AFRICA

AirCargo Transport Report

Prepared for the AGOA Forum in Mauritius

January 15-17, 2003

Department of Transportation United States of America

Export-Import Bank of the United States

U.S. Trade and Development Agency

TABLE OF CONTENTS

INTRODUCTION

As success continues with Sub-Saharan African manufactured and agricultural products entering the American marketplace, direct air cargo service between the two continents becomes more necessary and economically viable.

To facilitate a full discussion of the importance of making direct air cargo service a priority and the necessary steps that should be taken in this regard, the U.S. Trade and Development Agency, the Export-Import Bank of the United States and the U.S. Department of Transportation organized and hosted the "Africa Air Cargo Transport Roundtable" on November 19-20, 2002 at the Export-Import Bank in Washington, DC.

A cross section of African and American specialists representing public policy makers, airport and civil aviation officials, airline carriers, freight forwarders, representatives for the perspective of potential buyers and sellers, and international financial institutions attended and actively participated in the Roundtable.

This report—Recommendations for Action, Summaries of the Panels and Discussion—includes ideas on how U.S. Government agencies can continue to be of assistance, and is respectfully offered to stimulate further attention and discussion on the need for direct Africa-U.S. air cargo service by both the public and private sector attendees at the 2003 Africa Growth and Opportunity Act (AGOA) Forum in Mauritius in January.

Organizers of the Roundtable wish to acknowledge with special appreciation The Boeing Corporation for its substantive and financial support, as well as LAN Chile for its willingness to attend the Roundtable and share its success stories with the participants.

The Roundtable summary was prepared and edited by the Export-Import Bank, specifically Jason Nagy, with the assistance of the Bank's Office of Communications.

BACKGROUND: AIR CARGO AND AGOA

In the first eight months of 2002, U.S. imports of new, non-fuel AGOA goods increased by 155 percent, to $988 million. Imports to the United States from every other region of the world, with the exception of Sub-Saharan Africa, have decreased during the same period. Sectors that have primarily comprised this increase include textiles and apparel, leather and leather products, and transportation equipment with the highest gains in the nations of Senegal, Madagascar, Lesotho and Kenya.

Although AGOA has already been successful in certain sectors, in order to reach its fullest potential, direct air cargo service between Africa and the United States must be facilitated thereby reducing the costs of having to ship the goods to the U.S. marketplace through Western Europe. The establishment of direct air cargo service from Africa to the United States would truly “open” the market for perishable and agricultural products in particular, as well as for certain manufactured goods.

Direct air cargo service from Africa to the United States can be financially competitive with ocean shipping given the expected increase in volume and the additional costs of money, time, security, and insurance when comparing 24 hours by air versus five weeks by sea.

RECOMMENDATIONS FOR ACTION

The window of opportunity for African airlines to both grow their respective businesses and accept a leadership role in the economic development of their nation and in job creation at home is now.

Where there is not now a public/private council specifically addressing the transportation infrastructure, such a dedicated council needs to be established in each country that sees itself as becoming a regional “hub”.

The reality is that economics will drive whether a service is both practical and financially viable; therefore, African decision makers will need to think regionally rather than exclusively within the context of an individual country.

While geography is a major factor in where “hubs” are located, to a considerable extent those nations that move quickly into filling this vacuum will successfully influence the dynamic to their advantage.

Airlines in AGOA eligible countries have an advantage, though airlines from throughout the continent that service the region can easily become part of the transportation solution should they move aggressively to fill the current void.

An airline choosing to take advantage of this unique opportunity will presumably have to increase the priority they currently place on cargo business development and would create major advantages for itself by developing a strategic business plan with network options that would include an assessment of the market (domestic, regional and U.S.), a marketing plan, and solutions on how to overcome the regulatory, legal and logistical challenges.

Infrastructure improvements, including those in IT and telecom, may be necessary and need to be assessed and planned for by the responsible party whether it is the Ministry of Aviation, airport authority, airline or designated private sector concessionaire. Similarly, current infrastructure needs to be properly maintained. In order to achieve this, African governments should insure that revenue from airspace management is reinvested back into the industry.

Safety and security, including air traffic control, needs to further be made a priority as well as the full utilization of the expertise for compliance with “Safe Skies” with the goal of achieving “Category 1” designation where that is not already the case.

Recognition by African political and business leaders that direct air cargo service between their countries or regions and U.S. consumers is truly an economic corridor and job creator rather than just a method of transportation is vital to maintaining the necessary resource allocation and priority beginning with a review of current trade policies and including the development of a strategic plan with a training element.

Governmental agencies at all levels whose individual responsibilities impact creating the economic corridor need to be challenged to meet their obligations with creativity and open-mindedness rather than fall into a regulatory and bureaucratic mentality. Establishing confidence and consistency in public policy making is of paramount importance.

Whether it requires the government official to think like an entrepreneur, the banker to see beyond the deal on their desk, or the airline official to recognize the need to help identify and organize local companies that have products to sell overseas, the confines of traditional roles need to be broken and broadened beyond what these parties normally see as their responsibility.

In order to attract the required private sector investment, African governments need to assure potential investors they will ensure compliance with AGOA standards in the future.

Recognizing both the need as well as the opportunity, financial institutions—whether private or public—need to challenge their internal credit culture as it relates to Africa as well as lead the effort in facilitating the financial processes and systems that will increase their level of comfort to invest in the region.

CONTINUED U.S. GOVERNMENT INVOLVEMENT

The U.S. Government needs to begin the process now of extending AGOA so as to provide the necessary level of confidence everyone else involved in the process that continuity will be maintained and the U.S. Trade Representative must continue to make trade with Sub-Saharan Africa a priority, accenting the growth potential between the two continents.

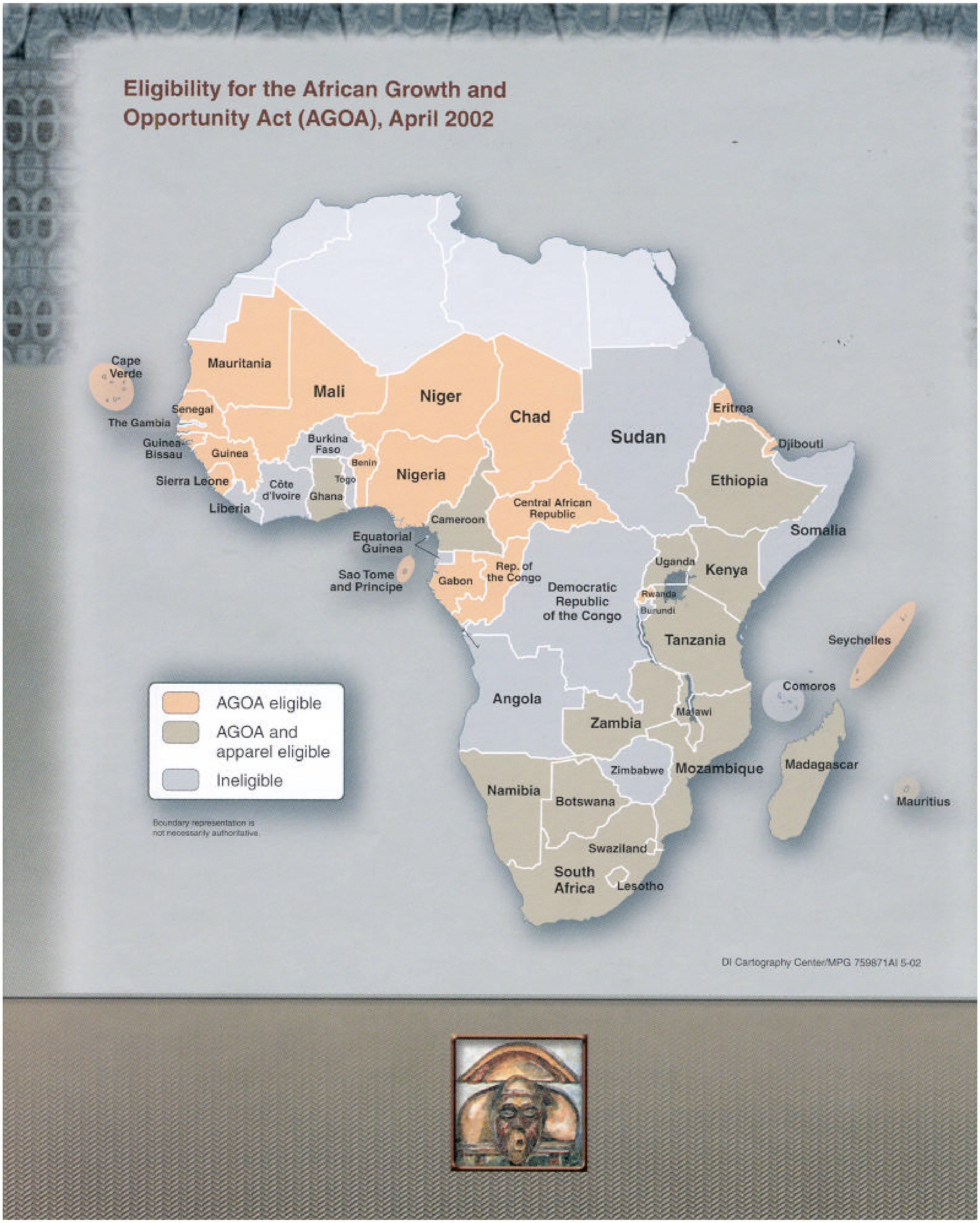
Notwithstanding the progress that has been achieved, the U.S. Department of Transportation and Federal Aviation Agency must re-dedicate themselves to providing the necessary technical assistance to comply with both American and international aviation standards with an emphasis on "training the trainers" so as to better insure both compliance and maintenance of the safety and security standards and regulations.

