

THE PRESIDENT'S ADVISORY COUNCIL ON DOING BUSINESS IN AFRICA



Keys to Success Report
February 26, 2020

Members of the President's Advisory Council on Doing Business in Africa (PAC-DBIA)

Laura Lane (Co-Chair) - President of Global Public Affairs, UPS (*Co-Chair*)
Farid Fezoua (Co-Chair) - President & Chief Executive Officer, GE Africa (*Co-Chair*)
Susan Silbermann (Vice Chair) Global President for Emerging Markets, Pfizer (*Vice Chair*)
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Jake Cusack - Founder and Managing Partner, CrossBoundary Group
Takreem El-Tohamy - General Manager, Middle East and Africa, IBM
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Andrew Torre - Regional President for Central and Eastern Europe, Middle East and Africa, Visa Inc.
Chris Toth - President, Oncology Systems, Varian Medical Systems
Brittany Underwood - Founder and Executive Chairman, Akola
Rahamatu Wright - Founder and Chief Executive Officer, Shea Yeleen

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This report and other PAC-DBIA recommendations are available on the Internet.

To access the PAC-DBIA's work, please visit www.trade.gov/pac-dbia/ or call the PAC-DBIA Executive Secretariat at 202-482-2091 or 202-482-5205.

Letter from the Co-Chairs and Vice Chair

Dear Mr. President,

For our first deliverable as the third iteration of the President's Advisory Council on Doing Business in Africa (PAC-DBIA), under the oversight of Secretary of Commerce Wilbur L. Ross, we present this "Keys to Success" report.

Compiled by the 26 members of the Council and based on significant combined experience in growing business operations across Africa, the report offers advice intended to encourage and better position U.S. businesses considering the commercial opportunities that Africa presents. We have organized these "Keys to Success" under the three areas identified by the last term of the PAC-DBIA: approaching, competing, and operating – which we have opted to phrase positively as "succeeding" – in African markets. We have also provided an analysis of specific keys to success applied to U.S. investments in Africa, and company-specific anecdotes that illustrate keys to success in practice.

The report presents lessons learned on topics such as how to establish business operations in a local context in Africa; what U.S. government and business community resources exist to support U.S. investors in African markets; and how investors can better align their offerings with what African governments are looking for from foreign investors and partners.

Members of the Council represent companies across a range of sizes, industries, and depth of engagement in Africa. Our hope is that this report and accompanying anecdotes will complement the progress underway towards implementing the Administration's *Prosper Africa* initiative by shedding light on areas primed for U.S. government support.

We stand ready to support the Administration in its next steps towards building stronger trade and investment relationships with African countries -- including showcasing this report and serving as ambassadors of U.S. firms that have successfully expanded business to African markets.

Sincerely,



Farid Fezoua
Co-Chair



Laura Lane
Co-Chair



Susan Silbermann
Vice Chair

PAC-DBIA KEYS TO SUCCESS

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INTRODUCTION

Africa's 54 countries represent significant growth potential for American companies. The continent has a young and dynamic population that by 2050 will include 1 billion people under the age of 18. African countries are demonstrating demand for value-added investment and world-class technology, innovative services and goods, and for partnerships and skills training.

For American businesses, Africa is a region of opportunity. Small and medium enterprises have generated revenue streams on alternate cycles, flattening out seasonal or normal business troughs. Large enterprises have appreciated previously untapped markets.

These "Keys to Success" represent best practices and lessons learned from the small, medium, and large companies of the President's Advisory Council for Doing Business in Africa (PAC-DBIA). The purpose is to offer our experiences for consideration as American companies analyze, develop, and execute Africa-focused business plans. We want to help drive more American success in the unique and competitive markets across Africa.

U.S. companies of all sizes have found, though, that their success is often contingent on market dynamics beyond their direct control. Our experience is that a stable business environment is a key determinant of success when doing business in country. Contributing factors are the rule of law, as exemplified by fairness and transparency in the public procurement process, with sanctity of contract governing performance by both sides, and timely payment made upon goods and services rendered. The U.S. Government, including the local U.S. Embassy, is a great partner to American companies in addressing these market dynamics, encouraging the development of a more welcoming business environment, and, when necessary, helping navigate disputes.

Many of the success factors are found in this report – categorized under *approaching*, *competing*, and *succeeding* themes. PAC-DBIA companies share best practices for managing those things within a firm's control while also touching upon the need to understand, leverage, and/or influence those less-controllable dynamics, with the *succeeding* section in particular sharing how successful businesses have taken advantage of U.S. Government resources and programs.

APPROACHING AFRICAN MARKETS: “KNOW BEFORE YOU GO”

As with any business planning process, market entry consideration starts with an assessment, including: 1) market or opportunity sizing, 2) evaluating country “readiness” criteria, and 3) consideration of potential barriers to doing business.

For Africa, successful U.S. businesses have taken advantage of a wide range of existing resources that have helped them determine opportunities and economic value, including:

- **Market studies:** sector and country market studies are available through the U.S. Department of Commerce, individual country investment promotion agencies, and a wide range of business advisory consultants who can develop targeted reviews.
- **Country Readiness studies:** there are significant public resources that can identify critical areas such as rule of law, intellectual property protection, and procurement process transparency. Examples include the World Bank’s Ease of Doing Business ranking and indicators and Millennium Challenge Corporation country scorecards.

For many companies, the best information and intelligence on accessing a market comes from companies, customers, like-minded entrepreneurs and others already in the market. Engaging with local companies (both foreign and domestic companies) can provide unique information on the current state of the market, but also the future potential for growth. Successful U.S. companies have benefitted by accessing and engaging a wide range of entities to determine how things work in potential new markets, including:

- **Trade associations:** bilateral business councils (often based in a company’s home country), the in-country American Chamber of Commerce, local Chambers of Commerce, or sector-specific trade associations can provide vast information on the current state of doing business in a country. Many of these organizations have position papers that highlight market opportunities and policy challenges.
- **Company contacts:** for many companies, there are existing relationships with partners, customers, and others who may already have a presence or experience in Africa. These existing contacts can be useful sources for their lessons learned and best practices.
- **U.S. Government staff:** the in-country embassies’ commercial and economic teams are significant sources of information, not only market intelligence but also substantial knowledge of local market practices and key players. Similarly, the country desks at the Departments of Commerce, State, and the Office of the U.S. Trade Representative can provide useful insights, particularly on a country’s development program and long-term national growth agenda, which can represent significant opportunities.

