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The New York Times

Obama Trip to Kenya Offers Rare Chance to Shore Up Economic Ties

By MARC SANTORAJULY 24, 2015

VOI, Kenya — After spending their days digging in the red-clay earth to build a railroad between Nairobi and the sprawling port city of Mombasa, the Chinese workers here retreat to metal trailers surrounded by barbed wire and armed guards.

Each morning as they file out and each evening as they trudge back, they are greeted by morale-boosting banners like the one hanging on the fence at this camp, which lies a few hours from Mombasa: “When you feel grateful, you become great, and eventually attract great things.”

It is just one of scores of worker camps around the country. Roads, office buildings, schools and major infrastructure projects across Kenya have been built by the Chinese, a pattern repeated in many parts of the continent.

Trade between China and Africa, valued at $222 billion in 2014, has been rising swiftly and is now about three times the amount of trade between the United States and the African continent, according to figures from the World Bank and the American government.

That is an imbalance President Obama hopes to start correcting.

Mr. Obama, speaking to the BBC, said China had been “able to funnel an awful lot of money into Africa, basically in exchange for raw materials that are being extracted from Africa.”

“What is certainly true is that the United States has to have a presence to promote the values that we care about,” he said.

Mr. Obama's return to his father's homeland on Friday is, of course, part of a presidential trip laden with great personal significance. Islamist extremism and security will also be a focus, given the growing threat Kenya faces from the Shabab, the Somali extremist group responsible for some 400 deaths there since 2011.

But Mr. Obama's trip is also a unique opportunity to rebuild the strained relationship between Kenya and the United States, and central to accomplishing that will be shoring up the economic ties between the two nations.

Mr. Obama is in Kenya to play co-host to the first Global Entrepreneurship Summit in sub-Saharan Africa. Over the weekend, he is also expected to sign several "government to government" agreements making it easier for American companies to invest in Kenya.

That could help shape a deal involving a consortium of private American companies that is under negotiation, potentially laying the groundwork for one of the largest Western investments in infrastructure projects in Kenya's history.

"This is a mega-project and it will be a game changer for this region," said Issa Timamy, the governor of Lamu County, along the Kenyan coast.

The economic thrust is part of a broader effort to strengthen a relationship that was forged during the Cold War but has become tense in recent years.

In 2007, just before Mr. Obama took office, more than 1,000 people died and 600,000 people were displaced from their homes during election-related violence in Kenya.

The current Kenyan president, Uhuru Kenyatta, was charged by the International Criminal Court with helping to orchestrate and finance the violence.

When Mr. Kenyatta ran for president in 2013, American officials did not hold their tongues. The Obama administration's top official for Africa at the time issued a veiled warning, reminding Kenyans that "choices have consequences."

Kenyans took offense, interpreting the remark as an attempt to meddle, but Mr. Kenyatta won the election anyway. Indeed, some Kenyans, including Mr. Kenyatta's running mate, William Ruto, suggested that the American remarks had backfired, giving them a jolt at the polls.

"It was said that 'choices have consequences,' " Mr. Ruto, who has also been charged by the international court with crimes against humanity, said at the inauguration. "And look at the consequences. We won in Round 1."

When Mr. Kenyatta took office, he pointedly said it was time for Kenya to look east instead of west. He chose to go to Beijing and Moscow on his first trip out of the country.

But circumstances have changed considerably since then. In September 2013, gunmen stormed a fancy shopping mall in Nairobi, killing dozens of civilians in an attack claimed by the Shabab on a gleaming symbol of Kenya's prosperity.

The United States, viewing the siege as a direct threat to Western tourists and even as a possible prelude to similar attacks on American soil, helped investigate and continued its assaults on the Shabab in Somalia.

Then the charges against Mr. Kenyatta at the international court were dropped, frustrating human rights advocates but reducing the diplomatic tensions of working with a head of state who was on trial for crimes against humanity.

The two countries are working closely to counter Islamist extremism, and Western officials say that the relationship is greatly improved.

Now American officials and investors are focusing on another front: trying to compete with China in the race to do business in Africa.

