eventual return or resettlement elsewhere.

Rather than perpetuate a system that fosters dependency, the international development and humanitarian assistance organization CHF International has been implementing over 20 different livelihood projects in several different IDP camps in North and South

Darfur since 2004. These projects are enabling vulnerable community members to improve housing conditions, nutrition, sources of income, and security on their own. This approach addresses both the immediate needs of the affected population, while laying the foundation for stability, prosperity, and economic development over the long-term.

There are projects increasing food security by providing land, tools, pesticides, and technical assistance for growing crops. Other efforts are improving veterinary care for livestock and new services include assisting women victimized by violent attacks.

While all of these efforts comprise essential components of livelihoods assistance, CHF staff also recognized the need for targeting women and children with projects that would bolster income generation while fostering security. IDP women generally have limited opportunities to earn money inside the camps. Often, they are forced to venture outside the camp boundaries in search of firewood or palm fronds to sell, where they face the ongoing threats of violent physical and sexual attacks.

As a result, in addition to the other livelihood projects made possible through the U.S. Agency for International Development's Office of Foreign Disaster Assistance (USAID/OFDA), CHF constructed community centers in four of Darfur's major IDP camps that are providing critical services to women and their children.

While these centers are home to a variety of activities - including literacy classes, health and hygiene education, fuel-efficient stove production, and childcare services - mat and basket



weaving are considered by many of the women to be the most helpful interventions. In one camp alone, over 250 women produce baskets and other traditional goods, while nearly 360 women are employed as mat weavers. To date, the women have produced thousands of baskets and nearly 100,000 grass mats, the latter of which CHF International purchases and uses to enhance shelters for IDPs living in the camps in North and South Darfur.

Meanwhile, one of the organization's departments, The Crafts Center at CHF International, which focuses on improving the lives of low-income artisans, is working to establish Western markets for the baskets by collaborating with fair trade organizations that buy and import goods produced by artisans in developing countries. One such partner is *The Amber Chand Collection: Global Gifts for Peace and Understanding*, a mission-based retail enterprise that supports talented craftswomen in regions of conflict and post-conflict (www.amberchand.com).

Recently, one of the women weaving

baskets with CHF as a means of income generation, Mariam Adam Atim Abbakar, made an unprecedented and incredible journey from Kalma Camp in Darfur, Sudan, to Santa Fe, New Mexico.

Mariam was selected out of over 200 applications to attend the *2006 Santa Fe International Folk Art Market*, a unique forum for artisans from around the world to sell their crafts, with the ultimate goal of preserving world cultures and creating economic sustainability. Mariam was sponsored to attend the market by the Crafts Center at CHF International and the Santa Fe Folk Art Museum Foundation. The opportunity to attend the market not only gave Mariam a

chance to sell her craft to eager U.S. buyers, but it also provided a forum for her to discuss her life in the camp and generate awareness about the crisis to a local American audience. Mariam's participation in the market put a human face on the horrific conflict, and it also gave the attendees an opportunity to directly support victims of the conflict through the simple act of purchasing a one-of-a-kind piece of art.

Mariam, a widowed mother of two, is just one of hundreds of thousands of women living in IDP camps in

Darfur, who is slowly rebuilding her life after surviving horrific violence and constant threats in the camps. She said, "I really enjoyed the opportunity to meet artisans from all over the world and sell my baskets in the United States."

Mariam hopes that the people who purchased her baskets or those who heard about her story in the local media will keep the people of Darfur in their hearts and minds, and work to change the situation she and so many others are facing. One day, Mariam says, she simply dreams of returning home to her village, and raising her children in peace. ●

For more information about the Crafts Center and CHF International, please visit www.craftscenter.org and www.chfinternational.org

 An advertisement for the NEPAD Business & Investment Guide. The top section has a blue background with the text "access the global economy ONLINE" in white. Below this is a photograph of a man wearing a white hard hat and a dark shirt, looking upwards. The background of the photo shows a large, curved structure, possibly part of an industrial facility or a large tent. Below the photo, the text "NEPAD BUSINESS & INVESTMENT GUIDE" is displayed in large, bold, white letters on a dark blue background. At the bottom, it says "TO SUBSCRIBE ONLINE GO TO www.corporate-africa.com" in white. In the bottom right corner, there is a logo featuring a green globe with a yellow ribbon or path around it.