These engagements have helped American companies establish solid networks of resources to support long-term market engagement plans and develop targeted market strategies for their key countries and customers in Africa.

- **Know your customer, know your capabilities.** Successful U.S. companies have found that a targeted approach is especially important to address the significant diversity across Africa’s 54 economies. A one-size-fits-all approach may not work. Understanding the unique needs of potential and existing customers and determining whether and how services and products meet those needs can save time and resources later. Carefully assess if your company’s business model, personnel, distribution, and support capabilities fit, or can be adapted to, the needs of the customer and the peculiarities of the market.

APPROACHING AFRICAN MARKETS: “KNOW BEFORE YOU GO”

Foreign companies sometimes have a product or service that has value at home and assume it will have the same value in Africa. Understanding how the local customer will likely perceive your product, whether by talking to people on the ground or those with experience in that market, can increase chances of success.

- **Engage in the local market.** Successful U.S. companies have used a wide range of options to increase visibility and presence, or to appreciate local customers, practices, and business dynamics. Different industries have used various approaches for local engagement strategies, including having local distributors, creating an online brand presence, establishing a local office, joining local business organizations, or leveraging other partnerships and relationships. Regardless of one’s channel to the local market, it should ensure a path that delivers direct market knowledge, an approach attuned to the culture, and an effective means of demonstrating presence.

Some successful U.S. companies have found that to better appreciate and serve a local economy, they must go beyond the capital city¹ or other mega-urban areas to the rural communities. Just as in the United States, the American market is more than Washington, DC. Going beyond the capital has helped distinguish some American investors from others as the more strategic in-country partner. It can also help provide a better understanding of the resource needs, language, culture, and partners.

- **Conduct Due Diligence.** One key issue often raised is the need to be aware of the potential for corruption in Africa, as in many emerging markets. Corruption can be pervasive, but in most Africa nations, it is a priority issue and many governments are actively and aggressively addressing it, often with the capacity-building support of the U.S. Government. American companies and the [Foreign Corrupt Practices Act \(FCPA\)](#) are key differentiators and an asset in promoting anti-corruption practices and supporting those countries fighting corruption.

¹ Check the U.S. State Department website or contact the local U.S. Embassy for any potential security concerns before venturing outside the capital or urban areas.

COMPETING IN AFRICAN MARKETS: “TAKE A LONG-TERM APPROACH, ALIGNED WITH GOVERNMENT PRIORITIES”

Once a company has made the decision to engage in any of the markets in Africa, there are a number of key considerations to compete successfully:

- **Adopt a long-term view.** While many of the world’s fastest-growing economies are found on the continent of Africa, companies need to take a long-term approach given the market dynamics of emerging economies. Businesses have been successful when they anticipate the significant investment of time and resources necessary to achieve their business goals. Being committed to the long-term, and managing and sharing that view internally and externally, has helped position companies for better success. Typically, government leaders in Africa appreciate this long-term approach.

As in many parts of the world, doing business in Africa can take time and patience. Projects may require long preparation times, long distance travel, and projects and deals may face delays or unexpected hurdles, such as sudden changes to customs regulations or required import documentation. Persistence and effective follow-up are key to the success of a deal or project. This is particularly true when working with governments. While timelines can stretch, day-to-day engagement can help to keep things moving.

- **Align with host government objectives and demand.** As with many emerging markets, many governments in Africa play a leading role in setting their national economic development plans, particularly through vision papers, national agendas, and economic growth strategies. These can include everything from strategic industry development, workforce issues, infrastructure programs, financial inclusion, and digital economy strategies. Engaging early to ensure strong relationships with government, not only at leadership but also at working (emerging leader) level, is a key opportunity.

American companies have an advantage in becoming a strategic and trusted partner that can support long-term goals, not just as a project partner but in bringing critical new value-add technologies, processes, and services to a market. Aligning with key government programs can demonstrate ongoing commitment to the long-term, showcase the unique value-add offerings by a company, and create strong public support for being part of solving challenges and meeting metrics (such as the U.N. Sustainable Development Goals), while promoting business engagement that benefits the national economy, local communities, and government initiatives.

One of many ways to show alignment is to invest in national priorities. Investments can take many forms, including direct investment in infrastructure, financial support to existing programs, in-kind donations, and establishing new collaborations (e.g., a research lab at a university). Critical among these is the alignment with and appreciation of local needs.

- **Invest in local talent and skills development.** With the youngest population in the world, Africa has local talent that successful U.S. companies have leveraged to great mutual benefit. That population offers innovation, agility, unique insight into local needs, and understanding of challenges across and within markets. The African workforce has helped American companies bring their cutting-edge solutions to a more diverse consumer base. Companies have found that their investments in this area have helped to demonstrate their long-term commitment to the country and positioned the company as a well-respected member of the local business community.

Passionate, well-educated, and locally knowledgeable African diaspora across the world are also open to opportunities to return to their country of origin as contributors to economic growth and development.

COMPETING IN AFRICAN MARKETS: “TAKE A LONG-TERM APPROACH, ALIGNED WITH GOVERNMENT PRIORITIES”

- **Invest in the broader community.** American companies also often have excellent reputations for and skills at investing in broader community development. These efforts build a more capable workforce that U.S. companies may cultivate and contribute to long-term sustainable economic development and build goodwill and trust with local partners and stakeholders. For example, investments in soft-skills, empowerment, and leadership development for women will build improved, sustainable futures for these women and their children. Trainings can help them understand their strengths, analyze their options, plan effectively and participate more equally in decision making. Research consistently shows that when more income is put into the hands of women, this improves child nutrition, health, and education. If a woman has access to a job opportunity and training on how to use her income to address the needs of her family, whole communities can rise of poverty.

SUCCEEDING IN AFRICAN MARKETS: “LEVERAGE AMERICAN STRENGTHS”

Competitors from other nations and their governments are actively engaging in the African marketplace. With the due diligence steps outlined above, U.S. companies have successfully competed and won, especially when leveraging the unique capacity offered by their American origins. This includes:

- **Sell innovation.** The high level of entrepreneurship coupled with opportunities to invest in the latest technology solutions make Africa an ideal market for selling technological innovation. As connectivity is rapidly improving, business and government leaders are eager to use technology to transform their industries and support economic growth. Across Africa, U.S. companies are leading to address this need through: collaborating on innovative mobile and digital financial services; providing cutting edge cybersecurity protections to oil and gas industries; improving customer service via artificial intelligence chatbots; modernizing tax collection via blockchain; streamlining government service provisioning via cloud computing; and bringing quantum computing to universities across Africa.

