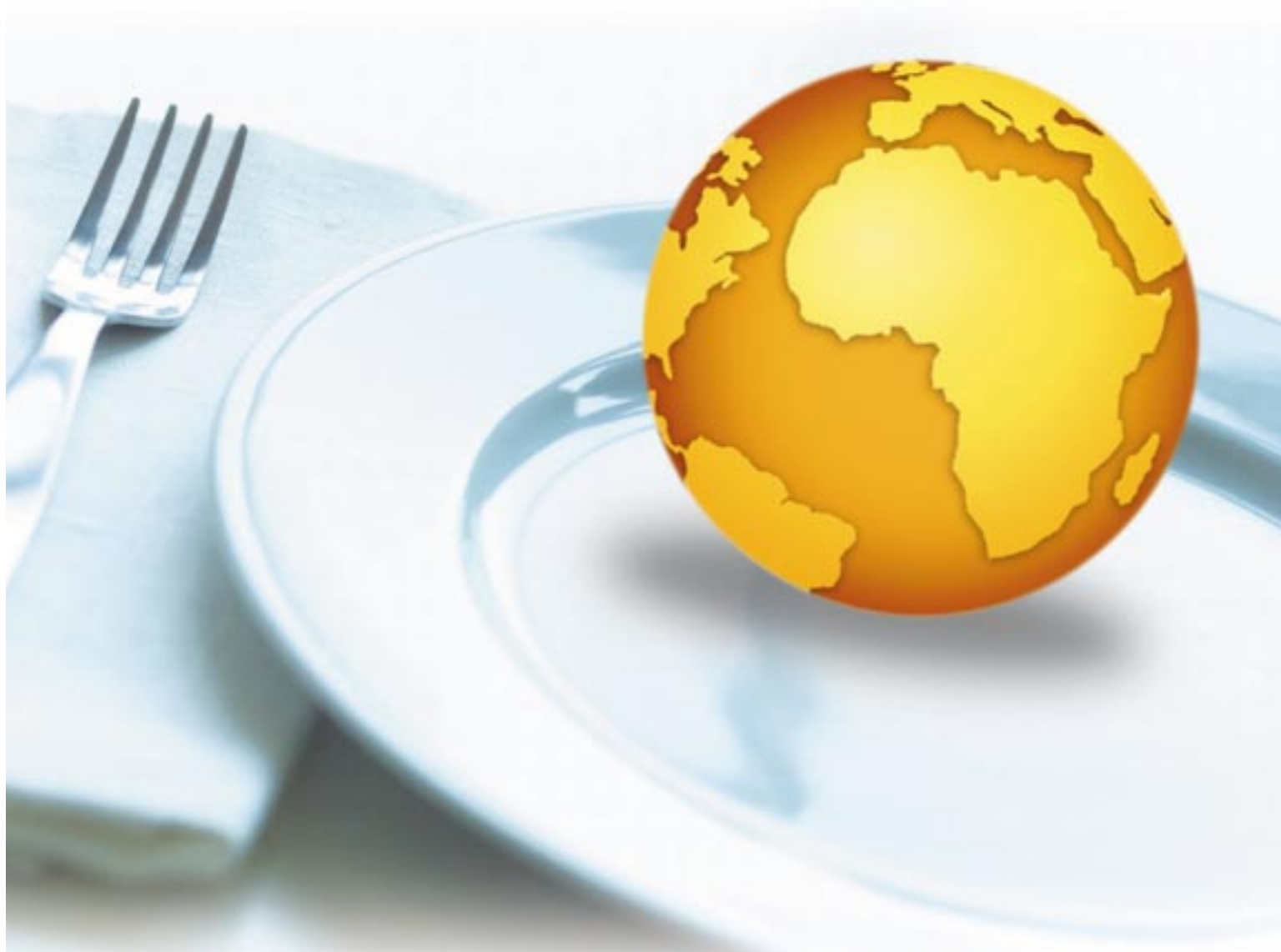


# The AFRICA JOURNAL

SUMMER 2008



**FARM TO FORK: AGRIBUSINESS OPPORTUNITIES  
ALONG THE ENTIRE VALUE-CHAIN**

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The release of the summer 2008 edition of our quarterly *Africa Journal* coincides with *The 2008 U.S.-Africa Agribusiness Forum* being held June 25-27 in Chicago, Illinois. In light of current pressures facing the global food supply, the subject of agribusiness and a thoughtful analysis of the associated forces and influences at work could not be timelier. It may never have been more important than now to evaluate Africa's potential role in meeting future agricultural needs around the world. In order to do so, we must evaluate the United States

PRESIDENT'S MESSAGE

Government's agricultural policies in tandem with the market-driven realities encountered by private-sector companies doing business between the U.S. and Africa. Through publishing this agribusiness edition and hosting the *Agribusiness Forum*, we hope to provide a well-rounded perspective that brings to bear both viewpoints on this important subject.

CCA is heading into its second year of a three-year agriculture grant from the United States Agency for International Development (USAID) and, as a result, is working to develop private sector support for the Comprehensive Africa Agriculture Development Program (CAADP). While the goals of this program are clearly directed towards African agricultural market accessibility and infrastructure, they align with CCA's overall aim of increasing investment and trade in and with Africa.

The year ahead holds many exciting opportunities for CCA. October 6-8 we will host our third annual *U.S.-Africa Infrastructure Conference* in Washington, D.C. We encourage you to participate in this informative and productive event.



Stephen Hayes, *President*  
The Corporate Council on Africa

### Special Thanks

CCA would like to thank its sponsors and contributors for making this edition of *The Africa Journal* possible.

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

### Mission Statement

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

The Africa Journal's objectives are to:

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



## CHAIRMAN'S MESSAGE

*Dr. Jeffrey Sturchio*

As a net importer of food and fuel, the African continent is vulnerable to the current worldwide food crisis. Investment in agriculture value-chains and related enterprises is pivotal to reducing volatility in Africa's food markets. Opportunities to expand the agribusiness portfolio by including agro-forestry are also notable.

In launching the Agribusiness Initiatives Program in October 2006, CCA underscored its commitment to position the U.S. private sector as key partners in achieving Africa's goals. Through the *2008 U.S.-Africa Agribusiness Forum "Investing in Agriculture Links in Africa"*, CCA attracted support from a range of companies, including Novus International, the Chicago Mercantile Exchange Group, and Buchanan Renewables. Sponsorship from other members, including International Relief and Development and the World Cocoa Foundation, also make a significant difference. U.S. government agencies, including the U.S. Agency for International Development, Department of Agriculture and the Department of Commerce, are providing critical support to the Forum. CCA is also using the Agribusiness Initiatives Program to engage further with Africa's Regional Economic Communities and their member countries.

The Agribusiness Initiatives Program ultimately will help grow CCA's array of services that are made available to our membership. Along with our initiatives in infrastructure, the South African International Business Linkages (SAIBL) program, and HIV and Health, the agribusiness program builds on CCA's tradition of providing leadership on behalf of the U.S. business community in commercial trade and investment in Africa. ●

Jeffrey Sturchio  
Chairman of the Board of Directors  
The Corporate Council on Africa

Dear Reader,

In this issue of *The Africa Journal*, The Corporate Council on Africa focuses on the tremendous business opportunities through investing in Africa's agriculture related enterprises. CCA's Agribusiness Initiatives Program provides leadership as U.S. companies to look at Africa's 53 diverse economies as emerging market countries. The Africa Union/NEPAD Comprehensive Africa Agricultural Development Program articulated a vision for Africa's economic growth through a re-birth of agriculture-led development. However, this time "agriculture-led" means building-up value-chains and institutions that shape agribusiness markets that respond to trade demand both within the Continent and off-Continent.

# MESSAGE FROM THE CHAIRMAN OF THE *U.S.-AFRICA AGRIBUSINESS FORUM*

The world certainly has been starkly reminded of the importance of the global agriculture system in recent weeks with the sharp run-up in food prices. Only two similar periods have occurred in the past 50 years - in the early 1970s and again in the mid-1990s. Both of these proved to be of short duration, reflecting differing circumstances that produced aberrations from long-term supply and demand trends. Both proved to be temporary blips from the decades-long downward trend in real (inflation adjusted) agricultural commodity prices. But, many analysts suggest the present circumstances point to something much different and perhaps far more enduring. The current price rise results from a complex combination of factors, to be sure, but the most significant is the dietary transformation occurring across many parts of the developing world, underpinned by widespread economic growth that is pushing literally hundreds of millions of people upward onto ever-higher rungs of the personal income ladder. This additional income for many of these consumers is devoted almost entirely to food consumption.

This persistent demand growth of at least five years has focused attention squarely on a global agriculture and food system struggling mightily to keep pace, a system suffering from decades of policy neglect and underinvestment in many countries of the world. The current situation emphasizes the urgent need for investment in agriculture and food systems - investment not just in farming but across the entire value chain from farm inputs to the ultimate consumer - along with policy reform in many cases.

One part of the world in which the need for rapid and comprehensive development of the food system is most acute is Africa. More than

one-third of the Continent's output of goods and services (GDP) is accounted for by agriculture and four-fifths of the labor force is in the sector. Like elsewhere in the world, relatively rapid population growth and rising incomes are quickly boosting food consumption requirements as the Continent urbanizes. Fortunately, Africa has an abundant natural resource base, a generally accommodating climate, and plentiful labor, leading many analysts to suggest agricultural output could be much greater and the intra-Continental food trade greatly expanded.

Increasing the productivity of the African farm and food system will require contributions from many areas - genetics, fertilizers and pesticides, machinery, credit, water management, and on through storage and handling, processing, transportation, and food retailing - the entire value-chain. Agribusiness certainly can play a major contributing role in virtually every aspect with new products and investment that bring advanced technology and new business practices.

The expanding opportunities for agribusiness in an African agriculture transformation will be widely explored at CCA's upcoming forum in Chicago on June 25-27. CCA's 2008 *U.S.-Africa Agribusiness Forum* is the first of its kind and will feature African agribusiness development and investment and other business opportunities across the entire value-chain. ●



*Dr. J.B. Penn*



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# MESSAGE FROM THE UNITED STATES TRADE REPRESENTATIVE

Dear Friends of Africa,

It is a pleasure to contribute to this special edition of *The Africa Journal* focused on agribusiness and timed to coincide with the Corporate Council on Africa's *U.S.-Africa Agribusiness Forum* in Chicago from June 25-27.

There is perhaps no sector of trade with greater opportunities for U.S.-African partnership than agribusiness. Agriculture is the backbone of most African economies; and African countries are looking to develop new strategies and partnerships to improve their competitiveness, boost agricultural productivity, promote farm exports, and add value to their agricultural products. American agribusiness companies, which are global leaders in agricultural technology as well as major buyers and sellers of agricultural products, are natural partners for those African farmers and companies that want to improve their global competitiveness.

The Bush Administration, through its trade and investment policy for sub-Saharan Africa, has sought to facilitate U.S.-African business linkages - in agribusiness and beyond - and to support Africa's efforts to use trade as a means to bolster economic growth and development.

The African Growth and Opportunity Act (AGOA) is the cornerstone of our trade and investment efforts in sub-Saharan Africa. By building on the market access provided by the Generalized System of Preferences, AGOA opens the U.S. market to almost all goods produced in AGOA-eligible countries and has helped to increase both the volume and diversity of U.S.-African trade, including in the agricultural sector. Many African agricultural commodities - such as coffee and cocoa beans - have long entered the United States duty-free under most-favored-nation provisions. AGOA's innovation was to extend duty-free entry to non-traditional products such as citrus, nuts, and cut flowers, and to processed goods such as cocoa products, juices and other fruit products, and prepared food items. As a result, U.S. imports of agricultural products under AGOA increased from \$153.5 million in 2001 to \$271.5 million in 2007. In 2007, 23 sub-Saharan African countries exported raw and processed agricultural products to the United States under AGOA.

The Administration has provided substantial trade capacity building assistance (TCB) to help Africans make the most of the market access opportunities offered by AGOA. Cumulative U.S. TCB to sub-Saharan Africa from FY2001 to FY2007 totaled \$1.6 billion, including \$505 million in FY2007 alone. Among other things, this funding has supported: 1) four Global Trade Competitiveness Hubs in sub-Saharan Africa, which help African governments and businesses to identify and develop market opportunities in

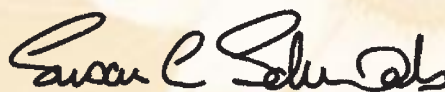
the United States; 2) the work of the plant and animal standards experts that we have placed in each sub-region of Africa to help African farmers to meet U.S. sanitary and phytosanitary standards; and 3) USAID's West African Cotton Improvement Program, which is helping to improve the production, transformation, and marketing of West African cotton. In addition, the Millennium Challenge Corporation has provided hundreds of millions of dollars of agriculture-related TCB through its eight compacts with sub-Saharan African countries.

The Administration has also promoted U.S. exports of agricultural goods, equipment, and technology to Africa. The U.S. Department of Agriculture has led several trade and investment missions to the region, and agencies like the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Trade and Development Agency carry out programs to promote greater U.S. exports to and investment in sub-Saharan Africa.

The World Trade Organization's Doha Development Agenda negotiations present an opportunity for deepening U.S.-African cooperation on agriculture. The Administration continues to work toward the conclusion of a successful Doha agreement that will lower trade barriers and trade-distorting subsidies for agricultural goods. African countries stand to gain from the agricultural trade reform that a Doha agreement could bring, including new market access for their goods, especially in emerging economies.

Recent years have seen a transformation in the U.S.-Africa trade and investment relationship. Sparked in part by AGOA, African and American entrepreneurs and investors have begun to see and act on new trade opportunities, including in agribusiness. I hope that the Corporate Council on Africa's Agribusiness Forum will reinforce this trend and lead to new business partnerships between American and African companies. ●

Sincerely,



Susan C. Schwab



Ambassador Susan C. Schwab

## CHAIRMAN OF HOUSE FINANCIAL SERVICES COMMITTEE INTRODUCES BILL MANDATING TRANSPARENCY FOR EXTRACTIVE INDUSTRIES

By Whitney Haring-Smith

On May 15, U.S. Representative Barney Frank (D-MA), Chairman of the House Finance Committee, introduced a bill to mandate disclosure of all payments between companies registered with the Securities and Exchange Commission and foreign governments for the extraction of natural resources. The legislation is designed to target oil, gas, and mining companies that do business in the U.S., requiring them to register with the SEC, and abroad. The bill has generated debate on its potential repercussions for investors in Africa, where extractive industries are a major and growing source of economic revenue. Current projections are that the bill is likely to pass the House this year. While it may be introduced in the Senate this year, it is unlikely that it will be voted on by the full Senate until next year with a new Congress.

The bill has significant support from a wide coalition of NGOs organized into the Publish What You Pay United States coalition. The primary motivation for the legislation appears to be to help reduce some of the corruption that can accompany natural resource extraction. The bill's supporters, though, have also tried to make the case that investors would benefit from a more transparent

marketplace that would allow them to assess the risks of their investments. The coalition has argued that the SEC disclosure regulations would set "a global standard for transparency and promoting a level playing field." In the African context, however, this well-intentioned initiative could further exacerbate American companies' competitive disadvantages against Chinese and other firms, who face no such mandates - and exploit this advantage with regularity, dampening U.S. investment in Africa in the process.

In fact, lobbyists on behalf of American Petroleum Institute and other extractive industries have argued that the bill would give foreign competitors an unfair advantage because the bill would only impact companies registered with the SEC. By being able to see what SEC-registered companies are paying, unregistered foreign companies would be able to position themselves with additional information without making disclosures of their own bids. Natural resource companies are also concerned that the additional disclosures could be used as evidence in investigations of potential violations of the Foreign Corrupt Practices Act.

Having been introduced by the chairman of the committee, the bill is likely to pass the committee, and given the Democratic majority in Congress, is also likely to pass the full House this year. The bill does not yet have a Senate champion so while

it may be introduced in the Senate, it is unlikely to receive a vote before the new Congress convenes in 2009. Given the Bush Administration's general record of opposing regulation of U.S. oil companies, the bill's supporters may also choose to delay the bill's Congressional approval until there is a new president determining vetoes.

## SUDAN: U.S. SHIFTS POLICY APPROACH, DANGLES PROSPECT OF EVENTUAL NORMALIZATION

By Philippe de Pontet

Recently-leaked documents suggest a new approach by the Bush administration on Sudan, with incremental incentives possibly leading towards normalization and sanctions removal over time - if Khartoum meets specific conditions on Darfur and implements its fragile peace agreement with the oil-rich south. While sanctions removal by the end of the Bush term is highly unlikely, the intermediate step of removing Sudan from the state sponsors of terrorism list is within the realm of possibility, albeit far shy of 50%. However, as the U.S. dangles diplomatic carrots, Darfur activists will be wielding sticks, using the Beijing Olympics to ramp up pressure on China, select oil companies in Sudan - PetroChina, Sinopec, ONGC, and Petronas - and investment banks with Sudanese exposure.

The shift in U.S. strategy is not a reward for Sudanese behavior to date, but an incentive for change, especially on Darfur, in recognition that past efforts to isolate the regime have not borne fruit. Senior U.S. officials, such as lead Sudan envoy Richard Williamson, believe there is now a window of opportunity to use step-by-step diplomacy, based on a reciprocal set of incentives, to push Khartoum's hand. Sudan fears that the next U.S. administration will take a more hawkish line on the regime as it faces two potential threats to its survival-planned elections in 2009 and a southern referendum for succession in 2011 that could lead to

outright independence. All of which could give the Bush administration leverage to extract concessions now as part of a roadmap towards eventual normalization.

While there is not enough time to get that far under this administration, or to lift oil and economic sanctions over the certain objections of Congress, the prospect of removal from the state sponsors of terrorism list would be a major step in that direction (as in Libya). The question is whether Khartoum is prepared to make the minimum concessions necessary. This would likely entail allowing unconditional access for UN peacekeepers and humanitarian workers in Darfur; cutting off support to Janjaweed militias in the region; demarcating the entire north-south border including oil-rich Abyei; and permitting international monitors in the 2009 elections. Sudan may well relent on UN peacekeepers in Darfur, which could give this process momentum, but the north/south peace implementation issues are thornier as they touch on oil revenues and sovereignty.

For the Bush administration to lift the state sponsors of terrorism listing (a legacy of Osama bin Laden's time in Sudan in the 1990s, which triggers many of the existing sanctions), momentum on Darfur is a necessary but probably not sufficient condition. Washington would need to point to tangible progress on the CPA too. Early indications on this front are mixed-on the upside, Khartoum has finally funded a census which is required for elections to take place (though the results were predictably disputed); on the downside, the Abyei border remains unresolved and deadly clashes have erupted in recent weeks between southerners and Arab militias backed by Khartoum.

Khartoum's best-case scenario is to move towards normalization with the U.S. while co-opting the southern-based Sudan People's Liberation Movement (SPLM) as a partner in the 2009 elections, so it has a chance of avoiding southern succession in 2011 by offering more autonomy instead. While plausible, this medium-term scenario is not likely to materialize since the south will probably vote for independence even if the SPLM maintains a temporary alliance with the ruling National Congress through next year. The specter of southern succession in 2011 poses a fundamental threat to the CPA, peace in the south and thus future oil production, since Khartoum is not prepared to accept that outcome.

As the Bush administration dangles diplomatic carrots, Darfur activists are poised to use the Beijing Olympics to ratchet up pressure on China, oil companies in Sudan, investment banks with Sudanese exposure, and Olympic sponsors. The advocacy will be targeted: Olympic athletes have been recruited to make statements on Darfur at the Beijing games (aimed at China); groups such as Dream for Darfur will "name and shame" Olympics sponsors who fail to implement corporate policies on Sudan; divestment advocates will target PetroChina, Sinopec, ONGC, and Petronas for pension fund divestment in the U.S. and Europe; and

activists will mobilize shareholder pressure on major Wall Street investment banks to divest of their Sudan oil and defense-related holdings.