THE ART OF TINGATINGA

< By Victor Barnes >

Tingatinga was the creator of the naive style of painting that would later take his name. He started painting in 1968, and although his career was ended prematurely in 1972 with his untimely death, his style inspired his followers to establish the Tingatinga School of Painters and the Tingatinga Arts Co-Operative Society that continue to flourish today. The Tingatinga movement constitutes a genuine form of contemporary art, original to Tanzania, with its unique form of painting using bicycle paint on masonite boards.

Edward Saidi Tingatinga was born in 1932 in Mindu village in the remote southern Tunduru district of Tanzania. He had only four years of primary school, and in the 1950s, he left his home district and headed north to Dar es Salaam, where he worked as domestic help for a British civil servant. During his time in Dar es Salaam, **Tingatinga** began to seek creative outlets and additional income, first as a member of a musical group, and later as a self-taught artist. His motifs generally consisted of highly colorful and decorative images of birds (the most common subject), wild animals, daily life, and spirit figures (*shetini*, *mganga*, and *mizimu*). They are always painted in bright colors, from a flat dimensional perspective. Originally, **Tingatinga's** wife sold his paintings near Morogoro Stores in Dar es Salaam. In 1970, **Tingatinga** and his paintings were introduced to the National Arts Company, a subsidiary of the National Development Cooperation. The company became interested in his paintings and became the sole outlet for the sale of his work. This arrangement led to a dramatic increase in popularity of these simple laquered square paintings, and the prices rose rapidly, as did

international recognition. With his growing commercial success, Tingatinga began to expand the small circle of relatives who were his first students (Adeuzi Mandu, Simon Mpata, Caspar Henrik Tedo, Ajaba Abdallah Mtalia, and Omari Amonde), to include a growing number of followers eager to learn his technique and style of painting. Just as he was experiencing success, his life was cut short. In 1972, Edward Saidi Tingatinga was shot by the police in Dar es Salaam; the exact circumstances are not known, although by all accounts it was accidental.

Today, the heart of **Tingatinga** art has been entrusted to the younger generations of painters, and is centered in the **Tingatinga** Arts Cooperative Society. The cooperative, which numbers about 50 members, is still based near the Morogoro Stores in Dar es Salaam, where Tingatinga's works originally sold. Among his first students, only his half brother, Omari Amonde, is still painting.

Edward Tingatinga was buried at the Msasani Mikoroshoni cemetery in Dar es Salaam. He died at the age of 40 leaving behind his wife and two children, Daudi and Maritina. Daudi is presently an active member of the Tingatinga Arts Co-operative Society while his sister, Maritina, is married and lives in Dar es Salaam. Their mother died in 1995. Although Edward Said Tingatinga is dead, his memory remains alive in his work and the continuing work of his followers. ●



NOLLYWOOD GOES TO HOLLYWOOD

< Daniel Wolf >

In recent years the Nigerian film industry has rapidly grown to become the third largest film producing industry in the world after the renowned Hollywood of the United States and the prolific Bollywood of India. Now producing over 1,000 films per year with revenues estimated at \$200-\$250 million, the industry developed when, in the late 1980s, the depreciation of the local currency made foreign film imports extremely expensive.

As a popular phenomenon almost completely digitally based, Nollywood, as the Nigerian film industry has come to be known, has replaced the otherwise thriving celluloid culture in the Nigerian entertainment industry. Produced in English, which composes 65% of all titles, and in three major African languages, the films' genre varies from romantics and thrillers to witchcraft and religion.

The late Hubert Ogunde and Eddie Ugbomah had pioneered movie-making on celluloid, attaining the highest of standards. But their efforts yielded little commercial success.

Nollywood has since grown tremendously to churn out thousands of movies, mostly directly for the home video market. With an average production budget of \$15,000-\$25,000 over 10-14 days, Nollywood films are hugely popular across East Africa despite pedestrian scripts and often wooden acting. Selling about 20,000-40,000 copies, (the most popular of which selling about 200,000-400,000 copies), the industry still needs encouragement to ensure sustainable growth.