The U.S. Department of State through its respective embassies and consulates must take the lead, if they already have not, in seeking the required technical expertise within the U.S. Government to further assist African governments in meeting their needs whether the challenge is with customs, FDA standards, visa requirements or new Transportation Security Administration issues.

Recognizing the vital facilitator role played by the U.S. Department of Commerce between African and U.S. companies, Commerce must continue its efforts to expand operations in Sub-Saharan African and to specifically extend their current efforts to prioritize the matchmaking necessary to develop on-the-ground logistical support for efficient, direct air cargo service.

Much like the early investment the U.S. Trade and Development Agency made in "Safe Skies", TDA must continue to prioritize the on- and off-the-airport infrastructure needs required to service the air cargo industry, specifically including the development of the necessary business plans to attract the attention of U.S. investors and exporters.

Both the Export Import Bank of the U.S. and the Overseas Private Investment Corporation (OPIC) need to expand their respective roles to include further outreach to U.S. interests—whether exporters or investors—involved in the cargo and related industry, impressing on the industry that both institutions are "open for business" and consider Sub-Saharan Africa's cargo development opportunities a priority.


Eligibility for the African Growth and Opportunity Act (AGOA), April 2002
Cape Verde
Mauritania
Mali
Niger
Chad
Sudan
Eritrea
Djibouti
Senegal
The Gambia
Guinea-Bissau
Guinea
Burkina Faso
Benin
Togo
Nigeria
Ethiopia
Sierra Leone
Côte d'Ivoire
Ghana
Liberia
Central African Republic
Cameroon
Somalia
Equatorial Guinea
Sao Tome and Principe
Gabon
Rep. of the Congo
Democratic Republic of the Congo
Uganda
Kenya
Rwanda
Burundi
Tanzania
Seychelles
Comoros
Angola
Malawi
Zambia
Zimbabwe
Mozambique
Madagascar
Mauritius
Namibia
Botswana
Swaziland
South Africa
Lesotho
AGOA eligible
AGOA and apparel eligible
Ineligible
Boundary representation is not necessarily authoritative.
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Africa Air Cargo Transport Roundtable
Tuesday November 19, 2002
Session One: 9:00 a.m. – 10:00 a.m.

Opening

Panelists:
Thelma J. Askey-Director, U.S. Trade and Development Agency (USTDA)
J. Joseph Grandmaison-Member, Board of Directors, Export-Import Bank of the U.S.
Dr. Magnus L. Kpakol-Chief Economic Advisor to president of Nigeria
Jeffrey N. Shane-Associate Deputy Secretary of Transportation, U.S. Dept. of Transportation

Thelma J. Askey-Director, U.S. Trade and Development Agency (USTDA)
- USTDA assists emerging market countries by providing grant funds to defray the costs of technical assistance and feasibility studies for infrastructure, manufacturing, natural resources, and agricultural projects
- Infrastructure development is critical to giving African economies the ability to take advantage of AGOA
- USTDA will continue to play a role in the Safe Skies initiative by sponsoring feasibility studies for the critical facilities development needed by African aviation agencies

Jeffrey N. Shane-Associate Deputy Secretary of Transportation, U.S. Dept. of Transportation
- Transportation is the key element in building trade ties
- Safe Skies and Open Skies have received continued, bipartisan support and has produced enormous dividends
- Transportation is a global business and thus requires support from the international community
- Countries not being served by U.S. airlines should receive access to the U.S. for their own carriers in order to spur development
- Open Skies allows airlines to make decisions based on commercial considerations, not political or regulatory considerations
- Opening transportation markets is akin to opening barriers to trade
- Should provide airlines every opportunity to serve markets that are open to them
- Air cargo services need flexibility from governments

Dr. Magnus L. Kpakol-Chief Economic Advisor to president of Nigeria
- Aid without trade is of no aid to Africa; must have access to markets and private sector activity
- U.S. trade with Africa is minor compared to other areas of the world, but this highlights significant opportunities for growth in the future
- AGOA encourages African countries to develop its resources and trade relationships
- AGOA not only improves Africa's exports to the United States, but also improves commercial relationships intra-Africa
- Trade is a way to fight poverty and disease
- Improvements in air transportation technology should help reduce the "distance" between Africa and the United States
- Important for U.S. companies to visit Africa to engage African business people

J. Joseph Grandmaison-Member, Board of Directors, Export-Import Bank of the U.S.
- Despite the passage of AGOA, difficulty still remains in getting African manufactured products to the United States as inexpensively as possible
- Problem is that manufactured goods first pass through Western Europe before going to the United States

Africa Air Cargo Transport Roundtable
Tuesday, November 19, 2002
Session Two: 10:00 a.m. – 10:45 a.m.

Competing Markets

Panelists:
Dan Renberg-Member, Board of Directors, Export-Import Bank (Moderator)
Alvaro Carril-Vice President Marketing and Sales, LAN Chile
Malcolm Higginson-Operations Manager, DAS Air Cargo (and Africa 1)
Gloria Cabe-Vice President, The Corporate Council on Africa

Alvaro Carril-Vice President Marketing and Sales, LAN Chile

- Open Skies is an important tool for air cargo transport businesses
- Success factors in achieving growth include market knowledge, real local presence, day-to-day focus, good staffing, and flexibility and efficiency
- Building intra-regional traffic also helps build momentum to connect continents
- Finding stable traffic all year around is necessary in order to create the revenue to maintain and pay for aircraft
- Cargo companies must maintain dialogue with customers to ferret out any additional demand

Malcolm Higginson-Operations Manager, DAS Air Cargo (and Africa 1)

- Key to a successful air cargo operation is utilizing all the capacity on all the sectors thereby the ability to offer cost-effective rate structures
- Cheaper air freight rates can be passed on to freight forwarders and exporters
- Success is derived from developing long-term export business, and this sometimes requires companies to supply needed infrastructure themselves
- Synergies between companies bring knowledge, experience and commitment to bear to help modernize and develop markets

Gloria Cabe-Vice President, The Corporate Council on Africa

- Business and trade suffer as a result of the small number of direct flights between the United States and Africa—as well as the lack of flights within Africa
- Consistent, more frequent courier service should also help business in Africa
- Inconsistent air cargo service from Africa hurts both small and large companies

Mike O'Brien-Director of Airport Development and Infrastructure Consultancy Services, International Air Transport Association (IATA)

- Competing markets will not be developed to their potential without the infrastructure
- African countries meet to develop the ICAO Air Navigation Plan to determine how to best proceed with infrastructure developments
- Instead of lobbying African governments, IATA is now taking a more active role in developing infrastructure on its own
- Moving from ground-based navigational aids to satellite-based communications will help make air cargo transport more reliable while also putting these operations in conformity with the U.S. Safe Skies for Africa Initiative

Africa Air Cargo Transport Roundtable
Tuesday, November 19, 2002
Session Three: 11:00 a.m. – 12:20 a.m.