As a result, Sudan-related investment risk may rise in the short term even as the U.S. engagement initiative moves forward. However, the Bush administration has removed most sanctions on southern-based investment outside of the extractive industries, which could provide fresh opportunities for risk tolerant U.S. investors amid a very uncertain future for the oil-rich south. ●

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# REGIONAL APPROACHES TO INCREASE AND COMPETITIVENESS

< By Mark Tomlinson and Casey Torgusson >

Several trends in recent years have exerted tremendous upward pressure on global food prices, with a marked acceleration of late. The first trend is one of demographics - growing populations mean more mouths to feed in general, but more importantly rising household incomes in many developing countries have induced a shift in dietary patterns toward animal proteins.

The second trend is largely a response by governments to concerns about high oil prices, energy security, and climate change - increasing conversion of cereals to bio-fuels as an alternative source of energy.

Increasing food price pressures have caused great hardship and unrest among the poorest segments of society across the globe, with riots erupting from Haiti to Burkina Faso. In the short term, national governments and the international community must come

together to provide emergency relief and coordinate national responses to ensure that countries imposing import/export and price controls in the name of protecting domestic food supplies do not further exacerbate global shortages to the detriment of all. Over the medium to long term, however, today's crisis can be tomorrow's boon. With appropriate action, high prices can help lay the foundations of a new 'green revolution' among the world's smallholder farmers - particularly in Africa - raising agricultural

productivity and competitiveness, and underpinning economic growth and poverty reduction across the Continent.

To meet growing demand, global food production will surely need to rise. Farmers in developed



# AFRICA'S AGRICULTURAL PRODUCTIVITY

countries have already begun to respond to price signals by increasing planting. Yet the greatest productivity gains (and return on investment) could come from developing regions such as Africa where there is far greater scope to increase yields through application of fertilizers and employing modern technology and land and water management practices. The question is whether African countries will be able to overcome the barriers which may dampen a supply response equivalent to the growing demand? This question is not only relevant to the agricultural sector but is symptomatic of African economies at large.

Over the last decades, African countries have gone a long way toward reforming and liberalizing tax regimes and export levies, industrial policies, and overvalued currencies that used to discriminate heavily against farmers and exporters more generally. This progress has been most welcome, yet an array of challenges to the competitiveness and productivity of Africa's nascent agricultural sector persist. These include the high cost of transport, inadequate access to finance, sub-optimal management of water resources, lack of scientific research into climate appropriate and pest resistant plant varieties, and subsidies and protection of developed world farmers, just to name a few. Increasingly, Africa's leaders and development partners have come to realize that many of these challenges can no longer be met by national action alone - they require increased integration and collaboration across Africa's borders.

By working together, African countries can build larger and more competitive economic spaces and provide new shared public goods that

would be impossible to achieve by acting in isolation. A closer examination of several of the important challenges and opportunities facing African farmers demonstrates the potential benefits of regional integration and cooperation, as a stepping-stone toward the Continent's meaningful integration into the global economy and as a building block for stronger economic growth and poverty alleviation.

Africa has some of the world's highest transportation costs, hindering agricultural and wider economic competitiveness. A preliminary World Bank study estimates that movement of goods along the Douala-Ndjamena corridor connecting Chad and Cameroon costs more than three times (per ton-kilometer) that of Brazil and five times that of Pakistan. If operating costs double after crops leave the farm, high commodity prices alone may not be enough incentive to induce smallholders to scale up production for export. The same is true for African manufacturers which are often globally competitive on the factory floor, but quickly lose out once their products leave the front gate. Several factors conspire to bring about

*Continued on next page*



## REGIONAL APPROACHES TO INCREASE AFRICA'S AGRICULTURAL PRODUCTIVITY AND COMPETITIVENESS

*Continued from previous page*

high costs: low density and quality of transport infrastructure, large geographic distances and complicated legal, regulatory and customs arrangements which can restrict competition, increase transit times, and represent considerable administrative costs. These problems are compounded when goods must traverse multiple national borders, each with their own unique set of legal, regulatory, and customs barriers. Regional infrastructure and trade facilitation programs can help bring down these costs by providing the necessary economies of scale to justify the investments in building hard infrastructure and by promoting harmonization of legal and regulatory frameworks and customs unions among groups of countries to facilitate the smooth movement of goods, people, and information once the hard infrastructure is in place.

Africa's low agricultural productivity also presents a great challenge. Average cereal

yields in Sub-Saharan Africa between 1994-2004 stood at a mere 1,069 kg/ha, less than half the global average of 2,676 kg/ha. Little investment, both public and private, has gone into agricultural research or extension activities. Innovation has been further blunted by the lack of regionally harmonized regulations on technology use (differing approval procedures for pesticide use, plant and animal genetic materials, and lack of harmonized intellectual property rights) which act as a barrier to the dissemination of technologies across borders. Low levels of irrigation capacity and mismanagement of water resources also hinder increased productivity.

The good news is that starting from such a low baseline, agricultural productivity has remarkable growth potential. Regional approaches can pay especially high dividends, with neighboring countries able to share the costs of research and spur private sector investment and innovation

by working to rationalize and harmonize legal and regulatory standards across borders. Management of water resources can also be more effective at the regional level in many cases as Africa's waterways often do not conform to political borders.

An equally, if not more important factor suppressing an adequate supply response from Africa's farmers is largely external - subsidies and agricultural trade protection in developed countries. It is estimated that developed country agricultural policies cost developing countries roughly \$17 billion per year. Such support distorts markets, artificially promoting overproduction in areas such as California where water subsidies encourage resource intensive production in the desert while suppressing it in Africa and other developing regions where the land is more fertile and labor much cheaper. Models predict a 60% increase in cotton exports from West Africa alone if markets were fully liberalized.



Policymakers in the EU, U.S., Japan and Korea, which together represent more than 90% of all agricultural support expenditures, should seize the opportunity of high food prices to dramatically reduce such protection and push to revive the Doha round of trade talks.

Policymakers in the EU, U.S., Japan and Korea, which together represent more than 90% of all agricultural support expenditures, should seize the opportunity of high food prices to dramatically reduce such protection and push to revive the Doha round of trade talks. On their part, African countries can raise their bargaining power and share the costs of legal and technical expertise in international forums and trade negotiations by banding together - both to encourage a reduction in subsidies in developed countries, but also to secure greater market access for their own products.

Recognizing these and many other opportunities to leverage regional approaches to meet Africa's development

challenges - including boosting productivity and competitiveness of the agricultural sector - the World Bank, along with many other donor partners, has dramatically scaled up assistance to regional programs. The Bank's shareholders first provided significant resources for regional programming through the International Development Association (IDA) starting in 2003. Since then, support has continued to grow, with the Africa Regional Integration Department now overseeing a project portfolio exceeding \$2.1 billion, making it the World Bank's second largest portfolio in Africa. Looking ahead, the Bank's shareholders have demonstrated further commitment through the most recent IDA replenishment, providing up to a further \$2.2 billion for regional investments in Africa over the next three years. In addition, the Bank has committed to nearly doubling lending specifically for agriculture in Africa from \$450 to \$800 million by fiscal year 2010.

With the aim to maximize the leverage and impact of the increasing regional assistance, the World Bank has launched a new Regional Integration Assistance Strategy which provides a comprehensive strategic framework to guide the Bank's regional engagements in Africa. The new strategy was developed through an extensive stakeholder consultation process involving the African Union, the New Partnership for Africa's Development (NEPAD), national governments, regional economic communities, academia, bilateral donors, civil society organizations, and development partners. The strategy focuses engagement around three key pillars of support: (i) development of regional infrastructure to create

economies of scale and connect landlocked countries to regional and global trade routes, (ii) institutional cooperation and economic integration with a particular focus on regional policy harmonization, reduction of tariff and non-tariff barriers, regional business environments and development of regional financial markets, and (iii) coordinated investments in support of regional public goods by focusing on shared water resources, climate change, emergency response, agricultural productivity, prevention of cross-border disease transmission and pest control, and rationalization of research and tertiary education.

The boom in global commodity prices from oil and minerals to foodstuffs have rarely been so favorable to African economic prospects. To ensure that today's economic boom can be sustained over the long term, this golden opportunity must be seized. African countries can leverage deeper integration and cooperation as a means to address many of the factors that have increasingly left the African agricultural sector and wider economies isolated and marginalized from global markets and unable to address issues of regional commons. The World Bank stands ready to assist African countries to meet this challenge. ●

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# BUILDING INSTITUTIONAL SUPPORT FOR DEVELOPMENT IN AFRICA

< By Ambassador John J. Danilovich >

With its abundant natural resources and enterprising human resources, Africa continues to convert its great promise into an engine for sustained socio-economic growth. Though many focus on the Continent's challenges - as pressing as they are - there is another face to Africa, a brilliant face of possibilities unfolding. In many countries throughout the Continent, policy reforms are underway. Some African countries are working to build their capacity to lift their own citizens out of poverty and place them on the path toward prosperity. Visionary African entrepreneurs are engaging the private sector and opening markets for increased business. And, many African farmers are maximizing options for agribusiness development. By growing more, selling more, and creating more jobs, these farmers recognize the agriculture sector's vast potential in helping them generate more income and realize the benefits resulting from that.

Many African leaders committed to progress fundamentally understand that whatever programs they put in place for the short term in the agriculture industry, or any other sector, need to be complemented with the institutional framework essential for lasting impact over

the long term. For this reason, African countries have embraced development assistance from the Millennium Challenge Corporation (MCC), a U.S. Government agency, as a key tool in their homegrown strategies for reducing poverty and stimulating sustainable economic growth.

## AFRICAN PARTNERSHIPS WITH MCC

For the past four years, MCC has offered development assistance with this long-term perspective in mind, partnering with countries that govern justly, invest in the health and education of their citizens, and promote economic freedom. Of the 16 countries worldwide that have been awarded MCC grants - called compacts - to reduce poverty through growth, nine are in Africa. This means that nearly 70% of MCC's compacts - some \$3.8 billion - benefit Africa specifically, making the Continent the largest recipient of MCC funding by far, with another \$800 million



Ambassador John J. Danilovich

being committed in compacts with Burkina Faso and Namibia this summer. This is an indication that many African countries are taking it upon themselves to reform, not only to qualify for MCC funding but also, more importantly, to do the right thing for their citizens. Additionally, MCC is providing another \$120 million to countries in Africa through MCC's threshold programs, which address specific policy weaknesses to push these countries over the "threshold" toward

## AFRICA'S MCC COMPACTS AND THRESHOLD PROGRAMS

MCC has *compacts* in Africa with Benin, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Morocco, Mozambique, and Tanzania, with Burkina Faso and Namibia joining in the coming months.

MCC has *threshold programs* in Africa with Burkina Faso, Kenya, Malawi, Niger, Tanzania, Uganda, Zambia, and Sao Tome and Principe.



qualifying for the larger compact program. MCC's model for development assistance is not one where donor and recipient countries interact on an uneven playing field, but, rather, one where they are partners in development, working shoulder-to-shoulder to achieve results. While MCC is providing the funding and technical support, African partners are identifying their barriers to poverty reduction and growth, developing their own proposals to tackle these constraints, and then implementing their own programs.

## AFRICA'S MCC-FUNDED AGRICULTURE PROGRAMS

As a result of this country-driven process, African partner countries are selecting and prioritizing investments in agriculture development as vital for their fight against poverty.

Making agriculture more productive by improving linkages upstream, downstream, and throughout the entire agricultural value chain - as well as building reliable infrastructure to support agriculture development throughout the rural economy - are fundamental to reducing poverty and catalyzing economic growth. MCC investments support and secure technology transfer, land rights and access, rural finance, water access, rural roads, and other farm- to-market infrastructure such as dry and cold-storage facilities. These investments help farmers and rural businesses access productive inputs such as seeds, water, and fertilizers, and overcome bottlenecks that hinder their ability to get produce from farm to market - including higher return markets - to ultimately grow their rural incomes.

In a number of countries where MCC is supporting agriculture projects, difficulties in accessing finance for capital investment and crop cycle inputs, such as seed and fertilizer, are a constraint to growth. In some cases, MCC African countries are

*Continued on page 45*

## HOW MCC AFRICAN COUNTRIES ARE INVESTING THEIR MCC GRANTS IN AGRIBUSINESS DEVELOPMENT

**Benin's** \$307 million MCC compact secures access to property rights for rural land holders and reduces the average time needed to obtain a land title. The compact is also improving the operations and infrastructure of the Port of Cotonou, benefiting importers, exporters, consumers, and businesses.

**Cape Verde's** \$110 million MCC compact upgrades roads, bridges, and the Port of Praia. The compact is increasing agriculture productivity by improving water management and soil conservation, enhancing agribusiness development and marketing services, and increasing access to credit. Farmer households, many headed by women, are benefiting, together with cooperatives and small agribusinesses involved in input supply and value-adding activities.

**Ghana's** \$547 million MCC compact upgrades the National Highway, expands main roads, and improves the Lake Volta ferry system. Improved infrastructure facilitates access to markets and social services. The compact provides training in commercial agriculture, enhances land tenure security and credit services, promotes irrigation development, and improves post-harvest handling and value chain services. It also provides \$40 million in support to rural banks and other lenders to the agricultural sector to help improve access to finance, particularly in the regions where MCC's agriculture project is focused.

**Lesotho's** \$363 million MCC compact upgrades infrastructure that will improve the reliability of water supply and sanitation for industrial and residential uses.

**Mali's** \$461 million MCC compact renovates the Bamako-Sénou Airport to facilitate the movement of passengers and freight. The compact expands irrigation infrastructure in the Alatona region by modernizing irrigated production systems and introducing innovative agricultural, land tenure, and water management practices. As agricultural production rises, the region will serve as an engine for rural growth; and farm owners, agricultural laborers, suppliers, transporters, processors, and traders will see their incomes increase. The compact also provides some assistance to local microfinance institutions to encourage lending for farm inputs.

**Mozambique's** \$507 million MCC compact rehabilitates roads and expands the municipal water supply and sanitation systems in small towns. The compact equips farmers to contain the spread of the *Coconut Lethal Yellowing Disease*. Through technical support, coconut farmers will be able to increase their crop yields and adopt new cropping systems that will improve productivity and encourage diversification into other cash crops.

**Tanzania's** \$698 million MCC compact invests in transportation, energy, and water. By increasing commerce and linking communities to markets, the investment in roads will increase the number of tons of crops sold in four different regions of Tanzania.

**Madagascar's** \$110 million MCC compact opens six agricultural business centers to provide farmers with information on agribusiness technology transfer, management skills, rural finance, land titling, and profitable agribusiness market opportunities, including those involving potatoes and litchi, and essential oils from niaouli and eucalyptus.

**Morocco's** \$698 million MCC compact stimulates growth among olive, almond, date, and fig producers through technical assistance and improved irrigation infrastructure. The goal is to move small farms from high-water-use, low-value cereal grains to low-water-use, high-value and drought-resistant commercial tree crops. The compact will also transform Morocco's small-scale fisheries sector by modernizing the means of catching, storing, and marketing fish.



**Christian Foster** oversees operation of The Foreign Agricultural Service's (FAS) export credit guarantee programs, established under the authority of the Commodity Credit Corporation (CCC), and the market development programs that support sales of U.S. agricultural products through U.S. non-profit groups. He began his USDA career with the Economic Research Service where he conducted economic analyses of agricultural trends in emerging markets, particularly in Eastern Europe and the former Soviet Union. Since 1990, Foster has managed trade capacity building programs for FAS in developing countries.

In his new position, he hopes to develop programs that are viable in growth markets such as Africa. He sees similarities in Africa's current model for economic development and that of the transition of formerly centrally planned economies. FAS seeks to enhance USDA's partnerships in Africa to address food security and economic development.

# INTERVIEW WITH MR. CHRISTIAN FOSTER, TRADE PROGRAMS, U.S. DEPARTMENT OF

## What is the GSM-102 Export Credit Guarantee Program?

The GSM-102 Program issues credit guarantees that provide assurance of payment to a U.S. guarantee holder in the event of payment default by an overseas bank.

## What is the Commodity Credit Corporation (CCC)?

The CCC is a U.S. Government-owned and operated entity, incorporated as a federal corporation within the U.S. Department of Agriculture. The CCC helps maintain balanced and adequate supplies of agricultural commodities and assists in their orderly distribution.

## What is the Foreign Market Development (FMD) Program?

Also known as the "Cooperator Program," the FMD uses funds from USDA's CCC to create, expand, and maintain long-term export markets for U.S. agricultural products. Cooperator programs represent the interests of a variety of U.S. agricultural products, including wheat, rice, meat, poultry, eggs, and feed grains.

## Who are the participants?

Participants include U.S. exporters who have qualified to participate under the program; importers that are located in eligible countries overseas; financial institutions established in the United States; and approved foreign banks located in eligible countries.

## How does the program work?

After negotiating a firm sales contract with an importer, a U.S. exporter registers the sale under the GSM-102 program and pays a fee based on the risk of the obligor country. In nearly all cases, the U.S. exporter assigns the GSM-102 guarantee to a U.S. bank. The U.S. bank will extend terms (payable in USD) to an overseas bank that opens a letter of

credit under the GSM-102 program. If an overseas bank defaults on payment to a U.S. bank, CCC will pay the U.S. bank 98% of the principal and a portion of interest. Because the U.S. bank's risk is reduced, U.S. banks are more inclined to extend favorable terms to banks in emerging markets.

## What kinds of products does the GSM-102 program cover?

The program covers sales of U.S. agricultural commodities and the products thereof that are entirely produced in the United States. Agricultural products are determined to be "high value" if they consist of 90% or more of the agricultural components by weight, excluding packaging and added water, and are entirely produced in the United States. Shipping costs are often covered as well. Commodities may include food, fiber, feed, livestock, and genetics. Please refer to this link for a complete listing of U.S. agricultural products eligible under the GSM-102 program: <http://www.fas.usda.gov/excredits/gsmcommodities.html>.

## How does an importer in Africa benefit under the program?

Importers benefit from the terms obtained by their bank from a financial institution or U.S. bank that may reduce transaction costs. Because a bank in Africa obtains a dollar-denominated credit and terms, the importer may be able to open a letter of credit and receive attractive terms.

Also, overseas banks must be located in a country that meets the CCC-country risk criteria and be ones that the CCC will approve.

## Where is the authority for the GSM-102 program?

The GSM-102 program is authorized under Section 202 of the Agriculture Trade Act of 1978 and codified under 7 CFR, 1493, subpart B.

# NEWLY APPOINTED DEPUTY ADMINISTRATOR, OFFICE OF AGRICULTURE'S FOREIGN AGRICULTURAL SERVICE

## Can you walk us through an example transaction?

Let's say an importer wishes to import beef and poultry from the United States. He or she can contact the U.S. agricultural attaché through the U.S. embassy, to obtain a list of U.S. suppliers of the desired products. Or, an importer can access a list of U.S. suppliers on-line at [http://www.fas.usda.gov/agx/buying\\_us/buying\\_us\\_products.asp](http://www.fas.usda.gov/agx/buying_us/buying_us_products.asp). The importer identifies an acceptable supplier and negotiates a firm sales contract with the U.S. exporter. The U.S. exporter will register the sale with the CCC under the GSM-102 program. CCC will issue a guarantee after a fee is paid by the U.S. exporter. Once the guarantee is issued, the U.S. exporter will ship the desired U.S. agricultural goods to the importer on terms specified in the contract. The U.S. exporter is paid by the U.S. bank once shipping documents are presented. Of course, financing terms under the GSM-102 program must be negotiated between the U.S. bank and the overseas bank and must be consistent with terms permitted under the GSM-102 program.