In recognition of this, the Nollywood Foundation hosted the International Convention "Nollywood: African Cinema and Beyond" from June 15-17, 2006 at

the Omni Hotel in Los Angeles, California, providing a forum to exchange ideas and collaborate on new film opportunities to align Nigerian film production with the highest international standards.

"We hope the forum will be an impetus to advancing the technical and creative standards of the Nigerian film industry and encourage further international collaboration," said Dr. Egbe Osifo-Dawodu, President of Nollywood Foundation, Inc. "Our goal is to help move the industry to the next level in terms of reach, quality, and impact."

Dr. Osifo-Dawodu's session "Creating an Enabling Environment for an Emergent Film Industry: Lessons from Around the World" demonstrates a commitment to improving the technical depth and professionalism of Nollywood. Both foreign and local film industry experts agree that sustainable growth beyond home videos, episodic television, documentaries, and game shows can only be achieved through a transfer of skills, co-productions, and government financing.

Two hurdles still remain in Nollywood development. Nigerian filmmakers estimate losses of as much as \$20 million annually to piracy and to inexpensive duplication and exploitation of their creative works. This kind of revenue loss stifles innovation, frustrates creativity, and, above all, denies Nigerian entrepreneurs, producers, artists, and writers the revenue needed to meet international standards. With 600 million Africans increasingly engaged in the digital revolution - as well as greater cable access throughout the continent - Nollywood is fighting an uphill battle.

The Nigerian film industry is poised for further growth if investments are made to improve the quality of talent,

production, and distribution. Without financing, Nollywood film producers will not explore innovative ideas. With continued commercial success, producers will continue using stagnant storylines and acting.

Murtala Sule, editor of Nollywood (New Age) and president of the Nigerian chapter of the Federation of International Film Critics recalled the buoyant and flourishing entertainment culture that preceded Nollywood, noting that artistes of the celluloid format such as Hubert Ogunde and Eddie Ugbomah saw film as an art, unlike the Nollywood operators who concentrate more on the entertainment and commercial aspect of the movies.

"Of late," Sule explained in a prior published article, "there has not been much critical activity in the media generally about our movies, and it is an important part of developing the movie industry all over the world."

Sule explained that film critics are essential in order to raise the expectations about films, and to help filmmakers produce great films that can win laurels for Nigeria in international competitions.

What is undeniable is Nollywood's global attention for its positive economic contributions to Nigeria. The Nigerian film industry, which currently employs well over 300,000 Nigerians, provides a glimpse of the huge potential for non-natural resource based development that exists in Nigeria and other African countries. Nollywood has not only transformed the way Nigerians see themselves, it has also become one of the major sources of employment in the country with over 5,000 guild members in 2004. ●

UNDERSTANDING PROJECT FINANCE RISKS *Continued from page 21*

(but excluding interest and principal payments) associated with ongoing operations. The ratio also excludes any cash balances that a project could draw on to service debt, such as a debt service reserve fund or maintenance reserve fund. Tax obligations, such as host country income tax, withholding taxes on dividends and interest paid overseas, etc., are also netted out.

4. ROLE OF RISK MITIGATION

Risk mitigation through guarantees, though no panacea, may help broaden

the investor base for infrastructure financings by segmenting, allocating, controlling and distributing some of the risks inherent in project financings. Multilateral institutions (including the World Bank and ADB) provide two types of guarantees for infrastructure financings - partial credit guarantees (PCGs), which cover credit risks and can facilitate longer maturities, and partial risk guarantees (PRGs), which provide protection from political or government misbehavior risks. Coverage is typically available for new investment and not

generally for refinancings or restructurings. Guarantees are also available from bilateral as well as private sector sources (see table). ●

SCIC, a New York-based financial advisory firm, provides advice on how to structure financings that investors will accept. It has expertise in credit ratings and structured finance and has advised clients in Africa and elsewhere.