Demand/Supply Side

Panelists:
Doug Baker-Deputy Assistant Secretary of Commerce, U.S. Dept. of Commerce (DOC)
Cliff Hardt-Vice President for Strategic Planning, Federal Express
Ted Wade-Senior Partner, Diversified Retail Solutions (Former Vice President for Corporate Traffic, Wal-Mart)
Jonathan Seltzer-Lecturer, Business and Logistics Management, University of Minnesota
Paul Ryberg-President, African Coalition for Trade

Cliff Hardt-Vice President for Strategic Planning, Federal Express

- To determine whether a country is a suitable market, one must look at the medium- to long-term forecast of the country's product mix
- Important factors include the kind of goods and services you are going to offer, the size of the country, and the industries existing in that country
- Agriculture is a big part of Africa, but agriculture is not synonymous with the express business
- Companies must understand the demographics in the countries they are working in
- Countries must have the technology to support time-definite tracking
- Regulatory issues must not be too oppressive
- Distribution channels within the countries must be efficient (air and ground)
- Countries must commit themselves to the necessary infrastructure to support air cargo operations
- Global service participants (GSPs) can be carefully selected to help bear the cost of the infrastructure and fiduciary responsibility of the operations
- FedEx requires its GSPs to use the FedEx cost structure
- Customs barriers should not be unnecessarily discriminatory
- Postal authorities are often important institutions to work with in Africa
- Restrictive investment licensing requirements and minimum capitalization requirements are also impediments to operations
- Geographic limitations also exist in some countries
- Quality of personnel in countries is also an important factor
- Work permits, visas, nationality requirements are also sometimes required
- Government subsidies often create unfair competition for the GSP
- Accreditations and licensing requirements to start GSP should be fair
- Countries are going to have to partner with adjacent countries and bring that business to bear collectively
- First thing when looking for a business partner is financial stability
- Partners must also be flexible and have contingency plans
- Partners should have an established presence, such as infrastructure, that shows a commitment in the country or region
- FedEx's GSPs move through Europe and will probably continue to do so for the next five years unless a country in Africa builds the needed infrastructure or sufficient revenue becomes available

Ted Wade-Senior Partner, Diversified Retail Solutions (Former Vice President for Corporate Traffic, Wal-Mart)

- Companies must review their global supply chains to discover exactly what it would require of them to do business in other countries
- Companies must begin to look at things they have not done in the past
- Foreign companies and governments should be able to have the answers to questions posed by interested commercial partners about the domestic environment

- Improved technology will go a long way in increasing trade with the United States and helping overcome the assumed risks
- Supply chain visibility to inbound shipments also boosts commercial activity
- Effective transportation management systems should be connected to continual adjustments of companies' inventories
- Data metrics and reporting helps manage risk
- Sound contingency plan for shipping alternatives should be in place
- Connectivity to the national intelligence sources of both countries
- Better supply chain management can be achieved through collaborative planning
- All of these efforts are futile, however, without the necessary infrastructure
- Executives must hold their people accountable
- Successful operations are those that actually execute their plans—and do so expediently
- Inventories must be adequate and replenished as needed
- Sometimes it is wise to use competitors to design a distribution or transportation solution to bring product to U.S. market at an effective cost
- Knowledge of customs, rules and procedures is important
- Consolidating and bundling products together with multiple manufacturers can help establish additional cargo lines
- Always have a contingency plan and be able to express these plans to assuage U.S. companies' concerns
- Ability to manage inventory is invaluable; must be able to move the product efficiently and economically to the point of demand and have contingency plans ready to make changes and redirect the inventory when necessary
- Supply chain management system must be predicated on the fact that inventory efficiency is going to be the driver in today's global market
- U.S. companies should work together to bring the type of manufacturing and technology to these countries so air cargo routes become viable both ways; building the import side from Africa will be easier than finding export markets in Africa

Jonathan Seltzer-Lecturer, Business and Logistics Management, University of Minnesota

- Projects should not be based on market demand, not on what you can produce
- Projects have three components—market information, end-market needs, and regulatory requirements
- Problem is not finding good agricultural producers, but finding how to get the products to the U.S. market
- Seasonality in agricultural products makes Africa a good U.S. supplier, but does not support year-round service
- Number of small shippers in Africa makes it difficult to have full plane commitments
- The fact that shipments must go via Europe and the resulting transshipping between carriers results in a broken cold chain
- Customs operations must be in place wherever air cargo operations exist
- Requirements for the entry of food products to the United States exist not so much for public health as they do for the protection of crops from pests and viruses
- African exporters must know the requirements so they can deal with issues before the products are exported

Paul Ryberg-President, African Coalition for Trade

- AGOA Plus will focus on creating incentives to attract more U.S. capital investment into Africa, and has in it some transportation elements
- Travel between two points in Africa too often requires travel via Paris
- Obtaining tickets in the United States for travel between two points in Africa is sometimes impossible
- Impediments to efficient travel to, from and within Africa is harmful to its commercial development
- Passenger and air cargo transportation are interdependent issues

- Core provisions of AGOA are those that extend trade preferences, quota-free access, and duty-free access to qualifying apparel imports into the United States from eligible African countries
- There has been a 110 percent increase in U.S. apparel imports from Africa compared to their level prior to the enactment of AGOA, or about 35 percent per year
- Manufacturers frequently end up having to use air service to get their product to customers in time
- Best way to grow air cargo business is to support maritime shipping; they are mutually beneficial
- Problems exist between Africa and the United States with ocean freight, too; there is either one direct boat per week or transshipment
- While it would take 18 days to ship something via ocean liner from Eastern Africa to the east coast of the United States, in reality it takes 40 days because of transshipping
- Missing a connection can cause an additional week's delay unless air shipment is available
- Maritime and air freight capacity should be increased hand in hand
- Asian companies have taken greater advantage of AGOA because they have been squeezed out of the U.S. market, and also because they are manufacturers and not just retailers and distributors
- U.S. apparel manufacturing industry has concentrated on the advantages of NAFTA and the Caribbean Basin Inititiative
- AGOA Plus should help open up additional opportunities in Africa outside of the apparel industry by offering tax-free status for profits earned by U.S. companies willing to invest in Africa
- Main problem for African agricultural producers is that they do not have the technical capacity to complete pest risk assessments and other qualifying tests to show they are in compliance with U.S. standards; they meet EU standards because the EU helps them

George Kidenda-Deputy CEO and Commercial Director, Kenya Airways
- Need for American carriers to have a presence on the African continent
- American carriers can continue to expand code sharing to increase awareness of African air service

Doug Baker-Deputy Assistant Secretary of Commerce, U.S. Dept. of Commerce (DOC)
- Obtaining visas on short notice for entry to the United States can be difficult, but the embassies are working to expand the number of consular officials to improve delays

Don Breazeale-President, Don Breazeale and Associates
- For private sector, revenue must always support the cost of any infrastructure

Ambrose K. Akondonda-Managing Director, Civil Aviation Authority, Uganda
- Air transport has shifted to the private sector and should be viewed as a business, but governments still look at it as a service; must realize that as a business it must have the demand
- Demand for African product is diminished by the stringent barriers imposed by the FDA or USDA
- Standards have become too protective and do not encourage the growth of trade

J. Joseph Grandmaison-Member, Board of Directors, Export-Import Bank of the U.S.
- There are not dedicated funds for Africa, but with a willing buyer and seller, Ex-Im Bank will finance up to 85 percent of the U.S. goods and services that would be necessary for infrastructure
- As African governments begin to realize the benefits of infrastructure improvements to their economic development and job creation, they will hopefully use some of the monies made available by HIPC and debt relief to actually invest in physical projects
- World Bank currently calls for debt relief to be used for social service programs, but job creation is also a social service of sorts

Africa Air Cargo Transport Roundtable
Tuesday, November 19, 2002
Luncheon: 12:30 p.m. – 1:45 p.m.

