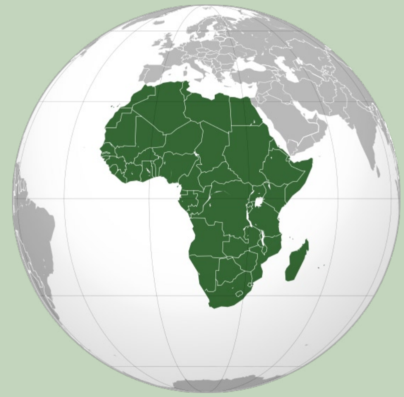
Frontier Africa



A Letter from the CEO

Dear Friends,

I am delighted to present the first issue of The Whitaker Group's Frontier Africa, *a quarterly newsletter that brings you an insider's view of African trade, investment and business. In the course of our work, my staff and I have the unique privilege of observing and interacting with many of the leaders who are building the dynamic Africa of the 21st century. These are the entrepreneurs, financial sector representatives, government officials, academics, scientists and technical experts who are driving what I believe is one of the greatest untold stories of our age – the emergence of Africa as a global economic and political power. In* Frontier Africa, *we will share some of what we learn in the course of our work and through our permanent, on-the-ground presence in Africa. In so doing, we hope to give you unprecedented access to the key trends and trendsetters shaping some of the continent's most critical sectors, as well as highlight opportunities to join Africa in energizing her progress.*

Today, I invite you to accompany TWG on the remarkable journey to the Africa of tomorrow. I welcome your thoughts on what we have to share in Frontier Africa *– through our website (http://thewhitakergroup.us), email (twg@thewhitakergroup.us) or Twitter (@whitakergroup) – and how we can add to your understanding of the great changes that are transforming the continent.*

Best Wishes,

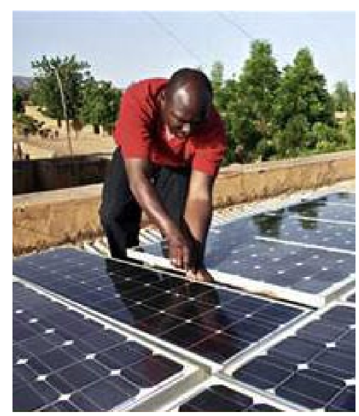
[signature]

Rosa Whitaker

U.S. Supports Exports of Green Energy to Africa

The Obama Administration last December launched the first-ever coordinated U.S. government effort to increase American exports of green energy. The initiative provides U.S. companies with critical support to enable them to benefit from Africa's vast clean energy resources and its demand for energy infrastructure projects to meet the needs of its growing economies and energy-starved communities.

With nearly 700 million Africans lacking access to adequate power, interest in green technology is high on the continent. There have been several large-scale investments in renewables, and the African Development Bank (AfDB) has made finding ways to mainstream bioenergy and bioenergy financing into its operations a priority.



But, despite abundant natural resources, African governments have largely lacked the partnerships and technology needed to close the access gap through alternative energy. Their search for ways to scale up power sources and incorporate green energy into their national grids provides exciting opportunities for green technology companies in the U.S. looking to increase their exports.

U.S. energy exports earned $2 billion in 2009. But, although green energy is the fastest growing sector in the global energy market - worth an estimated $6 trillion - American companies have yet to capture a significant share. U.S. firms face a deficit of comprehensive and accurate market research, inadequate manufacturing capacity, financing difficulties, lack of familiarity with export processes and foreign markets, and a lack of access to foreign partners.

The new Obama Administration initiative commits eight government agencies to helping U.S. green energy companies pursue overseas opportunities, and to facilitating these investments through reduced trade barriers. The U.S. Ex-Im Bank is spearheading the effort to boost American companies' abilities to grow renewable/efficient energy exports by offering U.S. businesses enhanced financing under its Environmental Exports Initiative. According to the Ex-Im President and Chairman, Fred Hochberg, over the last two years, Ex-Im's financing of green energy has more than doubled to approximately $500 mil-

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DR. KWABENA DUFFUOR: 2011 FINANCE MINISTER OF THE YEAR

The Banker magazine, a publication of the prestigious *Financial Times of London,* has named Ghana's Dr. Kwabena Duffuor its 2011 Finance Minister of the Year for Africa. The award is given to leaders who have dealt effectively with their nations' short-term financial challenges while setting the stage for long-term economic health.