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ICT IN AFRICA: STILL ROOM FOR GROWTH *Continued from page 35*

project should not duplicate the governing structure of the SAT 3 cable, which was built in 2002 and runs along the west coast of Africa. SAT 3 is managed by a consortium of African telecom monopolies

and is prohibitively expensive. EASSy should instead be managed as a true Public-Private Partnership with mechanisms to curtail monopolistic, anti-competitive behavior.

deliver high-speed Internet access to African consumers can be next generation wireless devices. ICT companies must therefore strategically approach the vast African market with new thinking and introduce low-cost devices that are accessible to this large customer base.

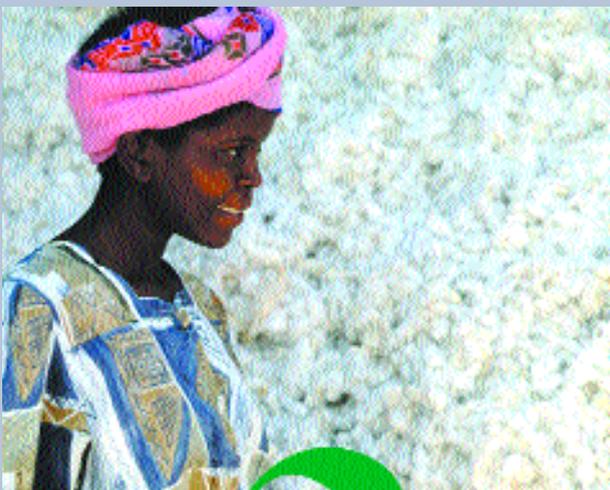
The African ICT market has rewarded investors with superior returns over the last several years, and still offers significant potential for sustainable growth. African consumers and businesses want to reap the value and efficiencies offered by next generation technology. However, the cost for such access should not be prohibitively high. Instead, all concerned stakeholders - government policy makers, ICT companies and investors—should collectively do their part in implementing progressive reforms and delivering cost effective technologies to ensure Africa continues to bridge the digital divide. ●

Mark Ball is the Managing Director of Emerging Sun, a Johannesburg-based business intelligence firm focused on providing strategic analysis enabling global clients to pursue alpha opportunities in Africa. Emerging Sun produces monthly sector analysis through its Africa ICT Watch and Africa Infrastructure Watch newsletters. To request a copy, send an email to mark@emergingsun.com.

SUSTAINABLE GROWTH FOR INTERNET AND BROADBAND

African governments must implement economic reforms that open up the markets for competition, and allow broadband services and applications to be offered at the low costs seen in other global markets. Policy makers should take advantage of the fact that generally there are no legacy systems to amortize, which creates a platform for leapfrogging technologies.

Along these lines, with the meteoric rise in mobile telephony, the primary vehicle to



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GHANA: REST FOR THE WEARY

< By Judd Welsh >

Ghana has some spectacular sites cultural and historical sites, particularly the 14th Century Castles Forts that dot the entire coastline. These edifices were not only used for the slave trade but also commodities such as timber, gold, and diamonds among a few. Imagination is the only limit when viewing these spectacular structures.

Ecological tourism is beginning to find its way to Ghana with the development of one of only six canopy walks in world at Kakum. Kakum is a test of courage for many, as it sits 120-150 feet above the ground suspended from giant tropical trees. The light creates beautiful images that pierce the upper canopy of the forest. Breathtaking views of the forest floor make it one of the top tourist sites in Ghana. Butterfly and bird watching is also prevalent throughout the country.

Big game can be seen in the north of Ghana at the Mole National Park. It is one of the rare game parks in the world where visitors are allowed to approach large game such as elephants. In the park's Black Volta, a reserve for hippopotamus is worth a visit. Excellent river fishing is also a must for adventurous visitors.

In the south of the country, near Ghana's capital city, Accra, the old city of Ada is the launching point on the estuary of the Volta for cruises and deep-sea fishing. Ghana boasts "Monster Marlins" and other major game fish. This discovery was recently featured in National Geographic. The international Marlin Association together with the Wildlife Department of Ghana have worked hand in hand to assure that the fishing is limited to "catch and tag" rather than allowing the fisherman to keep the prized beast.