For example, we see the use of innovative technology solutions as critical to promoting inclusive growth and financial inclusion. Only 42 percent of Africans have a formal bank account, and the limited access to financial systems makes it much harder for them to buy products or services they need or start their own businesses. This presents an opportunity for collaboration between U.S. and local companies in offering comprehensive solutions that can help drive access and usage.

Decades of experience show that when U.S. companies sell high quality, responsible, and innovative technologies, they can find a ready market – and ready partners – and succeed in Africa. Selling American technological innovation coupled with American values of responsible technologies, has helped large and small American companies to successfully enter and win in African markets.

A critical advantage for American companies is the ability to leverage the strengths of our nation, including the resources and commitment of the U.S. Government. Our national values and commitments to supporting governments and people worldwide to achieve their visions sets U.S. companies apart. Showcasing how the work of your company (as discussed in the last section), the U.S. Government,² and U.S. industry broadly, aligns with key objectives of African governments can be an important distinguishing factor. Highlighting areas of mutual interest and concern can position companies well with government, industry, and the customers they wish to serve. Ultimately, it can help grow business and contribute to successfully operating in Africa.

- **Leverage U.S. Government programs and policies.** Develop strong relationships with U.S. officials, both those stationed in the U.S. Embassies in foreign markets and those based in the Washington, DC. Leverage their expertise along with the U.S. policies and programs that aim to establish, grow, and protect the American business presence in Africa. The U.S. Ambassador in each African country has broad authorities as the Chief of Mission to advance U.S. commercial interests and opportunities. The U.S. Government campaigns for free and fair business environments worldwide through a variety of trade frameworks, commercial dialogues, and other fora, with several agencies actively involved. These efforts often include the following issues, which have been discussed in previous PAC-DBIA reports:
 - Promoting greater market access, protecting the free flow of data, and combating protectionism
 - Advocating government procurement policies based on life-cycle value and improved outcomes
 - Highlighting the long-term contributions U.S. companies generally offer for sustainable development

² The U.S. Government is the world’s largest donor of foreign aid, providing over 9 billion dollars a year in official development assistance to support Africa, according to the Organization for Economic Cooperation and Development.

SUCCEEDING IN AFRICAN MARKETS: “LEVERAGE AMERICAN STRENGTHS”

Successful U.S. companies have benefited from formal advocacy provided by the U.S. government. The advocacy program at the Department of Commerce supports U.S. companies competing for African government tenders or submitting proposals in response to a foreign government request. Country desks and foreign service officers at the Departments of Commerce and State also support companies pursuing commercial deals or facing commercial disputes and barriers.

Under *Prosper Africa* -- the administration’s new initiative on Africa to substantially increase two-way trade and investment between the United States and Africa -- the U.S. Government is working to make it easier for U.S. companies to access and navigate the 60-plus trade and investment tools of the government to support their expansion and investment in Africa. As part of this initiative, Embassies across Africa have established “deal teams” to take a whole-of-government approach to leverage all the available resources and experience of numerous U.S. Government entities to identify commercial opportunities, facilitate successful U.S. business transactions, bring more U.S. companies to the continent, and boost bilateral trade and investment. These Africa-based deal teams are complemented by coordinated interagency support from the Washington, DC headquarters of all available trade and investment promoting agencies. Some of the key existing U.S. Government programs and resources already directed to this end include:

- Department of Commerce export promotion and trade barrier support services through U.S. Export Assistance Centers across the United States, Embassy-based Foreign Commercial Service teams, and DC-based industry and country experts, and formal U.S. Government Advocacy on behalf of U.S. companies pursuing public sector contracts.
- Project preparation support from the U.S. Trade and Development Agency, including feasibility studies and pilot projects.
- Financing support and other political and risk mitigation facilities supported by the U.S. Export-Import Bank, the U.S. International Development Finance Corporation (now with a \$60 billion lending cap), and the Small Business Administration
- Development goals advanced by the U.S. Agency for International Development and Millennium Challenge Corporation

The *Prosper Africa Toolkit* document, which can be downloaded at trade.gov/prosperafrica, discusses these and many other programs in detail. *Prosper Africa* endorses a “no wrong door” policy for companies approaching the U.S. Government for support, and U.S. companies are encouraged to contact any agency that may have a capability to support their endeavors.

KEYS TO SUCCESS IN PRACTICE: INVESTING IN AFRICAN MARKETS - “ACTIVATING AMERICAN CAPITAL”

The keys to success discussed in this section are drawn from PAC-DBIA member experience working in Africa with private equity firms, impact investors, and development finance institutions.

➤ **Sectors can be selected based on observed patterns of success in comparable environments, nuanced by unique local context.**

In difficult markets, U.S. investors can look to **invest in companies serving the local demand and requiring high level of capital**. Often such sectors provide an import substitution arbitrage — facing high relative costs of transport (high volume/low weight) or services that inherently need to be provided locally:

- Foreign investors have successfully invested in food and beverage companies such as bottling companies or biscuit companies, as well as business hotels and transport companies (car and truck leasing). **In the aftermath of conflict, sectors relevant for reconstruction, such as construction and associated locally produced materials, can see good returns.**
- **Countries with extractive sectors attracting foreign investors can provide sets of products and services along the supply chain.** For instance, in the Democratic Republic of the Congo and Mali, the mining industry brings a set of local companies to supply the needs of the sector (food, transport and housing). Other adjacent opportunities to existing businesses could include producing packaging or printing materials for locally produced goods, ranging from bags for cement to labels for foodstuffs.

Typical investments by funds in fragile and frontier markets

	Companies with revenues in hard currency	Companies with insulation from international competition (basic goods & essential services)	Companies with restricted domestic competition (monopoly/oligopoly/first mover)	Opportunistic comparative advantage companies
Description	Focus on exports or providing goods / services to international customers in-country. Illustrative sectors include tourism, export oriented agriculture, and mining/oilfield services.	Produce essential non-tradeable goods or produce goods with high transportation costs. Illustrative sectors include logistics, construction, FMCG retail, business services, hospitality, and healthcare.	Provide services that have a restricted license to operate or provide infrastructure that has high capital costs/barriers to entry. Illustrative sectors include telecoms, toll roads, energy, and any other sole licensee business.	Leverage a comparative advantage of the country to build an enterprise with unique advantages. Illustrative sectors include extractives or unusual crops native to the region.
Illustrative Examples	Housing and warehouse companies for multinationals Tourism or business hotels Vehicle rental or equipment leasing companies	Healthcare clinics and hospitals Soft drink companies and breweries Agro processing Construction materials	Telecom or ICT providers Airport cargo handling company Project finance for a power or infrastructure project with a bankable off-take agreement	Tree crops (like cashews) in Mozambique that have comparative advantages for export markets A teak company exporting from South Sudan A lychee exporter in Madagascar

Vertical integration can potentially enhance any investment by reducing risk along uncertain supply/value chain

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Additionally, several funds concentrate their origination process on export-led businesses and sectors, though typically outside of extractives. Those General Partners are using the country’s comparative advantage, either regionally or globally, to increase the probability of good returns. Investments in these sectors lower the currency risk and may take advantage of the low cost of labor often found in frontier environments.