## Does the CCC guarantee a U.S. exporter's performance?

No. Exporters listed on CCC's list of eligibility only means that a company is established to do business in the United States and is not currently prohibited from doing business under the program. It does not attest to the ability of an exporter to perform.

## Why have African countries not used the GSM-102 program as widely as other regions such as Central America or the Caribbean?

Some banks are not aware of the GSM-102 program or have not received details of how the program works from an

overseas banker's perspective. In other cases, U.S. banks are not willing to assume a 2% risk on the principal or the balance of interest not covered by the guarantee. From an importer's perspective, some banks may require as much as 100% collateral to open a letter of credit. The overseas bank must have assurance of payment from the importer. Importer payments and foreign exchange risks (repayment is in U.S. dollars) are not risks covered under the GSM-102 program.

## Why do you think the GSM-102 program will work now?

U.S. market development cooperator groups that promote exports of U.S. agriculture report increased demand from African countries for products including rice, vegetable oil, frozen meat, dairy products, livestock, and a variety of consumer-ready products. As a result, we are working to develop strategies for employing export credits in Africa.

FAS' Office of Trade Programs is working with FAS attachés in Africa to develop training plans and outreach to banks in Africa. Ecobank (West Africa) and ABISA Bank (South Africa) are two recent examples of African banks that have met with our Credit Program Division to better understand the GSM-102 program.

U.S. banks experienced in infrastructure development are becoming more interested in GSM-102 as it relates to obtaining U.S. agricultural inputs into warehouses or processing facilities that they finance in Africa.

## What are your major goals over the next year with regard to Africa programs?

The first step is to inventory the program tools we have: what works well, and what needs to be adapted to the market characteristics in markets in Africa.

Another critical step is to help our customers better understand our credit guarantee programs and systems for application. We have an on-line application process that saves our customers time and money.

We are also working with the Corporate Council on Africa (CCA) to participate in events that they coordinate in Africa or the United States. We see Africa as an important growth market.

## Why is infrastructure development or expansion of storage, distribution, handling and processing so important to food security in Africa?

Locally grown foods as well as imports necessary to meet food needs in Africa, require adequate, state of the art storage facilities that employ a system of segregating, grading and weighing commodities. Also, secure and efficient distribution systems are critical to food security. As an example, the East Africa Grains Council is collaborating with U.S. agricultural companies to adopt systems that can grade regional production of grains. However, agribusiness companies in Africa still require sufficient agricultural inputs from the United States and other suppliers to keep their processing businesses prosperous. Banks in some countries that have previously not been open to off-shore financing are changing as they seek solutions to mitigate their risk in helping countries that are not as prosperous.

## Why has there been a dramatic demand for GSM-102 financing?

High global food prices combined with less financial liquidity in global markets make risk mitigation programs, such as GSM-102, attractive. ●

# USDA'S TRADE AND INVESTMENT MISSIONS HELP

< By Patricia R. Sheikh >

The United States is committed to sub-Saharan Africa's economic development so it can grow and prosper. One of the most visible U.S. efforts to integrate Africa into the global trading system is the African Growth and Opportunity Act (AGOA). Signed into law in May 2000, AGOA's objectives include promoting free markets, expanding U.S.-African trade and investment, stimulating economic growth, facilitating regional integration, and integrating sub-Saharan Africa into the global economy. AGOA is the first and only legislation to promote trade and investment between the United States and sub-Saharan Africa.



Of the 48 countries in sub-Saharan Africa, 39 are AGOA-eligible. In 2007, U.S. total exports to sub-Saharan Africa under AGOA reached \$14.4 billion, more than double the amount in 2001. During the same period, U.S. total imports from sub-Saharan Africa more than tripled to \$67.4 billion.

The U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) supports AGOA through various activities and programs, one of which is called Trade and Investment Missions (TIMS). These missions, which began in 2000, are unique because they focus on two-way trade. This means that, while

U.S. agribusinesses are exploring trade and investment opportunities in a host country, they also meet with host country agribusiness representatives who are eager to enter the U.S. market. Missions also offer U.S. agribusinesses the opportunity to hear presentations by U.S. Embassy and host country officials on the local economy and business climate, obtain financial support through the Export-Import Bank and other investment brokers, discuss, identify, and consider ways to overcome trade barriers, and obtain links to shipping consolidators and appropriate USDA programs.

The first TIM to sub-Saharan Africa took place in the fall of 2005 and focused on the Southern Africa region. This was followed by a second mission to East Africa in February 2007. The next mission occurred in March 2008 to West and Central Africa followed closely by a North Africa mission in April 2008.

The Southern Africa TIM to Johannesburg, South Africa, brought together 15 U.S. and 66 African companies from Angola, Botswana, Lesotho, Madagascar, Mozambique, Namibia, South Africa, and Swaziland. Business interests included promoting seafood, agricultural products,

# JUMPSTART SUB-SAHARAN AFRICA'S ECONOMY

beverages, food processing technology, aquaculture, livestock genetics, horticulture, and fertilizer inputs. The total value of exports of U.S. products and technology as a result of that mission was \$10.04 million and included consulting services, meat and poultry, greenhouse products, aquaculture and seafood, beverages, and livestock genetics. Total imports of African products were valued at \$1.94

technology exported was valued at \$15.8 million, representing U.S. horticulture, aquaculture and seafood, and processed goods. While exports of African products to the United States as a result of this mission have not fully materialized, processed African nuts and juices were imported by the United States. This number is expected to grow as business deals are consummated.

In March 2008, the West and Central

horticulture, and investment brokers. While it is too early to determine the total value of African products imported by the United States, total exports of U.S. products and technology are estimated at \$6.6 million.

The United States has a strong, long-term commitment to sub-Saharan Africa's growth and development. These missions are an important part of that commitment. They offer U.S. and



million and included aquaculture and seafood, dried and frozen fruit, and beverages.

The East Africa TIM to Nairobi, Kenya, included 13 U.S. and more than 75 African agribusinesses from Burundi, the Democratic Republic of the Congo, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia. The U.S. companies represented were small and medium-sized firms and exporters of seafood, processed goods, beverages, food and agriculture processing technology, aquaculture, livestock genetics, horticulture, and investment brokers. Total U.S. products and

Africa TIM was hosted in Accra, Ghana. Seventeen U.S. and more than 125 African agribusinesses from Benin, Burkina Faso, Cameroon, Ghana, Liberia, Mali, Nigeria, Senegal, and Sierra Leone participated. Of the 17 U.S. companies, six had participated in the U.S. agribusiness TIM to East Africa in 2007, the mission to Southern Africa in 2005, or both. All six of those companies had successfully established relationships with African companies. U.S. sectors represented included seafood, biofuels, processed goods, seeds, beverages, meat and poultry, dairy products, food processing, agricultural equipment, aquaculture, livestock genetics,

African agribusinesses the opportunity to make sales and form joint ventures and trade and investment partnerships that will not only benefit our agricultural sectors, but will improve economic opportunities for all of our citizens. ●

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# FUTURES MARKETS AND AGRICULTURAL MARKET EFFICIENCIES

< By Fred Seamon >

## THE BIRTH OF U.S. FUTURES EXCHANGES

The price discovery, price transparency, and price risk management function of futures contracts is often taken for granted in the U.S. grain and oilseed markets. However, the efficiencies brought about by deeply liquid futures markets to the cash grain and oilseed markets benefit all who participate in these markets whether they use futures markets directly or indirectly. Before futures contracts were available, this was not always the case.

As the United States developed, pioneers quickly discovered the fertile plains of the U.S. Midwest. Soon, most of the county's grain production occurred in this region and was traded in the region's hub - Chicago. The problem faced by farmers and the whole grain industry at this time (and today, for that matter) was that crops were produced once per year, but they are consumed throughout the year. At harvest, farmers would flood the streets of Chicago competing with hundreds of other farmers trying to sell their crop. Of course, given the amount of grain available at harvest, the price would be very low. Not only were prices low, but since no central marketplace existed, the treatment farmers received from grain merchants varied significantly across the city. Some producers were unable to find buyers and as a result of limited storage facilities were forced to dump their grain into Lake Michigan. And while grain prices were low at harvest, they would become extremely expensive for millers and livestock feeders several months later when the limited number of grain bins were emptied.

A group of 83 businessmen formed the Chicago Board of Trade (CBOT) in 1848 as a centralized marketplace where buyers and sellers could meet and trade.

Now with a public market, grain prices were discovered through an intricate interplay between a variety of market participants including farmers, merchants, and millers. Since the market was public, everyone knew current prices and farmers knew the fair value of their harvest. This process is known as price discovery.

Also during this time, market participants began trading forward contracts at the Chicago Board of Trade. A forward contract is similar to a futures contract in that a price is determined today for a delivery that will occur in the future. With the trade of forward contracts at the Chicago Board of Trade, suddenly there was a forward price curve for grain and farmers knew not only the price of grain today but also the price of grain in six months. Entrepreneurs saw the advantage of building storage facilities knowing there would be a continuous demand for the grain throughout the year. Suddenly farmers were able to make informed storage decisions and the usual peaks and valleys of the annual commodity cycle were smoothed significantly.

Eventually, forward contracts became more standardized and evolved into the futures contracts that are traded today. The value proposition of today's futures contracts is the same as it was back in 1848 - price discovery, price transparency, and price risk management.

## PRICE RISK MANAGEMENT

People usually associate futures markets with risk management. Risk management using futures contracts works because of the strong relationship between the futures prices and cash market prices. This relationship is maintained because of arbitrage between the two markets. This means that if the cash market price and the

futures price drift too far apart, an astute trader would buy the grain in the cheaper market and sell that grain into the more expensive market. This act brings the price relationship back in line. Figure 1 shows a daily series of corn cash prices at various locations and the nearby futures price. The cash and futures prices are highly correlated which means that they tend to move together (e.g., if the cash price goes up, it is likely that the futures price will go up, as well). Because of this correlation between cash and futures prices, price risk can be hedged. For example, suppose during the growing season a producer is concerned that prices may fall. This producer can sell futures to hedge this risk prior to the harvest. If these concerns come true and prices fall at harvest, the producer would sell his crop at the lower cash price but his short futures position would generate a profit that offsets the lower cash price. Cash and futures prices are not perfectly correlated so a hedger may not completely offset all of the market risk. However, a significant portion of the producer's price risk can be offset using futures contracts.

## PRICE DISCOVERY

Just as important as the risk management function, futures markets also provide a price discovery mechanism. Each business day, participants in the domestic and international grain and oilseed industry trade futures contracts to protect or enhance their profitability. Due to excellent local crop growing conditions, a farmer decides to establish a price level for a portion of his corn crop by selling futures. This short (selling) hedge position will help manage the risk of falling prices, should the expectations of a large crop come true.

An ethanol production facility, who has to procure corn in a few months to keep

his facility in operation, decides he can produce ethanol at a profit if he can lock-in the current price level of corn. The ethanol producer decides to establish a price level for his purchases by buying (going long) Corn futures contracts.

A professional trader, examining the latest USDA corn supply and demand data, believes that prices are going to fall. To have an opportunity to profit from this expectation, the trader decides to sell a Corn futures contract. If prices fall, a profit will be made. However, if the expectations are wrong and prices rally, the trader will have a loss.

Across the country and around the world, people in the grain industry and individual traders are making similar decisions in the futures markets based on their particular situation or expectations. Participants who have decided to buy or sell Corn futures contracts send their orders to the CME Group, where the futures contracts are traded on an electronic trading platform and in an open-auction trading pit. This purest form of open market competition discovers the global benchmark price for grains and oilseeds.

### FARMERS' BENEFITS

How can these discovered commodity futures prices benefit farmers? Although some farmers hedge directly with futures contracts, other farmers may prefer to forward contract their crop with merchants, elevators, or cooperatives in advance of harvest. Even if a producer does not forward price or hedge his crop, he will eventually sell his crop to a merchant, elevator, or cooperative. The forward prices or spot (cash) prices quoted by elevators and co-ops are based on underlying commodity futures prices.

If an elevator can contract to buy corn, for example, from a producer for ten cents per bushel below CBOT Corn futures and eventually sell that corn to a livestock feeder or exporter for five cents per bushel above CBOT Corn futures, the elevator can establish a profit margin of 15 cents

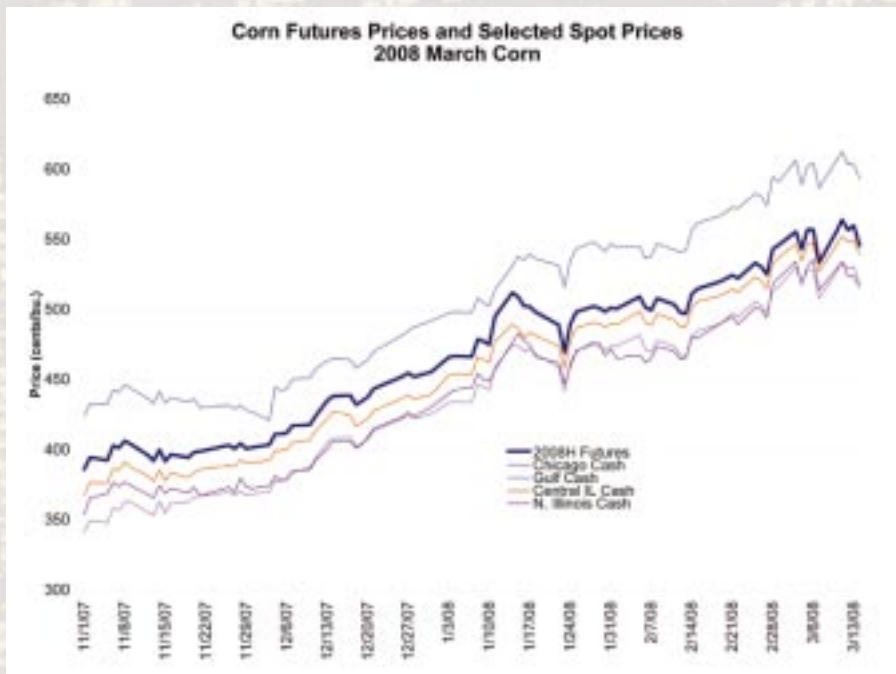


Figure 1 - March 2008 CBOT Corn Futures Daily Settlement Prices and Selected Daily Spot Prices.

per bushel less carrying costs by hedging with Corn futures contracts. This drastically reduces the elevator's price uncertainty and allows them to provide competitive bids to the farmer. Without the futures market, the elevator may have to lower their bids to compensate for the uncertainty of not knowing what the selling price will be. Because futures contracts exist, almost all pricing is based on these contracts and hedgers can significantly reduce their price exposure. By trading futures contracts directly as the elevator in this example or indirectly as the producer in this example, they are all participating in the price discovery function for corn.

### IMPLICATION FOR EMERGING MARKETS

The forces that combined to form futures trading in the U.S. in the mid 19th century are coming together in the developing world today. Futures markets have been launched in many developing nations such as China, India, and Ethiopia over the past decade. The prospect for additional futures market development is promising given the current commodity environment.

The recent rise in commodity prices has several causes, among them are the

following: First, as the developing world continues to grow, diets are changing to include additional animal protein, which increases the demand for feed grains and oilseeds. Secondly, biofuel production has resulted in growing demand for grains and oilseeds to supply this growing industry. These two factors have significantly increased the demand for grain. At the same time, weather and pestilence issues in major production regions have adversely affected production growth in some grain products, particularly wheat. Overall, however, grain production has continued to grow, but demand growth has been even more robust. In corn, for example, since 2000 world corn production has met or exceeded corn use in only two crop years. Grain prices have increased as world stocks have been drawn down to historical lows. Protectionist governmental trade policies throughout the world have exacerbated the problem.

The major issue for developing countries is the need to feed their populations while food prices rise. Much of the developing world spends a majority of their income on food and an increase in food prices obviously causes severe economic hardship.

*Continued on page 44*

# FOOD MARKETING SOLUTIONS FOR THE GLOBAL ECONOMY

< By Jim Thaller >

“Hmm, good luck with that.” This was the vote of confidence I received from industry colleagues when I initially discussed our plans to move forward with creating an African specialty foods program.

I had the privilege of enjoying countless tales about poor packaging, a low fulfillment rate and a non-existent quality assurance standard. Admittedly, this had me somewhat concerned, but we decided nevertheless that this would be a worthwhile endeavor. Our company, Talier Trading Group, is a specialty food development company that focuses on creating export opportunities for international food manufacturers.

African foods were a non-existent category, and one which we saw as having huge potential. Of course, we certainly recognized the economic reality in many parts of Africa, so there was an element of a “feel-good” factor. But, as a business owner, I need to see the tangible viability of a project before moving forward.

Despite the words of caution and uncertainty, Talier Trading Group effectively began working on an African specialty foods program in the summer of 2006. Since then, I have been amazed at the results produced. In Africa, where the overwhelming majority of the population works in agriculture, it is logical to think that specialty food exports represent a true opportunity for a people who want nothing more than to seize that opportunity. The process would prove challenging and rewarding and worth every second of effort.

## THE NEED FOR EDUCATION ON BOTH SIDES

It was obvious early on that developing and marketing African specialty food would require an extended range of considerations well outside of the norm. Africa has never received a lot of positive press or attention here in the United States. What little media attention Africa does receive typically focuses on famine, civil wars, or post-election violence. In elementary schools, African studies are limited to the pharaohs of Egypt and a brief mention of the apartheid struggle. Geographically, Africa is even more of a mystery, with a 1999 survey indicating that many Americans considered Africa to be one country unto itself.

Convincing American consumers that France, Thailand, or Mexico has great cuisine is one thing; while preaching about the diversity and culinary delights found in Africa is quite another. “Where is that?” was a common question. “They have food there?” was another. With these facts in place, it was easy to see that education needed to be a critical part of our overall objective in creating the demand for African specialty foods.

On the other side, there was a strong need to educate African manufacturers, exporters, and government officials about why

and how they should approach the U.S. market. For the processors, the U.S. specialty food industry can seem daunting and confusing, to say the very least. Packaging and nutritional requirements, pricing structures, and product positioning are only a few of the major concerns initially expressed by African manufacturers. With the markets in Europe being so close, many were not convinced that the U.S. market was a viable project.

Finally, African government officials needed to be convinced that investing in the infrastructure, micro-financing, and agricultural inputs in an effort to market their "culinary culture" was money well spent. Fortunately, the supply and demand ratio was there, and all parties involved recognize the win-win situation that presented itself. With increased education, growers, manufacturers, buyers, and consumers have and will continue to embrace the idea of Africa as a specialty food exporter and as a prominent region of the world commanding respect and admiration.

## ANXIOUS CONSUMERS TURN TO AFRICA

Africa is indeed the last frontier for the specialty food industry in the United States. American consumers have been enjoying a global shopping experience for years. In any supermarket, in any town in America, consumers can find the shelves well-stocked with food products from around the world. While most countries in Europe, Asia, and South America have been well-represented, Africa has remained virtually absent. The variety and availability of specialty food products in the United States is tremendous, and consumers love them. The specialty food industry here in America is valued at over \$70 billion; easily the largest in the world.

With a floundering U.S. economy and an increasingly painful European exchange rate, the doors were wide open for emerging markets to step in with new products of perceived value. Our buyers

from retail supermarket chains across the country were begging for new products, and for new categories. Major supermarket chains like Kroger, Shaw's, Food Emporium, Meijer, Whole Foods, and many more were intrigued with the idea of promoting a category as new and as innovative as African specialty foods.