The multibillion-dollar deal being negotiated, which involves major American companies like Bechtel, includes construction of a new port in Lamu, a pipeline to connect it with the oil fields of Kenya and Uganda, an 880-megawatt natural gas power plant, and a railway from the port that would connect to existing rails in Nairobi and then stretch to Ethiopia and South Sudan.

It would be an enormously complicated undertaking, and even people involved in the project cautioned that the deal is not done until it is formally signed. But a project of this scale would affect the lives of millions of people not just in Kenya, but across East Africa.

The hope is that the deal will also provide a model for future cooperation by the American government, the private sector and developing nations on large-scale infrastructure projects.

There have been months of fierce negotiations and strong competition from the Chinese, but Mr. Timamy, the governor of Lamu, said everything was in place for an announcement timed to coincide with Mr. Obama's visit.

"This shows the improvement in relations between Kenya and the U.S.," he said. "For a while relations there — relations were a bit fraught. This is a new beginning for Kenya and our traditional ally, the U.S., and other Western countries."

During Mr. Obama's visit, large swaths of Nairobi will be shut down, and any street where he plans to travel will be closed for hours. An entire forest near the United Nations headquarters and the United States Embassy has been declared off limits.

An American warship is anchored just off the coast, near Mombasa, and fighter jets will be ready to take to the skies. A large cadre of Secret Service agents have been on the ground for weeks.

Benson Kibue, Nairobi's police commander, told reporters that 12,000 police officers, around a fourth of the entire national force, would be deployed to the capital.

Improving security in Kenya and the region has also been a central concern in the negotiations surrounding the new port, pipeline, rail and power plant project, often referred to as “the American package.”

In April, an assault claimed by the Shabab on a Kenyan university in the town of Garissa left about 150 people dead. In June 2014, militants attacked in Lamu County, killing at least 60 people.

Mr. Timamy was briefly detained by the police after the 2014 attack, but was soon released after it became clear that the charges against him were baseless and that his arrest was politically motivated.

In an interview on Thursday, Mr. Timamy described the attack as “heinous.” He said that since it occurred, “security has been enhanced” and more soldiers have been dispatched to the region.

“Right now the Kenyan government has started putting a fence between our area and Somalia,” he said, noting that there has not been another major attack in his area since then.

There is hope that investment in the rural communities will spur economic growth, diminishing the appeal of radicals.

Often, big projects in Africa have reaped windfalls for outside companies, with little return for residents. Mr. Timamy argued that through bitter experience, people here know better now.

“This is not the Africa of the ’50s, ’60s, ’70s or even ’80s,” he said.

The package includes elements intended to have a positive social impact through programs involving education, clean water and, ultimately, local employment.

Part of the appeal of the project to the Kenyan government is that it will not require Kenya to invest any funds or take on debt. It is supposed to be financed entirely by the private sector.

The agreement, according to people familiar with the negotiations, would commit the Kenyan government to work with a Kenyan developer, Aeolus Kenya Ltd., and the international companies with whom it has signed letters of agreement.

Gerrishon K. Ikiara, an economist at Nairobi University and a former permanent secretary to the minister of transport, said it was often much more complicated working with Western companies than with the Chinese.

“China does not concern themselves with a lot of local issues and politics,” he said. As a result, he said, deals can be negotiated relatively quickly.

China, he said, also completes projects on time.

AKL
MEDIA COVERAGE: JULY – AUGUST 2015

Forbes

Investing 8/09/2015 @ 11:01AM

Why You Should Invest In Africa's Fastest-Growing Country

President Barack Obama's short visit to Nairobi last month raises hopes for strengthening business ties between the U.S. and Kenya. The Kenya Investment Authority used the event to highlight the investment opportunities in Africa's fastest-growing country. The organization, which goes by KenInvest, was established by the government in 2004 to advise investors and help foreign companies do business in Kenya.

Three ETFs offer minor exposure to Kenya:
1.Guggenheim Frontier Markets ETF (FRN), weighted 8% in Kenya
2.iShares MSCI Frontier 100 Index Fund (FM), 6%
3.Market Vectors Africa Index ETF (AFK), 3%

Mutual funds with exposure to the country include:
1.Wasatch Frontier Emerging Small Countries Fund (WAFMX), weighted 9% in Kenya
2.Nile Pan Africa Fund (NAFAX), 19%
3.T. Rowe Price Africa & Middle East Fund (TRAMX), 5%.