- **Differentiated weather conditions and seasonality can result in niche export opportunities.** In Madagascar, the lychee industry (two weeks of harvest per year) can provide a living to farmers for a year.
- **Shared language can also support investment in tradable services.** Call centers, computer programming, and other back office services may represent unique opportunities to take advantage of relative low cost of labor.
- **Tech-enabled businesses provide a critical component for cost reduction and scale.** These businesses in particular have received significant investor attention in Africa – in part due to the success with mobile money and other platforms on the continent – but are not a substitution for testing sound business fundamentals and local demand. Costs incurred from weak business fundamentals (e.g., poor demand drivers, supply chain inefficiencies) will override the savings from any new technology adoption.
- **Small and medium enterprises (SMEs) in particular tend to face underinvestment, perhaps due to challenges in identifying potential opportunities without local presence.** While investments in Africa often occur when there is hard currency access, insulation from competition, or natural resource access, there may be ancillary sectors to discover that are under-served in part of because of the higher risk and investment.

➤ **Due diligence requires both relationship-building and creativity.**

Lack of data and information asymmetry in African markets can make the due diligence process both costly and fraught with opportunities for deal brokers. Specific mitigation strategies at all stages of the investment process can also improve the risk/return profile.

Preliminary due diligence visits: Initial due diligence by U.S. investors should focus on getting to know the local market players and identifying credible partners / intermediaries.

- **Do not necessarily meet with government ministers on your first trip** to the country, but **do meet with the best local law firms to gather war stories** of how things go wrong. Meeting government officials too early in the exploration process could create a sense of indebtedness towards them for anything the company eventually does in the country.
- **Meet with other U.S./international companies in the country;** they will provide an invaluable understanding of the potential challenges and ‘unknown unknowns in a target market’.
- **Undertake due diligence on your potential local partners early** on through meetings with credible legal advisers and/or U.S. companies on the ground. The media and other investors often misrepresent seemingly reputable local partners.
- Maintain ongoing and transaction related strategic engagement with local country government officials and other stakeholders (e.g., regulators, unions). **Demonstrating how the transaction aligns with national imperatives and alleviates concerns around job losses, local skills development etc., is crucial** and should not be left to the local investment target company.

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- Where possible, **investors should consider how flexible they can be with their investment thresholds.** For example, to invest in a shea butter manufacturing factory, the International Finance Corporation had to make an exception to their typical investment size, justified by the social impact of the project. **In these markets, many good investment opportunities exist at comparatively small ticket sizes.**
- Leverage the increasing toolkit of the U.S. Government to assist with opportunity identification, market intelligence, and even due diligence.

Opportunity origination and follow through: Identification of a local, credible third-party advisor early on can help identify, navigate and mitigate issues throughout the investment lifecycle.

- On the ground advisory support can help bridge knowledge gaps in local market and provide additional surge bandwidth and specific expertise during the most critical phases of the transaction. These advisors can also help provide **insights into common business practices (which may not appear common) and benchmarking** against other local and international reporting standards. However, **advisors should have local and international credibility** to ensure integrity.
- Many local and privately-owned businesses in Africa have limited online presence and / or media exposure and therefore can often ‘fly under the radar’. Local advisors can help identify these companies, as can extensive time on the ground (attending local events, meeting with other leading businesses in the sector/geography, etc.).
- **Be cautious of any deal brokers** (‘introducers’) that represent that they are needed to arrange government meetings or assist with approvals — if you have a quality project or investment capital, you will generally be able to secure the needed audience.

Transaction related due diligence: U.S. investors should not underestimate the value in primary data collection and analysis, despite the time and resources required to do so – advisory partners and/or data platforms can also help.

- **Do not underestimate the value in going directly to meet the customers in urban/peri-urban/rural locations** – often the growth story that the company is telling can be very different from what the customer sees as the company’s value (in addition, it’s an easy way to unearth any challenges with delivering the product or service to the customer).
- **Ask for direct feedback on the business** – often customers, suppliers, and other local players will provide candid responses during in person conversations.
- In countries where language barriers or cultural dynamics prevent primary interviews, **lean heavily on employees and suppliers to help fill data gaps** or facilitate introductions.
- To collect government data/stats, go in person to the Ministry rather than calls or emails; **lower level government officials are generally more willing to help** and provide data.
- If introducing a **new product/service, test that it actually meets local preferences and purchasing power.** An internationally successful store or restaurant format may not have traction in the local market as it might only cater to a very small target market.
- Avoid or **discount revenues which are derived from government contracts** (as they can be quite volatile); similarly, consider how insulated (or not) a business is from local policy changes.

INVESTING IN AFRICAN MARKETS: “ACTIVATING AMERICAN CAPITAL”

- When choosing an acquisition target, ensure cultural alignment with target management and shareholders; **expatriate management can work with but never replace local management**; this also influences deal structure and incentives.
- **Spend enough time getting to know your target.** For instance, carefully and critically review financial statements. Companies have often several financial statements, tailored to different audiences, such as banks, tax authorities, etc. It is important to challenge growth and profitability projections given by sponsors when they seem too optimistic and to review historical ratios and use common sense to challenge optimistic forecasts. Also, make sure you talk to employees in key roles. **During site visits, speak to other employees who aren't necessarily prepared to escort you and to other stakeholders** you meet throughout daily activities: customers, suppliers, etc.
- **Conduct thorough background checks on project sponsors in country.** Some tools are available for this. Several countries have developed a credit reporting system, which allows local banks to know whether a prospective client has defaulted on credit payments with other banks. While access to such tools may not be available to other parties, investors should try to screen and collect information on potential targets.