As for American consumers, they love new products. They love the exciting packaging, the natural approach to food production, and the diversity of cultural experimentation derived from trying new cuisines. More importantly, American consumers love the idea of Africa. For most, Africa is a land of mystery and excitement. Americans love to see underdog success stories, and the idea that Africa, with its well-documented economic difficulties, would be mounting a challenge to enter into the competitive U.S. specialty food market, sparked interest.

## AFRICAN MANUFACTURERS RISE TO THE CHALLENGE

With the interest of industry leaders and consumers heightened, the lingering question of whether or not African manufacturers would be able to meet the demand needed an answer. The U.S. specialty food market, as discussed, is one of the most complex and unforgiving consumer sectors in the world, with a long list of requirements that must be fulfilled. After years of tireless efforts, I am happy to report that not only did African manufacturers meet expectations, they surpassed them.

African manufacturers have worked long and hard, harnessing expert advice from countless support mechanisms, to create unique products in beautiful packaging. They have created business models to streamline their operations into cohesive, cost-effective processes which employ the most philanthropic practices. Companies like The Highland Tea Company, Honey Care Africa, and Elephant Pepper have created viable business plans with a strong social

agenda behind them. Artisan companies like Verlaque Fine Foods, The Original Rooibos Company, and Zena Exotic Fruits have scaled-up production capacities without losing one shred of their uniqueness and originality. Finally, larger organizations like Nando's and Berfin (Something South African/Mrs. Ball's) have led the way in supporting and mentoring the hopes of an entire continent of eager manufacturers.

"This came from Africa?" I've heard this question a thousand times in sales meetings, and I am the first to admit that it always puts a smile on my face. "Yes," I say, "This gorgeous product, with its attractive pricing and aggressive promotional schedule came from Africa." For buyers, it is not enough to have a good story. Whether or not a product supports an entire village, or saves elephant populations is irrelevant to a buyer whose main concern is shelf appeal and gross profit margin.

Today's African specialty food manufacturers understand this business reality, and have been tremendously successful in developing competitive products with a social platform. They are social entrepreneurs in the truest sense of the term, and their efforts have been embraced by supermarket chains across the United States. I remain humbled by and proud of their accomplishments over the past few years, and I realize that they have laid the groundwork for many more generations of African specialty food manufacturers to come.

## OVERWHELMING SUPPORT & ASSISTANCE

As the CEO of a mid-sized specialty food organization, I am well aware of the challenges and restrictions we face when developing new programs. While our intentions are good, we do not always have the resources necessary to accomplish our desired goals alone. No example of this could ring truer than in Africa. To make this African specialty food program successful, we knew we

*Continued on page 42*

# AN EXPANDED WORLD

< By Daniel Wolf >

The annual Fancy Food Show, hosted by the National Association for the Specialty Food Trade (NASFT), is New York's premier international food trade event connecting 54,000 motivated buyers with 180,000 specialty food products. As one of the food industry's largest and most influential events, the Fancy Food Show features the hottest domestic and international new products and educational sessions, attracting more than 2,400 exhibitors and more than 14,000 attendees worldwide each year.

Last year there were 40 sub-Saharan company displays; this year, it is up to 50, with 25 from South Africa alone. Under the leadership of South Africa's Department of Trade and Industry (the dti), the South African Pavilion at the Fancy Food Show will feature sophisticated products like Stellar Organic Winery's organic and no-sulphur-added wines and the Koopmankloof wine label, which are two leading producers in the semi-arid climate of the Western Cape. The South African Pavilion will be joined at the trade show by the Taste of Africa Pavilion, which will feature specialty food companies from the rest of the Continent.

"The interest in African products is a fairly new thing, and it's growing. Americans are into trying new flavors," said Ron Tanner, Vice President for Communication and Education of the NASFT, which runs the trade event. "And many of them [new products], especially from Africa, are doing

it with help from American agencies that work in international development."

The selection process for companies under the South African Pavilion was overseen by the dti. Companies were rigorously vetted by the Corporate Council on Africa (CCA)'s South Africa International Business Linkage-phase two (SAIBL2) program, which utilizes support from the United States Agency for International Development (USAID) to link South African exporters domestically and internationally with importers.

"Simply put, we believe that events like the Fancy Food Show offer the best opportunity for the discovery of new South African products by U.S. specialty retailers," said Fikile Magubane, Consul-General at the South African Consulate General in New York. "I am confident that our specialty food products are competitive with the very best that the rest of the world has to offer."

Tim Bergstrom, senior program manager of the CCA's SAIBL2 program believes that, "The large number of [South African] companies this year represents a sound business strategy by South African businesses," Bergstrom said.

SAIBL2's South African counterparts evaluated the financial stability, export marketing strategy, product innovation in ingredients and packaging, and indigenouness of the companies' products. Bergstrom and his team have been marketing the South African Pavilion, and they have arranged buyer meetings for the South African delegation upon its arrival in the U.S. at the end of June.

The SAIBL program's success in 2007, which included the Fancy Food Show and a trade mission to New York and Washington, D.C., reaffirms Bergstrom's sentiment that South African companies are prepared for American taste buds.

"Americans are venturing out for new



foods, and South Africa is a perfect stop," Bergstrom said.

Following nearly ten years of SAIBL1, which assisted over 3,000 South African small and medium-sized enterprises gaining access to mainstream commercial markets in South Africa and countries worldwide, the second phase of the SAIBL program will focus on South African companies that are unable to tap into the lucrative imported specialty food industry of the United States.

"We hope to surpass the R10 billion in sales, 17,000 new jobs created, and R800 million in exports achieved under SAIBL1," Bergstrom said. "We will capitalize on the organic food and wine products arriving from South Africa."

South Africa has long been a major wine producer, and Stellar Organic Winery's innovative approach has elevated the country's wines by combining natural farming practices with high-tech wine-making processes. Stellar's winemaker Dudley Wilson has built a reputation for producing innovative, award-winning wines such as the no-sulphur-added range, which occupies a unique niche in markets at home and abroad.

"Growing grapes organically is no easy task," confessed Willem Rossouw, director of operations of Stellar. It means that no chemicals, pesticides, or herbicides are used in the growing process. Only compost and organic materials are used, with indigenous vegetation for mulching."

Organic trends in South Africa have not been limited to the wine industry. The growing popularity of high quality South African specialty food and non-alcoholic

beverages such as rooibos tea, processed fruits, sauces, and spices are a clear illustration that what South Africans are producing matches America's tastes.

"In the last few years, there's been an incredible push for everybody to live greener and healthier, and I think organics fold themselves into that better way of living," Rossouw said. "Organics is a trend that's not just trendy, but completely essential."

Exotic coffees, teas, jams, spices, and other fruits emphasizing organic production are among the products that will be featured at the South African Pavilion such as Westfalia Fruit's dried mangoes and avocado oil; Totally Wild's Aloe and Orange Marmalade made with organically grown Aloe Ferox; Carmien Tea's naturally grown rooibos tea; and Peppadew's sweet piquant pepper fruit, which uniquely balances hot, spicy, and sweet flavors.

The identification of South African products as natural and environmentally friendly has enabled the country to secure more shelf space at specialty food groceries.

"I personally shop at Whole Foods and it always makes me smile when I find a South African product on their shelves," said Consul-General Magubane from the South African Consulate.

In order to prepare the participating South African exhibitors for the Fancy Food Show, the dti and SAIBL2 hosted three informative sessions in Cape Town, Johannesburg and New York. *The Importing and Labeling Requirements for Processed Foods and Natural Products*

*Workshop* on April 16 in Cape Town, with support from the U.S. Department of Agriculture and the United States Food and Drug Administration (FDA), briefed companies on the rigorous and stringent standards of conducting business in the United States and the FDA's food safety requirements. A similar workshop was held in Johannesburg earlier in the month.

Furthermore, Ron Tanner along with Jim Thaller of the Talier Trading Group led the SAIBL2's half-day seminar at the South Africa Consulate in New York. They gave an overview of industry trends informing the exhibiting South African companies of the tools needed to differentiate their product and maximize their experience at the Fancy Food Show. Tanner shared how industry leaders are responding to U.S. consumer demands by creating opportunities and sourcing products from around the globe. Thaller navigated the businesses through the complexities of the U.S. groceries and specialties, and streamlined the distribution and importer grid that defines the United States.

"This is such a great opportunity for these companies," Thaller said. "These companies know what it takes to enter the U.S. specialty food market, and they are ready to put forth the efforts needed."

American consumers are anxious for new and authentic products, and the South African Pavilion at the Fancy Food Show has the right selection of products to keep Americans interested.

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*Daniel Wolf is Sector Coordinator for the SAIBL program. He can be reached at [dewolf@africacncl.org](mailto:dwolf@africacncl.org)*

# AFRICAN CHOCOLATE COMES OF AGE

Madagascar and São Tomé Prove that Chocolate is the New Wine

< By William Knight >

**R**elentlessly aromatic. Fresh nose. Spicy. Woody. Floral long finish. If you think these words can only describe wine, think again.

They are also being used to describe chocolate, including some of the world's finest from Africa that is increasingly available to American consumers

Growing up in Trinidad, I was surrounded by the fiery colored cacao pods that are the very source of fine chocolate. Passing by a plantation one day, I reached up into a familiar cacao tree and picked one of its pods, enjoying for the first time the tart caramel sap that wrapped a cluster of beans inside. With no use for the beans, I tossed them away. Little did I know how prescient that moment would be. Now, a quarter century later, I am immersed in the world of chocolate.

Fine chocolate has come of age and is widely recognized as one of the 21<sup>st</sup> Century's most popular gourmet foods. Experts and everyday consumers alike are calling chocolate "the new wine" and are as passionate about fine chocolate as they are about fine wine. American taste buds are taking note. "Smaller high-end chocolate shops are surfacing around the country," says Bill Guyton, president of the World Cocoa Foundation\*, "as a result, single origin bars are at a premium demand."



## CACAO 101

In 2006, I was asked by a friend to design a gourmet chocolate boutique in the Dupont Circle neighborhood of Washington, D.C. I quickly became fascinated by the depth and breadth of the chocolate he procured from around the world. As I prepared Biagio Fine Chocolate for its grand opening, I came to realize that I had embarked on a journey that would lead me to a newfound career in chocolate.

From the Ivory Coast (Côte d'Ivoire) to Indonesia, and from Mexico to Madagascar, it all begins with the cacao tree, *Theobroma cacao*, which grows within a band known as the 20/20 - 20 degrees north and south latitude of the equator. This region is home to two main varieties of cacao trees: Criollo and

Forastero. Criollo (cree-yo-yo) produces the highest quality beans and account for less than 1% of the world's cacao. Criollo trees are delicate and susceptible to diseases, making it more difficult to grow than its hardier counterpart. Forastero (fore-us-stare-oh) trees produce beans of a lesser quality, though its ability to withstand disease and yield larger crops make it the workhorse of cacao trees, contributing more than 85% of the world's supply.

A hybrid called Trinitario, cultivated near my childhood playground in Trinidad, captures the high quality of the Criollo bean and the hardiness of Forastero. Trinitario beans now accounts for approximately 15% of the world's cacao and contributes to the majority of fine chocolate in the world. Native to Ecuador is one final variety, Nacional, believed to be a cultivar of Forastero, though it has many Criollo attributes.

As with grape varietals, each of these tree's beans have distinct characteristics, aromas and flavors.

## AFRICA MEANS QUALITY

I knew that Africa had long been the world's leading source of cocoa, but now I saw that Africa was also making a mark with the quality of its final product. "It was evident early in my research that some of the best bars are from Madagascar," says Biagio Abbatiello, co-owner and founder of Biagio Fine

Chocolate. A vast majority of these beans are sourced in the upper northwest corner of Madagascar. There, the climate and soil conditions create an ideal place to grow beans of exceptional quality, although less than 1% of the world's annual cocoa production is lucky enough to trace its origins to the Red Island.

"Madagascar cocoa is known for its complexity and fruitiness," according to Brett Beach, director at Madécasse LLC, a U.S. importer of Malagasy chocolate. "I think the most important indicator of the quality of cocoa from Madagascar is the number of high-end manufacturers around the world that tout their use of Madagascar cocoa." Included among these chocolatiers are Michel Cluizel, Pralus, Malagasy, Amedei, Scharffen Berger, Valrhona, Amano, Patric, Guittard, and Coppeneur. Madagascar cocoa has become one of the most sought after cocoa crops in the world.

## LITTLE SAO TOME MAKES BIG WAVES

In the tiny county of São Tomé and Príncipe, located in the Gulf of Guinea off the western coast of Africa, a chocolate renegade named Claudio Corallo takes a different approach to chocolate making. Committed to bean-to-bar production, Corallo is an agronomist by training who cultivates the descendents of the very first cacao plants that arrived in 1819 from South America.

Corallo's chocolate has an intense flavor and a slightly gritty texture. Unlike his counterparts, Corallo does not believe in "conching" his chocolate, a process by which cocoa butter is evenly distributed within the chocolate. Conching is considered as essential by most gourmet chocolatiers. Corallo instead believes that subjecting his special and rare cacao to the process of conching ruins the chocolate's flavor and diminishes its finesse. "Mr. Corallo is certainly shaking up the world of artisanal chocolate," says Abbatiello. "He is challenging the status quo of how chocolate is made."

## A WORD ON EQUITRADE

A social consciousness movement known as Equitrade is emerging among consumers of high-end chocolate. "As consumers become more and more concerned with ethical purchases and the origin of their products, more companies are adopting the Equitrade model," says Brett Beach. The Equitrade concept is based on the trade model used by Malagasy Ltd., and was developed further by the Manchester (UK) Business School. Its core principles are as follows:

- 1) Completing all value-added activities (i.e., curing, crafting and packaging) in the country of origin
- 2) Working in a developing nation
- 3) Partnering with local businesses

Equitrade aims to upstream value-added activities to create more revenue while transferring market skills. The successful implementation of an Equitrade partnership is a significant asset for the country of origin because manufacturing and packaging activities complement farming, making the local economy more complete. In Madagascar, where more than 80% of the population depends on subsistence farming, the value of developing a manufacturing sector for raw materials holds promise for the further development of the country's economy.

## BEST OF THE BEST

Like fine wine, prizes are now bestowed to recognize excellence in fine chocolate making and single-source gourmet chocolates from Madagascar frequent the list:

Madagascar 70% I Cru, made by Amedei (Italy)

- Rated in the top five chocolates around the world by several chocolate societies.

Madagascar 70%, made by Amano (Utah)

- First American made bar to make the list of the Academy of Chocolate for 2008.

Mora Mora 70%, made by Malagasy Ltd., (Madagascar)

- Academy of Chocolate silver award for best bean-to-bar 2006.

- Malagasy Ltd., was also recognized in 2006 by *Ethical Consumer Magazine* as the most ethical buy in chocolate, based on the benefits to Madagascar's people, environmental impact, and other issues influencing ethical purchases.

To create gourmet single-source chocolates, noted chocolatiers are also sourcing beans from a number of other African countries:

Pralus (France) produces single-source bars from Ghana, Sao Tome & Principe and Tanzania.

Divine Chocolate (UK), a farmer-owned fair trade company produces gourmet chocolate from Ghana.

Theo Chocolate (Seattle, Washington) produces a fair trade bar from Côte d'Ivoire.

Michel Cluizel (France) produces single-source bars from Sao Tome and Principe in addition to Madagascar bars.

The consumption of fine chocolate is a trend that is flourishing...and lucrative. New developments are taking place every day, from the farmer to the chocolate boutique. If chocolate is indeed the new wine, then Africa stands to benefit from having some of the world's best. As for me, I will continue to savor one of Africa's tastiest products. If I knew at eight-years-old, what I know now, I would have never tossed that bean. ●

\*The World Cocoa Foundation is a member of the Corporate Council on Africa.

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*William Knight is co-owner of Biagio Fine Chocolate, located at 1904 18th Street, N.W., in Washington, D.C. The boutique carries all of the African chocolates mentioned in this article, as well as a wide range of other gourmet chocolates.*



# SWAZI KINGDOM COMPANY CHANGES LIVES THROUGH AGRICULTURAL TRADE

<By Amanda Hilligas>

In Manzini, Swaziland, Elizabeth Mkhabela starts her day at Eswatini Swazi Kitchen, a unique women-run specialty food manufacturing company in the tiny mountain Kingdom of Swaziland, in southern Africa. She has a busy day ahead of her, in order to manage manufacturing operations, supervise the kitchen, and pack a shipment of Eswatini products destined for the United States. Mkhabela works as a Manager at Eswatini and has been with the company since 1998. She knows that the unique jams, marmalades, chutneys, and sauces will soon end up in the hands of discerning U.S. consumers, half-way around the world, and the profits from those sales will assist women and children in need in her Swazi community.

**W**hat originally started in 1991 as a project to employ women while generating funds to support Manzini Youth Care, a program to support orphans in the community, has turned into a serious player in international specialty food markets, including the United States. Eswatini Swazi Kitchen recently secured an exclusive importing arrangement with the U.S. company, Can DEW Sales, LLP. Can DEW Sales has distributed specialty foods since 2002, and operates an Internet retail site.

“We expect that gourmet food lovers in the U.S. will get great satisfaction from consuming these delicious products, and from knowing that they are making a real difference in the lives of Swazi women and children,” says Denise Witowski, co-founder of Can DEW Sales.

Approximately 1,000 children are helped by revenue from Eswatini Swazi Kitchens, which also employs 32 women full-time and 20 women part-time, as well as over 500 basket weavers, 50 growers, and 20

disabled adults who carve spoons for gift baskets.

While Eswatini Swazi Kitchen's work in the communities of Swaziland is important, the secret of the company's success is in producing a consistently quality, delicious, and globally competitive product. Unique flavors such as their Peach-Ginger Jam, Marula Jam, and Swazi Fire Sauce draw customers from around the world, including Europe and Japan.

## U.S. SPECIALTY FOOD MARKET - AN OPPORTUNITY FOR AFRICAN EXPORTERS

The U.S. specialty food market is valued at more than \$36 billion per year, and is growing rapidly. Today's ultra-discerning consumers or "foodies" wish to continue to diversify their palate with new tastes and textures, providing food importers, distributors, and retailers an incentive to expend their network of international suppliers. Africa is one of the few emerging food markets yet to be mainstreamed in the U.S. market, providing an enormous opportunity for African companies to penetrate this growing market.

The characteristics of the specialty food market make it a good fit for Africa. The niche aspect of the market provides a premium that can absorb some of the higher production and transportation costs inherent in most African countries. Since most products have a shelf life exceeding six months, longer transportation time required is not a critical issue. The specialty food market also presents an opportunity to support upstream growth, as gourmet food companies expanding into the U.S. market require more raw inputs, thus providing opportunities for farmers throughout the region. Women farmers in Swaziland sell Eswatini chilies, limes, guavas, grapefruit, and marula fruit. As orders to Eswatini increase, Swazi farmers are able to sell more goods to the company increasing their profits, and providing livelihoods for their families.

## TRADE HUB ASSISTS ESWATINI WITH U.S. EXPORTS

The USAID-funded Trade Hub in Gaborone, Botswana works in the specialty food sector, fostering market linkages, networking, and assistance to companies in meeting the regulatory and labeling requirements for the U.S. market. The Hub also works to increase investment in African processed food companies, and facilitate new trade deals in this sector.