Kumasi, the major city in the interior of Ghana, is the home of the Ashantihene, one of the most powerful and respected African Kings. It was with great effort that the colonial British finally captured the Ashantihene and sent him with his family to Seychelles. Years later, in the early 20th century, the Ashantihene returned to Ghana to take up his throne (The Throne is referred to as a "Stool").

The city of Kumasi is a major cultural center featuring local cloth (Kente cloth) made from finest cotton for the Kings and Queens of Ashanti. There is a large market and a museum that was recently opened to tourists. In the museum tourists can witness the artifacts and richness of this still wealthy empire.

Ghana was previously called the Gold Coast. The country is proud of having one of the only African companies traded on the New York Stock Exchange: Ashanti Gold Fields.

Recently, Ghana has embarked on a nationwide roadwork improvement plan. These road networks facilitate access to tourist sites, however development of the infrastructure is needed. The direction of Ghanaian government policy has already had a noticeable impact on the economy. Likewise, railways are being rehabilitated, which will provide alternate transportation to existing airways and roadways.

Communications have taken a dramatic turn for the better. Mobile phones are accessible throughout the country. This new technology ensures better security and improves the capacity of travelers to book in advance with assurances that accommodation, sites, and transport will be available.

Ghana is a stable country that offers the tourist a break from the stress of the work place. The country has a different kind of ambiance, and people are very friendly. If moving around is not your cup of tea, then enjoy the pristine rural beaches that stretch the length of entire coastline. ●

Judd Wells owns Nomad Africa, a travel company in Ghana. For more information contact info@nomadafrica.com



Meet Tim Bergstrom

Tim Bergstrom is the Project Director for the South African International Business Linkages Program (SAIBL), funded by the United States Agency for International Development (USAID). He is also the Project Manager for CCA's first annual U.S.-Africa Infrastructure Conference.

The Africa Journal: What can SAIBL do for a U.S. company?

Tim: The SAIBL program can directly link CCA members and other U.S. companies with South African companies seeking trading partners or joint ventures.

We assist black-owned South African enterprises by offering training and capacity building and help them to access local and international markets.

TAJ: Why does working for a not-for-profit organization focused on African economic development appeal to you?

Tim: African economic development is important to me because of my experience living and working there. I don't just work for a not-for-profit organization focused on African development - I work for CCA, which has the furthest reach and impact with the U.S. private sector. Based on my experience in Africa, most long-term and sustainable solutions will come from the private sector. CCA is in the unique position of determining where the public and private sector intersect in this equation.

There are more similarities than differences between the not-for-profit and for-profit. I have found for-profits somewhat easier to manage in that being better and delivering more than your competition generally leads to success. In the not-for-profit game the success factors are a little more difficult to pin down. Managing for results with limited resources is the common denominator for both.

oTAJ: What do you enjoy most about the business environment in Africa?

Tim: I enjoy the newness of it. In the U.S. it is very difficult to deliver a product or service that is breaking new ground - most of the time you are fighting for a highly targeted market with competitors. Most importantly, in the African business environment you have the ability to create some real and positive change with a relatively small investment.

TAJ: What are some of the challenges that you face in promoting Africa as a business destination?

Tim: A major one facing us is the perception that Africa is overcome by disasters, disease, corruption, etc. Some aid and relief organizations have done a terrific job of marketing this view for their own benefit. The press also seems to zoom in on the negative stories, which further reinforces this negative perception. There are so many more success stories on the continent that are not told. We need to take CCA member's success stories directly to the decision makers in the U.S. private sector, especially to financial institutions, and also to the press.

TAJ: What are your expectations for the conference?

Tim: I hope it becomes a catalyst for U.S. companies to become involved in African infrastructure projects. The need for more infrastructure development is clear. I've seen how the lack of infrastructure constrains business development in Africa, from small scale farmers trying bring their products to markets, to U.S. companies trying to sell low-cost consumer products. I also hope this conference will provide U.S. companies an on-going platform to address infrastructure issues and challenges. We plan to incorporate a working group made up of our planning committee and other CCA members to provide an engagement point with policy and decision makers in Africa.