Value creation opportunities: When identifying opportunities for value creation, U.S. investors should rely on local partners to identify integration constraints, identify opportunities to reduce cash flow uncertainty, and leverage donor-funded resources to improve product / distribution

- Many management teams in this region may be less familiar with the private equity investment process and cycles. Therefore, **management team education is critical throughout the due diligence phase, as well as the holding period**, to ensure that they are fully aware of the value creation potential of having an investor partner. Moreover, education about the exit process will also be important at these stages so that management teams do not perceive investment partner exits as “failures” on their part.
- **Understand and incorporate the tactical implementation challenges into the implementation plan;** the reality on the ground should inform how dependent the business strategy is on growing consumer demand, logistics, and local policies (e.g., import duties, government contracts).
- Where possible, **leverage USAID or other donor related resources and NGO-funded projects** to improve product suite and build distribution networks to informal markets.
- Be clear what you can bring to a target company (e.g. global procurement, technology access), **but let the target company management drive the integration process** as only they better understand the local constraints.
- **Consider regional expansion.** Investors should consider multiple countries within a region to overcome shallow markets of single economies in order to reach scale that is profitable and diversified.
- **Look for opportunities to reduce the uncertainty of future cash flows** including supplier contracts, increased vertical integration, input diversification, and letters of intent / purchase agreements for off takers.
- If target company is overleveraged, in reassessing loan agreements or acquiring new debt, **investors should invest in educating local banks about the risk/return related to a business or a particular industry.** Many SMEs go to banks as their primary source of capital and therefore often have some form of debt upon acquisition. **Renegotiating the terms of those loans could be imperative and unfortunately, local banks may not always have the most sophisticated credit assessment tools to do this effectively.** An investor noted that one of the key challenges they faced while raising debt to

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invest in a horticulture transaction was finding out that the bank used a generalized risk assessment tool that they apply for all forms of agriculture in that particular country irrespective of context.

- Developing and adhering to **corporate governance standards can be an outsized challenge in a region less familiar with private equity investment**; build in additional time to help codify monitoring and governance frameworks.

Exit opportunities: Consider the exit strategy at the onset of the investment. There is a long and challenging history of exit cycles in Africa (e.g., assets held beyond their typical five-year hold period) due to market liquidity challenges, macroeconomic challenges, and a lack of understanding of who the best-suited exit partners are.

- Best practice is to **start to enter an investment with an exit in mind**, ensuring that deal structure, value creation, and succession planning are oriented towards a string exit narrative for the likely buyers.
- Many investments in founder-led and family-owned businesses are minority investments. **The ability for an investor to deliver either a majority shareholding at exit** (e.g., through drag along/ tag along rights) will **significantly increase the potential buyer universe**, particular with strategic investors.
- **Consistent and strong limited partner (LP) education will help manage expectations and perceived risks.** Investors should educate LPs on the investment environment, potential investment pipeline, and exit multiples on the content. Early education on this process may help support exit and new capital raising efforts.

- **Expect and prepare for significantly extended transaction timelines due to complexities in structuring, legal and regulatory requirements.**

Based on PAC-DBIA member experience, **the average transaction timeline for investments in Africa is 9-12 months (from the period of due diligence to close), when using a credible third-party advisor.**

However, these timelines are extended for complex transactions which may require land purchases or extensive regulatory approvals (e.g., approval from the competition authority, registration with the central bank to allow remittance of interest payments, dividends).

As a result, there are several steps which investors should take to ensure a timely and successful deal closure.

- Invest upfront in quality advisory and diligence assistance to ensure risk factors and opportunities are identified and mitigated before investment decisions take on too much momentum to stop
- Meet with local lawyers (but who have international linkages and vetted reputation) to understand best practices around structuring against downside risk (e.g., utilizing put/call options if local government regulations don't allow for international arbitration). **There are creative structuring options which can offset the potential volatility in regulatory and legal policy**, which often can counter the high perceived risks.
- **Understand early on what limitations exist with respect to currency convertibility** and availability, and what factors drive currency volatility.
- Include **foreign exchange provision in deal structure** to avoid a significant change in deal economics between time of term sheet agreement and disbursement.

INVESTING IN AFRICAN MARKETS: “ACTIVATING AMERICAN CAPITAL”

- **Identify potential environmental liabilities as early in the transaction lifecycle as possible;** they can often be deal breaker issues in certain transactions and can take the longest to resolve.
- Understand all shareholders and beware of structures or separate classes of shares that give outsized control to certain shareholders; this is of particular relevance in family businesses that are in 2nd or 3rd generation, as different factions may not be aligned; **be aware of politically exposed persons.**
- For major acquisitions, be mindful that the stock market and currency may react to rumors and currency flows. If confidentiality is of concern, **be mindful of major airports and consider meeting in secondary cities or outside of the target country if travelling with a top management delegation.** To effect large transactions, you might need to engage directly with the country’s Reserve Bank to smooth the currency impact.
- **Consider taking insurance cover for transaction related representations & warranties.** This is particularly relevant if the vendors are private equity firms (limited ability to give warranties) or state-owned entities (suing the host Government for damages may not be advisable in practice).

KEYS TO SUCCESS IN PRACTICE: ANECDOTES FROM PAC-DBIA MEMBER COMPANIES

The anecdotes presented here are real stories of PAC-DBIA member companies employing strategies for understanding and entering new markets, building relationships, forging partnerships, overcoming unanticipated challenges, and leveraging support resources to establish and sustain successful business activities across a variety of African countries.

ABD Group in Côte d'Ivoire: Historic development of industrial and logistics center

Issues: We were the developer behind a 50 hectare (ha) industrial and logistics park in Abidjan (the capital city of Côte d'Ivoire) that is the first privately owned and operated facility zoned for industry in Côte d'Ivoire. ABD brought in a world leading owner and operator of industrial and logistics parks, Agility, as investor and operator. In order to make the investment viable and to attract Agility to invest in Côte d'Ivoire, we needed to overcome a number of obstacles:

- Agility wanted to own property freehold. Obtaining clean title to land in African countries is not an easy process, especially when it required identifying and acquiring 50-ha of prime real estate on the main highway leading out of Abidjan to the surrounding landlocked countries. We had to acquire land from landowners who have customary rights (i.e. no clear title documentation), consolidate land among hundreds of owners, ensure there were no land right issues, and obtain a clear and clean title before investment could occur.
- We needed to obtain an exoneration on a land tax that would have added \$2 million per year to the operating cost of the business and made it unviable from a return perspective.
- We also needed to obtain authorization for industrial zoning for the first ever privately owned and operated industrial zone. The property we targeted was located across the highway from an industrial zone being developed by the government, further increasing the opposition from some members of government who felt it would bring competition to the government project.