The SATH Trade Competitiveness Project, managed by CARANA Corporation, works

with southern African specialty food companies, and has facilitated market linkages and sponsored an Africa Pavilion at the Fancy Food Show since 2006. CARANA's corporate offices in Arlington, Virginia, play a key role in the success of market linkages and corporate partnerships between investors in the United States and producers in southern and western Africa.

Eswatini was exporting internationally in 2006, but very minimally to the United States. The potential for Eswatini Swazi Kitchen in the U.S. market was realized when Derryck Cox, advisor to the Trade Hub and specialty food trade veteran, visited the company in Swaziland in 2006. Cox quickly realized the potential of Eswatini's products, and together with staff at the USAID Trade Hub, began preparing Eswatini for the 2006 Fancy Food Show and for market requirements to enter the United States.

The company needed assistance with pricing, labeling, product selection, and marketing for the U.S. market. Eswatini also needed to select a U.S. importer to carry and promote the product. The Trade Hub acted as a critical market facilitation point, providing market intelligence and resources that would play a catalytic role in Eswatini's emergence into the U.S. specialty food market. Eswatini's presentation at the 2006 Fancy Food Show drew attention from a wide array of importers and distributors. However, the company took time to select the right importer for their product and prepare labeling and pricing that worked for the United States. Two years later, and after significant preparation, Eswatini has a U.S. importer and orders in hand destined for America.

In addition to assisting Eswatini on the



marketing and export side, the Trade Hub is also assisting with agricultural sourcing and production. Recently, Johan Labuschagne, agricultural advisor at the Trade Hub worked with Eswatini on honey production methods for smallholder producers. Labuschagne's work will improve the income of beekeepers in the country, by achieving economies of scale in honey production. Eswatini

launched their honey line in May 2008 and hopes, in time, to export to the U.S. market. Mr. Labuschagne also assists Eswatini with citrus sourcing in Southern Africa.

## ESWATINI PARTICIPATES IN THE "TASTE OF AFRICA" PAVILION FROM JUNE 29 - JULY 1, 2008

The 2008 Fancy Food show in New York City will be the third show Elizabeth Mkhabela and Eswatini Swazi Kitchen have participated in, with support from the Trade Hub. Eswatini will participate in the Hub-sponsored "Taste of Africa" Pavilion with companies from South Africa, Mauritius, Malawi, Mozambique, and Zambia.

Mkhabela says, "I am proud of the product and the work it represents, and our stamp on the U.S. market has been placed, due to the technical assistance and advice offered by the Trade Hub - not to mention all of our hard work to get there." ●

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*Amanda Hilligas is Chief of Party of the CARANA-managed Trade Competitiveness Project at the Southern African Trade Hub based in Gaborone, Botswana. Amanda may be reached at [ahilligas@satradehub.org](mailto:ahilligas@satradehub.org) or +(267) 3900884.*

# INTERVIEW WITH STEPHEN HAYES, PRESIDENT



*Stephen Hayes presents South Africa's Deputy President, Phumzile Mlambo-Ngcuka, with a gift at the 2007 U.S.-Africa Business Summit in Cape Town.*

## **Please explain CCA's outlook on Africa - what is your opinion on the Continent's political and economic status?**

We view Africa as a continent of great potential, certainly in its resources and economic development, but also in terms of its potential for political development. It seems to me that many nations in Africa are at a fork in the road of political evolution. Their choices over the next few years will determine their legacies and the viability of their nations and peoples. The question of their legitimacy and their contributions to human advancement will be determined by whether the citizens of the nations for which they were responsible were able to improve their lives physically, emotionally, spiritually, and economically, while at the same time creating a sustainable environment for these kinds of developments to continue. Every leader in Africa has that opportunity, but how many will avail themselves of that opportunity? Some countries will succeed and advance and others may very well be overcome by other ideas and other peoples.

If one does the kind of work we do, one would have to say we are optimistic for the future, for otherwise why would we do what we do? Generally, I see a positive outlook for Africa, but not without constant challenges, and not without consistently wise leadership throughout the Continent. There will be constant changes in Africa as much as on any other Continent. Borders change all the time. One needs only to look at Europe of the past 20 years to see that. One cannot sustain a Zimbabwe as it is today, nor what is left of a Somalia. The forces of change, especially because of the pace of technological change, are so strong that the most adaptable have the evolutionary advantage. The countries that will succeed are those who will adapt to a constantly changing world. Not all of Africa will move at the same rate. Some are very far ahead of others, and some are regressing. Some simply fall further behind by standing still. In the end, it will be African leadership that determines the course of the Continent's nations.

## **What are the major challenges facing the Continent today?**

The major challenges facing Africa today are many. Can Africa prepare and adjust to changes brought about by global climate change? Most models predict a much harsher African environment over the next century. Now is the time to be making plans to meet that challenge. I am not sure many leaders are doing so. The growing gap between rich and poor is not a challenge limited to Africa, but the extremes are simply most apparent on the Continent. Can we really sustain nations in which the few control so much wealth from which the majority do not benefit. In such conditions do the seeds of rebellion and anger sprout like

the weeds of an untended garden.

Agriculture development is a major challenge. Can Africa grow enough food to sustain itself and ultimately help feed the rest of the world? Clearly it is possible, but not without vast investment in infrastructure development and in a more judicious global trading system.

The agriculture challenge is tied to the issues of financing and land reform. Financing is still largely unavailable to most people on the African continent. The land ownership question is not simply an issue for Zimbabwe or South Africa, but one facing every nation in Africa. If no one has ownership of the land, who will really be responsible for the sustenance and protection of the resources of the land?

These challenges are tied to the challenge of leadership. Leaders must be able to address the problems of their nations in such a way as to create a more sustainable environment. I can cite some examples of African leaders who are trying to do this now, and the rest of the world needs to support their efforts as much as possible. One of my hopes for the NEPAD Business Foundation and perhaps for NEPAD itself is that it will become a center for leadership development. Too many of Africa's future leaders are leaving the Continent. Africa should develop centers for leadership training.

There are many that would say that Africa also has a major health challenge. That is true, of course, but much of it is also related to a major educational challenge. I think that a lot of resources have been put into addressing issues like HIV/AIDS and not enough has been put into addressing the issues of education for all, and those challenges noted above.

# OF THE CORPORATE COUNCIL ON AFRICA

## What are the Continent's strengths - what are the positive resources it can draw upon to address challenges?

Africa's strength is its will to live and to endure. If one reads the western press, one would assume that Africa is hopeless. The fact is that there may be more hope in Africa than anywhere else in the world. To the outsider this is hard to explain, let alone understand. In the face of everything bad, be it drought, famine, genocides, deprivation of human rights, basic economic injustices, and disease, Africa picks itself up and rises again and again. That, to me, is the Continent's greatest strength. And, of course, media, by its nature, tends to cover only the bad news, and in so doing, missing some of the most important trends in Africa. In many parts of Africa, economic development is spreading. By and large, the western media is missing the story.

On a less esoteric note, the current determination of Africa to move forward, through regional cooperation, the African Union, and through concepts like NEPAD are also tremendous strengths. To me, they are manifestations of the will to endure.

## Where do opportunities for further development lie, and how can African leaders and organizations capitalize on these opportunities?

The immediate opportunities are in agribusiness and infrastructure development. Most of the people of any nation in Africa are agrarian. The infrastructure needs to be created to allow them to sell their excess production. This includes nearly every aspect of infrastructure, including adequate storage facilities.

I see opportunity after opportunity for

the small business person as well as for the giant companies. However, there needs to be fewer roadblocks to economic development. Government ministries, for instance, need to help people develop businesses, and not be the choke points that they are in many countries.

## Please explain CCA's work in Africa.

We do not work in Africa, so much as we try to work with Africa. We are a membership organization of about 200 companies that collectively represent about 85% of all U.S. private investment in Africa. If we are to exist we need to serve those who make the organization possible, our members. However, when I became president of CCA more than eight years ago, I said that if we expect to sell to Africa, then Africa must be able to buy. Therefore, we must support more directly the processes of economic and political development in Africa. Perhaps as a result of this, our membership began to grow and our ability to reach out to broader constituencies grew with that membership. We also decided to look for broader based funding that would allow us to serve our mission more effectively.

The first such program was the development of an HIV/AIDS task force to build an office for work on this issue. We recognized that unless there was a healthy work force then U.S. companies would not stay invested in Africa. That program was initially made possible by the Gates Foundation, but now we have multiple funders including the World Bank, UNAIDS, the Global Fund on AIDS, the Ford Foundation and others. We do a number of projects as a result of the different funders. For instance, the World Bank funds us to develop business coalitions on AIDS in countries

throughout Africa. So far we have helped to develop 22 national coalitions in Africa.

Our small business unit is for the moment entirely funded by USAID. Currently it consists of only one program called the South African International Business Linkages program (SAIBL). We work with what is referred to as "the traditionally disadvantaged", that is the overwhelming majority of the population of South Africa, "blacks" and women. We have a partner on the ground in South Africa, ECI Africa, who identifies and aids small businesses with the capacity to sell to the U.S. and other countries. Our staff in the U.S. then finds partners and buyers for the businesses. ECI also finds markets in other countries. The market for many South African products sold in the U.S. has been developed through this program. So far, we have been able to create more than \$1.3 billion in transactions for South African entrepreneurs. The South African government has also stated that we have created 17,000 jobs in South Africa through this business development program. I would like to see us expand and diversify the base of the funding so that we can serve more of Africa than simply South Africa. It is a program that I think could be replicated throughout Africa at fairly low costs, with very high returns for African entrepreneurs. Again, we are not a development agency and never will be one, but we do recognize that by creating greater opportunity for trade in South Africa (or anywhere else in Africa) we are helping our own economy and businesses as well.

We also conduct a number of major conferences that bring together African and American businesses and government leaders. Our U.S.-Africa Infrastructure Conference is the only one of

*Continued on page 44*



# LIBERIA: DOING BUSINESS IN A POST-CONFLICT COUNTRY

< By Witney W. Schneidman >

**W**hat business person would create a multi-million dollar lending facility in a country wracked by 14-years of civil war? And who would agree to build an 84-room, ocean front villa style hotel in that country where people, on average, live on a dollar a day?

In September 2006, at the Clinton Global Initiative in New York, Bob Johnson, chairman of the RLJ Companies and the founder of Black Entertainment Television, heard President Ellen Johnson-Sirleaf speak about Liberia. President Sirleaf, the first woman to be elected to lead an African nation, outlined her strategy for rebuilding the nation after a generation of conflict and instability. In her remarks, the president emphasized the important role that the Liberian private sector needed to play, as an engine of national reconstruction and economic development, for the country to successfully rebuild.

In response to President Sirleaf's appeal for support for this effort, Bob Johnson pledged to mobilize resources to help revitalize Liberia's private sector. He was joined in this commitment by a number of colleagues, including the former secretary of transportation, Rodney Slater, and the award-winning actress, Cicely Tyson.

When asked to explain why he decided to engage in Liberia, Johnson said, "Liberia and the United States share a deep and common heritage that needs to be revitalized. Moreover, Liberia stood with us in our time of need, during World War II and the Cold War. It is time for us to repay the debt and to remember the contributions that small nations such as Liberia have made to causes as large as the triumph of freedom."

## CREATING LEDFC

This commitment led to a partnership with the U.S. Overseas Private Investment Corporation (OPIC) and CHF International, a non-governmental organization based in Silver Spring, Maryland. Together RLJ, OPIC, and CHF created the \$23 million, Liberia Enterprise Development Finance Company (LEDFC). The launch of the fund was announced on February 15, 2007 at the *Liberia's Partners Forum* in Washington, D.C.

The division of labor was clear: RLJ was the equity partner and invested \$3 million on a philanthropic basis. This enabled OPIC to make \$20 million of debt financing available for lending to Liberian businesses. The RLJ resources were used to cover the operations of CHF for three years. CHF's

role was to create LEDFC and provide operational oversight on the lending services.

Over the succeeding months, RLJ, OPIC, and CHF negotiated the structure of an entity that would extend loans to small and medium enterprises. It was decided that the criteria for a loan would be kept to a minimum. As long as the business would be active in Liberia and that it would create jobs, generate revenue and be sustainable, it could apply to LEDFC for a loan. LEDFC's loans range from \$25,000 to \$1 million.

## NEGOTIATING A LICENSE

Negotiations to acquire a license for LEDFC, which formally is a non-bank financial institution, were complicated. From one perspective, LEDFC was responding to a genuine need: the existing banks would only make loans for six months at a relatively high interest rate while LEDFC proposed to make loans for up to five years at a more competitive rate.

At the same time, the commercial banks had understandable concerns about LEDFC's impact on the market. The Governor of the Reserve Bank, who was personally engaged in moving the project forward, had to balance the concerns of the commercial banks with the positive

benefits that LEDFC would bring to Liberia.

The understanding reached with the Governor entailed that all LEDFC borrowers would be required to have accounts in local banks. It was also agreed that local banks could partner on the front end of LEDFC loans and that LEDFC would not offer trade finance. All parties agreed that this solution would help to strengthen the local banks and enable them expand their lending services over time.

With these agreements in place, LEDFC received its license from the Liberian Central Bank in August 2007. The entity then began to hire staff. Nearly 450 people applied for the four credit analyst positions. An ex-patriot Liberian, Gus Erskine, agreed to return home to head up LEDFC.

## GOING INTO BUSINESS

Since then, the response has been overwhelming. The fund receives 25 inquiries a day, and between October 15, 2007 and April 31, 2008, it has received 723 loan applications, exceeding \$40 million in loan requests.

On February 1, 2008, LEDFC made its first loans of \$1.7 million to eight different projects, eight different projects, including \$30,000 for a fast food restaurant, \$227,000 for a transportation company, \$675,000 for the construction of a hotel, \$543,000 to a company that will make galvanized roofing and brick, and \$55,000 to a women's cooperative that will provide micro-loans.

Another \$1.3 million, covering 16 projects, has gone to the LEDFC credit committee for approval. These include a private health clinic and agricultural projects in Buchanan, Bong, and Lofa counties.

These projects will create more than 600 new jobs, or about 80 jobs per loan. Equally important is the fact that six of the eight original borrowers are Liberians who have returned home.

One of the most challenging aspects of the lending process is the need for the Liberian businesses to meet the Central Bank's requirement that each borrower

has \$1.40 in collateral for every dollar borrowed. Another challenge is the deficit of business skills of many borrowers. To that end, LEDFC is trying to raise an additional \$2.6 million in order to offer business development services. LEDFC is also working to offer specialized training services for women entrepreneurs.

Obviously, the most important factor that will determine LEDFC's long-term success will be the rate of repayment. The loan officers have kept this foremost in their minds as they conducted their due diligence. To date, the repayment rate is 100%.

In his book, *Giving* (New York: Alfred A. Knopf, 2007), President Clinton describes LEDFC as a model that has the potential to be implemented in other countries. There is no question that LEDFC, as a private-public-NGO partnership, is unique. Its fundamental purpose is to provide long-term capital to Liberian entrepreneurs to enable them to establish profitable and productive businesses.

## BUILDING A HOTEL

Based in part on the success of RLJ's experience with LEDFC, Bob Johnson agreed to President Sirleaf's second request to build a hotel in Liberia. The country is one of the most underserved when it comes to accommodations, as there are only 400 hotel rooms in Monrovia, a city of 1.5 million people. While development and business professionals and others increase their work in the country, the demand for accommodations is rapidly growing.

Over the course of six months, negotiations ensued with an inter-ministerial committee of the Liberian government made up of at least five ministries and chaired by the National Investment Commission. The talks went smoothly and on March 10, 2008 there was an official ground breaking for the hotel, in which President Sirleaf and RLJ's, Executive Vice President and Chief Operating officer, Lisa Pickrum, participated.

The goal is to complete the hotel, which is located on 10 acres of ocean front property, by March of 2009. The timing coincides with a high-level international colloquium on women's issues that President Sirleaf is interested in hosting.

The RLJ Companies' experience in Liberia, having negotiated the creation of the LEDFC and the lease for the hotel, has been very positive. The Liberian government has shown itself to be very focused on achieving outcomes that benefit its commercial partners as well as its people.

There is no question, however, that LEDFC and the hotel would not have been initiated without the vision and commitment of Bob Johnson and his respect and admiration for President Sirleaf. Not only has he mobilized resources for Liberia, but he led a 25 person business and cultural mission to Liberia in April of 2007. This was the first American trade mission to visit Liberia since 1980. Based on his due diligence and first hand experience in the country, Johnson has determined that Liberia's business environment, although not without challenges and some risks, is characterized by stability and respect for the rule of law.

As important as the commitment by the RLJ Companies is to Liberia, it is not the only company to have bet on that country's future. Over the last year, Arcelor-Mittal has increased its investment in Liberia's mining sector to \$1.5 billion, and Firestone has renegotiated the terms of its lease for its 100,000 acre plantation. Other companies, including Buchanan Renewable Energies, Inc., are making significant and diverse investments. Liberia, in short, is demonstrating that the post-conflict label obscures the significant commercial opportunities that the country offers. ●

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*Witney W. Schneidman served as deputy assistant secretary of State for African affairs in the Clinton Administration. He is president of Schneidman & Associates International and an adviser to the RLJ Companies' Liberia initiative.*



# OVERCOMING LOGISTICS CHALLENGES IN AFRICA

< By Issa Baluch >

**A**frica has always been a place of great potential. The Continent is endowed with natural resources, a pleasant climate, cultural diversity, and a rich historical past. As of recently, Africa is fast establishing itself as an international hub for the logistics industry.

As much as Africa may beckon logistics players, the Continent poses challenges that are not for the faint of heart. Africa is larger than Europe, the United States, and China combined. Widespread logistical problems, particularly in landlocked countries, are the biggest challenge for any freight forwarder.

Poor infrastructure on the Continent is one of the major factors inhibiting seamless supply chains. Infrastructure, a most important economic issue and investment opportunity, is precisely what holds back further growth for Africa.

## PRIVATE INVESTMENT

In spite of its turmoil, including poverty, corruption, and political upheaval, Africa is still a significant resource for perishable products such as flowers, plants, fruits, vegetables, and seafood. Because of lower production costs and ideal climatic conditions for agriculture production on the Continent, there is an increased demand for African perishables in the Middle East, Europe, Central Asia, and the Far East.

Ultimately, in order to capitalize on the market and export these products from Africa, one must be physically present on the Continent and establish relationships. These relationships will help coordinate transportation flows, which often encounter difficulties due to unfavorable processes in customs clearance and high levels of bureaucracy.

The international private sector has made several investments in the logistics industry in order to improve the situation. One

example of a hands-on investor is Dubai World. It recently announced new projects including a huge investment via DP World in the Port of Maputo, Mozambique, and another via its Jafza International subsidiary to build and run a special economic zone in Senegal. Their efforts, like those of other private investors, aim to capitalize on Africa's lucrative market opportunities. Swift Freight International also saw Africa's potential and established early on a network of offices throughout the Continent that would coordinate transactions and ensure a steady and solid flow of goods. Presently, Swift has 24 offices in 14 countries on the Continent.

## UNITED ARAB EMIRATES AS GATEWAY

The concept of sea-air combined transport from the Far East into Africa via the United Arab Emirates (UAE), led by Dubai, became viable because of the benefits that the country offers. In the UAE, the sky is the limit. Apart from its open sky policy, huge investments in ports, airports,

infrastructure, and free zones ensure a smooth flow of cargo, making the UAE a global trade and commercial hub.

