



# The **AFRICONOMIST**

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## *Banks Gone Wild!*

### *Central Bank of Nigeria Looks to Tame 'The Beast'*

The Central Bank of Nigeria believes it has taken decisive action to clear "the thick air of doubt and distrust that previously hanged over the [country's] banking industry."

After completing a special examination of all 24 banks in the country, infusing hundreds of billions of naira as liquidity to a number of banks deemed to be in grave situation, removing their top executives, and promising to assist the troubled institutions in their loan recovery efforts, the CBN said it has completed the first phase of the process to restore stability in Nigeria's financial sector.

A major priority going forward is to help the banks to recover more than \$2.6 billion in outstanding loans. A list published on CBN's web site shows more than 600 firms, individuals and state bodies that have large outstanding loans.

The other priorities include:

- Building capacity within the regulatory regime;
- Fast-tracking the implementation of risk-based, consolidated and cross border supervision frameworks;
- Easing the flow of credit, particularly to



Central Bank Governor Lamido Sanusi has made cleaning up the banking system in Africa's most populous nation his top priority.

the real sector of the economy;

- Improving governance structures and practices in the financial services sector; and
- Improving confidence in the economy in general.

The banking regulator is also considering setting up an Asset Management Company that would in the future handle

See, **NIGERIAN** Page

## Chinese Firms, Exxon Mobil Seek Oil Deals In Ghana

On the heels of Exxon Mobil Corp.'s rumored \$4 billion bid for rights to Ghana's Jubilee oilfield, China, reportedly, is also rumored to be pursuing a massive oil deal in the West African nation.

The Wall Street Journal is reporting that China National Offshore Oil Corp. is in talks with Ghana National Petroleum Corp. to offer a competing bid for a stake in the Jubilee oilfield.

The offer from the Chinese is expected to rival Exxon Mobil Corp.'s \$4 billion offer, the Journal said.

Meanwhile, Reuters reported recently that a leading member of Ghana's ruling party on Thursday confirmed that the government does not approve of Kosmos Energy's reported deal to sell its stake to Exxon Mobil.

Ghana's national oil and gas explorer has admitted it is

interested in acquiring the 30% stake owned by Kosmos.

Ghana expects to produce about 500,000 barrels of oil a day by 2014.

The offshore Jubilee field could potentially produce as much as 1.8 billion barrels.

In an unrelated development, the GNPC recently selected Nigeria's Oando PLC to lead the development of a \$1 billion natural gas project.

# African Development Bank Issues \$1 Billion Bond

The African Development Bank successfully issued a \$1 billion benchmark global bond in the international market. The lead underwriters for the 3-year bond were Credit Suisse, Deutsche Bank, Goldman Sachs and Morgan Stanley, carries a coupon of 1.75%.

“With an order book in excess of \$1.5 billion, this transaction is a testimony of the confidence capital markets have towards the African Development Bank” says Treasurer Pierre Van Peteghem. “It is the fifth transaction by the Bank in 2009 and the third \$1 billion completed in 2009.”

“The successful outcome of this transaction is credit to the standing AfDB enjoys in the capital markets and is a result of the extensive investor work undertaken by the Bank to inform the investor community of AfDB’s operational and

financial strength,” indicates Hassatou N’Sele, Capital Markets and Financial Operations Manager. Investor participation was well distributed geographically with Americas leading with 57% followed by the Middle-East (18%), Europe (16%) and Asia (9%).

The order book was of the highest quality with Central Banks/Official Institutions and fund managers being heavily represented 52% and 42%, respectively).

The transaction is the bank’s ninth global bond since 2002, and continues the strategy of maintaining presence in that market as a rare but consistent issuer. The AfDB’s borrowing program was authorized for an amount of up to \$9.8 billion for 2009, out of which the bank has completed about 61%.

## Nigerian Banks Face Reform, Unwavering Regulator

Continued from Page 1

the illiquidity and receivership issues in the banking sector.

In the latest round of examinations, 14 banks were assessed with a particular focus on liquidity, capital adequacy and corporate governance.

Of these, nine banks were found to have adequate capital and liquidity to support the level of their current operations and future growth, and five were deemed to have insufficient capital.

Among the five capital-starved banks, four were deemed to be in such grave situation that the CBN will offer them N200 billion to boost liquidity and enable them to continue normal business operations, while pursuing recapitalization options. The CBN also fired the managing and executive

directors of three of the four gravely-ill banks.

CBN said it had to intervene to save and strengthen banks that were in danger of collapse so as to protect depositors and creditors and prevent a systemic crisis. In the first examination of 10 banks, five banks had shown persistent signs of distress.

The regulator admitted that some of the steps it has taken has had some negative effects, but they are minimal and temporary.