Kenyans cheer as the motorcade of President Barack Obama passes by on the way to deliver a speech at the Safaricom Indoor Arena in Nairobi, Kenya. (AP Photo/Evan Vucci, File)

Dr. Moses Ikiara, managing director of KenInvest, makes a case for why you should invest in Kenya.

Ho: Why should U.S. investors consider venturing to Kenya in their portfolios?

Ikiara: Quick, name the nation with the fastest-growing economy in Africa and third fastest in the world. The answer is Kenya, where President Obama made a three-day visit in July. It's his first trip to his father's birthplace since entering the White House. The trip coincided with Kenya's hosting of the annual Global Entrepreneurial Summit.

Kenya, which Bloomberg predicts will be the world's third-fastest growing economy in 2015, is an oasis of opportunity. Kenya's location on the eastern coast of Sub-Saharan Africa positions it as the commercial gateway to the rest of Sub-Saharan Africa. It's a destination for investors looking for exposure to East Africa and its 140 million consumers. The free-trade agreement that was signed in June between the East African Communities (EAC), Common Market for Eastern and Southern Africa (COMESA) and the South African Development Community (SADC) offers market access to 600 million consumers.

As the largest economy in the region, Kenya accounts for 40% of the East EAC's gross domestic product and has the region's best performing regional currency. Its nascent economy is bolstered by a highly educated, English-speaking and youthful workforce. Some 60% of Kenyans are 25-years old or younger.

Kenya's impressive technological and scientific achievements recently attracted significant investments from venture capitalists and some of the world's leading multinational corporations, including Google (GOOG), IBM (IBM), Facebook (FB), Chase Bank and General Electric (GE). All of them were represented at this year's summit. In the past three years, General Electric's revenue from Africa doubled to more than $3 billion.

To foster Kenya's continued growth trajectory, the country has undertaken a comprehensive program, known as Kenya Vision 2030, to modernize its infrastructure, increase its tourism and strengthen its industrial presence. Additionally, Vision 2030 is aimed at growing Kenya's consumptive capacity by raising all Kenyans above the poverty line and increasing per capita income to at least $3,000.

In addition to Kenya's commitment to modernizing its infrastructure, Kenya is a signatory to a number of multilateral and bilateral free-trade agreements including the African Growth and Opportunity Act (AGOA) trade preferences program with the United States. The program has opened a free and open trading relationship with the United States across the textile and apparel markets. In July, the U.S. Congress extended AGOA for 10 years ensuring that Kenya continues to have duty-free access to U.S. markets for Kenya's major exports including textiles, apparels, and crafts.

Since the inception of AGOA in 2001, the U.S.'s overall trade with Sub-Saharan Africa nearly doubled to $52 billion in 2014. U.S. exports to Sub-Saharan Africa have tripled to $25 billion in 2014. In 2013, Kenya was the 96th largest trading partner with the United States with $1.1 billion dollars in reciprocal trade. In 2013, U.S. goods exports to Kenya increased to $651 million, representing a 14.5% increase from 2012 and a 232% overall increase since 2003.

Dr. Moses Ikiara is managing director of KenInvest, an organization that advises investors and help foreign companies do business in Kenya. (KenInvest)
Dr. Moses Ikiara is managing director of KenInvest, an organization that advises investors and helps foreign companies do business in Kenya.

To keep up with the growth trajectory, Kenya has committed to an aggressive expansion and modernization of its transport, energy and Information Communication Technology (ICT) infrastructure, which has piqued the interest of outside investors.

On July 21st, Aeolus Kenya Limited, a major Kenyan development firm, announced its involvement in discussions with U.S. companies regarding plans for the $25 billion LAPPSET development project, which includes the construction The Lamu Port, South Sudan, Ethiopia Transport or (LAPPSET) corridor. The LAPPSET project will encompass a modern port facility in Lamu with 31 berths, a highway, a railway line, an oil pipeline, three airports, three resort cities and a fiber optic cable linking Kenya with Ethiopia, South Sudan and Sudan.