Tim Bergstrom
Project Director, South African International Business Linkages Program (SAIBL)

TAJ: Why a conference on infrastructure?

Tim: This conference will address some of the key constraints to Africa's decline in market share. Efficient and reliable infrastructure reduces export costs, increases the diversity of products available on local markets, increases market information, and basically flattens the barriers that have traditionally constrained business development on the continent. In the past decade we have seen the unique ways Dublin and Bangalore have developed their economies around the outsourcing of business services. It has broken down the traditional view that heavy investment in a manufacturing base is the lynch pin to economic development. Infrastructure development, especially in ICT, could fast track such opportunities on the continent.

TAJ: What do you hope to achieve in your tenure at CCA?

Tim: I'd like to see the Infrastructure Conference become an annual event. Next year it will also be important to position the SAIBL program for further funding as the current agreement with USAID will expire at the end of September 2007. We hope to expand a similar program into Southern Africa and beyond.

Tim has B.A. from Bethel College in Business and Economics, a B.S. in Information Technology from St. Mary's University, and an M.B.A. from the University of St. Thomas (in St. Paul, Minnesota). Prior to joining CCA, Tim was the Regional Manager for Southern Africa with Land O'Lakes' International Development Division where he managed a large USAID contract and several small grants focused on linking small-scale farmers to the commercial market.

K. Earl Reynolds

Earl Reynolds, was elected Vice President and General Manager, International Division, in 2003. Before joining Devon Energy, Reynolds served as Senior Vice President, International and Gulf of Mexico Operations, for Ocean Energy. Prior to joining Ocean, Reynolds spent 10 years with Burlington Resources where he served in a variety of operational and management positions, including Director and General Manager, United Kingdom, and General Mnaager of

Acquisitions and International Ventures. Previously, he was Operations Staff Superintendent for Mobil Oil in Houston. Reynolds holds a B.S. in Petroleum Engineering from Mississippi State University and a Master of Science degree in petroleum engineering from the University of Houston. He is a registered engineer as well as a member of the Society of Petroleum Engineers and the Association of International Petroleum Negotiators. ●



*Earl Reynolds
Vice President and General Manager
International Division, Devon Energy*

Larry D. Bailey

Bailey is currently the President of LDB Consulting Inc. where he provides financial and tax advice to high net-worth individuals. He is a retired partner from the professional services firm of PricewaterhouseCoopers LLP. He has provided tax and financial consulting services on a national level to the sports and entertainment industry, as well as high networth individuals and closely held corporations for the past 30 years.

Bailey holds a B.S. in Accounting from Southern Illinois University and an M.B.A. from the Wharton School of Finance at the University of Pennsylvania. He is a member of the American and DC Institutes of CPA's and the Maryland Association of CPA's. He also is a member of the National Association of Black Accountants and was President of its Metropolitan DC Chapter from 1979-1980. In November of 1995, he was also inducted into the Hall of Fame of the Black Entertainment Sports Lawyers Association.

Bailey is also a member of the board of directors of Broadcast Capital Inc., a Small Business Investment Company (SBIC) which currently provides capital to

minority owned communications companies. He is also a current board member of the Community Foundation of Washington, D.C. and is on the board of directors for Group Hospitalization and Medical Services Inc., the D.C. Affiliate of CareFirst (BlueCross).

Bailey's many other professional and community affiliations include: the Greater Washington Board of Trade, the Black Student Fund, United Way of Washington, D.C., and The United Negro College Fund. He was a Commissioner of D.C. General Hospital; he is a former member of the board of directors of Children's Hospital; a current member of the board of directors for Africare, where he serves on the audit and finance committee; a current board member of The Corporate Council on Africa, where he currently serves as Treasurer; and he also serves as Treasurer at the Joint Center for Political and Economic Studies.

Bailey is a past President of the D.C. Chapter of the Wharton Alumni Association and was a recipient of its Joseph Wharton Award in 1991. He also served a two-year term as President of



*Larry D. Bailey
President
LDBConsulting Inc.*

the Wharton International Alumni Association and served on the Executive Committee of the University of Pennsylvania Mid-Atlantic Associate Trustee Board. He is currently a member of the Wharton Graduate Executive Board. He is a member of the Southern Illinois School of Business External Advisory Board and a member of the School of Business Hall of Fame. Bailey also is a former Trustee of the Southern Illinois University Foundation where he served on the Investment Committee.