Growing inflation and the lingering effects of the global economic crisis served as the backdrop when Dr. Duffuor took office in February 2009. He responded quickly with efforts to slash inflation, which peaked at over 20% in mid-2009, and to increase domestic revenue mobilization. His fiscal policies were accompanied by support for exports and private sector development.

According to World Bank *Doing Business* indicators, Ghana moved up ten slots for overall ease of doing business between 2010 and 2011. The country also dramatically increased access to credit under Dr. Duffuor, who recently committed additional financial support services for small- and medium-sized enterprises.

Ghana achieved middle-income status in November 2010 and is projected to become the fastest growing economy in Africa—and one of the fastest growing economies in the world—with 15% GDP growth for the year ahead.

Ms. Syda Bumba

Dr. Kwabena Duffuor

Dr. Duffuor follows Uganda's Syda Bumba, the 2010 recipient of the honor, who was credited with taming Uganda's double digit inflation by implementing structural and anti-inflationary policies in collaboration with the Bank of Uganda.

Under Dr. Bumba's leadership, the Ugandan government kept food inflation in check by extending more credit to farmers and increasing regional trade, which led to greater agricultural productivity and output.

Uganda's economy is projected to grow by 10% through June 2012, the highest growth rate in the East Africa region. Ms. Bumba was the second Ugandan to be recognized consecutively as African Finance Minister of the Year. In 2009, Dr. Ezra Suruma, her predecessor in Uganda's Ministry of Finance, was awarded the honor.

Despite windfall oil discoveries in Uganda and Ghana, both Dr. Duffuor and Ms. Bumba are committed to pursuing economic diversification to drive their countries' growth.

COUNTRY FOCUS: RWANDA

Rwanda has targeted at least $550 million worth of investment projects in 2011. This requires significant growth from 2010, during which the country registered $414 million in investments that created over 12,736 jobs. So far the government's plans appear to be on track with the Rwanda Development Bank (RDB) reporting an increase of 150% in investments in the first quarter of 2011 to $87 million.

The surge in investment is largely attributable to the government's extensive reforms to the business environment that have rendered it the easiest country in East Africa to do business. According to the World Bank's *Doing Business* report, in 2009 Rwanda introduced the most pro-business reforms in the world and the second-most in 2010.

Ernst & Young's annual Africa Attractiveness Survey, released in April, described Rwanda's business environment as "extremely friendly," stating that "significant investment has been made to improve infrastructure."

The Rwandan government is by no means relaxing its efforts to make the country an attractive destination for investors. If the nation's progress over the last six years is any indication of how it will fair over the next six, the government is sure to realize its goal of securing Rwanda's ranking among the world's top 30 places to do business by 2017.

AFRICA'S GROWING MIDDLE CLASS

More than a third of all Africans - 313 million people - are now considered middle class, according to an African Development Bank (AfDB) report released in April.

Defined as comprised of those earning more than $3,900 a year in purchasing power parity terms, Africa's middle class has tripled over the past 30 years. The report notes that growth in income "is strongest in countries that have robust and growing private sectors as many middle class individuals tend to be local entrepreneurs." Other factors include the establishment of stable, secure, well-paid jobs and higher levels of tertiary education.

The sub-Saharan African countries with the highest percentages of middle class individuals include Botswana, Cape Verde, Gabon, Ghana, Kenya, Namibia and South Africa.

According to its "African Progress Report 2011," the McKinsey Global Institute has estimated that the number of households with discretionary income may rise by 50% in the next 10 years, reaching 128 million households. Additionally, as a result of strong per capita growth and rapid urbanization, 221 million more Africans will enter the market for basic consumer goods by 2015.