In addition to Kenya's rapid growth and potential, many global companies have already invested in Kenya. It is the regional headquarters for Google (GOOG), IBM (IBM), Oracle (ORCL), Microsoft (MSFT), SAP (SAP), Coca-Cola (KO), General Electric (GE) and Cisco (CSCO). In recent months, the trend of multinational investment has continued with the commitment by the Wrigley Company to invest $63 million dollars in a manufacturing facility in Kenya.

In summary, a diversified and growing economy, preferential access to world markets through various tax treaties, favorable business conditions, political stability, an educated English speaking middle class and the country's strategic location makes Kenya an ideal pick for U.S. investors.

Ho: What is your outlook investing in Kenya's stock market over the next year and five years?

Ikiara: Kenya is undoubtedly a growth-oriented destination for investors. According to World Bank estimates, Kenya's economy is projected to grow by 6% in 2015. Additionally, the International Monetary Fund and the government of Kenya expect economic growth of 6.5%-7% this year. The growth trajectory is projected to continue with the economy expanding at 6.5%-7% in 2016 and 2017.

The World Bank's Kenya Economic Update for March 2015 stated: "The country is emerging as one of Africa's key growth centers and is also poised to become one of the fastest-growing economies in East Africa, supported by lower energy costs, investment in infrastructure, agriculture, manufacturing and other industries.

"The momentum for growth is expected to be sustained by a stable macroeconomic environment, continued investment in infrastructure, improved business environment, exports and regional integration."

Sustained economic growth and continued positive forecasts will lead to investor confidence, which may in turn lead to the growth of Kenya's stock market, which is the fourth-largest in Africa. The next five years will tell a self-reinforcing growth story as more of Kenya's modernization efforts come online, and favorable returns on foreign investments are realized.

Ho: What are some of the business opportunities in Kenya?

Ikiara: Kenya's growth plan is predicated on modernizing key industries and sectors of the economy to stimulate further investment and opportunity. The most fertile sectors of the economy that are ripe for investment are agro-processing, technology, infrastructure tourism and manufacturing. The infrastructure opportunity includes transportation, ICT, housing and energy production and grid infrastructure.

Juliana Rotich, a trustee of i-Hub, works on a laptop computer at the i-Hub technology innovation center in Nairobi, Kenya. The entrepreneurs come up with concepts like Ushahidi, the open-source software that's used to share information and interactive maps to prevent conflicts and help aid agencies provide relief in disaster zones. (Waldo Swiegers/Bloomberg)

The technology startup boom has already yielded amazing results. M-Pesa, a mobile-phone based money transfer, and micro-financing service have provided millions of Kenyans with their first access to the financial system. It simultaneously reduced crime that is characteristic of cash-dominant systems by allowing customers to use their mobile phones as bank debit cards. M-Pesa's service is now used by more than half of Kenya's 45 million citizens.

BRCK, another thriving start-up, has used innovative technology to solve a common problem: rural locations still off the internet grid. The company created a durable device that uses mobile networks to create Wi-Fi hotspots, using its power source whenever local power is out, a frequent occurrence in Africa.

Ushahidi, an open crowdsourcing platform, has been used to dramatic effect, from tracking post-election violence following Kenya's 2007 election, to real-time recovery efforts following major earthquakes in Haiti and Chile. It also tracked snow cleanup results in the United States.

Regarding energy, the government is committed to increasing investment in renewables including wind, geothermal and solar. Renewable-energy production is a prime candidate for outside investment as the weather and climate are conducive to wind and solar power.

As recently as June, Google expressed interest in financing the largest wind power project in Africa. The proposed $700 million project would cover 40,000 acres and increase Kenya's energy capacity by 25%. The opportunity is big because consistent access to power is an area that needs improvement across many rural parts of the country. In addition to renewable energy, there are opportunities to develop diesel plants, hydropower, drilling and steam field development, construction of pipeline and storage facilities and petroleum exploration in a number of regions.

Public infrastructure is another strong area for investment. As part of the Kenya 2030 plan, the government has committed to the construction of 10,000 kilometers of new roads, an airport expansion, 700 kilometers of new railway and commuter rail systems and power grid modernization efforts. As a testament to this effort, in May, President Kenyatta opened a new airport terminal at Jomo Kenyatta International Airport that will handle an additional 2.5 million travelers per year making it East Africa's busiest airport.