Dr. Jendayi E. Frazer
Special Assistant to the President and Senior Director for African Affairs
National Security Council

- President Bush has established a vision of three important policy priorities for Africa: that countries rule justly, that they invest in their people, and that they promote economic entrepreneurship
- These three policy priorities will help combat HIV/AIDS, TB, and malaria
- President Bush has also established a Cabinet council that is co-chaired by Secretary Thompson and Secretary Powell to work on the problem of HIV/AIDS
- President Bush also helped jump-start the Global HIV/AIDS Fund and began an initiative on mother-to-child transmission
- Another initiative for Africa is to promote political and economic freedom and democratization
- As countries open to greater trade relations, the rule of law becomes institutionalized, transparency is increased, and values are shared
- Another priority is to end the wars and combat terror
- AGOA is the Administration's centerpiece in promoting greater foreign direct investment in Africa; right now Sub-Saharan Africa accounts for about 10 percent of the world's population but only 1.5 percent of foreign investment, with most of that going to just four countries
- AGOA helps increase Africans' access to technical assistance and trade finance facilities
- AGOA forum in Mauritius will be an excellent opportunity for all trade, finance and foreign ministers to discuss how to further the implementation of AGOA
- U.S. non-fuel imports of AGOA have increased more than 30 percent since 2001
- In 2001, 92 percent of U.S. imports from Sub-Saharan Africa entered duty-free
- Nine new factories in Kenya, leading to 20,000 new jobs, can be attributed to AGOA
- More technical assistance is still needed for AGOA to work properly
- Transportation and infrastructure is the key to AGOA's success; transportation costs in Africa are extremely high
- U.S. agencies are working on public-private partnerships to help develop infrastructure in Africa
- Private sector is also key, and the AGOA Forum in Mauritius will have a private sector parallel forum taking place to address issues
- Where there are profits for the private sector, there is sustainability
- Millenium Challenge Account will not just go to governments and NGOs, but also to small enterprises
- Many NGOs came out against AGOA because they were against a free trade agenda, but the African ambassador corps helped push AGOA legislation
- Africa has strength in numbers if it is willing to act as a bloc to push a trade agenda

Africa Air Cargo Transport Roundtable
Tuesday, November 19, 2002
Session Four: 2:00 p.m. – 3:45 p.m.

Projects

Panelists:
Henry Steingass-Regional Director, Africa and Middle East, USTDA (Moderator)
Mario Lopes-President, Airports and ATC Authority, Praia, Cape Verde
Mohamed Abdel Aziz El Eraky-Chairman, Egypt Air Cargo
Christopher A. Kuto-Director, Civil Aviation Authority, Kenya
Desmond Ugwuegbulem-General Manager Operations & Facilitation, Federal Airport Authority of Nigeria
Ilham Joutei Tahri-Vice President Cargo, Royal Air Maroc, Morocco
Joe A. Boachie-Director General, Ghana Civil Aviation Authority
Margaret T. Munyagi-Director General, Civil Aviation Authority, Tanzania
David Wood-Property Manager, ACSA Capetown Airport, South Africa

Henry Steingass-Regional Director, Africa and Middle East, USTDA (Moderator)

- USTDA supports studies related to building infrastructure, increasing airport capacity, and improving cargo-handling facilities so priority projects can be brought forward to the financing stage

Mario Lopes-President, Airports and ATC Authority, Praia, Cape Verde

- Considering the development of a cargo hub at Cape Verde Sal Island at Amilcar Cabral International Airport based on a study carried out by IATA
- Amilcar Cabral International Airport serves four continents
- Air cargo exports from Africa include computer equipment, car industry parts and apparel
- Airport offers dedicated facilities, including fish-handling facilities, bulk food storage and flower storage
- Routes include Johannesburg-Sal-New York and Johannesburg-Sal-Atlanta
- Use TACV to connect Sal with eight capitals in West Africa
- Considers Sal to be a an important hub

Mohamed Abdel Aziz El Eraky-Chairman, Egypt Air Cargo

- Cargo operation has two freighters that fly a total of 12 flights per week to Europe
- Has three cargo terminals in Egypt, primarily used for textiles
- Potential air cargo operations with the United States in the works using Hamm, Germany as a hub
- Current enhancement programs include safety programs, the building of a new perishable center and cargo facility, and the conversion of three passenger aircrafts to freighters
- Looking to bring in additional investors for the cargo facility

Christopher A. Kuto-Director, Civil Aviation Authority

- Kenyan cargo sector has been fully liberalized following the Yamoussoukro decision and the COMESA initiatives
- Kenya does collaborate with COMESA, the East African Community, and SADC to try to harmonize air transport development plans
- Jomo Kenyatta International Airport in Nairobi needs to expand air cargo facilities and supply additional air cargo capacity
- Mombasa International Airport requires upgrading of ground handling facilities including improved rail connection
- Third major Kenyan airport requires expansion of runway
- Undercapitalization of the air cargo sector leads to inadequate infrastructure development
- Lack of funding for infrastructure projects needs to be addressed
- Kenya has benefited from the Safe Skies Initiative with capacity building, stronger regulatory framework, effective oversight, and greater security

- Sub-regional cooperation in terms of air transport development is important

Desmond Ugwuegbulem-General Manager Operations & Facilitation, Federal Airport Authority of Nigeria

- Nigeria has 20 airports, four of them international
- Ministry of Aviation reorganized after the restoration of democratic rule, resulting in five parastatals
- Reorganization led to the rehabilitation of Lagos Airport, but further plans exist to resurface the runway, revamp the cargo terminal, and construct warehouses
- Has 11 cargo operators serving Lagos
- Looking to open a maintenance center soon
- Looking for investors for a hangar project
- Success in Dubai had nothing to do with the government; it was the result of private sector initiative and the simplicity with which business occurs

Ilham Joutei Tahri-Vice President Cargo, Royal Air Maroc, Morocco

- Morocco is moving towards free trade with Europe and the United States
- Customs powers are progressively diminished in Morocco
- Morocco is very open, with trade accounting for 65 percent of GDP
- Growing part of economy involves industrial products, which are immune to seasonality
- With air freight in particular, exports and imports are approximately balanced
- Air freight traffic has been stable over the past ten years, with express services experiencing significant growth over the same period
- Daily air service between New York and Casablanca and three per week from Casablanca to Montreal offers flexible trade activity
- Cargo development strategy includes efforts to create market diversification, just-in-time services, customer-oriented product specification, and partnerships
- Main objective is to build competitive advantage with modern airport facilities
- Objective is also to have Casablanca perform as a regional platform for Africa to the rest of the world

Mantrache Aziz-President, Moroccan Committee of Air Freight Operators

- Moroccan Committee of Air Freight Operators exists to study all of the obstructions to the evolution of air freight in Morocco
- The Committee's Economic Commission deals with competitiveness of freight rates in order to permit products to reach additional markets; also proposes solutions for the opening of new destinations and cargo space
- The Committee's Infrastructure Commission deals with problems of airports, hangars, handlings, and logistics
- The Committee's Procedure Commission reviews administrative formalities in order to suggest the simplification of procedures and harmonization of documentation
- Established a forum for dialogue and propositions for all actors in air freight
- Record the needs of shippers in terms of destinations and pass this along to carriers
- Work with authorities to make air freight hangars meet international norms
- Push for greater airport security
- Record the needs of air freight intermediaries in terms of warehouses and offices near air freight terminals
- Helped reduce delays of administrative and customs formalities from five days four years ago to two hours today
- Contributed to the establishment computerized data exchange and automatic manifests
- Conducts various training programs

Joe A. Boachie-Director General, Ghana Civil Aviation Authority

- Civil Aviation Authority covers almost all of the aviation sector's policies
- Liberalized aviation policy was adopted to encourage the export of non-traditional goods
- Modern, dedicated freight warehousing available

- Recently contracted $80 million loan for upgrade of facilities
- Installed primary and secondary surveillance radar for air traffic management
- Has dedicated freight aprons away from the passenger apron to facilitate turnaround of cargo aircraft
- Working with African Development Bank and ECOWAS to establish a maintenance facility in Accra; would also like the help of the Danish Trust Grant and Ex-Im Bank
- Considering intermodal connections to the airport; already has rail system from airport to the capital and second largest Ghanaian city
- Seeking financing for a $5 million dedicated export warehouse; feasibility studies already complete
- Accra has highest air cargo throughput in the West Africa sub-region
- Passed U.S. requirements for Category 1, direct flight status in 1996; now assist other African countries in meeting this requirement
- Serve BWI and New York; looking to pick up operations to Atlanta
- Has separate courier enclave for express service

Margaret T. Munyagi-Director General, Civil Aviation Authority, Tanzania
- East Africa Community and SADC countries are working to improve air transport in the region
- Benefiting from Safe Skies for Africa Initiative, including the security of its airports
- European Investment Bank is funding airport infrastructure and air navigation improvements
- Has three international airports, with two of them (Dar es Salaam and Kilimanjaro) having underutilized cargo operations
- Most cargo is carried on passenger aircraft; freighters include Air France and South Africa cargo