He is married to Loleta Thomas Bailey and they reside in Northwest Washington.

Bailey is an avid golfer. ●

STANDARD BANK

Standard Bank was established as the Standard Bank of British South Africa Limited, and incorporated in London in 1862. The word "British" was dropped from the title in 1883. In 1962, the Standard Bank of South Africa (SBSA) was formed and registered as a South African company, operating as a subsidiary of Standard Bank in London (subsequently to become Standard Chartered Bank plc). The re-establishment of Standard Bank's African links began in 1988, when a branch was set up in Swaziland. In 1992 the group opened a Botswana bank and acquired a major African operation: the long-established ANZ Grindlays network in Botswana, Kenya, Uganda, Zaire, Zambia, and Zimbabwe, with minority holdings in Ghana and Nigeria.

The group has also continued to expand internationally. Standard Bank London was established in 1992. The group has a wide representation which spans 17 African countries and 21 countries outside of Africa with an emerging markets focus.

Standard set up a Standard Bank of South Africa's Representative Office in New York. Approximately 20% of the shares are held by international investors, primarily in the United States.

Standard Bank was considered the best bank for business electronic banking for 15 consecutive years. The bank received the "Best overall bank for cash management" in 2006 by the Global Finance Magazine, as well as Best CSL-linked bank offering. In 2004, Standard Bank was considered the Africa bank of the year, and the Best bank in South Africa, Botswana, Lesotho, Swaziland, Uganda, and Zimbabwe.

www.standardbank.co.za

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The Palomar Consulting Group was created to assist companies in driving strategy-based change throughout their organizations to produce results.

The company's focus is always on the client's bottom line needs, be they profitability, effective programs, shareholder value, or

governance. This focus is facilitated by the group's vision and deep presence as a learning organization that is continually integrating the best methods and experience into its business product. Palomar's network of associates has provided integrated services in the strategy and training arenas on every continent.

The Strategy Program engages client projects from start to finish. The company's expertise is in using the scenario methodology, which is used to assist companies in developing practical, actionable strategies with a logical structure. Palomar builds on this structure by providing support consulting on leadership issues such as succession planning and core competencies. These services are complemented by customized scorecards that measure the progress of client projects.

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Pioneer Hi-Bred International, Inc., a subsidiary of DuPont, is the world's leading source of customized solutions for farmers, livestock producers and grain and oilseed processors. With headquarters in Des Moines, Iowa, Pioneer provides access to advanced plant genetics, crop protection solutions, and quality crop systems to customers in nearly 70 countries. DuPont is a science company. Founded in 1802, DuPont puts science to work by creating sustainable solutions essential to a better, safer, healthier life for people everywhere. Operating in more than 70 countries, DuPont offers a wide range of innovative products and services for markets including

agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel.

Pioneer does business in three markets in Africa: Egypt, South Africa, and Zimbabwe/East Africa. These businesses are very diverse, from high technology farmers in South Africa to small-scale farmers throughout East Africa. With approximately 80 full-time employees in Egypt, Pioneer locations include: Cairo, Toukh, and Meet Bera. Pioneer has about 117 full-time employees in three locations across South Africa: Centurion, Delmas, and Rossly. And, approximately 60 full-time employees are located throughout Zimbabwe/East Africa: Harare and Juru, Zimbabwe; Addis Ababa, Ethiopia; and Kenya.

The business started out in 1926 as the Hi-Bred Corn Company, founded by Henry A. Wallace. It was the first company to develop, produce and sell hybrid corn. Wallace and his associates convinced thousands of farmers to try something completely new, while establishing the foundation for an international enterprise and dramatically improving the world's food supply.

Pioneer is committed to improving peoples' lives and livelihoods. We give back to the communities where our employees and customers live and work. We also look for opportunities to use our knowledge of plant technology in collaborative projects that help alleviate hunger and improve farmer profitability.