"Some people with vested interests are desperate to blow them out of proportion and force a doomsday picture on the country. Most of the real negative consequences were anticipated and quickly contained," the regulator said in a statement.

The Central Bank of Nigeria now believes the worst is over, but said it

will remain vigilant and pro-active to ensure that the situation gets even better.

Over the last decade, there has been a dramatic increase in the number of Nigerian banks, many of which have expanded their operations across the region. Like many financial institutions around the world, the banks have been affected by the global financial crisis.

Recently, Andre J. Blaauw, who is group chief risk officer at United Bank for Africa, said in a recent article that some of the Nigerian banks which had to be bailed out recently had capital in excess of 20% of risk assets, yet were found to be short capital when losses materialized.

Blaauw believes that with the international harmonization of banks' leverage ratios from 2011, there will be much less scope for Nigerian banks to

## Standard Bank Group Raises \$1B from Chinese Banks

Standard Bank Group has signed a \$1 billion, five-year loan facility with four major Chinese banks in a deal believed to be the largest of its kind for a South African financial institution in the Chinese market.

The four banks are Industrial and Commercial Bank of China (Macau) Ltd; Bank of China; China Development Bank and China CITIC Bank.

Standard Bank says it intends to use the loan for general corporate purposes. The loan is repayable in a single tranche upon maturity.

Jacko Maree, CEO of the Standard Bank Group, said the transaction reflects the trust that Chinese banks have in Standard Bank, Africa and emerging markets, despite the tough global capital markets.

## Continent's Economic Outlook is Improving

The group chief economist at the African Development Bank says the continent's economic outlook is improving just as the countries of the western Hemisphere and Asia are showing signs of economic recovery.

Nonetheless, the recovery remains very weak for it to be a basis for optimism that Africa is back on a higher growth trajectory, Louis

Kasekende said.

In 2009, AfDB is forecasting a growth rate of 2% for the continent, improving to 3.9% in 2010.

Strong recovery will depend on a revival of demand in developed and emerging economies, plus recovery in financial flows to the continent.

According to Kasekende, "to maintain growth on a higher trajectory,

the challenge facing the continent is to increase the level of investment to at least over 30% of GDP, while also increasing the efficiency of that investment."

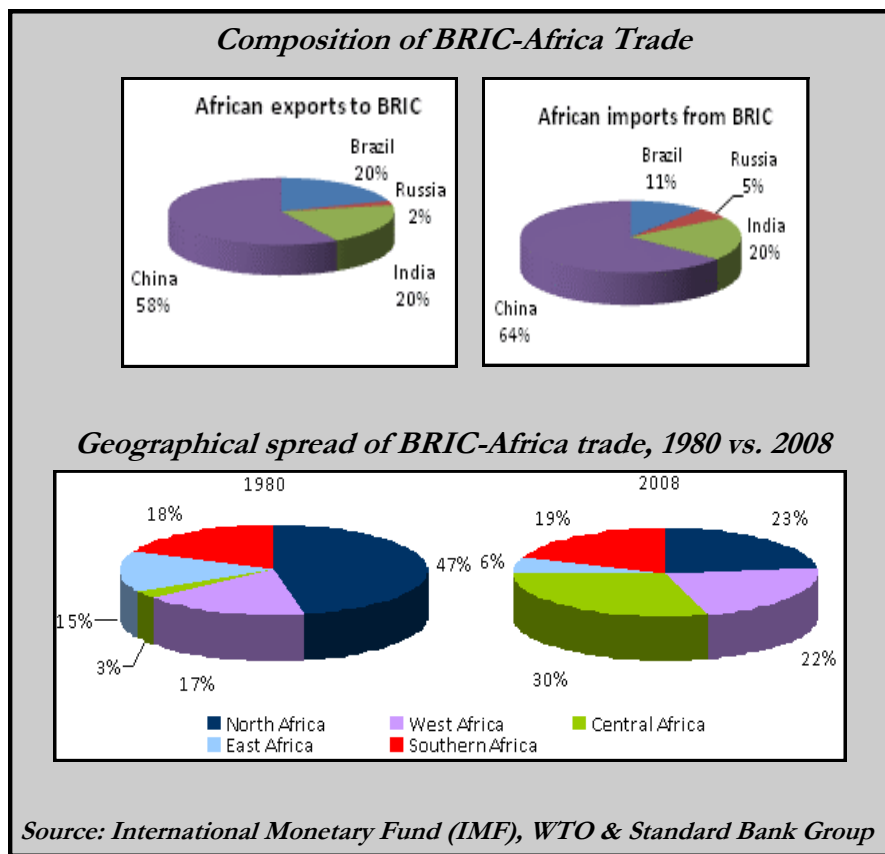
Kasekende made the comments ahead of the African Economic Conference, which is scheduled to commence Nov. 11 in Addis Ababa, Ethiopia.