Ambrose K. Akondonda-Managing Director, Civil Aviation Authority, Uganda
- Uganda is especially committed to air cargo transport considering it is landlocked
- Small air transport industry, but experiencing a remarkably high growth rate of 38 percent per annum since 1991
- DAS Air is an important partner in Ugandan air cargo operations
- Has one international airport
- Continuous maintenance regime is in place
- Hangar facilities for light and medium aircraft
- Warehouse capacity outstripped by growth of cargo
- Encourage private sector to put up their own warehouses
- Ground handling services provided by the private sector
- Airport undergoing a comprehensive computerization program to be completed June 2003, which will automate cargo handling
- A USTDA-financed study, in cooperation with LPA Group, supports the construction of a $25 million dedicated cargo center
- Proposed cargo apron and taxiway system will need further expansion in the year 2012 to meet cargo growth
- Open Skies Agreement signed with the United States in early-2002
- Looking for investors for the cargo center, to be done through public-private partnership, BOT or BOO.
- Plan to unify the airspace of the three East African countries to smooth traffic flow
- Secretary General of the East African Community recently wrote heads of state asking that they identify an airport as a staging airport to uplift cargo into the United States

David Wood-Property Manager, ACSA Capetown Airport, South Africa
- Own and manage nine airports in South Africa
- Infrastructure is more than adequate to meet current demand
- Believe Johannesburg can be made into regional South African hub and believes they possess the sufficient skill to do so
- Additional infrastructure development will require sound business planning and a fair amount of certainty on future income streams
- Key is to increase sustained trade, not just trade

Africa Air Cargo Transport Roundtable
Tuesday, November 19, 2002
Session Five: 4:00 p.m. – 5:00 p.m.

Regulatory, Legal and Safety

Panelists:
Susan McDermott-Deputy Assistant Secretary of Transportation, Dept. of Transportation (Moderator)
James Hynes-Director of Interdiction and Security, Office of Field Operations, U.S. Customs Service
Jonathan Blank-Partner, Preston Gates & Ellis, LLP
Befekadu Tillahum-Managing Director, PAKTRA Pvt. Ltd. (Ethiopia)
Patricia Sheikh-Deputy Administrator, International Trade Policy, Foreign Agricultural Service

Susan McDermott-Deputy Assistant Secretary of Transportation, Dept. of Transportation (Moderator)

- DOT working to address the ICAO safety and security standards and the regulatory requirements necessary for air links to the United States
- Sometimes agreements allow for more liberal provisions in cargo services and for charter services
- Open Skies Agreement allows for seventh freedom operations for cargo carriers, meaning that they may operate independently from a third country to the United States
- Cooperation between carriers is more economical, and therefore the Yamoussoukro Agreement would be a step forward
- Category 1 designation carries with it additional benefits besides access; it also attracts investors, helps open up codeshare partners, partners in general, and opens up privatization opportunities
- Know the regulations of the countries you want to do business with
- While the U.S. does maintain high standards, the government is also willing to assist parties in meeting those standards
- Mandate under AGOA is to increase trade between Africa and the United States and that is certainly a goal

Jonathan Blank-Partner, Preston Gates & Ellis, LLP

- IASA requirement is an aviation assessment done by the FAA that determines whether a country has an adequate safety program in conformance with ICAO standards
- IASA standards examine the governments' programs, not the carriers
- Eligible carriers are deemed Category 1 and include Egypt, Ethiopia, Ghana, Morocco and South Africa
- Category 2 countries do not meet the requirements and are ineligible
- Those countries not yet rated must complete a survey before receiving certification to enter the United States
- Also need to be from a country that has a bilateral agreement that gives economic authority to the carrier
- United States has 59 Open Skies Agreements, including 12 with African countries
- Those without Category 1 designations or bilateral agreements can apply for exemption status using comity and reciprocity
- Carrier must also apply for economic authority from the FAA to show that it is substantially owned and effectively controlled by the citizens of the homeland from which it is licensed
- Carrier has to show that it is operationally and financially fit to conduct the proposed services and that it has adequate insurance
- Passenger carriers must also possess a family notification provision in the event of emergencies
- Once a country has an Open Skies Agreement and an IASA Agreement, the requirements for getting U.S. certification are really not very onerous, nor expensive
- While wet leases are more expensive to operate, they require far less capital to begin operations
- Many forwarders choose to operate as a quasi-airline using wet lease authority
- U.S. airports often offer incentives to airlines
- IASA would not be necessary if ICAO actually put in place an enforcement operation

James Hynes-Director of Interdiction and Security, Office of Field Operations, U.S. Customs Service

- U.S. Customs responsible for the enforcement of over 400 laws for 40 different federal agencies
- Has 20,000 employees scattered across 301 ports
- U.S. Customs consistently balances quick and fair access of imports with the need for security
- Businesses must be bonded with U.S. Customs, have landing rights, and have facilities to maintain the security of their goods
- Customs Trade Partnership Against Terrorism (CTPAT) initiative works with the air carrier community to have them implement procedures to better secure shipments in their facilities on both ends of the supply chain
- CTPAT also has an element, known as the "know your shipper" rule, where foreign carriers agree to try foster a relationship with their customers

Patricia Sheikh-Deputy Administrator, International Trade Policy, Foreign Agricultural Service

- United States tends to import huge volumes, unlike Europe which will take smaller shipments, so marketing studies are very important to African exporters to the United States
- AGOA has added approximately 1,600 agricultural items to the list of 4,000 receiving duty-free access under the Generalized System of Preferences
- AGOA does not, however, allow access if technical requirements are not met
- Technical requirements exist to protect human, animal, and plant life
- Sub-Saharan Africa now has an agricultural trade surplus; in 2001, Africa exported nearly $1 billion to the United States and imported about $700 million
- AGOA is in place for five years, but there is a good probability that it might be extended, just like the GSP, Andean Trade Preference Act, and the Caribbean Basin Initiative
- Because countries base their requirements on the climatic and disease situations, requirements are not the same from region to region
- Europe's historical ties with Africa has made them less concerned with some diseases and pests because they have already been introduced and are being treated
- USDA has taken a regional approach to Sub-Saharan Africa because of resource problems, choosing to work through the regional organizations such as COMESA, SADC, WAMU, and ECOWAS to build economies of scale
- FAS helps countries do risk assessments that are required for the export of animal and plant products
- Seminars are done to encourage governments to interface with their private sector to come up with fair technical requirements
- FAS established a technical hub in Gaborone, Botswana with the help of USAID; plans to establish a couple more in Africa

Africa Air Cargo Transport Roundtable
Tuesday, November 19, 2002
Dinner: 7:30 p.m.

Ambassador Andrew Young

- Former mayor of Atlanta knew importance of an airport would have on the city's development, but did not have the resources to build it so he gave an incentive to Delta Airlines and this resulted in Atlanta becoming a major hub in the United States
- During the eight years that Amb. Young was mayor of Atlanta, the airport helped bring in $70 billion of private investment and created more than a million jobs
- Because of honest and efficient service, Atlanta attracted more private capital than almost any other country in the world in the 1980s
- The trade route to the United States is the most valuable to Africa
- Key to Africa is hubs; hubs are possible in South Africa, Kenya, Ethiopia, and one is needed in West Africa, but there is still Cape Verde
- A good hub is one that can make direct flights to almost anywhere become profitable; those flights become more profitable when they carry freight along with passengers
- Future of Africa lies not only it its natural resources, but also in its markets, the periodic return of expatriates, and tourist and convention travel
- Africa has an undeserved reputation as a dangerous place
- Leaders must begin to think globally instead of nationally
- Politicians' priorities should be to create jobs and economic opportunity
- The nationalities of the airlines serving the airport are unimportant, only that they bring passengers and goods
- People grow more interested in communities the more they visit and they will eventually begin to invest

David Thornton-Managing Director, Aircraft Financial Services, Boeing
- Ex-Im Bank and Boeing have a long history working together in Africa
- Boeing is looking to place a number of used aircraft at very reasonable prices and lease rates
- Boeing has an extensive network in Africa to sell and service aircraft
- Predicts five percent passenger and six percent cargo growth annually over the next 20 years in Africa
- Boeing supports AGOA, Safe Skies, and Open Skies

Marion Blakey-Administrator, Federal Aviation Administration
- Glad to see continuity between administrations with respect to Africa
- Much more can be done in Africa from the standpoint of education, training and safety audits, and the FAA is there to assist

Africa Air Cargo Transport Roundtable
Wednesday, November 20, 2002
Session Six: 9:00 a.m. – 10:00 a.m.