NEW WORLD BANK AFRICA STRATEGY TO SUPPORT ECONOMIC TAKEOFF

Predicting that Africa could be on the brink of an economic takeoff much like China 30 years ago and India 20 years ago, the World Bank unveiled an ambitious new strategy in March that reflects not just the dynamic changes taking place on the continent today but also a significant shift in the way the Bank plans to partner with Africa over the next decade.

The new strategy – the result of widespread consultations with African stakeholders - moves away from single sector "solutions" and a general focus on fostering economic stability to a new model in which the Bank leverages its expertise and resources to support partnerships between governments, the private sector, NGOs and civil society. The goal is to ensure that the Bank's interventions complement what others, including African governments, are doing.

The 10-year plan attempts to exploit the synergies among individual sectors by organizing initiatives around critical themes. These include supporting economic diversification and job creation, strengthening public agencies and key sectors such as health care to enable countries to better withstand unexpected shocks, and strengthening governance and public sector capacity.

In May, World Bank President Robert Zoellick announced that Obiageli Ezekwesili, the Bank's Vice President for the Africa Region has agreed to stay on beyond her recently expired four-year term to help implement the new strategy. Ms. Ezekwesili, a former cabinet minister in Nigeria and a founding director of Transparency International, was a driving force behind the transformation of the Bank's view of Africa and a key architect of the plan.

"Oby has brought energy, drive, strong leadership and a firm belief in Africa's growth potential to her tireless work at the World Bank Group," said Mr. Zoellick. "Under her leadership, we have improved results and emphasized the World Bank's knowledge, policy advisory, partnership and financial services to the continent. Her close attention to the needs of our clients, engagement with African leadership and effectiveness with regional institutions, such as the African Union and ECOWAS, has helped us to leverage our effectiveness across Africa. She has led efforts to better connect Africa to other regions, opening new potential for South-South development."

"We are excited about Africa's future. Today's Africa is exemplified by the many success stories and stronger economic growth being driven by the dynamism of its people and economies," Vice President Ezekwesili said at the launch of the strategy.

"We therefore used the opportunity of our new Africa strategy to listen, learn and define how we could better support the continent's aspiration as it maintains the momentum of economic reforms over the next decade," she added.

UNDERSTANDING LOCAL CONTENT POLICIES

There is growing interest among investors in local content trends and requirements throughout Africa. Governments are increasingly focused on implementing policies that ensure local capacity development, which, in turn, contributes to economic growth. While most LC policies currently regulate activities in the oil and gas sector, there may soon be implications for other areas of the economy. For foreign investors, understanding local content requirements and preferences is critical to operating successfully in a country and can make a difference in winning project contracts.

A hydrocarbon storage vessel made by Dornan Long, a local Nigerian company

NIGERIA

Nigeria recently celebrated the first anniversary of its Oil and Gas Industry Content Development Act, which was signed into law in April 2010. It established the Nigerian Content Development and Monitoring Board (NCDMB) to implement the local content strategy. The NCDMB requires each contract to include time and resources dedicated to training Nigerian workers, ownership and employment quotas, and stipulates where local services must be used. Several oil companies have taken steps to increase their local content. ExxonMobil, for example, recently installed the first-ever locally manufactured gas grade pipelines at an offshore oil field. The legislation is considered by many to be one of the most important achievements of President Goodluck Jonathan's first term.

GHANA

The Government of Ghana is working to make its Local Content Policy and Local Participation Policy law. The bill, which is awaiting cabinet approval and consideration by Ghana's parliament, will require that local goods, services, people and financing be used in the oil and gas sector as a means of ensuring that Ghanaians as a whole benefit from windfall profits from the newly opened oil fields. The government aims to achieve 90% local participation most operations in the oil and gas sector within a decade.