Kenya's tourism industry is another prime target for investment. In 2013, Kenyan tourism contributed 12.1% or $2.09 billion dollars to its GDP. Due to past security concerns that are now abating and the recent decision by the British Foreign and Commonwealth to lift a travel advisory against non-essential travel to coastal areas such as Mombasa, Kilifi and Watamu, there is strong potential to grow the tourism sector. Kenya's natural beauty is well documented. Today 70% of foreign tourists rank wildlife as a primary attraction to draw people to Kenya.

As the tourist transport hub into East Africa, Kenya has the potential to grow its meeting, incentives, conventions and exhibitions (MICE) tourist segment given its well-educated English-speaking workforce. According to the International Congress and Convention Associations, Kenya ranks second after South Africa in the MICE category. Since 2008, Kenya has seen an average year-on-year growth of 35% in this sector. To meet the growing demand, Kenya Airways has ordered nine Boeing 787 Dreamliner aircraft to increase its passenger capacity by 20%. In Nairobi, eight major hotels are under construction, which will add 1,500 beds of capacity.

Ho: What is driving earnings and sales growth for companies in Kenya?

Ikiara: Ever since a fiber optic cable under the seabed finally brought high-speed internet access to Kenya in 2009, technology entrepreneurs immediately went to work developing and producing Web-Based applications that have transformed the lives of millions of Africans. Today, there are four fiber-optic cable systems in the country.

In 2013, IBM (IBM) opened a research lab in Nairobi, the first on the continent. In the process, a new name has been bestowed upon Kenya, 'Silicon Savannah,' reflecting its continent-wide leadership position in the burgeoning information technology sector. What began in 2010 with the formation of iHub, a Nairobi-based center providing free internet and physical workspace to aspiring entrepreneurs, has today left the capital city teeming with science and technology innovation laboratories. It's evidence of Kenya's multi-billion dollar investment toward reaching its 2017 goal to grow the tech sector's contribution to total GDP from its current 3%, up to 10%.

Future government plans include the construction of Konza Techno City, a 5000-acre city that will be constructed south of Nairobi at a cost of $15 billion, and will include more innovation hubs. Foreign investment capital has responded accordingly: the Nairobi-based Savannah Fund is a seed capital fund specializing in early-stage technology startups and backed by an international network of accomplished venture capitalists.

NEST, Hong Kong's only venture capital firm and a prolific start-up incubator, on July 14th, opened its Nairobi office. Most recently, at the Global Entrepreneurial Summit, Chase Bank Kenya announced its commitment to a $580 million investment for the purpose of creating another technology-innovation hub.

Jiang Jianquing, chairman of the Industrial and Commercial Bank of China, the world's largest bank, pledged his bank's support during a public announcement at the Kenyan State House with President Kenyatta.

Ho: What efforts has the Kenyan government taken to improve the investment climate or to make it more attractive?

Ikiara: In various economic sectors, from mobile-payment technology to horticultural exporting to transportation and logistics, Kenya has already produced transformative innovations. These accomplishments are the result of years of synchronous effort from civic, corporate and government leaders. In 2010, a new constitution was approved, granting citizens the ability to initiate legislation.

In 2012, Kenya implemented the Universities Act, designed to improve the overall quality of education while strengthening the technology sector by separating it from the general university system. In July of 2013, as part of Vision 2030, Kenya's national development strategy plan, the country's Ministry of Information and Communication launched the 'National Broadband Strategy,' which established minimum standards for high speed internet access.

Today Nairobi is home to ten colleges. Microsoft (MSFT), Intel (INTC), Google (GOOG), and other technology giants have established regional headquarters in the capital, producing the political-industrial ecosystem that enables Kenya to hatch and nurture its entrepreneurial economy.

On July 23, Kenya's technology sector quietly passed another milestone. Weza Tele, a start-up company with innovative technology and operating in the fin-tech sub-sector, was acquired by AFB, a financial services concern. It marked the largest such acquisition of a Kenyan start-up. Although small by American standards, it's very likely that the Weza Tele acquisition was only the tip of a giant iceberg.