Airline, Aircraft, and Other Transport Requirements

Panelists:
Don Breazeale-President, Don Breazeale and Associates
Rob Smith-Vice President of Sales, Evergreen International Airlines
Tom Hoang-Regional Director, Cargo Marketing, The Boeing Company

Don Breazeale-President, Don Breazeale and Associates

- To attract manufacturers, importers and exporters into countries, governments must have the right kind of logistics network in place—ocean, rail, truck, roadway development, customs policy development, regulatory framework, and the ability to repatriate profits
- More globalized poor countries—with globalization measured as the ratio of trade to national income—have grown faster than rich countries, while less globalized countries have seen income per person fall
- Ocean cargo transport in 2001 was 5 billion metric tons, with 800 ships involved
- Air cargo transport in 2001 was 17 million metric tons, with 1,775 planes involved
- Primary impediment to air cargo transport involves infrastructure
- Because a successful freight operation moves its freight along the line of least resistance, there are many points along the international logistics chain that deserve careful attention
- Governments must act more as facilitators to help businesses and governments get through the regulatory processes and solve problems
- Capital is readily available, but you must first have a plan to move along the line of least resistance
- Companies are seeking new markets that provide low-cost labor and have the least amount of inhibitors
- African governments' policies must address the manufacturers' fears of the market

Rob Smith-Vice President of Sales, Evergreen International Airlines

- Most viable option for direct North America-Africa air cargo service involves hub-and-spoke operations in the short to medium term; markets will naturally evolve to support point-to-point operations
- Two hub-and-spoke systems for Africa is probably adequate for now
- South Africa is currently set up for such a hub-and-spoke cargo operation, but is instead focusing on passenger service, blocking neighboring countries out of the cargo business

Tom Hoang-Regional Director, Cargo Marketing, The Boeing Company

- Just-in-time inventory has made air cargo transport an indispensable part of supply chain management
- Air cargo industry is a $44 billion a year business; since 1970, the industry has grown at 7.7 percent annually
- Predicts 8 to 8.5 percent growth in air cargo traffic in 2003 and projects a long-term forecast rate of about 6.4 percent annually over the next 20 years
- Cargo service will outgrow passenger service in all major markets
- Since 1991, Africa's imports from the United States have grown 4 percent annually; meanwhile, Africa's exports to the United States have grown by nearly 12 percent annually
- Air cargo from Africa to the United States involves apparel (about one-third), perishables such as fish and vegetables, and express documents
- Air cargo from the United States to Africa involves special machinery, processed food, telecommunications hardware, and computers
- Predicts growth of U.S. exports to Africa to be 6 percent per year for the next 20 years and Africa's exports to the United States to grow by 10.3 percent annually

- Sees more and more airlines recognizing the revenue potential from cargo

Robert Morin-Vice President, Transportation Division, U.S. Export-Import Bank

- Due to difficulties in the industry, available aircraft could be converted into cargo aircraft; interest rate environment is right, along with the potential prices of the aircraft
- Export-Import Bank is willing to facilitate trade in pre-owned aircraft

Zouhair el-Aoufir-CEO, Air Senegal

- Key for U.S.-Africa air cargo service is finding a hub for Africa, which he believes Dakar, Senegal is well suited

George Kidenda-Deputy CEO, Kenya Airways

- Finding the right mix between the passenger side and cargo side of business is very important

Africa Air Cargo Transport Roundtable
Wednesday, November 20, 2002
Session Seven: 10:00 a.m. – 10:45 a.m.

Financing Requirements

Panelists:
Donald Schenk-President, Airline Capital Associates (Moderator)
John B. Gilliland-Managing Director, Project & Structured Trade Finance, Citigroup
Hurley Doddy-Regional Director, AIG African Infrastructure Fund
Andrew Millard-Head of Specialized Finance & Treasury, Imperial Bank

John B. Gilliland-Managing Director, Project & Structured Trade Finance, Citigroup

- Bank looks at four basic factors for project financing: whether borrower is a public or private sector borrower, whether the loan will involve hard currency such as a dollar or Euro loan instead of local currency, the degree of credit enhancement that is involved, and whether the capital will be raised in the bond or bank market
- Any project requires a sound business plan
- Access to international capital is very limited for African countries because very few are actually rated, and only a couple are of investment grade
- Financing opportunities in these countries are in the local currency bond market, which includes pension funds and insurance companies
- Requires support from multilateral agencies to help access capital
- International bank markets for project financings involving dollar funds are quite limited at this time
- Local currency bank market transactions will see growth
- Banks should work with borrowers to advise them whether to approach the different markets with senior debt, project debt, or equity participation
- Africa is very high on the priority list for U.S. government agencies as well as the multilaterals
- Projects where revenues are generated in local currencies have an advantage

Andrew Millard-Head of Specialized Finance & Treasury, Imperial Bank

- Financing of aircraft offers shorter terms than the financing of infrastructure
- Four primary risk areas fairly unique to Africa: currency risk, sovereign risk, accurate balance sheets, and liquidity
- Somewhere in the chain of cashflows there is bound to be a soft currency component, where there is risk in repricing
- Aircraft are dollar assets—they trade on the dollar market, they produce dollar-related revenues—and therefore are best served on the dollar financing arrangement
- Revenues must be easily convertible—exchange controls, inadequate foreign reserves are concerns
- Leased aircraft are not accurately shown on balance sheets
- AGOA financing will have to be over 7-12 years so that the monthly cashflows used to pay back the debt are sufficiently covered by what you can expect to receive from your contracts
- The existence of AGOA is not guaranteed three years from now; therefore, projects must be financed over the long term to cover any unforeseen changes

Hurley Doddy-Regional Director, AIG African Infrastructure Fund

- Emerging market projects require substantial returns; typically 25-30 percent
- In Africa, this requires growth businesses such as telecom, natural resources, and the transport industry
- Also must see exit potential when company is maturing, such as a listing on an exchange or a trade sale
- Look for credible, experienced partners with Pan-African focus

Robert Morin-Vice President, Transportation Division, U.S. Export-Import Bank

- Because credit is particularly tight in Africa, a treaty called the Cape Town Agreement has been initiated that will enable aircraft owners, lessors and financiers to have greater security and therefore lower-cost and increased amounts of finance
- Encourages many more countries to sign on to the treaty
- Constraints are not so much on the aircraft side, but in developing the supporting infrastructure
- U.S. Export-Import Bank is not just into financing aircraft, but the infrastructure as well

Donald Schenk-President, Airline Capital Associates (Moderator)

- Large multilaterals do not move as quickly as the U.S. Export-Import Bank, but are still a critical component, and therefore require patience and planning when using them

Africa Air Cargo Transport Roundtable
Wednesday, November 20, 2002
Session Eight: 11:00 a.m. – 12:00 p.m.

Closing—Action Plan
(Anonymous Session)

Goals: To identify who is responsible for doing what and get people to take the responsibility to do something

Note: Items are NOT listed in order of priority

U.S. Government

- Lend technical assistance to African exporters
- Promote Open Skies and additional agreements
- Encourage the African governments to honor their contractual agreements; make sure Open Skies agreements are implemented
- Facilitate visa process
- Assist African states in achieving the safety and security that the U.S. government requires of African carries serving the United States
- Assist African countries to make products compliant with FDA standards and regulations
- Provide additional incentives to U.S. investors
- Broaden U.S. private sector involvement, especially the small and medium-size enterprises
- AGOA could be extended beyond five years
- Provide training on business plan development
- Organize sectoral meetings to help operators seek outsourcing
- Facilitate multi-approval process
- Encourage bank involvement in procedures

African Nations

- Review their international trade policies
- Improve transparency and due process
- Regional support and cooperation in developing infrastructure and hubs
- Implement Yamoussoukro
- Prioritize and invest in infrastructure and facilities
- Review customs regulations to give greater flexibility for cargo shipments
- Governments should be facilitators not inspectors
- Involve local private sector in the marketing and promotion of the hub
- Maintain safety and security standards for the infrastructure
- Develop a strategic plan with priority sectors
- Employ a master plan for unimpeded airport development
- Recognize the importance of good economics
- Develop a global distribution system using an Internet platform
- Reinvest revenue from airspace management back into the industry
- Develop telecom and IT needs
- Assist in the acquisition of aircraft
- Invest in capacity building and training
- Provide necessary security and transportation needs within country
- Establish confidence in the market place with consistency
- Provide more information to the local companies and growers
- Address local health issues
- Involve African expatriates and U.S. retirees to develop talent in Africa
- Ensure continual compliance with AGOA requirements to avoid disqualification
- Support international accounting standards and certification