Solution:

Land Acquisition

- Our first step was to recruit members of the local community who knew how to identify locally available land. We wanted prime real estate on the main highway, and through our local relationships, we gained the ability to interact with the village chief and community, explain the benefits of selling to an international investor (not only money, but jobs for the community), and help bring all families together around a common agreement to sell.
- We negotiated tri-party agreement between the national government and the group of villagers selling the land that gave us government assurance that we were the only group that was authorized to buy the land. This was protection against others who may make claims that they bought the land in past. This entailed numerous lengthy administrative procedures, like an open public period for any claims on the land or project and the time required to address any issues that arose in through that process.
- Through our local presence and successful past completed projects in Côte d'Ivoire we had cultivated great relationships with the Vice President, Prime Minister, their respective chiefs of staff, and the Ivoirian Ambassador in the United States, all of whom wanted to see this investment happen and helped us overcome obstacles and delays as they arose. The President was also kept regularly apprised so that we might have sought additional support from the highest level of government if required.

Tax Exoneration

- We first took the time to understand the government's motivations for assessing this tax, and learned that it was to try and avoid land speculators who buy land and don't make use of it. It was also intended for landowners who were acquiring land under a 99-year lease under which the government would invest in primary infrastructure.

KEYS TO SUCCESS IN PRACTICE: ANECDOTES FROM PAC-DBIA MEMBER COMPANIES

- We were able to sit with the Prime Minister at the time and explain that we had not encountered this tax in other countries, that it would hurt the economics of investment, and that had full intentions to develop the land and create jobs, not sit on it. He understood and wanted to see the investment realized, so he organized a roundtable with 18 senior government officials across the sectors concerned so we could explain the situation and we were granted the first ever exoneration on this tax so that we could proceed with the investment.

Outcome

- Our extensive efforts to understand the full range of potential and actual obstacles to this project and to ensure all relevant stakeholders understood the speed with which we could deliver this project, the benefits the new infrastructure would yield in attracting companies and generating employment in the industrial zone and in turn generating tax revenue and contributing to social stability, led to us obtaining government support, land title, and tax waiver we needed to move forward develop the first privately owned and operated industrial zone in the Côte d'Ivoire's history.

Rendeavour in Ghana: Building affordable housing, a new mortgage industry, and partnerships with local and U.S. Government financing institutions

Rendeavour is the largest new city builder in Africa, with 30,000 acres of developments in Kenya, Ghana, Nigeria, Zambia and Democratic Republic of the Congo.

In Ghana, Rendeavour is the developer of Appolonia City, in partnership with the Appolonia stool community. Ghana has a critical shortage of affordable housing. In addition, the nascent mortgage industry suffers from a lack of quality properties with secure land title to finance. Rendeavour joined with GHL Bank, the leading mortgage lender in Ghana, to deliver a pilot project of 100 one- and two-bedroom affordable homes at Appolonia City. Rendeavour de-risked the project by building the homes on its infrastructure-ready land, also ensuring clean land title. GHL Bank, a recipient of USD 60 million of financing from the U.S. Overseas Private Investment Corporation, the predecessor to the U.S. International Development Finance Corporation, sold the Appolonia City affordable homes to new mortgage buyers. The Appolonia City affordable housing pilot project is a success and plans are underway to expand it to 2,000 units.

Shea Yeleen in Ghana: Understanding local and regional economic dynamics, growing supply chains, and improving workforce skills to produce products for the U.S. market

Shea Yeleen sells its product in major national retail chains in the United States by combining knowledge of Ghana's comparative advantage in shea butter production with a targeted workforce development program for the Ghanaian community surrounding its processing facilities. In Northern Ghana, where approximately 50% of the population lives below the Ghanaian poverty line, Shea Yeleen organizes cooperatives and facilitates advisory services to shea producers. These cooperatives are then incorporated into Shea Yeleen's supply chain, enabling the company's exports to the United States. This mutually beneficial system provides jobs, skills training, and value-added exports from Ghana - all key Ghanaian government priorities - while furthering the growth of an American small business.

KEYS TO SUCCESS IN PRACTICE: ANECDOTES FROM PAC-DBIA MEMBER COMPANIES

IBM in Kenya: Applying innovative technology, partnering with local business, and aligning with government policies to expand access to micro-finance

Kenya has a \$20 billion informal economy, which includes food stall sellers. Working with a local Kenyan company, Twiga Foods, IBM built a digital, blockchain platform that uses purchase records from a mobile device and then applies artificial intelligence (AI) to help lenders better predict credit worthiness. The result is more microloans to small businesses, which can turn those businesses into larger business, and become the customers and/or business partners of U.S. companies looking to sell and grow in Africa. And, thanks to local partners and addressing local needs, this platform has grown to include 20 countries so that 2,500 vendors a day in Nairobi and its vicinity have the fruits and vegetables they need daily. The Kenyan government had a role to play too, as it has supported developing and applying technological innovation. The government formed a Blockchain and AI task force to ensure a conducive policy environment. Lastly, Kenyan universities and academies, with U.S. business support, including free online courses from IBM, are building a workforce with blockchain skills.

Dow in Ghana, Nigeria, Kenya, and Ethiopia: Training to ensure product safety in customer communities

As part of Dow's 2025 Sustainability Goals, Dow supports "Safe Chemistry for a Sustainable Planet" by hosting Product Stewardship academies in Ghana, Nigeria, Kenya, and Ethiopia. The goal of the program is to build capacity and elevate product safety practices in our customer communities by providing ongoing training and support to distributors, customers and logistics providers. The training supports better skills in our customer communities and ensures safer handling of product to benefit all our communities. From 2017-2018, Dow hosted over 40 trainings, upgrading skills and safety for hundreds of local manufacturers in host countries.

Vermeer in Namibia: Patience, persistence, flexibility to understand and serve customer needs

In Namibia, the Vermeer dealer found that being flexible in how they offer our unique and niche products eventually led to the sale of a terrain leveler in a surface mining application. Knowing that this equipment, and the technology that it uses, was a new concept in the country, the Vermeer dealer found that not only supplying the machine, but supplying the operator and on-site mechanical support, created a pathway to get the machine into the mining site. Only after months of proven performance, including adjustments made in partnership with the customer, was the technology considered a success and the purchase of the machine concluded. Numerous visits to the customer were necessary, even before an invitation to demonstrate the machine was granted. In the end, the customer is in a better position in terms of safety and productivity, a win for everyone involved. Vermeer sees opportunities throughout Africa where we can help make a positive impact on local communities, but we also see that just being a supplier of equipment is often not enough to help our customers and succeed ourselves.