## Africa-BRIC Trade Could Pass \$4 Trillion By 2030

Trade between Africa and the fast growing economies of Brazil, Russia, India and China or the BRIC countries has increased dramatically in the last 15 years. As a proportion of Africa's overall world trade volume, BRIC-Africa trade has jumped from 4.6% in 1993 to over 19% in 2008, according to research analyst at Standard Bank Group.

In a new report, the Standard Bank analysts estimate China, India, Brazil and Russia will be the 2nd, 4th, 7th and 8th largest economies in the world by 2030, with much of the growth required for this to occur straddled on the back of rising ties with Africa. As a result, they project that by 2030, BRIC-Africa trade will exceed \$4 trillion, equalling around 10% of BRIC-world trade and over 45% of Africa-world trade. During this time, Brazil and India's relative share of BRIC-Africa trade will increase significantly.

According to the report, BRIC-Africa trade has increased hugely from \$22.3 billion in 2000 to \$166 billion in 2008. Today, African trade constitutes 2.9%, 6.4% and 6.3% of



China, India and Brazil's total trade, respectively. China-Africa trade alone increased from \$3.5 bn in 1990 to over \$100 bn in 2008, equating to around two-thirds of Africa's total BRIC trade. China is now Africa's second most prodigious trade partner behind the United States. China-Africa trade increased from \$3.5 billion in 1990 to over \$100 billion in 2008, equating to around two-thirds of Africa's total BRIC trade. China is now Africa's second most prodigious trade partner behind the

United States.

Egypt, Nigeria and Angola are the most significant partners for the BRICs in Africa. As an indication of this, Angola accounts for 20% of all BRIC-Africa trade and South Africa accounts for 20% of BRIC exports to Africa and 15% of BRIC imports from Africa.

Furthermore, 35% of all BRIC high-level visits to Africa between 2000 and 2009 were to South Africa (15%), Angola (6.2%), Nigeria (6.9%) and Egypt (6.9%).

## Cesspool of Banks

A number of Nigerian banks are in grave financial condition — as the Central Bank of Nigeria puts it — largely due to mismanagement and fraud, and not necessarily due to the dire global economic picture.

The toxic assets on the balance sheets of some of these banks are not just bad investments that have lost value, but rather loans to fictitious institutions and businesses that bank managers had personal interest in.

In all, these bad apples in the banking system made bad loans totaling 1.14 trillion naira or \$2.6 billion.

The good news is that Nigeria's financial regulators are determined to stomp out the corruption and mismanagement in order to restore some faith in the country's banking system and economy. That is highly commendable.

For an ill-fated banking system that has been allowed to fester without any accountability for years, it is gratifying to see the country's law enforcers sacking bank chiefs and in some cases dragging them to court on corruption charges.

The CBN has also injected about \$4.2 billion into the banking system to keep it afloat, after conducting a series of audit reviews to separate out the wheat from the chaff. Several banks on life support are being closely monitored.

And, most impressive of all, the CBN is leading the charge to recover the bad loans, by among other things, publishing a list of debtors on its web site.

While some view the CBN's actions to be draconian, we find them completely appropriate and necessary under the circumstance. In our view, one cannot clean this cesspool without first draining it.

## Surfing the wave!



South African surfers break the Guinness World Record for the most surfers riding a wave at Muizenberg Corner in Cape Town, South Africa. The result is pending ratification, but more than 105 people surfing apparently participated in the exercise.

Send news and comments to  
[news@africonomist.net](mailto:news@africonomist.net)

or

Visit us on the web at  
[Africonomist.net](http://Africonomist.net)

## The Africonomist Corp

David Appiah-Dankwa  
*Publisher & Editor-in-Chief*

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Asha Attoh Okine  
*Advisor/Economist*

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## eSolar Moves To Expand Sales in Southern Africa

California-based eSolar, a provider of modular, scalable solar thermal power technology, has partnered with Johannesburg-based Clean Energy Solutions to open eSolarSA to expand sales operations across Sub-Saharan Africa.

Under the agreement, Clean Energy Solutions will be granted the exclusive right to represent and distribute eSolar's concentrating solar power technology throughout a seven-country region, including South Africa, Namibia and Botswana.

"With local partners on three continents and a commercially proven technology, eSolar is ready to expand its global footprint and further its goal of making solar energy competitive with fossil fuels," said Bill Gross, CEO of eSolar. "Africa boasts one of the highest solar resource on the planet, and eSolar's modular, scalable technology is well-positioned to establish the continent as a leader in the development of low-cost, no-carbon energy solutions."