The Dubai Flower Centre (DFC) has catapulted Dubai into the spotlight as a transshipment hub for the perishable market. DFC was designed to boost the overall perishable cargo handling capacity at Dubai International Airport. Swift Perishable Logistics (SPL), an anchor tenant of DFC, has taken advantage of its excellent cool-chain facilities, access to growing markets in the Middle East, high quality and cost-effective transshipments, and free zone for logistics and commercial services. Using these resources along with Swift's network, SPL became the first operator based in DFC to provide scheduled and ad hoc services to transport perishable goods from Africa via Dubai to markets in the Middle East, the Mediterranean, Central Asia, the Far East, and Australia.

## CONCLUSION

Africa's future is vivid. But while developments within the Continent make this an exciting time for the freight forwarding and logistics industry, there are still several issues to straighten out, if Africa is to optimize its potential as a global logistics hub. Africa must step up its efforts to realize these ambitions of becoming an important player in the global logistics arena. Improved customs processes, along with revitalized road, rail, airport, and seaport infrastructure are essential to enhancing trade and transportation flows.

Most importantly, Africans should unite and put an end to the chronic political turmoil that has plagued some of its biggest perishable exporters, such as Kenya. Unless sincere and resilient attempts are made to pull Africa together, millions of dollars and potential investors will be lost, along with the logistics propulsion that is currently taking place. ●

*Issa Baluch is Chairman of the Swift Group.*

# SEA AIR MODEL EASES TRANSPORTATION FLOWS IN AFRICA

## CHALLENGES

A dark tunnel existed in the air cargo chain between the Far East and Africa. This was the biggest challenge for players in the freight logistics industry who wanted to serve the African market. Before the conceptualization of a sea-air combined transportation solution for Africa, the Far East, and Indian Subcontinent experienced a backlog of freight headed for African countries.

Due to poor transportation, port and airport infrastructure in Africa, cargo shipped to the Continent suffered from prolonged transit times of 35-40 days, particularly for West Africa and land-locked countries. Airfreight, aside from suffering from capacity constraints, was a much more expensive option.

This situation created a freight imbalance. Freighters that traveled full from the Far East and Indian Subcontinent could potentially return from Africa empty or only partially full. This was not because there was no demand for African commodities, but because of the lack of a transportation solution that would maximize one of Africa's top exports: time-sensitive perishable goods such as cut flowers, plants, fruits, and vegetables.

## LOGICAL SOLUTIONS

Dubai's Swift Group, which pioneered the thriving multimodal sea-air combined transportation business that operates in the United Arab Emirates, created the Sea Air Model (SAM) product to eliminate some obstacles confronting the African market. SAM was marketed to customers who wanted to bring goods from the Far East and Indian Sub Continent into Africa using a sea-air combined transportation solution, with Dubai as transit point.

With SAM, cargo is shipped from the Far East and Indian Subcontinent to Dubai by sea, and then air freighted into Africa. To realize this concept, Swift partnered with Maersk and Ethiopian Airlines and established fixed departure schedules to create a full-fledged sea-air solution.

To ensure that SAM freighters return to Dubai full, Swift launched Swift Perishable Logistics (SPL). SPL was designed to cater to African farmers and traders who needed a time-sensitive transportation solution that would carry their floriculture and perishable products to world markets.

SPL brings perishable goods from Africa to the Dubai Flower Centre, which is equipped with world-class cool chain facilities and offers value-added logistics services, such as sorting, consolidation, and packaging. These goods are then redistributed to markets in the Middle East, Mediterranean, Central Asia, Far East, and Australia.

## BENEFITS

Using SAM, transit time from the Far East to Africa has dropped from 40 to approximately 16 days. Further, it has helped the trading and forwarding community to plan and improve their business cycles. SAM remains the only established sea-air service that provides fixed departures into Africa under one transportation document (the Combined Transport Document).

Meanwhile, SPL continues to lead in transporting perishables from Africa and will become the first logistics operator to manage an exclusive cool store in Eldoret, Kenya dedicated to perishables, which will be flown in freighters to the Dubai Flower Centre. ●

# AFRICA'S NETWORK READINESS: HOW TO

< By Enrique Rueda- Sabater >

Information and Communication Technology (ICT) has already fueled growth and increased productivity in many countries. As convergence around Internet networks gains momentum, the potential benefits expand rapidly in scope and magnitude... and the stakes are rising.

The potential benefits of IP connectivity fall in two basic categories:

- (i) economic benefits - productivity gains (e.g., through reduced transaction costs, scalability and fast, reliable information flows) and innovation enabling (e.g., through on-line collaboration tools, wikis, etc.); and
- (ii) social benefits - extensive access to education and other information resources; provision of government and health services on-line; expanded citizen participation; and a wider range of entertainment options.

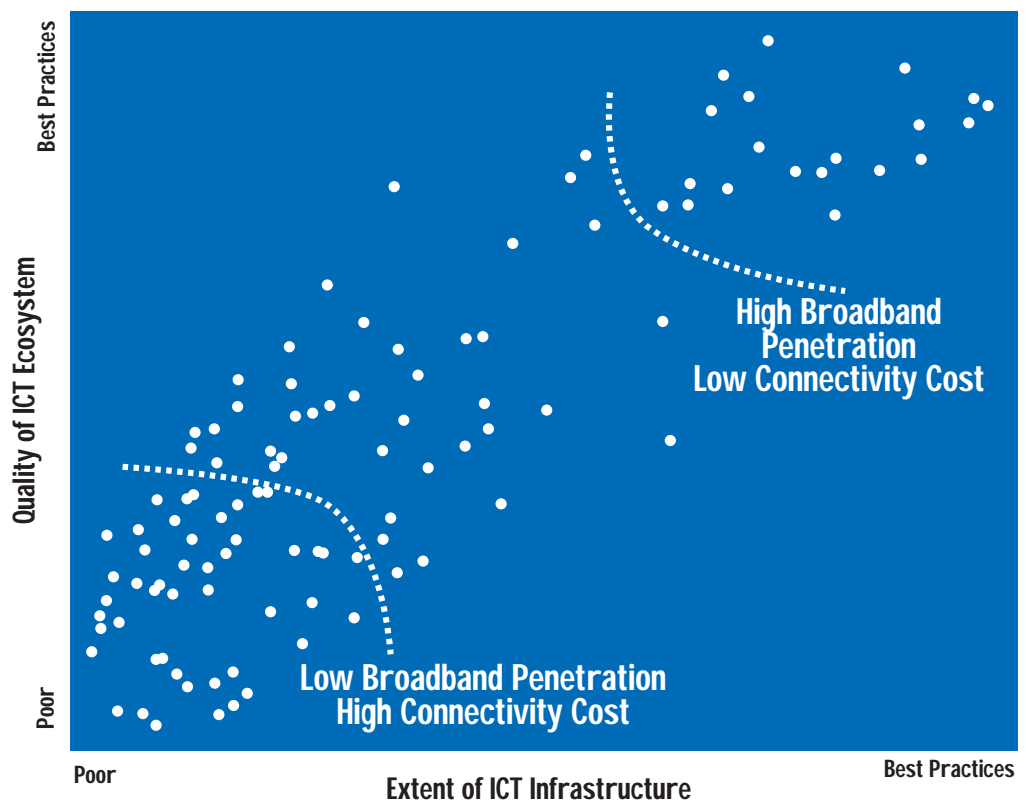
High-speed connectivity (broadband) has become a critical factor affecting the ability of countries to grow and remain competitive (or gain competitiveness) as well as for government contributions to the welfare (including political empowerment) of their citizens. The WEF's Global Information Technology Report (GITR) provides an opportunity to take stock of where countries and regions stand in this race to harness the potential of ICT in general and IP networks in particular.

The GITR incorporates an update of the Networked Readiness Index (NRI) and uses it to produce a ranking that becomes a widely quoted 'league table' of countries. The 2007-2008 version includes 28 African countries with wide-ranging ranking: from Tunisia, South Africa, Mauritius, and Egypt in the top half of the NRI table to Zimbabwe, Burundi, and Chad in the two last three positions of all 127 ranked countries (the full rankings can be found at <http://www.weforum.org/pdf/gitr/2008/Rankings.pdf>)

African countries represent nearly 15% of world population and 9% of mobile phone users but less than 5% of Internet users and less than 3% of PCs (and a negligible proportion of broadband subscribers). The explosive expansion of mobile phone use throughout Africa makes bridging this gap seem less out of

reach than it would otherwise appear. But only countries undertaking decisive policy actions and far-sighted, public-private partnerships will have a chance to make headway in bridging the gap that separates most African countries from the benefits to be derived from IP networks for profit, public, and private purposes.

While the lagging connectivity in Africa reflects in part income levels of countries in the region, experience elsewhere shows that connectivity is not solely determined by income levels. Policies and regulations that promote technology adoption, private investment, and competition can play a major role as well and position countries to take advantage of the leapfrog opportunity that ICT could represent - including future employment for the relatively young African populations.



# TURN CHALLENGE INTO OPPORTUNITY

	Poor	Moderate	Good	Best Practices
Ecosystem			5.26	5.42
		4.22	4.77	4.92
	3.35	3.76	4.11	
	3.02	3.42		
Infrastructure				

Best Practices

Good

Moderate

Poor

As countries are 'mapped' against these two axes (the dots in the charts below represent actual positions for countries across the world), it becomes clear what the implications of positioning in the ICT Map are: countries with good/best practice infrastructure and

ecosystems have much higher broadband connectivity at drastically lower cost to the user while, conversely, countries with poor infrastructure and ecosystems face high connectivity costs and experience low rates of broadband use.

## AVERAGE NRI OF COUNTRIES IN EACH CATEGORY

The differences are also powerfully illustrated by NRI scores-classifying countries in a 4x4 matrix that

summarizes the range of possible positions in the ICT Map. Although the compressed scale (1 to 7 and, in practice, ranging from about 3 to 6) can lead to downplaying them, differences are very significant: two countries just one point apart in their NRI actually implies very different network readiness levels and positioning. The importance of balancing progress on the infrastructure and ecosystem

## 'MAPPING' ICT DEVELOPMENT TO CHART A COURSE FORWARD

A useful starting point to place any set of countries in perspective can be obtained from mapping of the broad ICT environment along two dimensions:

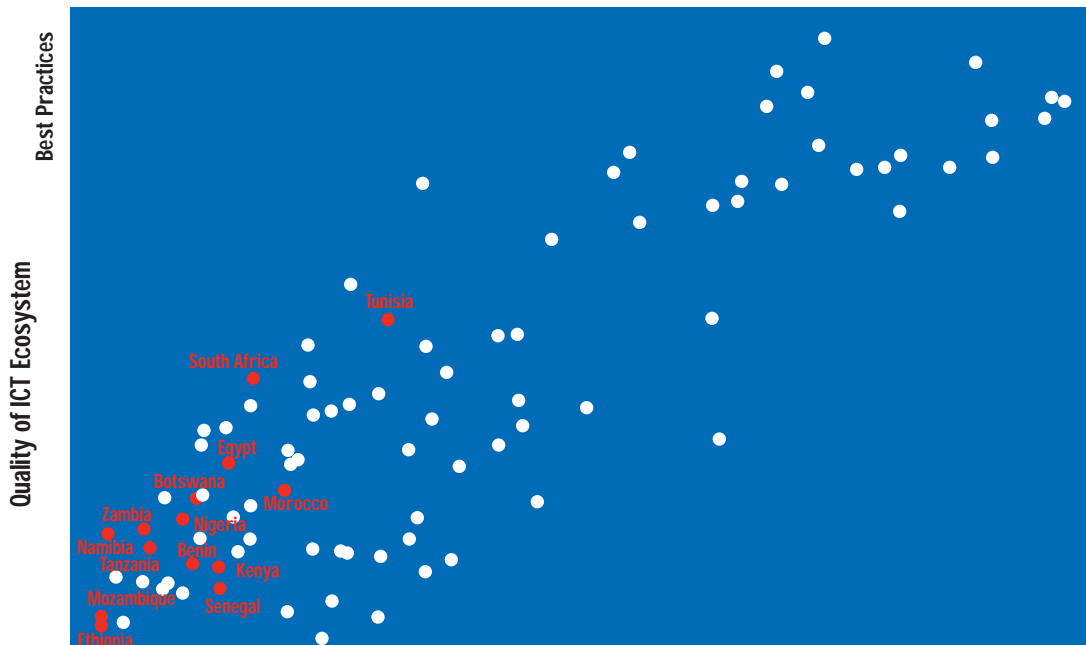
- ICT "infrastructure" which includes 'harder' or more permanent assets such as hardware and telecommunications infrastructure, as well as national capabilities behind the

supply of other key factors of production, namely qualified labor.

- ICT "ecosystem" which comprises 'softer' elements such as the quality of regulations in a country, the ease of doing business, the level of competition, and the degree of innovative capacity.

Using NRI component indicators ratings can be derived for each country that represent a position along each of the two dimensions.

## ICT DEVELOPMENT MAP



	Number of Countries	Internet Users (per 100 Inhabitants)	Broadband Subscribers (per 100 Inhabitants)	Lowest Cost of Broadband (US\$ per 100 kbs/s)
Good/Best Practices	All			
	Africa			
Moderate	30	57	20	2.2
	0			
Poor	38	21	3	29.1
	4	13	>1	9.2
Poor	39	8	>1	82.4
	13	4	>1	128

fronts is also very clear: NRI scores are highest along the diagonal in the matrix.

### WHERE DOES AFRICA FIT IN THE ICT MAP?

The ICT Development Map shows the placement of African countries-covering a range of situations-with Tunisia near the middle (reflecting moderate ecosystem and infrastructure) and Cameroon, Ethiopia, and Zimbabwe facing major challenges on both fronts. While the NRI covers only 28 of the 55 African countries and data availability only permits 'mapping' 17 countries, these are deemed to provide a representative picture of the Continent's situation and its network readiness challenge.

A quick insight into the region's position and its challenges can be obtained by looking at summary ICT development categories. As the chart above illustrates, countries are located in one of three blocks of categories depending on whether they have: at least one 'poor' rating in the two dimensions; at least one moderate rating; and only good or best practice ratings.

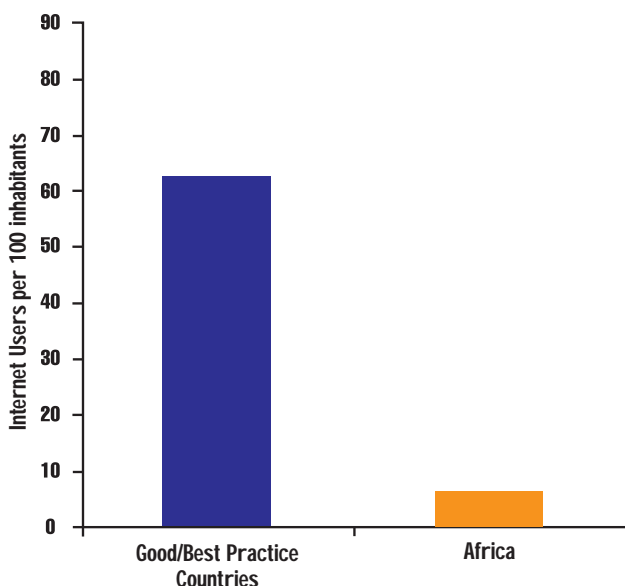
Three measures (also included in the NRI components) can then be used to provide a very tangible indication of the differences across categories. The measures (Internet use, broadband penetration and broadband costs) are directly related to the ability and readiness of countries to benefit from

network connectivity. The great differences in broadband penetration and broadband costs are most significant - given the critical role that broadband plays attaining the benefits of network connectivity.

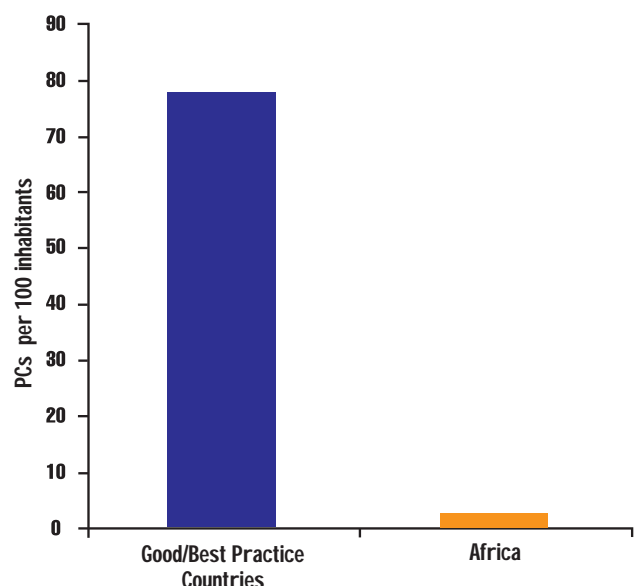
### COMPARING AFRICA TO THE REST OF THE WORLD

The average measures for the three blocks of country categories are also a good basis for summarizing the region's situation. Countries in Africa have low Internet usage, very low broadband penetration and high connectivity costs. This is a situation that calls for urgent attention to develop a clear vision and

2006 Internet Users Penetration Rate



2006 PC Penetration Rate



the determination to move to a higher level of ICT adoption and competitiveness.

The path to progress will involve consolidating and improving ecosystems and implementing extensive ICT infrastructure investments. It is also worth keeping in mind (as research has shown conclusively) that competition among service providers and/or diversity in technology platforms for connectivity is a very significant factor explaining broadband penetration and cost.

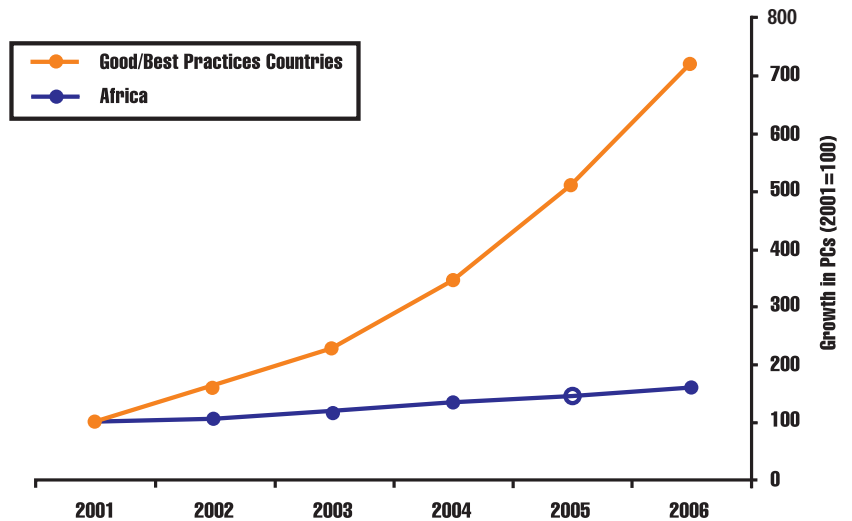
Many African countries have characteristics that could provide a good foundation for rapid progress towards network readiness and to reduce the gap with more advanced countries. The snapshot picture we have painted focuses on the static aspects of the gaps - as depicted here with respect to Internet and PC usage.

Are there indications from a dynamic perspective that would point to the gaps being reduced rapidly?