In terms of the makeup of the overall economy, the Kenyan government is focused on economic diversification and fostering technological innovation. In July, these efforts were showcased as President Obama made his first visit as president to the country for the Global Entrepreneurship Summit in Nairobi.

The Kenyan government in partnership with the U.S. Trade Representative has worked to create an environment that brings together social innovators, business leaders, venture capitalists and philanthropists and has helped spark the interest of large multinational companies moving to Kenya. The Summit was a milestone for the U.S. and Kenya's $7 billion dollar effort to promote U.S. investment in Africa. The effort garnered interest and support from U.S. companies including GE (GE), Honeywell (HON) and Caterpillar (CAT). The summit marked a watershed moment in Kenya's economic development history.

Last year, during the U.S.–Africa Leader's Summit held in Washington, D.C., U.S. companies announced deals worth $14 million and made commitments of $12 billion to the continent.

Kenya has also taken some initiatives to encourage inward investments. Earlier this year, the government in conjunction with the private sector, initiated favorable business reforms and policies to enable investors in Kenya to take only a day to register businesses, file taxes electronically and access regional and international markets easily.

Unlike many of Africa's other large economies, Kenya is not reliant on oil exports and isn't as exposed the fluctuations in global oil prices, which offers greater economic stability. It has a mature, diverse economy that is made up of large, medium and small businesses in major export industries including textiles, coffee, tobacco, iron and steel products, petroleum products and cement.

To further facilitate growth, the government is considering legislation that would establish three special economic zones (SEZs) within the country. The SEZs will allow lower levels of taxation and fewer regulatory hurdles, and will focus primarily on industrial activity, in particular, textile production. The SEZ bill is part of a broader initiative to boost the manufacturing sector, diversify the country's exports and encourage the creation of up to one million industrial jobs annually.

Kenya's focus on education has also created a strong precondition for an emerging middle class and strong human capital formation that will create skilled employees and consumers. Today, Kenya has one of the highest adult literacy rates in Africa at 87%. Some 300,000 students attend public and private universities, and one in five students are enrolled in one of Kenya's robust network of 39 public and private universities.

Ho: Are the current Kenyan investment laws investor-friendly?

Ikiara: Kenya's objective is to demonstrate to the world that it offers a fertile macro-economic environment supported by a modern financial sector, a vibrant stock market and a strong public-private partnership policy framework to promote engagement with the private sector. Thus, the Kenyan government structured a policy environment that's conducive for investment to support an emerging middle class.

The government has introduced safeguards to protect the rights of both local and international investors. Kenya's Foreign Investment Protection Act (FIPA) guarantees against government expropriation of private property. The constitution also explicitly protects private property. Kenya is a member of the Africa Trade Insurance Agency.

Kenya is in the process of developing a national investment policy. It passed a Private Public Partnership Act in 2013 to govern joint ventures. Kenya is also a signatory to and member of the Multilateral Investment Guarantee Agency (MIGA) — an affiliate of the World Bank. This guarantees investors against loss of Investment to political problems in host countries. The country is also signatory to the International Center for Settlement of Investment Disputes — a channel for settling disputes between foreign investors and governments.

Other efforts to improve investment climate so far include:
1.Quarterly presidential round tables within the private sector
2.Modernization of business regulation and insolvency laws
3.Setting up a cabinet committee to track progress on ease of doing business and a dedicated inter-agency institution (Business Environment Delivery Unit) for the same purpose
4.Setting up a one-stop center for investors that will be fully operationalized in 2015
5.A 25%-30% reduction of cost of power

In terms of the overall economy, Kenya has fully liberalized, removing exchange controls, import and export licenses and restrictions on the remittance of profits and dividends. As alluded to previously, Kenya has engaged some multilateral and bilateral trade agreements to ensure access to free and open markets for its domestic industries. As mentioned earlier the tripartite free-trade agreement signed in June will open the doors to 600 million of Africa's consumers.

As a member of the World Trade Organization, Kenya receives most favored nation treatment for 90% of the world's markets. In 2008, the U.S. and Kenya signed Trade and Investment Framework Agreements (TIFA) with the EAC. Additionally, Kenya is a member and beneficiary of the Common Market of Eastern and Southern Africa (COMESA) and the ACP-EU Trade Agreement. Each agreement ensures free trade and capital mobility for its signatories.