CrossBoundary in Mali: Advisory Support to Unlock Investments in Challenging Markets

In the francophone West African country of Mali, CrossBoundary was able to successfully close over \$50 million of investment in nine private transactions across agribusiness, energy, and sanitation. Projects included a shea butter factory, that was jointly financed by a local company, regional bank, and the IFC, and two separate investments by a Dutch impact firm into mango processing and sanitary waste disposal. An estimated 100,000 direct and indirect jobs are being created through these investments. Overall, developing a strong initial pipeline of projects was critical as there was a high attrition rate before financial close (over 115 potential investments were screened and 23 received intensive support). But the work demonstrated that successful investments in a difficult environment are possible — even for investors without a local presence — if on the ground expertise is available for opportunity origination, diligence, and value creation.

KEYS TO SUCCESS IN PRACTICE: ANECDOTES FROM PAC-DBIA MEMBER COMPANIES

John Deere and IBM in Nigeria: Understanding farming sector needs, U.S. company capabilities, and creatively partnering to offer a multi-dimensional technology-based solution

A small U.S. start-up, Hello Tractor, and two large U.S. companies, John Deere and IBM, teamed up to pilot an innovative technology solution with farmers in Nigeria based on the U.S. companies' collective expertise around understanding agriculture and farmers, financial institutions, and technology and innovation.

They knew that in sub-Saharan Africa, more than 60 percent of crops are managed manually, with less than 20 percent managed by tractors and other machinery. And, up to 50 percent of farmers suffer post-harvest losses annually.

Further, they knew that in Nigeria, farmers wanted to better predict ideal planting times and to increase their access to capital to improve yields. Tractor fleet owners wanted to better manage their fleet utilization, and bankers wanted to know loans would be repaid.

With this knowledge, these three U.S. companies are supporting the development of a blockchain-enabled and artificial intelligence-based decision support platform. Think of it as a shared, secure digital wallet accessible via an app. The cloud-based platform creates end-to-end trust and transparency for all the parties involved across the agribusiness value chain - farmers, tractor fleet providers and banks.

While still in early pilot phase, the intent is to provide quality, reliable, state-of-the-art equipment and technology to help farmers build a sustainable farm. By using this technology, small farmers can know when to cultivate, and the quality of their farm cultivation. Tractor fleet owners can better forecast future tractor utilizations based on history, real-time weather data and remote sensing satellite data. And, financial institutions can have access to trusted data to make better investment decisions.

With some initial success established by these U.S. companies in Nigeria, the team is now bringing this winning formula to other African markets.

Visa in Côte d'Ivoire: Partnering with government to apply digital solutions that streamline services, facilitate e-commerce, and expand access to financial services

The Government of Côte D'Ivoire and Visa entered into a comprehensive partnership in July 2018 to digitize government services and extend access to formal financial services for Ivoirian consumers and Micro, Small, & Medium Enterprises. To implement its commitments, Visa works with Ivoirian banks and financial technology firms to deliver innovative and inclusive digital financial services that support national development objectives by unlocking retail sector growth, encouraging travel and tourism, and improving revenue collection. For example, Visa is working with the Ivoirian Post to establish one-stop shops for government services, including remote access to administrative documents like birth certificates, and to facilitate e-commerce for "Made in Côte D'Ivoire" goods. These projects are particularly transformative for rural Ivoirians, who will no longer need to travel long distances to Abidjan or their birth cities, and instead can visit their local Post Office to access government services. The one-stop shops will also allow small local craftsmen and women to sell and procure goods online. Since initiating the partnership, Visa and the National Agency for Financial Education have provided financial literacy training to 9,000 Ivoirian farmers, small traders, women and girls across the country, building their capacity to manage finances and enhance their role in family financial decisions that will have a positive multi-generational impact.

KEYS TO SUCCESS IN PRACTICE: ANECDOTES FROM PAC-DBIA MEMBER COMPANIES

Vermeer: Leveraging U.S. Government support in times of trouble

It is important to know where to go for help when you need it...it's not a matter of if you'll need it, it is definitely when. Throughout Africa, the political, economic and legal/regulatory framework can change quickly. Vermeer encountered a situation recently where a high-value parts shipment was stuck in a port because the country announced a change in import documentation, with the new requirements being illegal by U.S. law. We also had a substantial number of high-value machines quoted for that country which were now in jeopardy, with European and Chinese competition ready to take advantage. We contacted the U.S. Export Center (Dept. of Commerce) in our state, which initiated an interagency effort involving Washington and Africa-based personnel (including the U.S. Ambassador) to first get our parts cleared to serve our local customer. Commerce then coordinated with other U.S. agencies, and the host country's government, to develop a new set of mutually acceptable import documents so that we and other U.S. exporters could resume shipments. That's the type of help and partner you will need. We have won considerable business in that country since.

Mastercard in Kenya: Digital technology to expand small business access to credit and grow customer bases for partners

In Kenya, via a multilateral partnership model involving Unilever and local banks, Mastercard enables micro and small-sized retailers to access short-term, interest-free credit for the purchase of inventory stock from Unilever. Using the same digital payments platform, we enable a systematic analysis of the retailers' purchase histories, providing the banks with both a fully digitized "Know Your Customer" process as well as an alternative, low-cost approach for assessing credit eligibility. Everyone wins – Unilever benefits from becoming a preferred supplier; the micro retailers are able to digitize payment flows and grow their business; while the banks acquire new customers and minimize risk.

UPS in Uganda: Last-mile Cold Chain Vaccine Delivery

UPS and The UPS Foundation – in collaboration with Gavi, The Vaccine Alliance, and the Uganda Ministry of Health – launched an 18-month pilot project in July 2018 to address supply chain challenges in areas of Uganda with some of the lowest immunization coverage and the highest number of unimmunized children in the country.

To meet these challenges, UPS launched a fleet of refrigerated delivery trucks, motorcycles, and boats that provide scheduled delivery service to health centers and use a custom app to provide delivery confirmation information, previously unavailable in Uganda. Throughout the delivery process, wireless temperature sensors ensure safe storage and delivery of the sensitive contents. The pilot program sought to ensure equitable allocation of vaccines to facilities, maintain vaccine quality during distribution, create a sustainable & timely vaccines distribution process, and implement an end-to-end visibility system. The delivery network that UPS established ultimately increased vaccine coverage to communities served by 171 health facilities across Uganda.