- Focus on President Bush's three points for the Millenium Challenge Account: invest in people, support economic freedom, and have transparency in government
- Allow repatriation of profits for freight companies

African Airlines
- Develop a network strategy to reach critical mass
- Consider wet leasing or leasing as a bridge to the market
- Enter into alliances and agreements with other airlines
- Strengthen capital base
- Capacity building in human resources
- Run own operations and limit government involvement in day-to-day operations
- Meet international operational standards for quality, security and safety
- Initiate marketing efforts of their own to uncover viable air cargo opportunities
- Facilitate public-private partnerships
- Provide competitive rates
- Develop real and serious business plans
- Solicit business community input

Aviation Authorities
- Maintain safety and security standards
- Aspire to deliver safe, reliable and efficient facilities
- Develop secondary regulations to achieve objectives
- Establish financial independence
- Convince government of privatizing and liberalizing traffic rights
- Hire qualified inspectors
- Be proactive and commercially oriented
- Promote policies that encourage competition
- Broaden constituency beyond just the national airline
- Promote free trade zones near airports

Bankers
- Offer attractive interest rates
- Open their minds to African projects
- Give greater flexibility when working with Africa
- Re-examine the risk levels in Africa
- Utilize U.S. government guarantees
- Provide assistance with structuring business plans
- Need to act more as facilitators and leasing companies need to act more like banks
- Set up regional offices
- Open door for smaller transactions, meaning those under $1 million
- Understand the cultures in Africa
- Work with certified financial records
- Review collateral policies

Airports
- Provide safe, reliable and efficient facilities
- Provide the infrastructure, whether public or private
- Provide state-of-the-art facilities when possible, with an emphasis on IT
- Provide incentives for different players in the market place
- Establish working relationships with civic partners, like the Chamber of Commerce, to attract businesses
- Operate with experienced, competent management in place

EXPORT-IMPORT BANK OF THE UNITED STATES

The Export-Import Bank of the United States (Ex-Im Bank) supports the purchase of U.S. exports by creditworthy international companies who cannot obtain credit through traditional sources. As an independent U.S. government agency with nearly 70 years of experience, Ex-Im Bank has continually provided financing for buyers of U.S. products and services, taking risks that the private sector is unable or unwilling to accept.

Financial products of particular interest to African public and private sector buyers include:

- Short-term credit insurance—up to 1 year for up to 100% of the U.S. contract value
- Medium-term credit insurance—up to 7 years and cover up to 85% of the U.S. contract value
- Long-term credit insurance—over 7 years covering up to 85% of the U.S. contract value
- Loan Guarantees—a guarantee for the repayment of medium and long-term loans extended by commercial lenders to African buyers to finance up to 85% of the U.S. contract value
- Project Finance—Limited recourse to newly created special-purpose project companies relying on the project's cash flow as the source of repayment often with an offshore facility or through long-term off take contracts

AVIATION INDUSTRY

Ex-Im Bank supports U.S. exports of new and used commercial and general aviation aircraft with its loan guarantee and insurance products as well as spare parts, ground equipment, refrigeration and warehouse facilities, safety and security improvements, IT and telecom systems, customs and cargo equipment.

EX-IM BANK IN AFRICA

While Ex-Im Bank is generally "open" in 37 African countries, Ex-Im Bank's Office of Africa and the Middle East has the special mandate of increasing the Bank's activity specifically in sub-Saharan Africa. Recently, Ex-Im Bank revised its short-term Africa Pilot Program. The program supports short-term exports to 23 sub-Saharan Africa countries, including 14 where Ex-Im Bank support would not otherwise be available.

The Ex-Im Bank is committed to working with our African partners in making AGOA successful and commits itself to doing whatever is reasonable and responsible towards that end.

In addition to Ex-Im's web site—www.exim.gov—for additional information, please contact:

John Richter, Africa/Middle East
Business Development Director
E-mail: john.richter@exim.gov

Maureen Scurry, Sub-Saharan Africa
Business Development Officer
E-mail: maureen.scurry@exim.gov

Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, DC 20571
Africa/Middle East Group: (202) 565-3903 or 565-3905
FAX: (202) 565-3839

OVERSEAS PRIVATE INVESTMENT CORPORATION

OPIC is an independent U.S. government agency established in 1971 to support and facilitate U.S. investments in developing countries and emerging market economies. Finance applications require the U.S. investor to assume a meaningful share of the risk, generally through the purchase of at least 25 percent of the equity in the project. Equity should consist primarily of cash, but may also include property, plant facilities, and equipment. OPIC also provides political risk insurance to U.S. investors, contractors, exporters, and financial institutions for currency inconvertibility, expropriation, and political violence. A project can receive a maximum of $400 million in combined finance and political risk insurance support from OPIC.

OPIC provides “limited recourse” project finance in which funds are loaned directly to the Project Company registered in the host country. Limited recourse means that, in addition to a pledge of the project company’s assets and stock, OPIC requires that the sponsors or a third party provide a project completion guarantee until the project is “complete” and can generate sufficient cash flow to operate on a self-sustaining basis. Recourse to the sponsors or third party for repayment during the start-up or construction phase is released once self-sufficiency has been demonstrated.

OPIC may lend a minimum of $100 thousand up to a maximum of $250 million per project. The loan term ranges from 3-15 years and may include suitable grace periods on principal payments. OPIC can participate in up to 50 percent of the total costs of a start-up operation or up to 75 percent of the costs of an expansion of a successful existing business. Under OPIC’s new small business initiative, for firms with annual sales under $35million, OPIC can lend up to 65% of total project costs for a new venture

Recent Highlights of OPIC’s Support for Aviation Projects:

- $1.7 million loan to Daystar Airways – known regionally as Nevis Express – for the expansion of air service between North America and the Caribbean island of Nevis. The loan will be used to lease an additional 19-seat aircraft to expand its route system, upgrade ground facilities at the San Juan airport, and improve liquidity. The company’s nonstop San Juan-Nevis route reduces travel time between the U.S. and Nevis by as much as three hours by eliminating a plane-change in St. Kitts.
- $106 million loan guaranty to Lima Airport Partners for the privatization and rehabilitation of the Jorge Chávez International Airport in Lima, Peru. Through an indirect shareholding interest, Bechtel Enterprises of San Francisco is partnering with Peruvian, German and Singaporean companies to undertake the privatization. OPIC’s loan, which will support the first three and one-half years of the first phase of privatization, will help improve the quality of existing services at the airport and further Peru’s privatization program. The project will also benefit local businesses involved in the import and export of goods, and facilitate expansion of tourism. Total cost of the first phase is $178 million.
- $200 million for the construction of a new international airport in Quito, Ecuador. Houston Airport System Development Corporation is the U.S. sponsor for the Quito project. The co-sponsoring agencies are also involved in the Quito project: Ex-Im Bank will serve as a co-lender, and TDA funded a study of the access road to the airport.

OPIC is also able to support the expansion of cargo services, the building and operation of maintenance hangers, construction and operation of cold storage facilities, and various other forms of concessions and privatizations including BOT and BOOT structures.

In addition to the standard loan and political risk insurance products, OPIC’s $350 million Africa Millennium Fund will target sectors such as telecommunications, transportation, electricity, water and sanitation – essential foundations for developing nations’ economic growth. In doing so, the fund will also emphasize support for women entrepreneurs and investments that enhance employment opportunities for the poor.

U.S. DEPARTMENT OF AGRICULTURE (USDA)

Sub-Saharan Africa Sanitary and Phytosanitary (SPS) Issues

Issue: Many Sub-Saharan African countries have been highly critical of USDA's regulatory process of getting sanitary and phytosanitary (SPS) approval to import fresh fruits and vegetables into U.S. markets.

Background: One major stumbling block to increase agricultural exports to the United States from Sub-Saharan Africa has been the USDA's lengthy regulatory process of certifying that imports will not carry the risk of introducing pests into the United States that could be harmful to U.S. agricultural production or to the health of the U.S. ecosystem. Each exporting country must complete detailed and accurate pest risk assessments (PRAs) and submit them to the USDA Animal Plant Health Inspection Service (APHIS) for review. APHIS then will undertake the regulatory rule-making process for the products and grant approvals before the products enter the United States.

Many Sub-Saharan African governments are not familiar enough with the APHIS PRA process and requirements to complete acceptable, accurate PRAs for APHIS review and approval. There are also issues related to a backlog of PRAs in the review and approval process at APHIS that contributes to the lack of approved Sub-Saharan African agricultural products entering U.S. markets.