Ho: What are some of the risks of investing in Kenya? What concerns you about the country's stock market and economy currently?

Ikiara: In 2009, Kenya ratified a new constitution to put in place the parameters to build a strong and stable society. As with any country that is growing so fast there will always be peaks and valleys. The best way to avoid risk is to take a long-term perspective. Kenya is embarking on a journey of long-term growth and sustainability.

The companies and people that are investing here are looking down the road 30, 50 and 100 years. In the near term, the greatest risk for Kenya's economy is not following through and leveraging these investments to achieve the growth we seek. Amidst Kenya's resurgence, we are cognizant of the security concerns that are present in the region. That is why we've committed unprecedented resources towards our national security and have received support from critical partners such as the U.S.

However, the strength of the entire nation and its people greatly outweighs the threats posed. The same is true for the economy. The innovation and technological revolution that is occurring is a rising tide that is destined to lift up Kenya if we allow it to do so.

Ky Trang Ho is the founder of Key Financial Media LLC, which produces content and thought leadership for financial advisors and investment strategists.

SUNDAY NATION
2ND AUGUST 2015

SUNDAY NATION

Nairobi | August 2, 2015

REVELATION | Details come to light of mega deals signed during recent historic visit to deepen American influence in Kenya

Winners and losers as Obama offers Sh1 trillion

>> Uhuru and Jubilee boosted by trip but Raila's Cord says US leader was not properly briefed

>> Sections of civil society feel left out

Stories on Pages 2,4,5,18&19

Mr Barack Obama Boosted US influence on Kenya and used historic visit as a "homecoming"

Mr Uhuru Kenyatta Visit was a vote of confidence after weak ties with the West since 2013

Mr Raila Odinga Hoped US would help Cord to pile pressure on Jubilee

Mr William Ruto After speculation he would be isolated over ICC cases, he met US president

PRIVATE AND COMMERCIAL

Sh7.2 billion General Electric to deliver 20 passenger locomotives to Kenya Railways

Sh900 billion Aeolus Kenya Limited investment proposal for Lamu Port South Sudan Ethiopia Transport Corridor

Sh2 billion Award in support of 27 community conservancies covering vast area of northern Kenya

AGREEMENTS

Infrastructure Investment and Trade

- US trade and development re-opening in Kenya and overseas Private Investment Corporation expanding work

Young African Leadership Initiative/Mandela Fellowship

- Launch of regional leadership centre

Security

- Security and governance initiative as well as joint country action plan signing and announcement of technical assistance
- Additional security assistance and equipment

Gor eyes

Aeolus Kenya Ltd mentioned above on front page
(Copy below…)

Sh1.2 trillion deal struck but not all are winners after US President visit

In Summary

•Wildlife conservation in northern Kenya also got a boost by the provision of financing valued at $20 million (Sh2 billion).
•The United States Trade and Development Agency (USTDA) will also put in funds although Kenya in turn offered the agency and OPIC tax concessions.
•According to Kandie, Kenya now has the challenge of seizing the opportunity and building on it.
•Lapsset Corridor Development Authority CEO Sylvester Kasuku called on private sector players to position themselves to benefit.

By ANDREW TEYIE

Fresh details of agreements worth up to Sh 1.2 trillion struck between the American government and Kenya during President Barack Obama's historic visit can now be revealed.

This came as various groups, institutions and individuals took stock of the visit one week later.

Documents show that National Treasury Cabinet Secretary Henry Rotich and US Secretary of Commerce Penny Pritzker signed a memorandum on a series of mega deals that have created a new economic development partnership that will see investments in the Lamu port, an oil pipeline, power plants, urban commuter rail and highways, and various projects in the health and tourism sectors.

The massive agreements are expected to deepen Kenya-American ties at a time when the Chinese are flexing their financial and diplomatic muscles.

The commercial arrangements signed between the US and Kenya governments include an investment of $9.5 billion (Sh900 billion) in the Lamu Port South Sudan and Ethiopia Transport Corridor (Lapsset) and an additional $7.55 billion (Sh755 billion) in the projected value of exports to flow through the same corridor.