Working closely with eSolar, Clean Energy Solutions will operate eSolarSA as a separate entity responsible for project support and client service. Leading eSolarSA's efforts will be led by renewable energy advocate Stuart Fredman, currently the managing director of Clean Energy Solutions. The region has made aggressive moves to boost renewable energy capacity, with the South African government notably setting the goal to provide 10,000 gigawatt hours of electricity from renewable resources by 2013.

"Sub-Saharan Africa's tremendous solar resource has



**eSolar finds a partner in South Africa to foster sales in sub-Saharan Africa.**

gone relatively untapped, but now, with eSolar's technology, we can establish Southern Africa as a new hotspot for solar development," said Fredman.

This deal marks the continued global expansion of eSolar. By building its plants in small 46 MW units sited on 200 acres and leveraging locally sourced, prefabricated components, eSolar's plants overcome the key obstacles facing solar deployment – namely, price, speed of deployment and grid impact.

## *BMW Pumps \$220M Into 3-Series Production in South Africa*

German automotive giant BMW recently announced it was investing \$220 million to build its new 3 Series in South Africa, after obtaining assurances from the South African government on continued manufacturing incentives.

Announcing the investment in Johannesburg, BMW South Africa's Managing Director Bodo Donauer said: 'It will secure BMW car production in South Africa for the foreseeable future.'

From 60,000 vehicles a year, BMW South Africa's production will jump to 87,000 vehicles.

'This is a very, very significant statement,' Trade and Industry Minister Rob Davies said. 'This is a major ... statement of confidence in the South African economy, especially a time



**With investment, BMW hopes to secure production in Africa for foreseeable future.**

when the global automotive industry is under extreme strain,' he added.

From its plant outside Pretoria BMW SA exports to the United States, Japan, Australia and other leading car markets as well as sub-Saharan Africa. The company's South African plant was its first outside Germany and dates to 1974.

South Africa's development of a

new automotive incentive programme was key to BMW's choice of the country for the investment, according to Donauer.

The yet-to-be-finalized Automotive Production and Development Programme (APDP) continues a long-running programme of incentives encouraging BMW and other carmakers to manufacture in South Africa.

## EVENTS

**Aviation Symposium Oct. 22**

The East African Community Civil Aviation Safety and Security Oversight Agency will host an aviation symposium October 22 at the Naura Springs Hotel in Arusha. The event is part of the ongoing activities to mark the agency's 10th anniversary.

The symposium is being held in collaboration with the EAC Secretariat and partner states' civil aviation authorities.

**Telecom Conference Oct. 27**

Informa Telecoms & Media, a provider of business intelligence and strategic marketing solutions to global telecoms and media markets, is hosting the 4th Annual North Africa Com Conference and exhibition on the Oct. 27 and

28 at the JW Marriott hotel in Cairo, Egypt.

Under the theme of "Strengthening Operators' Positions in North Africa with New Technologies & Services," the region's largest telecommunications event is expecting to welcome over 800 senior-level representatives from the region's mobile and fixed-line operators, Internet Service Providers, regulators, investors, telecoms solutions vendors and content providers.

**Infrastructure Forum Nov. 18**

The Commonwealth Business Council will hold the Lagos State Infrastructure Forum 2009 in Lagos, Nigeria on Nov. 18 and 19. The Forum is designed for international and Nigerian business dealings related to infrastruc-

ture transactions and implementation.

**Economic Conference Nov. 11**

About 500 policy-makers, academics, key private sector players and representatives of non-governmental organizations are expected to attend the 4th African Economic Conference from Nov. 11 to 13.

The conference, which is jointly organized by the African Development Bank Group and the Economic Commission for Africa, will be held in Addis Ababa, Ethiopia.

The conference is expected to improve upon the quality of economic policies designed within the region as well as the dynamic and sustained growth necessary to reduce poverty through knowledge-sharing

## BRIEFS

**Nestle End Ties To Mugabe Farm**

Swiss company Nestle has reportedly ended its business with relationship with the Gushungo Dairy Estate in Zimbabwe.

The Gushungo Dairy Estate, which is controlled by the wife of Zimbabwe president Robert Mugabe, sells up to a million liters of milk a year to Nestlé Zimbabwe's manufacturing plant on the outskirts of Harare, according to the UK's Telegraph. According to news reports, the previous white owners of the dairy farm were forced to sell the property at a knock-down price. Mrs. Mugabe is subject to EU and American sanctions barring the transfer of funds to her.

**Virtual Job Fair Goes Up Live**

Zebrajobs.com and the Corporate Council on Africa have launched the first Africa Virtual Job Fair, which went live on September 30, 2009. The event was a success with over 1,300 job seekers who logged on the day of the launch to connect with over 100 representatives from the 15 exhibiting companies. The Africa Virtual Job Fair will remain open on demand for the next three months until December 30.