The emphasis on local content policies in Ghana is extending beyond the extractive sectors. Minister of Trade and Industry Hannah Tetteh is hopeful that the Industrial Competitiveness Bill, which has been under consideration since 1992, will finally pass this year. The bill will establish a legislative framework to increase the level of local expertise, goods, services, people, businesses and financing used in all sectors of the economy.

EVENTS

AGOA FORUM

WHEN: June 7-8, 2011
WHERE: Lusaka, Zambia

AFRICA ENERGY FORUM

WHEN: June 14-16, 2011
WHERE: Paris, France

REUTERS GLOBAL ENERGY & CLIMATE SUMMIT

WHEN: June 13-15, 2011
WHERE: Houston, London, New York, Singapore

WHO AFRO REGIONAL COMMITTEE MEETING

WHEN: August 28-September 3 2011
WHERE: TBA

UN GENERAL ASSEMBLY ON THE PREVENTION & CONTROL OF NON-COMMUNICABLE DISEASES

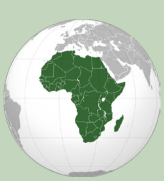
WHEN: September 19-20, 2011
WHERE: New York, New York

IMF/WORLD BANK FALL MEETINGS

WHEN: September 23, 2011
WHERE: Washington, D.C.

CLIMATE CONTROL SUMMIT

WHEN: November 28- December 9, 2011
WHERE: Durban, South Africa



PUBLIC-PRIVATE PARTNERSHIPS INCREASINGLY FINANCE INFRASTRUCTURE PROJECTS

The funding landscape for infrastructure projects is shifting from almost exclusively donor-funded initiatives to public-private partnerships (PPPs), presenting numerous opportunities for investors.

According to the World Bank, Africa requires $93 billion in infrastructure investments annually, with a current financing gap of at least $31 billion. Inadequate infrastructure cuts national economic growth by at least 2% annually and can reduce business productivity by 40%.

To close the funding gap, African governments are looking for new ways to finance infrastructure projects.

In recent years, the Republic of Congo, Gabon, Ghana, Kenya and South Africa have all issued sovereign debt bonds to raise capital for infrastructure development, and governments are working with development banks and other partners to provide innovative credit guarantees. A good example is the new mechanisms being developed by the African Development Bank (AfDB) to safeguard cash flows for investors - a critical component to attracting the kind of long-term investment needed for large infrastructure projects.

GREEN ENERGY (CONTINUED FROM PAGE ONE)

lion in fiscal year 2010. Late last year, Elizabeth Littlefield, President and CEO of the Overseas Private Investment Corporation (OPIC), announced the agency's plan to invest $300 million in financing for private equity investment funds that could ultimately invest more than $1 billion in renewable resource projects in emerging markets.

GREEN ENERGY OPPORTUNITIES IN AFRICA

- Ghana, a new oil producing nation, will simultaneously pursue a policy of clean energy production. The government plans to increase Ghana's reliance on renewables from 0.1% to 10% over the next 3 years.

- Tanzania has targeted new investors in its wind energy production in an attempt to help off-grid areas connect to the national grid. Companies will receive a $500 subsidy for every new customer that signs up for new generation from wind turbines that produce between two and 10 megawatts.

- Kenya is becoming a country of firsts on the continent – first carbon exchange, first solar-powered farm, and now Kenya's Ministry of Energy has granted SDE Energy Ltd. rights to construct a 100 MW power generating plant on the country's coastline - the first wave powered plant in East Africa. Its Geothermal Development Company also recently announced it would solicit tenders for eight power plants that will produce 800 MW of electricity in the Rift Valley. Kenya is attempting to install 5,000 MW of geothermal energy into its national electricity grid by 2030. Experts estimate that Kenya has the potential to produce up to 7,000 MW of geothermal energy.

- Lesotho, working with the United Nations Development Program (UNDP), is developing a range of green energy technologies - wind, solar and mini-hydro - to expand access to electricity to its rural population. Construction will begin in October on a 25MW wind farm and a factory to produce smokeless cookstoves for the African market is under development.