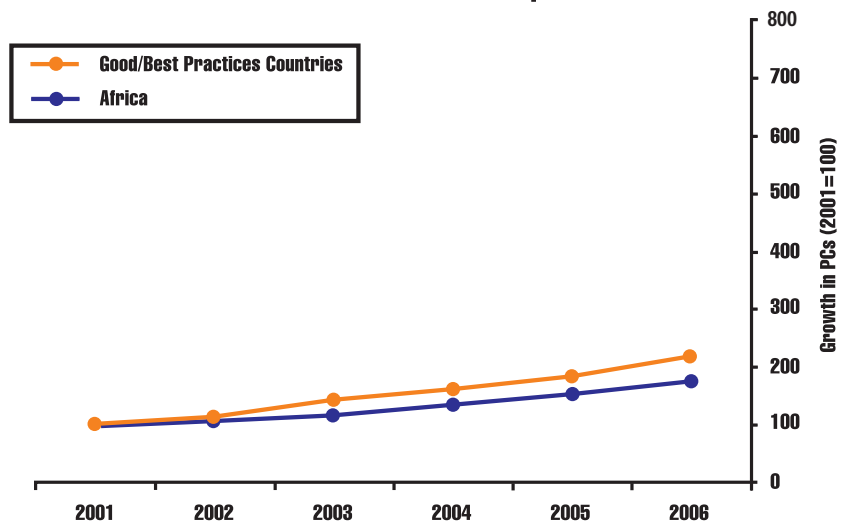
As the charts to the right indicate, the answer seems to be promising for Internet usage (an important first step for network readiness) but much less so with respect to PCs (a key ingredient in the evolution from Internet usage to realizing the potential of networks and high-speed connections for business and personal use). In spite of steep price declines in recent years, access to PCs by the population in Africa is growing so slowly that at the current pace it would take decades to match that of advanced countries.

It would not be too extreme a conclusion to say that in Africa (and this applies particularly to countries with the lowest network readiness) there has been progress in digital awareness and growing segments of the population are getting a taste of Internet connectivity... but a significant divide remains in terms of getting the benefits offered by ICT. Slow progress in extensive broadband access threatens to hold many parts of the region back from the economic and

Growth in Total Internet Users



Growth in Total Personal Computers



social promise of IP networks and this deserves attention by governments and opinion leaders in the region as well as donors and other external partners.

The good news is that - contrary to infrastructure hurdles at earlier stages in history - the solution is not one that most countries will find unaffordable. A balanced combination of policy reforms to ensure that IT policies and regulations are in tune with the opportunities offered by networks and IP convergence and public-private partnerships to remedy the lack of accessible PCs and/or new generation Internet-ready devices, of IT skills and of

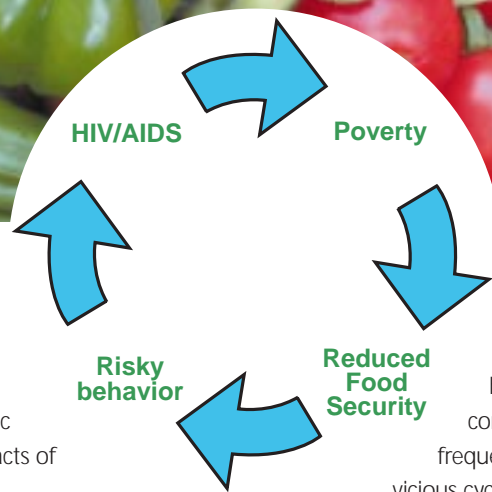
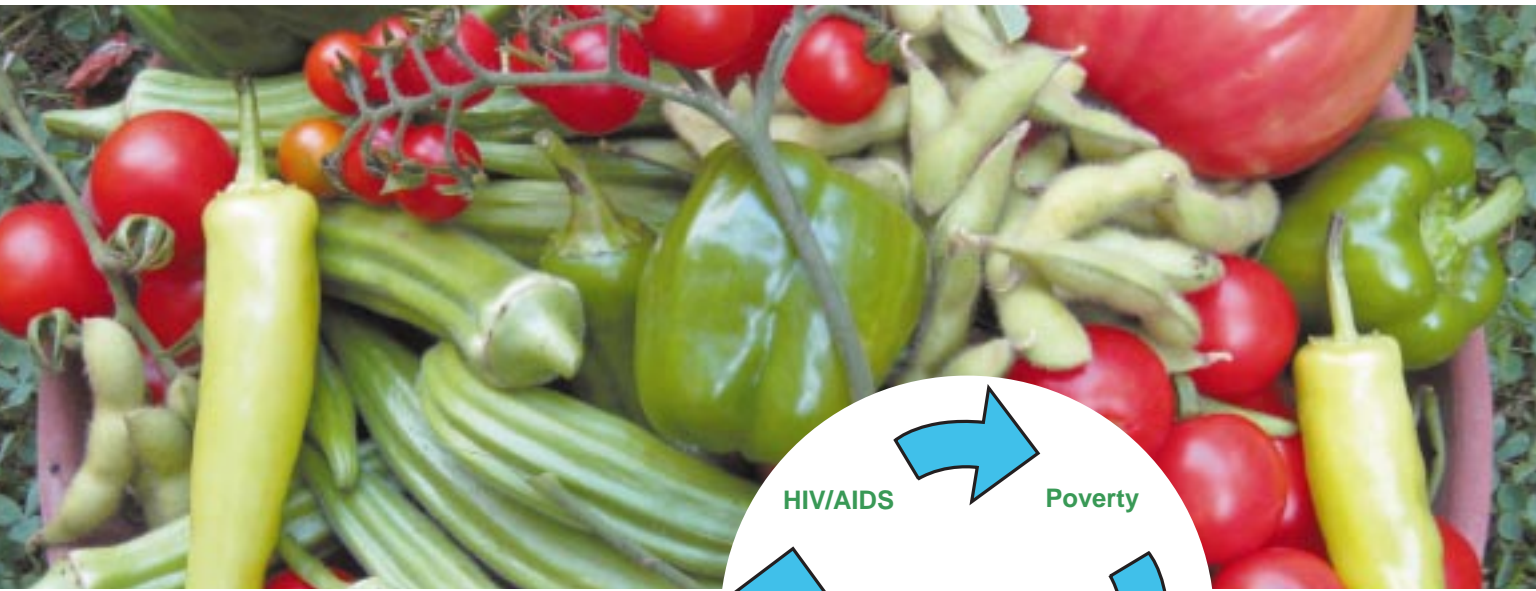
basic network infrastructure can produce quick results and very high returns (both economic and social) on investment. ●

*Enrique Rueda-Sabater is Director of Strategy for Cisco in Emerging Markets. His main focus are the opportunities and risks in the 130 countries that his group covers-developing and piloting investment strategies and other components of strategic business models for the different types of emerging countries.*

*This article draws from the data incorporated in the 2007-2008 Networked Readiness Index included in the Global Information Technology Report (GITR). This report is jointly produced by the World Economic Forum and INSEAD and sponsored by Cisco.*

# HOUSEHOLD NUTRITION GARDENS: A TIMELY RESPONSE TO FOOD INSECURITY AND HIV/AIDS IN AFRICA

< By Joe Dever >



Poor families all over Africa - rural and urban, agricultural and nonagricultural - face seasonal or chronic constraints in maintaining their food security. Families are food secure when they have, to use the U.S. Agency for International Development (USAID) definition, "physical and economic access to sufficient food to meet their dietary needs in order to lead a healthy and productive life." Food security therefore depends on availability (the proximity of sufficient quantities of food), access (the ability of households to purchase or barter for the available food), and utilization (their ability to properly prepare and store food and their knowledge of basic nutrition, health, and child care practices). Discussing two USAID projects implemented by DAI in food-insecure contexts in Africa, this article briefly reviews a development model that

addresses all three of these factors while mitigating the related economic and health impacts of HIV/AIDS.

Food security is directly linked to the health status of poor households. Not only has the disease ravaged Africa's agricultural workforce, with predictable effects on food supply and reliability, but HIV/AIDS-affected households are particularly vulnerable to diminished food security. HIV-positive people are severely affected by poor nutrition (meaning the quality as opposed to quantity of food), for example, and they have additional energy and nutritional requirements, especially if receiving anti-retroviral therapy. Reeling under the

economic impacts of HIV/AIDS (see Table 1), affected households and communities are frequently sucked into a vicious cycle in which poverty leads to reduced food security, in turn causing malnutrition and a propensity to engage in risky behavior for survival, which further spreads the disease and deepens poverty. For example, HIV/AIDS-affected households often suffer diminished access to food because - with family members either sick or caring for the sick - there is less household labor to grow crops or earn wages, at the same time as the family faces escalating medical or burial costs. Effective support for HIV/AIDS-affected households, therefore, must address food

**Table 1. Economic Impacts of HIV/AIDS**

Labor	<ul style="list-style-type: none"> <li>• Increased mortality and morbidity</li> <li>• Increased workload to care for the sick and orphans</li> <li>• More work with fewer able bodies</li> </ul>
Financial capital	<ul style="list-style-type: none"> <li>• Decreased revenue and increased costs</li> <li>• Loss of assets</li> </ul>
Human capital	<ul style="list-style-type: none"> <li>• Decreased knowledge transfer</li> <li>• Decreased levels of education</li> </ul>
Social capital	<ul style="list-style-type: none"> <li>• Increased transaction costs due to loss of established relationships</li> <li>• Breakdown of community support structures</li> </ul>

security and livelihood needs as a complement to the treatment, prevention, and care activities central to most AIDS programming. One relatively low-cost, easily replicable, and sustainable intervention to address these needs involves household nutrition gardens (HNGs), an innovative approach incorporating drip irrigation technology, which increases yields and requires less time, water, and labor than normal watering systems - a crucial consideration given that the sick, the old, and the very young increasingly shoulder the burden of labor in AIDS-affected households.

## HOUSEHOLD NUTRITION GARDENS IN ZIMBABWE

DAI first implemented HNGs on a large scale in USAID's Linkages for the Economic Advancement of the Disadvantaged (LEAD) project, which ran in Zimbabwe from 2001 to 2006. LEAD began as a classic microenterprise and microfinance project but changed drastically as the political and economic situation in Zimbabwe worsened. Microfinance strategies gave way to poverty lending. Commercial linkages were modified to deliver food security and income benefits for the poor. And LEAD's HIV interventions shifted toward HNGs as the food security situation deteriorated further.

The HNG program was enormously successful in providing large-scale HIV/AIDS economic mitigation while simultaneously addressing the food crisis. LEAD helped

establish more than 25,000 gardens, serving an average of 150,000 to 175,000 people, 80% of them HIV/AIDS affected. Participants saw a substantial increase in food production and were able to boost household income by selling half their crops for an average return of approximately \$20 per crop cycle per household. Not only did LEAD's drip irrigation kits have labor-saving qualities appropriate for vulnerable people, but the kit renewed attention on home gardening as a nutritional supplement and income-earning activity. Impressed by the program, the UK Department for International Development, for example, launched its own HNG initiative.

## TACKLING FOOD SECURITY IN ETHIOPIA'S HIV/AIDS-AFFECTED HOUSEHOLDS

Having taken HNGs from an innovative pilot to a core food security strategy, DAI's LEAD consultants subsequently established another highly regarded initiative for USAID, the Urban Agriculture Program for HIV-Affected Women (UAPHAW), a relatively small program (\$2.2 million) that has also attracted \$1.4 million in direct funding from the President's Emergency Plan for AIDS Relief (PEPFAR). Since 2004, UAPHAW has assisted women in urban areas to establish HNGs in small plots close to their homes. The women receive drip-irrigation kits, training in how to use and maintain them, training in gardening, instruction on nutrition and crop selection, and assistance in linking to markets where

they can sell surplus produce. Given the space restrictions of the urban environment, "grow bags" - a rudimentary technology used in tandem with drip irrigation - are increasingly popular.

The combination of simple, innovative technology with training and assistance services is essential to making UAPHAW a self-sustaining food security and economic development program rather than merely a short-term mitigation activity. Once households receive the initial HNG kits and training, they can grow vegetables indefinitely into the future without additional assistance. They maintain soil fertility through improved use of compost and manure, for instance, and either retain seed from their crops or retain earnings to buy seeds. Income from sales can be used to replace worn-out kits, which have a lifespan of seven years. In addition to opening up outlets for produce, DAI's market linkages team has developed the supply of drip kits from local suppliers so people can replace drip irrigation systems themselves, locally.

UAPHAW provides many of its services through 21 local community outreach partners, which it funds through cash grants to support project implementation and in-kind grants for equipment. DAI's highly participatory training and learning approaches emphasize the involvement of project staff, community outreach partners, beneficiaries, and relevant government departments at all stages. This structure maximizes the impact of limited training resources and builds local capacity to sustain the HNG intervention over the long term. The partners may or may not be subpartners under current PEPFAR programs, but through working with UAPHAW they are all linked to PEPFAR Ethiopia's HIV/AIDS Care and Treatment Program. UAPHAW simply overlays its HNG program on top of the HIV/AIDS services beneficiaries are already receiving from community outreach partners.

As in Zimbabwe, the HNG program in

*Continued on next page*

## HOUSEHOLD NUTRITION GARDENS: A TIMELY RESPONSE TO FOOD INSECURITY AND HIV/AIDS IN AFRICA

*Continued from previous page*

Ethiopia has showed itself eminently scalable. By mid-2008, the project will have equipped 15,000 households with gardens, directly benefiting 60,000 people, 20,000 of them children. Of the nearly 4,000 gardens established since October 2007, 28% are managed by child-headed households, and 42% are managed by women-headed households, demonstrating the project's ability to reach the most vulnerable household members. Families typically consume approximately 60% of their produce, with the surplus sold to generate an income of roughly \$5 per household per month. Less quantifiable but no less real

to the families involved - as project staff can attest - are the psychosocial benefits of being able to take greater control of their own food security and livelihoods.

In short, UAPHAW is a success. "The urban gardening project in Addis Ababa is the kind of effort USAID Administrator Henrietta Fore would like to see expanded," wrote USAID in its *FrontLines* publication in January 2008. With international food price inflation prompting fears of a food crisis in Africa, one can see why USAID or other international actors would want to replicate it. As a sustainable, scalable,

cost-effective intervention that addresses all three elements of food security—food availability, accessibility, and utilization - while simultaneously addressing both the nutritional and economic needs of HIV/AIDS - affected households, the HNG program would seem to have much to recommend it to donors and policy makers in Africa and beyond. ●

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*Joe Dever is a Senior Proposal Analyst at DAI in Bethesda, MD. DAI is an international development firm currently implementing 99 projects in 67 countries. Joe can be reached at [joe\\_dever@dai.com](mailto:joe_dever@dai.com). For more information, visit [www.dai.com](http://www.dai.com).*

## SPECIALTY FOOD

### FOOD MARKETING SOLUTIONS FOR THE GLOBAL ECONOMY

*Continued from page 23*

needed on-the-ground support, financial resources, and powerful friends. While I attribute much of the success of the African specialty foods program to our pioneering manufacturers, I would certainly give equal billing to the countless organizations that have focused their attention on promoting Africa's well being. Groups like USAID, The International Executive Services Corp, Carana Corporation, Bearing Point, SAIBL, The Corporate Council on Africa, The United Nations Development Program, and Dr. Jeffrey Sachs' Millennium Villages Project have all provided tremendous initiatives with one concept in mind: Give Africa a chance. This level of support is new for us in the specialty food industry. Typically, support comes in the form of one trade representative at the local consulate who is generally unwilling or unable to offer much assistance. These organizations, and the countless others not mentioned, deserve all the praise and admiration that could be offered for their continuous drive to promote Africa's future.

#### NEXT STEPS FOR AFRICAN SPECIALTY FOODS

It has been, and will continue to be, a tremendous journey for Talier Trading Group and me personally to be part of the development and growth of the African specialty food industry. While much has been done, it is important to learn from our experiences and continue pushing forward with this viable concept. Specifically, there are three areas which need additional emphasis.

First, we must continue to define what products can and should be coming out of the various countries in Africa. Manufacturers must continue to embrace the concept of marketing their distinctive cultures and unique cuisines to the world. Choma Sauce from East Africa and Jollof Rice Mix from West Africa are two examples of cultural products that would be well-received in the U.S. markets.

Second, we must continue to petition for increased attention to regions of Africa still in need of a presence in the global marketplace. Countries like Mali, Senegal,

Rwanda, and Ethiopia are overflowing with potential and simply need additional inputs and attention. Can you imagine a range of baking products from Mali? There are hundreds of producers who can make that happen.

Third and finally, we need to continue to push the positive image of Africa. Africa's image is continuing to change at a ferocious pace, and all in the right direction. Organizations like The Africa Channel, Africa News, International Trade Promotions, South African Airlines, and The African Travel Association continue to be instrumental in promoting the good name of Africa. With such strong links between tourism and specialty food, these organizations are critical in the continued growth of African specialty foods. ●

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*Jim Thaller is the CEO of Talier Trading Group — a specialty food consulting company with an extensive background in emerging market development. Jim can be reached at [jim@taliertradinggroup.com](mailto:jim@taliertradinggroup.com) or (201) 484-0306.*

# BOOKS FOR AFICA AND MERCK HELP ESTABLISH UNIVERSITY IN TANZANIA

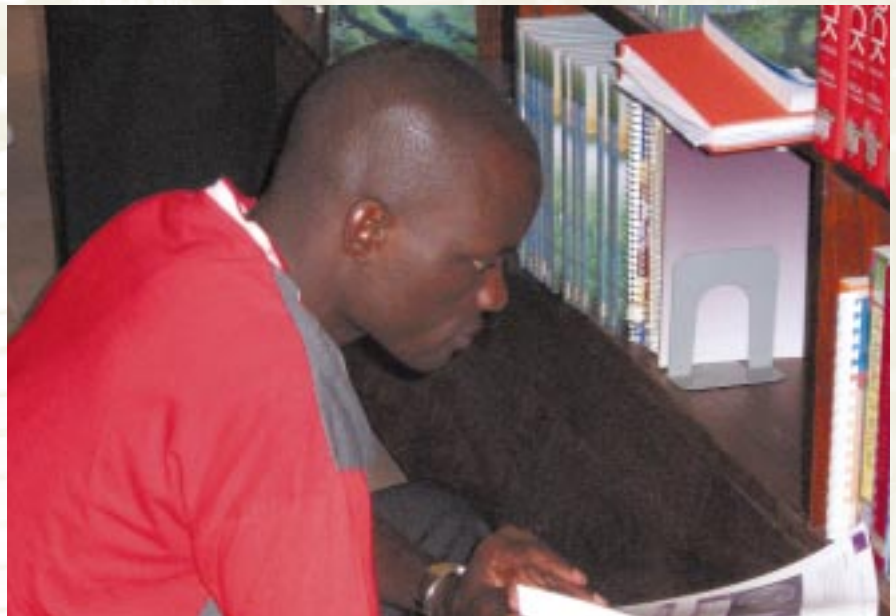
<By Gail Shore>

The Anglican Church of Tanzania began an ambitious attempt in 2005 to create a university to serve its growing population of secondary school graduates. Many groups and organizations came together to make St. John's University in Dodoma, Tanzania a reality. Among them was Books For Africa, the world's largest shipper of donated English language textbooks to the African continent. Books For Africa shipped 25,000 books, the number of books required to formally establish the school as a university.

"Books For Africa has made a remarkable contribution toward starting our university," said Alexander Songoro, assistant lecture at St. John's University of Tanzania. "We are determined to give more young people the opportunity of higher education."

The container of books shipped to Tanzania included medical books from Merck & Co., Inc., which operates as Merck Sharp & Dohme outside the United States. Merck is a global research-driven pharmaceutical company, which undertakes a wide range of corporate responsibility and philanthropic programs that are developed and implemented nationally and globally. Merck has published The Merck Manual, the world's leading medical reference book, on a not-for-profit basis. The university's head librarian was impressed with Merck's medical books, saying "They are wonderful. Please, please send us more." Upon seeing photos of their library and hearing that the medical books were so needed, Merck donated a container for a second shipment of books, scheduled to be shipped in June.

"Merck is proud to support Books For Africa, which is playing a critical role in providing much-needed health care information in Tanzania" said Dr. Jeffrey L. Sturchio, Merck's Vice President of



*The head librarian from St. John's University in Dodoma, Tanzania admires an important medical book donated by Merck. The books are part of a container of 25,000 books needed by the library to officially establish St. John's as a university.*

Corporate Responsibility. "Knowledge is power, and in this case, is helping to save lives."