**Ai Summit Links Investors To Business Leaders**

Africa investor (Ai), an international investment research and communication group, closed its successful Summit at

the New York Stock Exchange which facilitated major discussions between African business leaders and the global investment community. This was the sixth time Euronext in Paris and the NYSE have partnered with Africa investor to hold such a high-level investment summit.

It is estimated that portfolios close to \$3 trillion were represented at the Summit and a number of deals framed, following facilitated one-on-one meetings between African issuers and international investors at the Exchange.

**Siterra Strikes New Deal To Develop Towers**

San Francisco-based Siterra, a leading provider of web-based software, has been tapped to manage the development of new telecommunications towers in Nigeria.

African tower company, Helios Towers, entered into a development contract with Siterra.

**CNOOC Interested In Nigeria Oil Blocks**

The Financial Times is reporting that China National Offshore Oil Corp, the nation's third largest oil and gas producer, is in talks with Nigeria to acquire large stakes in some of the world's richest oil blocks.

CNOOC, the nation's largest offshore crude producer, is bidding for 6 billion barrels of oil, equivalent to one in six barrels of proven reserves in Nigeria, the second largest oil producer in Africa, the report states.

## Another Gigantic Diamond Found At Cullinan Mine

Africa-focused diamond-miner Petra Diamonds has recovered a 507,55ct white diamond at its iconic Cullinan operations, in South Africa, the company announced on Tuesday, when it released its 2009 year-end results.

At just over 100 g, the diamond, which has yet to be named, was considered to be amongst the top 20 largest high-quality rough diamonds ever found worldwide.

The gemstone was recovered on September 24 – Heritage Day in South Africa – and was currently with experts for analysis.

“The Cullinan mine has again given the world a spectacularly beautiful and important diamond. Initial indications are that it is of exceptional color and clarity, which suggest extraordinary potential for its polished yield. We now eagerly await the findings of the expert analysis,” said Petra Diamonds CEO Johan Dippenaar.

The diamond was recovered alongside three other special white stones of similar colour clarity in the same production run: another stone of 168 ct and two other stones of 58,50 ct and 53,30 ct.

The Cullinan mine is renowned for producing many of the world’s most spectacular diamonds, including the largest gem diamond ever recovered, namely the ‘Cullinan’, at 3 106 ct rough. This diamond was cut into smaller gems, two of which were retained for the British Crown Jewels.

The mine is also a significant source of rare and valuable blue diamonds. In May, Petra Diamonds sold a 7,03-ct blue diamond from Cullinan for a record \$9,4-million – the highest auction price ever for a fancy vivid blue

The legendary 3,106.7-carat Cullinan Diamond - the



**Johan Dippenaar, CEO of Petra, holding a 507 carat white diamond.**

world's largest ever gem-quality diamond - was recovered at the mine, near the city of Pretoria, in 1905. It was sold and became part of Britain's Crown Jewels.

South Africa's diamond industry is dominated by world leading mining company De Beers, which sold the then 104-year-old Cullinan Diamond Mine to the Petra Diamonds for around \$150 million in 2007.

Meanwhile, Petra reported that production for the year ended June 2009, had increased fivefold, to more than one-million carats, compared to a year ago.

The increase in production and sales were largely owing to the Cullinan mine coming on-stream in July 2008, and the Williamson mine in November 2008. This was offset by the falls in rough diamond prices across all operations.

## Ecobank, Afreximbank To Seek Opportunities Together

The Ecobank Group and the Africa Export-Import Bank have agreed to cooperate in the areas of trade and project finance.

Under the agreement, Afreximbank and Ecobank will cooperate in originating, structuring and financing trade and project finance opportunities across the twenty-eight African countries in which Ecobank operates.



**Ekra**

Jean-Louis Ekra, President of Afreximbank, said, “We are particularly excited by the opportunity to work with the Ecobank Group, a pan-African financial institution with the largest banking footprint across Africa. This is a great opportunity for encouraging and promoting cooperation among financial institutions dedicated to Africa.”

Arnold Ekpe, Chief Executive of the Ecobank Group, said, “We welcome this partnership with Afreximbank, an institution that is dedicated to stimulating, and developing trade in Africa, including operations in some African countries that have found it more difficult to access trade finance.

This cooperation agreement will



**Ekpe**

allow us to do more together by pooling and leveraging on our combined resources.”

Afreximbank and Ecobank have been working closely together for a number of years on trade and project finance opportunities

across Africa.

Both institutions have closed several transactions, and are pursuing various others as partners.