This example demonstrates several keys to success that American firms might consider for entry into a new market. UPS was able to differentiate its capabilities, develop innovative solutions with partners, and support a government goal of expanding healthcare access to citizens. Critical to this collaboration was a proven track record of other successful innovations, such as UPS's engagement in blood supply deliveries by drone in neighboring Rwanda to remote villages. Thanks to this pilot project, UPS has increased credibility with the Ugandan government and proven itself to be a committed American partner in helping to meet critical healthcare needs.

KEYS TO SUCCESS IN PRACTICE: ANECDOTES FROM PAC-DBIA MEMBER COMPANIES

Visa in Africa: Forging multi-stakeholder partnerships to build robust, secure and innovative ecosystems

Across the continent, Visa connects local financial technology firms and new players with traditional partners to accelerate digital payments and expand financial inclusion in Africa. The Visa FinTech fast-track program is designed to provide rapid onboarding and reduced fees to help early stage start-ups gain access to the capabilities that lie within Visa's global network. For example, MFS Africa – a leading pan-African fintech platform – uses a single Visa API to connect its more than 180 million mobile wallets to the Visa network, enabling secure remittances and e-commerce across borders in 30 African countries. Visa's network powers new opportunities for local entrepreneurs and startups to grow revenue, diversify offerings, expand into new markets, and deliver innovative, secure payment solutions.

Varian Medical Systems in Kenya: Careful partner selection and investing in being present

For many years, our company's equipment sales and service in Kenya were conducted through a South African distributor. We had engaged this distributor decades ago on an exclusive basis across many countries. At the beginning of our entry into African markets, this seemed like an excellent idea – to have one partner with expertise across the continent. However, this made it very difficult to disentangle the relationship in Kenya without jeopardizing our commercial activities in South Africa, as occurred when we identified a new distributor that we believed was a better fit for our goals in the Kenyan market.

Though it can be tempting to engage one distributor for a variety of markets when first becoming commercial active in the region, this can make termination difficult if/when another partner with more relevant expertise is identified. This experience furthermore taught us the power of being as local as possible, even when working through a distributor. By sending a sales or market development employee from our company to Kenya every month for several years, we were able to keep our brand name strong, and customers responded very well to working directly with the manufacturer. We furthermore built valuable internal experience, which we leveraged this year when we opened our local office in Nairobi.

American Tower: Investing in youth and community development through technology

Africa's youth population currently stands at around 250 million, making it the continent with the youngest population in the world. By 2055, the number is projected to increase to 320 million. It is essential to equip this young population with the skills needed to participate competitively in the digital economy and put them on the same level of knowledge and expertise as their peers in developed countries.

To help harness Africa's demographic dividend, ATC is using its communications infrastructure in an innovative way by creating *Digital Villages* near its tower sites. Digital Villages are computer-equipped learning centers that use the uninterrupted power supply and broadband link from ATC's tower sites to provide young people and graduates with free education and training in ICT. Through accredited classroom and cloud-based learning, Digital Villages upskill and provide better employment and entrepreneurship opportunities for youth in the communities where the Digital Villages are located. The primary objective of the initiative is to create a pipeline of ICT skilled workers and entrepreneurs in these communities to help reduce unemployment and poverty. The initiative also supports the ongoing efforts of African governments to provide development and empowerment schemes for indigent youth.

KEYS TO SUCCESS IN PRACTICE: ANECDOTES FROM PAC-DBIA MEMBER COMPANIES

Akola in Uganda: Trainings to financially empower local workers

Akola facilitates village Savings and Loan Associations with their women employees. The women form groups of 30 and save their income together on payday. From that pool of savings, group members can then take out loans to them pay for investments such as children's school fees or business assets. Interest paid on those loans are shared out among group members at the end of the year. Savings groups also contribute to social funds (an informal form of funeral insurance), which are paid out to group members when they lose a close family member.

Financial Literacy Trainings help women understand how to budget their income and make smart financial choices. Trainings cover topics such as loan and debt management, the importance of emergency savings, and how to navigate external financial services such as banks of micro-finance. Individual financial coaching services provide women with updates on their savings to date, strategies for managing debt, and support to set and make progress towards financial goals.

Entrepreneurship Training is an annual one-week intensive training that provides Akola women with the knowledge and skills needed to run a successful side business, delivered by an external expert partner. These trainings are also open to one other member from the woman's household, such as a husband or adult daughter. Side businesses are a way for a woman to supplement her Akola income so that she can reach larger goals, and for her household to sustainably meet its needs. After the entrepreneurship training, women receive follow-up individualized business coaching that supports them to set business-related goals and work toward achieving them. Coaching sessions are done in small groups to provide women with opportunities to advise and motivate each other in pursuit of their goals.

One of Akola's employees, Rose, used to feed her family by subsistence farming, and farmed for others in her community for pocket money when she had time. But there never seemed to be enough money, the family frequently went hungry, and Rose often had to ask neighbors for help by sparing extra food. With the skills Rose learned through trainings facilitated by Akola, she now has steady income, budgets and saves that income, plans for her family's financial future, and is even able to support others. Rose invested in livestock, was eventually able to purchase two cows, and uses the income generated from selling the milk from those cows to send her brother's two children through secondary school, and she has grown her farm by adding chickens. She also rents land to grow crops for sale and purchased a motorcycle for her husband, who now contributes income to the family through his work as a motorcycle taxi driver.

Acrow Bridge in Africa: Improving rural connectivity, facilitating flow of goods, and transferring technology and skills

Acrow designs, manufactures and sells its steel bridges from Pennsylvania into the markets of Africa to support enhance the ability to have commerce flow freely on secondary and rural feeder roads. Improvement of the secondary and rural roads supports regional trade, along with export trade, and makes it possible to take fuller advantage of the continental free trade pact. As new bridge crossings are constructed improving connectivity to the 60% of the population of rural Africa, entrepreneurs start new businesses and farms to take advantage of the more seamless flows of commerce, and properties near the bridges lift in value providing an asset that can be collateralized to obtain loans for a business. One of the outcomes of Acrow's bridges being constructed on the African continent is the technology and education transfer on how to construct bridges that remains with the local builders that they carry to future projects they work on.