USDA's APHIS is charged with ensuring that the food we import will not introduce dangerous pests into the Untied States. Even a single incident of an introduction of a harmful pest can cause significant damage to the U.S. agriculture and environment. The hundreds of millions of dollars of damage to our farming industry and environment caused by recent infestations of the Asian log horned beetle and the citrus canker are just two examples of the importance of APHIS's mission.

This said, recognizing that improvements in reviewing and approving PRA procedures should be made to clear away a backlog of applications, USDA's APHIS has taken the following steps to streamline PRA procedures to have a more efficient system:

- During the last two years, APHIS employed twenty additional scientists to handle PRAs.
- APHIS will provide a series of TDY assignments by APHIS scientists to facilitate the process. The APHIS scientists will be based in Gaborone, Botswana, which is the location of one of USAID's three regional competitiveness hubs for Sub-Saharan Africa.
- APHIS will replicate the Botswana hub arrangement in the other two regional hubs based in Nairobi, Kenya and Accra, Ghana.

In addition, to further facilitate the imports of agricultural products from Sub-Saharan Africa, USDA has conducted nine regional seminars in Sub-Saharan Africa over the past two years on variety of important topics, including how-to sessions on conducting pest risk assessments, and has offered SPS training in the United States to dozens of African government officials.

U.S. DEPARTMENT OF COMMERCE

Facilitating Air Cargo Trade with Africa

Overview

The Department of Commerce (DOC) works to facilitate trade between the United States and countries in Africa in many different ways. Perhaps the most used method is through trade promotion programs and services that link U.S. businesses with counterparts in African countries. DOC offers assistance for U.S. businesses seeking to enter and grow in the Africa market by offering targeted country and market research and export counseling. DOC also assists through its efforts as a part of the U.S. negotiating team in trade liberalization agreements such as the WTO and the recently announced FTA with the South African Customs Union (SACU).

By raising demand in the United States for goods produced in Africa, and by opening new markets for U.S. goods overseas, economies on both continents can benefit through new job creation and boosts in the demand for goods and services, which in turn will generate demand for new and improved air cargo routes between the continents.

U.S. companies can use the Commerce Department's resources to increase commercial activity in Africa in many ways, including:

- Working with the 104 Export Assistance Centers (EACs) located throughout the United States. These EACs, many sharing regional offices with the Small Business Administration and the Export-Import Bank, provide business counseling for first-time and experienced exporters. See www.export.gov to find the closest EAC.

- Working with DOC market and sectoral specialists located in Washington, DC. Africa experts can assist U.S. companies facing market access issues, and the Office of Africa (202-482-4928) administers the African Growth and Opportunity Act (AGOA) website at www.agoa.gov. Sectoral experts in the Trade Development unit are the primary resource within the U.S. Government for hundreds of key U.S. industries. See www.ita.doc.gov/td/td_home/tdhome.html for specific industries.

- Obtaining general export counseling through the Trade Information Center (TIC), as well as Africa-specific information. Call the TIC on 1-800-USA-TRADE.

The Commerce Department works in Africa to bring together African and U.S. companies interested in trade. The Foreign Commercial Service has offices in a number of key African markets, and the State Department maintains commercial and economic specialists at U.S. embassies in most African countries. Commerce offers specialized services such as the Gold Key Matching Service to partner U.S. and African firms. Commerce offices can be found in: Cote d'Ì voire, Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa and Tanzania. Use www.export.gov to learn more.

U.S. DEPARTMENT OF TRANSPORTATION

The U.S. Department of Transportation is the principal U.S. Government Department responsible for developing and ensuring the safety of the U.S. transportation system. Leadership of the DOT is provided by the Secretary of Transportation, who is the principal adviser to the President in all matters relating to transportation.

The Office of the Assistant Secretary for Aviation and International Affairs carries the international portfolio of responsibilities covering domestic and international aviation, international trade, and a range of other international cooperation and facilitation issues. Led by Assistant Secretary for Aviation and International Affairs Read Van De Water, the Office both develops and coordinates Departmental policies in the areas of aviation and international affairs. The Office of Aviation and International Affairs has three primary goals:

- liberalizing international air services;
- ensuring the benefits of a deregulated, competitive domestic airline industry; and
- expanding transportation and trade opportunities for U.S. companies around the globe.

SAFE SKIES FOR AFRICA INITIATIVE

Purpose and Objectives

The purpose of this Presidential initiative is to promote sustainable improvements in aviation safety and security in Africa and to create the environment necessary to foster the growth of aviation services, both cargo and passenger, between Africa and the United States. The initiative recognizes that Safe Skies are a prerequisite for increased trade and investment and long-term economic development in Africa. The initiative also complements U.S. Government efforts to conclude “open skies” agreements with key African countries and promote code share agreements between U.S. and African airlines. Specific goals include:

- increasing the number of sub-Saharan African countries that meet ICAO safety standards.
- improving airport security at between 8 and 12 airports within the region within three years.
- improving regional air navigation services.

African countries must assume ownership of the Safe Skies Initiative by recognizing the importance of aviation safety and airport security to their development and by marshaling the political will to turn these civil aviation goals into realities. The U.S. role is as a technical advisor and facilitator of actions to be taken by African countries, in partnership with the private sector, regional institutions and international civil aviation organizations.

Implementation

The U.S. will continue to work with other African countries through FAA technical assistance and training programs. Furthermore, all African states will be encouraged to participate in ICAO events to improve and maintain aviation safety, security and air navigation services to work together and learn from each other.

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The U.S. Trade and Development Agency (USTDA) promotes American private sector participation in developing and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. Through funding various forms of technical assistance, training grants, feasibility studies, conferences, orientation visits, and business workshops, USTDA helps U.S. businesses compete for infrastructure development projects in emerging markets. USTDA assists in building mutually beneficial partnerships between American companies and overseas project sponsors, which result in increased U.S. exports and jobs, and the completion of high quality, successful projects in host countries.

As part of implementing the AGOA legislation, USTDA is spearheading new project initiatives that specifically target opportunities in all major economic sectors to assist countries in expanding their business sectors and in preparing for the benefits of AGOA. These include projects in the manufacturing, rail and port, telecommunications, aviation, environmental, and power generation sectors. Also included is an initiative to provide technical assistance grants to African nations that are seeking to embrace market-opening policies, to complement USTDA's project work in the region.

Africa Air Cargo Transport Initiative: The United States Trade and Development Agency (USTDA), the U.S. Department of Transportation, and the United States Export-Import Bank, co-sponsored a Roundtable in Washington, D.C., in November 2002 to support AGOA through establishing direct Africa-U.S. air cargo transport links.

USTDA Africa Office: Announced by the President at the first U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum ("AGOA Forum", October 2001), USTDA opened its Africa Regional Trade and Development Office in July 2002. The USTDA Africa Office is providing on-the-ground guidance to U.S. and African companies and African governments seeking to improve their access to the expertise and resources of the U.S. private sector and USG trade and development programs. The Office is located at the U.S. and Foreign Commercial Service Commercial Center in Johannesburg, South Africa.

CNS/ATM Transition Plan for SADC: USTDA signed a grant agreement with the Southern African Transportation and Communications Commission of SADC, in the amount of $600,000, for a $1.2 million regional air traffic management feasibility project. Innovative Solutions International of Vienna, Virginia is conducting the feasibility work and providing a $600,000 cost-share for the completion of the project.

AGOA Manufacturing OV: USTDA conducted an Orientation Visit (OV) for Ghanaian business delegates in May 2002 to meet potential U.S. suppliers to support qualified industries under AGOA.

KENYA: Manufacturing and Textiles: USTDA signed a $312,444 Feasibility Study grant with the Ministry of Finance and Planning for a feasibility study on projects aimed to develop the cotton and textile sector in Kenya. Progressive Ag Company of Georgia is conducting the study.

CAMEROON: Aviation Security and Airport Upgrades: USTDA conducted an Definitional Mission to Cameroon in October 2002, which resulted in the recommendation of an airport upgrade project and an airport security technical assistance program that will be implemented in conjunction with the Cameroon Civil Aviation Authority.

ZAMBIA, NAMIBIA, TANZANIA: Airport Modernization and Upgrade Projects: USTDA has approved a $25,000 Definitional Mission to assess several potential airport projects that are both public- and private-sector initiated. Report expected to be available in January 2003.

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