## Climate Change Threatens Continent's Food Supply

African countries are particularly vulnerable to climate change because of their dependence on rainfed agriculture, high levels of poverty, low levels of human and physical capital, and poor infrastructure, a new report from the International Food Policy Research Institute states.

The negative effects of climate change on crop production are especially pronounced in Sub-Saharan Africa, as the agriculture sector accounts for a large share of GDP, export earnings, and employment in most African countries. Furthermore, the vast majority of the poor reside in rural areas and depend on agriculture for their livelihoods.

The crop model indicates that in 2050 in Sub-Saharan Africa, average rice, wheat, and maize yields will decline by up to 14 percent, 22 percent, and 5 percent, respectively, as a result of climate change.

Irrigation water supply reliability, the ratio of water consumption to requirements, is expected to worsen in Sub-Saharan Africa due to climate change.

Without climate change, calorie availability is expected to increase in Sub-Saharan Africa between 2000 and 2050. With climate change, however, food availability in the region will average 500 calories less per person in 2050, a 21 percent decline.

In a no-climate change scenario, only Sub-Saharan Africa (of the 6 regional groupings of developing countries studied in the report) sees an increase in the number of malnourished children between 2000 and 2050, from 33 to 42 million. Cli-



Negative effect of climate change pronounced in Sub-Saharan Africa.

mate change will further increase this number by over 10 million, resulting in 52 million malnourished children in 2050.

Additional investments to increase agricultural productivity can compensate for many of the adverse effects of climate change. Sub-Saharan Africa needs 40 percent of the estimated 7 billion USD per year in additional global agricultural investments, the majority of that for rural roads.

## *New Partnership Aims To Enhance Seed Quality*

A broad coalition of public and private sector organizations have announced a new partnership committed to raising the yields and incomes of smallholder farmers in West Africa by increasing their access to improved, locally adapted varieties of major food crops.

The partnership is meant to reinforce the goals of the West Africa Seed Alliance.

The goal of the partnership is to promote a sustainable commercial seed industry focused on ensuring that small-scale farmers in West Africa have affordable, timely, and reliable access to good quality seeds and planting material. WASA intends to work closely with West African governments and regional organizations to implement policies that



DeVries

encourage private sector investments in local seed production that will stimulate increased adoption of improved high-quality seed and complementary inputs. USAID has supported WASA since 2007, but the new partnership, announced at an conference in Bamako, Mali, organized by Alliance for a Green Revolution in Africa, significantly strengthens the alliance.

"The livelihoods of smallholder farmers in West Africa are directly linked to a modernized agriculture," says

Dr Joe DeVries, director of AGRA's Seed Program. "It is also no coincidence that the most successful agricultural enterprises come about mostly through an effective public-private sector partnership" added Robert Kagbo, Senior Agricultural Advisor of USAID/West Africa. Studies show that farmers in West Africa only cultivate about 1-3 hectares, and generally do not use improved seed of varieties of locally bred material except for such cash crops as cotton and cocoa.

The farmers generally rely on poor quality seeds saved from previous years or provided by aid organizations. Crop yields are quite low and harvests often do not provide enough food for their families, much less to have a surplus to sell or store for later consumption.

## Business Summit Sheds Light on Africa's Investment Potential

The Corporate Council on Africa concluded its 7th Biennial U.S.-Africa Business Summit in Washington on Oct. 1.

The summit brought together more than 1500 of the private and public sector leaders, as well as government officials, heads of states, and other dignitaries to discuss business and investment opportunities in Africa.

Here are excerpts of several keynote speeches:

### U.S. Secretary of State Hillary Clinton

"We are eager to move beyond stereotypes that paint Africa as a land of poverty, disease, conflict, and not much else. And we will continue to lay a strong foundation for a new kind of engagement with Africa, one that is built on shared responsibility and shared opportunity, and on partnerships that produce measurable, lasting results.

From our perspective, for too long, Africa has been viewed as a charity case instead of a dynamic continent capable of becoming a global economic engine of the 21st century."

\*\*\*

"In each of the seven countries I visited, I saw examples of activities and investments that are already paying dividends. I saw researchers in Kenya who are modernizing agriculture by creating tools that will enable us to provide new kinds of seeds, fertilizers and equipment to transform rural farming. Young entrepreneurs in South Africa are starting businesses and building open markets that are competitive with counterparts anywhere in the world.. Public and private partners working together in Angola on new models of development assistance; health professionals in the Democratic Republic of Congo risking their own lives to give life back to those dehumanized by violent conflict; members of civil society in Nigeria pressing for electoral reforms and an



Clinton

whose emphasis on good governance and transparency and strengthening democratic institutions has elevated that small nation economically in only a decade."

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"I will be reaching out to the energy companies here who do business in the Niger Delta to figure out what we can do to try to resume a more productive outcome for the people of the Niger Delta in the production of energy."