Founded in 1988 and based in St. Paul, Minnesota, Books For Africa collects, sorts, ships, and distributes high-quality, used books to students in Africa. Books donated by publishers, schools, libraries, individuals, and organizations are sorted and packed by volunteers who carefully choose books that are age and subject appropriate. Books For Africa's mission is to end the "book famine" in Africa.

Patrick Plonski, executive director of Books For Africa said the huge container of books, which will be sent to both St. John's University and Dodoma University in Tanzania, could not be shipped without support from Merck. "We are extremely grateful for their partnership with this important project in Tanzania."

Merck has a century-long history of providing unbiased and independently reviewed health information resources to the public and to health care professionals. In 1899, Merck published the first edition

of The Merck Manual, a 192-page resource book designed to aid physicians and pharmacists. By the 1980s, The Merck Manual was the world's best-selling medical text and had been translated into more than a dozen languages.

In 2001, Merck, the International Council of Nurses, and Elsevier, the leading publisher of scientific reference textbooks, created a partnership to help nurses in rural Africa gain critical access to quality health care information. The ICN/Merck Mobile Library Project provides traveling libraries of health education and reference materials, including donated copies of The Merck Manual, in 15 African countries. Each ICN/Merck Mobile Library contains up-to-date information on family and community health, disease prevention health promotion and health services.

To date, tens of thousands of people in more than 300 clinical settings in 15 countries have benefited from the presence of these mobile libraries. There are currently 126 mobile libraries in service. ●

## FUTURES MARKETS AND AGRICULTURAL MARKET EFFICIENCIES *Continued from page 21*

However, high commodity prices can offer opportunity to developing countries. Demand growth driven by a developing world economy will increasingly have to be met by supply growth, often emanating from other developing countries. This presents tremendous opportunity. Agriculturally, the developed world will increase production; but their ability to significantly increase production is constrained by technological advancement. The potential for significant production growth, rather than trend-line growth, lies with the developing world.

Market liberalization is crucial, so that the high price signals make their way to farmers in developing countries. This can be a difficult position for governments to take as they must balance the need to

assure all citizens have the resources to avoid hunger while also assuring farmers receive the incentives to increase production. International assistance from organizations such as the World Food Program can be of help here. What governments can do is encourage the development of institutions that improve efficiency - institutions like futures markets. The Chicago Board of Trade, now an affiliate of the CME Group, emerged in 1848 because it was a needed institution that improved market efficiency during a period of increasing agricultural production and market risk in the U.S. The long-term result was market efficiency that ushered in a period of growth and prosperity.

The developing world now stands in a similar position. World economic

development is going to demand increased commodity production. To the extent that developing countries are able to supply this demand will drive further development. Key will be market signals reaching individual producers and the supporting institutions that are needed to develop an infrastructure that will improve efficiency. Of course nobody knows what the future holds, however, most would likely agree that those most able to respond to the changes going on in the world today are the ones most likely to prosper during the next century. ●

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## CCA

## INTERVIEW WITH STEPHEN HAYES, PRESIDENT OF THE CORPORATE COUNCIL ON AFRICA *Continued from page 31*

its kind in America. In June we will be convening a *U.S.-Africa Agribusiness Forum* in Chicago. Every two years we have the primary U.S.-Africa Business Conference which we call the *CCA U.S.-Africa Business Summit*. This past year we held the conference in Africa for the first time. It is one of the largest U.S.-Africa meetings of any kind. The next summit will be in Washington, D.C. in 2009. We hope that NEPAD and the NEPAD Business Foundation will play a prominent role in the conferences.

We generally host various ministers and Heads of State from Africa when they come to the United States. We do so to create greater exposure to Africa for American business audiences. We are now encouraging African leaders to look beyond Washington when they come to the U.S., and to go directly to the corporations around the country. In America, business

deals are not made in Washington. They are made with the CEOs in corporation headquarters around the nation. This is a part of the decentralized economy. I think African leaders are beginning to understand this much better lately.

### **Are there other future programs and projects on CCA's agenda for the future?**

CCA is also building an agribusiness staff, whose primary goal will be to increase U.S. agriculture investment in Africa. We believe agribusiness is an area where we can assist African development and increase U.S. investment in Africa.

I also hope to build a financing task force and staff that will address one of the major barriers to increased U.S. investment in Africa. It is very difficult for US companies to secure financing for its projects in Africa.

Unless we are able to find ways to create greater financing, the U.S. will lag in investing in Africa. I think this would be unfortunate for Africa and certainly for the United States.

We are also beginning to work more directly with the regional economic communities in helping to shape private sector policy and development. I think the regional economic communities are a key to Africa's future and we need to be strengthening those regions as much as possible. Greater cooperation will only help U.S. businesses increase their investments in these regions as well.

I would like to see CCA work more directly with the regions over the next few years. I would also like to see NEPAD succeed and CCA be working more directly with them as well. ●

## BUILDING INSTITUTIONAL SUPPORT FOR DEVELOPMENT IN AFRICA *Continued from page 15*

directing part of their MCC investments to support local financial institutions to overcome this constraint. For example, Ghana's compact includes \$40 million of credit programs directed primarily toward rural and commercial banks that are active in the 23 districts where the MCC agriculture program is centered. MCC funding supports smaller programs in Mali and Cape Verde and is expected to support a similar activity in Burkina Faso.

MCC-funded projects are helping participating rural families in the near term - and in the long term as the results ripple beyond each compact's five-year timeframe. These lasting results will contribute significantly to food security in all MCC partner countries over the next 10 to 20 years, including those in Africa. For example, MCC is funding six large irrigation investments worldwide, like those in Mali and Morocco, that are directly and indirectly mitigating the effects of climate change on food security. By supporting food-system development in current compact countries, MCC is investing its funds in the right place at the right time to balance food supplies and prices over the long term.

### BUILDING INSTITUTIONAL SUPPORT

Specific investments in agribusiness development and infrastructure networks - as critical as they are in and of themselves - can only be sustained through institutional support for maintaining a pro-growth environment. MCC supports those countries in Africa committed to this pursuit.

First, courageous MCC African countries are taking bold steps - even though some of their neighbors are not - to improve their political, social, and economic policy performance. They are making changes to their regulatory, monetary, and fiscal policies to promote a pro-business climate. They are fighting corruption and protecting

their environment. They are including women in the political process. They are embracing the very culture of reform that MCC demands of its partners. Using 17 policy indicators taken from non-U.S. Government sources - like the World Bank, the IMF, the World Health Organization, UNESCO, and Transparency International - MCC measures and monitors a country's policy performance, and partners with those countries that perform better than their peers.

Second, MCC African countries are building their capacity to lead their development and deliver results. MCC expects this, seeing its grants not as a handout but rather as remarkable opportunities to empower countries to sustain their own development efforts. While MCC provides the funding, partner countries are asked to take the responsibility for the creation and the implementation of their own MCC programs.

MCC's African partner countries are assuming this responsibility. They are trying to advance the physical, human, and financial infrastructure fundamental to creating local jobs and improving the lives of their citizens for the better. They also are working to create a free-market environment that builds a solid foundation for the efficiencies and competitiveness businesses need to perform and be profitable.

Specifically, these countries are looking at the underlying policies and institutions that need to be changed to sustain investments in agribusiness development. They are paying just as much attention, in notable instances, to establishing transparent procurement systems, investing in business management training, establishing road maintenance funds, reducing tariffs, slashing the amount of time and money required to open a business, improving food safety, and expanding access to capital.

By practicing good policies and building their capacity, many countries in Africa are becoming prime candidates for private-sector investment. They are using their designation as MCC eligible to send a clear message to the business community that if MCC will invest in them, so should the business community. MCC's evaluation of the policy performance of each of its African partners gives companies a valid gauge of how serious these countries are about improving their business, trade, and investment environments compared to their peers.

### THE FUTURE

Africa is a diverse continent with both abject poverty and rising prosperity. Instances of turmoil and instability rage alongside peace and stability. Reforming countries share the Continent with those resistant to change.

Yet, while the challenges persist, many corners of Africa are certainly on the right track, and investors and entrepreneurs, rightfully, are taking note. MCC's partnerships throughout the Continent are proof of this. By leveraging their Millennium Challenge grants, those African countries that are partnering with MCC are building institutional support and planting deep, healthy roots for their sustainable development that ultimately will transform the lives of their citizens now and for generations to come in meaningful ways. ●

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*Ambassador John J. Danilovich is Chief Executive Officer for the Millennium Challenge Corporation. The Millennium Challenge Corporation is based on the principle that foreign aid is most effective when it reinforces good governance, economic freedom and investments in people, and under his leadership has become a key U.S. Government agency reducing poverty through economic growth.*

# A LODGE TO BENEFIT

Watching a mountain gorilla in its natural environment is an allure that many naturalists and particularly wildlife lovers cannot resist. It is an allure that continues to drive nature lovers and tourists to the Virunga Mountains of Rwanda in large numbers.

Historically, the Virunga Mountains has had a shortage of accommodation options befitting the rare tourism experience and reflective of the unique environment and ecosystem. This shortcoming had not escaped the African Wildlife Foundation (AWF). Since 2004, AWF, in partnership with the International Gorilla Conservation Program (IGCP—a coalition of AWF, Fauna and Flora International and the World Wide Fund for Nature), has been working to establish a facility that not only provides a complete luxury experience, but also is a model for community involvement in mountain gorilla conservation.

With over 46 years in wildlife conservation in Africa, AWF strongly believes that when local communities benefit from such tourism and other conservation-based enterprises, they have more incentive to protect gorillas and other wildlife. AWF has also realized over the years that although tourism in Rwanda is now one of the

country's fastest growing industries and revenues generated by gorilla tourism are quite high, little if any of this windfall has returned to the local communities.

The Sabyinyo Silverback Lodge, which recently opened its doors, is a high-end, 16-bed conservation lodge on community land adjacent to Volcanoes National Park. The lodge provides the setting for a unique and exciting tourism experience in which visitors can experience local wildlife and see African conservation in action. However, the uniqueness of the lodge goes beyond the luxury and location. Tourists who pay top dollar for the privilege of tracking mountain gorillas will be struck by the integration of the Kinigi community in the development of the Sabyinyo Silverback Lodge.

AWF successfully brokered a deal for the lodge's development with the Kinigi



community, which owns the land. To minimize the community's financial risk, AWF helped structure a loan in which interest payments are only triggered by income and interest will only accrue when the community realizes commensurate income. In business terms, this is a "subordinated equity deal." In conservation terms, it is a precedent that could open the way for conservation tourism development across the Continent.

The conservation pay-off of Sabyinyo Silverback Lodge is substantial. Availability of exclusive accommodation attracts more guests to national parks, encourages

# MOUNTAIN GORILLAS

longer stays, provides communities with a marketable tourism product, and contributes to management funds for protected area authorities through increased gate collections and fees from gorilla permits. In addition, it compensates local residents in a meaningful way for their opportunity costs, and has strong links to sound conservation and resource management strategies.

More striking is the way partnerships between the various parties in the project are structured. Musiara Ltd/Governors Camp, a well-known private tourism operator, is running the lodge on behalf of the local community, represented by Sabyinyo Community Lodge Association (SACOLA). SACOLA is a registered community-based organization, established in 2004, which represents the 12 sectors of the four Rwandan districts that border Volcanoes National Park. SACOLA is presently made up of 33 members who represent a population of about 300,000 people. The deal between SACOLA and Musiara Ltd./Governor's Camp is structured

such that the community owns the land and all of the lodge's immovable assets, and is guaranteed new employment opportunities. Additional incentives are secured in this business arrangement, as the community is guaranteed the risk-free gains of \$50 per bed per night and 7.5% after-tax revenue.

The financial benefits will be managed and disbursed by a community trust, whereby a third of the total income is proposed to support community projects, a third to contribute to a microfinance fund to support local enterprise development, and the other third to contribute to household-level dividend payments.

## ABOUT AWF

Founded in 1961, the African Wildlife Foundation is the leading conservation organization focused solely on the African continent. AWF's programs and

conservation strategies are based on sound science and designed to protect both the wild lands and wildlife of Africa and ensure a more sustainable future for Africa's people. Since its inception AWF has protected endangered species and land, promoted partnerships with the private sector for ecotourism to benefit local African communities as a means to improve livelihoods, and trained hundreds of African nationals in conservation—all to ensure the survival of Africa's unparalleled wildlife heritage. AWF is a non-profit organization headquartered in Nairobi, Kenya, and is a registered 501(c)(3) in the United States. •

*To learn about corporate sponsorship and cause-marketing opportunities with the African Wildlife Foundation, contact Kurt Redenbo at [kredenbo@awf.org](mailto:kredenbo@awf.org).*

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## Dr. J.B. Penn

J.B. Penn is Chief Economist, Deere & Co. Before joining the company in August 2006, he served as Under Secretary for Farm and Foreign Agricultural Services in the United States Department of Agriculture for more than five years.

Penn is a native of Arkansas and holds an undergraduate degree from Arkansas State University, a M.S. from Louisiana State University, and a Ph.D. from Purdue University. He began his career with USDA, where he held several increasingly responsible positions including Deputy Administrator for Economics in the Economics and Statistics Service. He also served as Senior Staff Economist in the

President's Council of Economic Advisers.

Following his work in the federal government, Dr. Penn moved to the private sector for more than two decades. He was a founding principal and president of Economic Perspectives, Inc., a firm of economic and food consultants that was acquired by Sparks Companies, Inc., a larger firm in the same field where he served as Senior Vice President and head of the Washington, D.C. office from 1988 until 2001.

Penn is a member of the Farm Foundation Board of Trustees, the International Food and Agricultural Trade Policy Council, the United States Trade Representative's Africa



*Dr. J.B. Penn*

Trade Advisory Committee, and a Fellow of the American Agricultural Economics Association. He may be reached at pennjb@johndeere.com.

## Mima S. Nedelcovych, Ph.D.

Dr. Mima S. Nedelcovych, a Partner in the Schaffer Global Group (SGG), has recently accepted the position of Executive Vice President for Strategic Planning & Government Relations at Buchanan Renewables (BR). His attention is focused on a large new project in Liberia where post economic life rubber trees are being felled (while new ones are replanted) and chipped, both for export markets (fuel, pulp and board industry) and for supplying the fuel for a planned 35 MW power station in Monrovia. He is also responsible for opening new markets throughout Africa, where abundant opportunities for bio-energy projects are in search of realization.

Dr. Nedelcovych will continue to be a Partner in the Schaffer Global Group, a Baton Rouge, Louisiana - based project development, finance and implementation firm focused on the emerging markets of Africa and the Americas. Dr. Nedelcovych was responsible for corporate and country clients, heading up all international financing and project development activities of the Group. In this capacity, he will remain as Chairman of the Societe Sucriere de Markala, an integrated sugar cane operation in Mali that will produce

sugar, electricity, and ethanol.

Dr. Nedelcovych served in the Administration of President George Bush from 1989 to 1993 as the U.S. Executive Director to the African Development Bank in Abidjan, Cote d'Ivoire. In this capacity, he represented the U.S. Government and U.S. shareholder interests on the Board of Directors of the African Development Bank (AfDB). He was instrumental in formulating the "private sector initiative" at the AfDB that led to the creation of the \$200 million private sector lending window, the African Business Roundtable and the African Export-Import Bank.

Dr. Nedelcovych has also served as a Principal at Arthur Young's International Consulting Group, specializing in privatization, trade and export promotion, investment attraction, and joint-venture formation in developing countries. He has worked at the U.S. Trade and Development Agency (TDA) as Program Director of Special Projects covering all TDA eligible countries, and as a Special Assistant to the Assistant Administrator for Africa, USAID. Dr. Nedelcovych's initial service to the United



*Dr. Mima S. Nedelcovych*

States Government began as Country Director for the Peace Corps in Gabon. He began his career as a professor of economic and political development at Florida State University, Tallahassee & Mohammed V University, Morocco.

Dr. Nedelcovych received a Bachelor of Arts in Political Science from Yale University, a Master of Arts in International Relations from George Washington University, and a Ph.D. in Comparative Political and Economic Development from Florida State University. He is fluent in English, French, and Serbian and is proficient in Spanish, Portuguese, and Italian.

## CONTOURGLOBAL

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Medtronic is the world leader in medical technology providing lifelong solutions for people with chronic disease. We offer products, therapies and services that enhance or extend the lives of millions of people. Each year, 6 million patients benefit from Medtronic's technology, used to treat conditions such as diabetes, heart disease, neurological disorders, and vascular illnesses.

- **Cardiac Rhythm Disease Management** - Manages the full spectrum of cardiac rhythm disorders to

improve long-term patient care, including pacemakers to treat patients with bradycardia (too-slow heartbeat); implantable defibrillators to help patients with tachyarrhythmia (too-fast heartbeat); and diagnostic and monitoring innovations that diagnose heart-related syncope (unexplained fainting), just to name a few.

- **Neuromodulation** - Offers innovative therapies for chronic pain, movement disorders, spasticity, overactive bladder and urinary retention, benign prostatic hyperplasia, and gastroparesis.
- **Spinal and Biologics** - Offers products that treat a variety of disorders of the cranium and spine, including traumatically induced conditions, deformities and tumors. Medtronic has developed a variety of image-guided surgical navigation systems and distinguished itself as a global leader in less-invasive surgical techniques.
- **Diabetes** - Offers insulin pump therapy, continuous glucose monitoring systems, related disposable products and diabetes management software, making Medtronic a world leader in diabetes management.
- **CardioVascular** - Develops products that are used throughout the vascular system and those used for arrested and beating heart bypass surgery. These products include coronary, peripheral and neurovascular stents, stent graft systems for diseases and conditions throughout the aorta, and distal protection systems.
- **Ear Nose & Throat (ENT)** - Develops and manufactures minimally invasive products and techniques that treat a wide range of ENT abnormalities and conditions.
- **Neurologic Technologies** - Produce many technologies, surgical devices and implantable products that enhance the treatment of cranial, spinal, and specialty small bone conditions.

Medtronic's operations in sub-Saharan Africa are based in Johannesburg, South Africa.

## THE U.S. SOYBEAN EXPORT COUNCIL

The U.S. Soybean Export Council (USSEC) is a dynamic, non-profit partnership of soybean producers, value-added merchandisers, allied agri-business and agricultural organizations dedicated to improving human and animal nutrition throughout the world. USSEC market development activities build on 50 years of international programs conducted by the American Soybean Association.

USSEC maintains 10 global offices and employs over 150 staff worldwide to provide technical assistance and business expertise promoting sustainable economic growth to organizations throughout the world. USSEC's strength is providing assistance to developing soy-related businesses in human food and animal feed industries, utilizing soy along with locally available ingredients, technology and management skills. USSEC partners with local entrepreneurs to increase economic return through improved management abilities and increased productivity.

African markets are vital to the continuing growth of soy agri-business and USSEC has been active in Africa for decades. Examples of industries supported in Africa include soy food business incorporating soy flour for bread, textured soy protein enriched meals, and soy-based beverages. USSEC also supports feed based livestock production such as fish-farming, poultry, and dairy cattle.

USSEC management assistance in Africa is available in a wide range of soy based businesses including utilizing abandoned mine pits for fish-farming, small scale production of feed blocks for improved dairy cattle nutrition and productivity, and distribution channel development for soy food products.

USSEC's programs in over 80 countries help develop an economically viable and environmentally sustainable global food supply.

*For more information please contact (314) 754-1286 or [www.ussoyexports.org](http://www.ussoyexports.org).*

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