We invest in programs that add economic or social value to communities, and to initiate collaborative funding programs that address rural economic and social issues.

Because Pioneer takes a long look at problem solving, it is interested in supporting projects that demonstrate cooperation with other community-based programs, broad-based funding, community need, and positive results. It looks favorably on programs that involve its customers, growers, employees, and sales representatives. ●

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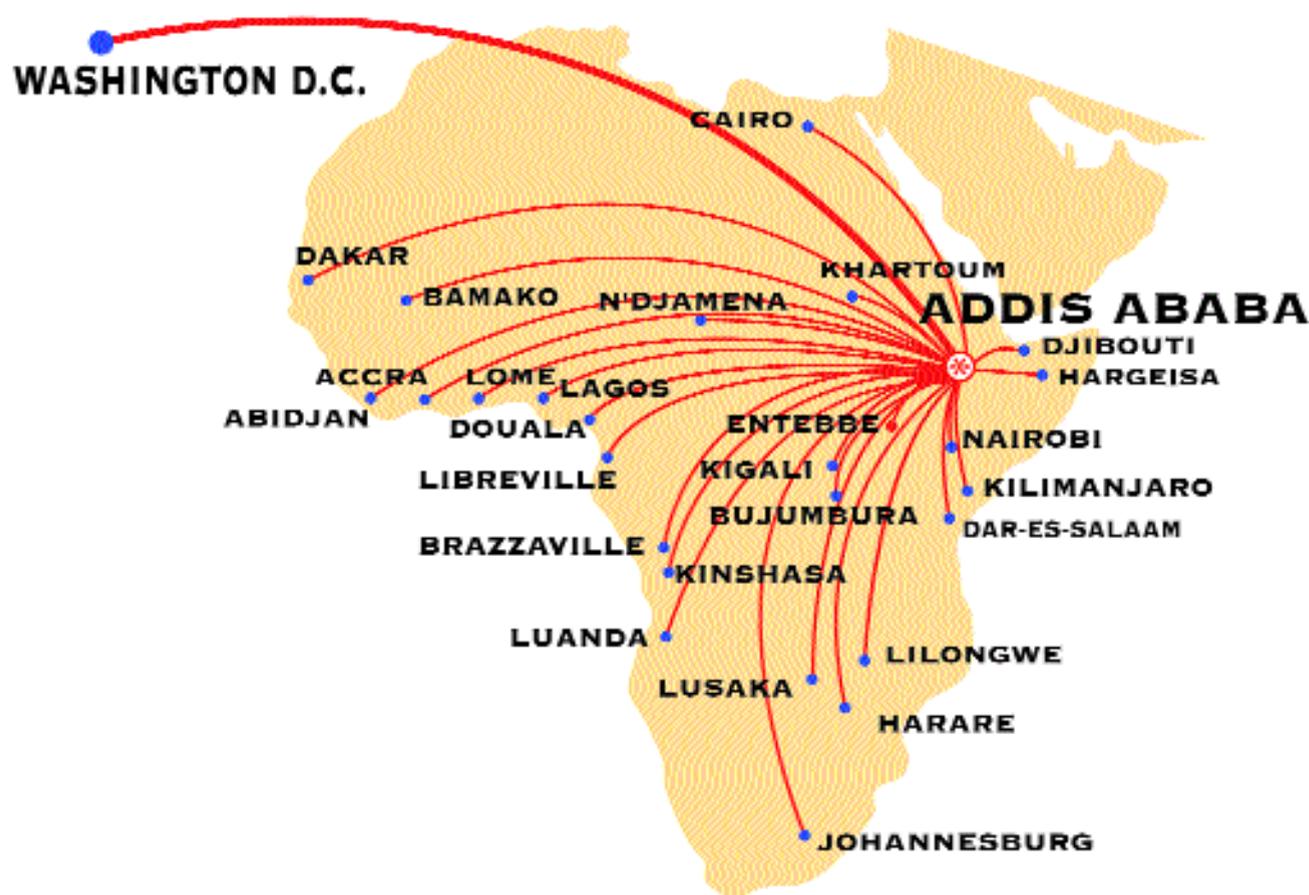
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