\*\*\*

"If you've traveled in Botswana, you know that the roads are the best in Sub-Saharan Africa except for South Africa."

\*\*\*

"We want to look back after the Obama Administration and be able to say we made a difference in Africa, and we can see the results. This is not only because it's the right thing to do and the smart thing to do; it's very personal to President Obama. He considers himself a son of Africa because of his father's lineage."

### Tanzanian President Jakaya Kikwete

"It is our duty to keep projecting a better image of our continent as a whole and of each individual country. Our commitment to good governance, peace and security, to the rule of law and respect for contracts and the business

environment as a whole must never be put into question."

\*\*\*

"We are realizing that it is precisely the subjective and selective stories that [the media] carry about Africa that keep

many Western

companies out of Africa. Believe me, the field is wide open."

in Cape Verde

and Angola are finding each other. We are natural partners in business.

Angolan importers need American products. American exporters are eager to export, and the [U.S.] Export-Import Bank is providing the financing to make it possible."

### U.S. Ambassador to Angola Dan Monzena

"I come from a dairy farm in [the U.S. Midwestern state of] Iowa. I love agriculture, and let me tell you, you have 35 million hectares — that is 65 million acres — of empty, arable land waiting to be cultivated in Angola."

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### Eunice Kazembe, Malawi Minister of Trade and Private Sector Development

"Investments in basic infrastructure and technology can help free women's time to pursue income-generating activities and become even more empowered."



Kikwete



Monzena

## Fund Focus: *Acumen Fund*

By David Dankwa

Acumen Fund is a non-profit global venture fund that uses entrepreneurial approaches to solve the problems of global poverty. The organization operates from offices around the globe: New York, Hyderabad, Karachi and Nairobi.

Jacqueline Novogratz is founder and CEO of the Acumen Fund. Novogratz, who began her career in international banking from Chase Manhattan Bank, has led the organization since its launch in 2001, and under her leadership Acumen Fund has invested \$40 million in over 35 companies serving 25 million low-income customers in the developing world.

She is the author of the bestselling memoir, "The Blue Sweater: Bridging the Gap Between Rich and Poor in an Interconnected World," which was published in early 2009.

### History

Acumen Fund was incorporated on April 1, 2001, with seed capital from the Rockefeller Foundation, Cisco Systems Foundation and three individual philanthropists. Its network of investors and advisors now include a wide range of individuals and organizations.

### Philosophy

The fund is managed by people who believe that "small amounts of philanthropic capital, combined with large doses of business acumen, can build thriving enterprises that serve vast numbers of the poor."

### Interests in Africa

In Africa, the Acumen Fund has made several investments in Kenya and Tanzania. Among them are:



**A to Z Textile Mills, a Tanzanian manufacturer, produces bednets impregnated with a long-lasting insecticide.**

- A to Z Textile Mills, a Tanzanian manufacturer, produces bednets impregnated with a long-lasting insecticide, making them effective for up to five years instead of the usual six months, with no need for re-treatment. The Acumen Fund made an original investment of \$325,000 loan in 2002 and \$675K grant/debt in 2005.

- Insta Products Limited is a Kenya-based private company manufacturing a protein- and vitamin-rich pre-cooked porridge product, which supplies all 9 essential amino acids required by the human body. The Acumen Fund provided Insta Products with a \$1 million loan in 2008.

- Ecotact is a Nairobi-based company that builds and operates high-quality, public, pay-per-use toilet and shower facilities on public land in urban centers. Ecotact uses a Build-Operate-Transfer model of public-private partnership, entering into long-term contracts with municipalities to secure use of public lands. The Acumen Fund provided it with \$757,000 in debt financing.

- Jamii Bora Trust, which started off as a trust for beggars, has grown into the largest microfinance institute in Kenya, with over 170,000 members. It works in slums throughout country. The Jamii Bora Trust has recently launched Kaputei Town, an urban planning project 60 km south of Nairobi which is designed to be ecofriendly and will include residential neighborhoods, commercial, cultural and social centers as well as a wetlands wastewater recycling facility. The Acumen Fund provided the microfinance institute with \$250,000 in debt financing.



**Ecotact, one of the companies The Acumen Fund has invested in, builds and operates these pay-per-use toilets.**

## Project Focus: *Lake Turkana Wind Farm*

By David Dankwa

The Lake Turkana Wind Power Project involves the construction and operation of a 300MW wind power plant in Marsabit District, near Lake Turkana in the Great Rift Valley, in the north-western part of Kenya.

The wind farm, which upon completion will be the biggest of its kind in Africa, will comprise 367 turbines of 850KW capacity each to maximize the very high wind speed in the Turkana corridor low jet stream corridor.

Construction of the project, which the African Development Bank has agreed to facilitate with a Euro 300 million loan, will begin July 1, 2011. A turbine will be installed each day for a full year, however connection to the Kenyan grid should start following the installation of the 15th turbine.

The project site covers an area of 150 km<sup>2</sup> (15km by 10km) while the wind farm will cover an area of 40km<sup>2</sup> distributed over three ridges with a distance of 70 meters between each turbine.

The clean power output generated will contribute up to 25% of the existing national installed power and will be connected at Suswa, near Naivasha.

Average electricity production is estimated at 1,440 GWh per year. Engineers have been measuring wind speeds and frequency in the project area for the last 30 months at 40, 60 and 80 meters altitude. The average wind speed in the project area has been recorded to be



Men at work at the construction site, located near Lake Turkana in the Great Rift Valley of Kenya.

11 meters per second, which is among the highest wind speed averages recorded in the world.

The wind farm project is expected to help the country address power shortage and enhance further economic growth.

Also, the project is forecast to reduce carbon emissions by 16 million tons, thus gaining valuable carbon credits.

There are a few challenges that could hamper construction. The wind farm site is remote and presents a significant logistics challenge. Wind turbines and their propeller blades are large pieces of equipment that need special handling. Project coordinators have already commissioned a firm to conduct a route survey in Kenya to assess the state of the existing infrastructure and to determine the investments required to transport the turbines, equipment and materials to the site.

There are also delicate environment concerns, including rare fish and wildlife that cannot be disturbed.



Transporting these large wind propeller blades could be a logistical nightmare.



Lake Turkana to the west of the project area harbors a great variety of aquatic animals, including crocodiles, hippos, fish and birds.

## Country Focus: *Liberia*

By Asha Attoh-Okine

Fourteen years of civil war during the late 1980's and late 1990's transformed Liberia from a relatively wealthy country to one of the poorest countries in the world with per capital GDP estimated at \$170.

The Liberia Poverty Reduction Strategy Program (LPRS), launched in 2007, aims to create the preconditions for sustainable economic growth and reducing poverty for the period 2008 through 2011.

### Future Growth Prospects

The government's comprehensive strategy for Liberia's economic growth and poverty reduction program involves consultations and discussions with Liberians at all levels, from civil society organizations to private sector, and the legislature to international partners.

The program is coordinated by the Liberia Reconstruction and Development Committee. In order to realize the objectives of poverty reduction program, the strategy centers around four key pillars:

1. Consolidating peace and security;
2. Revitalizing the economy;
3. Strengthening governance and the rule of law; and;
4. Rehabilitating infrastructure and delivering basic services.



These four pillars reflect Liberia's history of political instability and income inequalities which has dodged the country for years.

### The Road Ahead

Liberia is off to a good start given the participatory manner in which LPRS was

Table shows the key economic ratios and trends.

KEY ECONOMIC RATIOS AND TRENDS				
	2000	2005	2007	2008
GDP (US\$ billions)	0.56	0.53	0.73	0.87
Percentages				
Gross capital formation/GDP	...	16.0	20.0	...
Exports of good and services/GDP	21.0	38.0	33.0	...
Imports of good and services/GDP	26.0	52.0	84.0	...
Merchandise trade/GDP	177.8	83.2	95.5	129.5
Agriculture (value added)/GDP	72.0	66.0	54.0	...
Services (value added)/GDP	16.0	18.0	27.0	...
Industry (value added)/GDP	12.0	16.0	19.0	...
Total External Debt (US\$ millions)	2,032	2,576	2,475	...
Domestic Prices: Annual Percentage Change				
Inflation, GDP deflator	-1.3	13.8	16	12.8
Annual Growth Rates (%)				
GDP	25.7	5.3	9.4	7.1

Source: World Development Indicators database

launched. This is very unusual given the recent past history of Liberia. The political climate which is the major preconditions for sustainable economic growth remains stable.

This security situation may be hampered in the future due to a weak national security situation, an archaic land tenure system and high youth unemployment.

Despite meeting some of its economic targets, challenges associated with implementing monetary policy highly dollarized economy and external debt burden still remains. The current global recession is also impacting Liberia's economy due to weak demand for rubber and diamond.

Measures in place to rebuild basic infrastructure, restoring production in the resource-based sectors and diversifying Liberia's economy has been encouraging. We hope the tranquil political environment and sound economy measures will continue and thus raise the living standards of the Liberian people.

*The Africonomist, launched in Feb. 2009, is a financial newsletter focused on investments and economic development in Africa.*

*Our primary goal is to inform our readers about developments shaping the economic landscape in Africa.*

Send all comments to  
[news@africonomist.com](mailto:news@africonomist.com)