PASSENGER TRAINS

The MoU will also see American company General Electric (GE) deliver 20 passenger trains to Kenya Railways (KR) to the tune of US$ 72 million (Sh7.2 billion). The passenger trains are expected to ease traffic congestion in Nairobi.

Wildlife conservation in northern Kenya also got a boost by the provision of financing valued at $20 million (Sh2 billion).

Cabinet Secretary for Commerce and Tourism Phyllis Kandie said that the impact of President Obama's visit will be felt in Kenya for many years to come.

Ms Kandie said that the trip and the Global Entrepreneurship Summit (GES) boosted Kenya's credentials as a regional leader and investment destination.

“The overall impact of GES and President Obama’s visit is huge for Kenya on three levels. Kenya enjoyed a positive spotlight globally.

It was a major boost for the tourism sector — and not just because of the fact that hotels in Nairobi and its environs were full in a short time but the long-term effect is that more visitors will now have the confidence to come here,” said the Cabinet Secretary.

According to the documents seen by the Sunday Nation, the American government also undertook to increase funding for the Determined Resilient Empowered AIDS Free Mentorship Programme (DREAMS/ACT) programme to the tune of $519 million (Sh51.9 billion).

“DREAMS is a two year $30 million initiative to reduce new infections in adolescent girls and young women in Kenya.

Working closely in partnership with the Government of Kenya and other key stakeholders, a country determined core package of evidence-based interventions that have successfully addressed HIV risk behaviours, HIV transmission and gender-based violence, will be implemented,” read the documents.

The documents also brought out the fact that Kenya has the largest level of funding globally for the US-led President’s Emergency Plan for AIDS Relief (Pepfar).

The programme aims to “accelerate Children’s HIV/AIDS Treatment (ACT) in a two year, $28,169,122 initiative to reduce HIV morbidity and mortality of infants, children and adolescents (0-14 years) living with HIV in Kenya”.

According to the MoU, the Americans further undertook to have the Overseas Private Investment Corporation (OPIC) invest in infrastructure development.

The United States Trade and Development Agency (USTDA) will also put in funds although Kenya in turn offered the agency and OPIC tax concessions.

US GOVT'S INTERESTS

“The United States Government confirms its interest in supporting the development of strategic infrastructure priority projects in Kenya and promoting US private sector participation in such projects, and confirms its intent to engage, as appropriate and consistent with its authority, its constituent agencies and programmes including but not limited to those identified herein,” says the MoU signed by the two governments.

According to Kandie, Kenya now has the challenge of seizing the opportunity and building on it.

“We cannot afford to sit back and congratulate ourselves on a job well done.

"The world, and especially Africa, is full of countries that are eager to achieve the same rewards as Kenya.

"We must take the opportunities that have been presented to us to ensure that we continue to build a strong and resilient economy that builds prosperity now but also safeguards the country's long-term economic future," she said.

The Lapsset Corridor Development Authority CEO Sylvester Kasuku called on private sector players to position themselves to benefit.

"We urge Kenya's Private Sector to take advantage of the new economic partnership created by the MoU and seek partnerships with American investors to tap US investment capital and invest in LAPSSET Corridor Projects," he said.

The MoU also tied Kenya to promote collaboration between Kenyans and the American public and private sector institutions with an aim to promote capacity building in East Africa's biggest economy.

The government committed to allow private companies implementing infrastructure projects to be responsible for securing financing for such projects.

The Kenya government agreed that one of the potential financing sources may include OPIC, other US government agencies, multilateral organisations, private sector capital or other financing sources.

US RESOURCES

"The Government of Kenya expresses its support for the US governmental resources that the United States government intends to make available, consistent with US laws and regulations, to facilitate potential US private sector participation in strategic infrastructure priority projects in Kenya and is committed to ensuring that such resources provided will be free from taxation within Kenya," say the documents.

The two governments will meet once a year to review progress within the framework of the MOU.

Last weekend, President Obama announced publicly that the US will increase funding for Kenya's war against terrorism.

"We stand united in the fight against terrorism and we will be channelling more money towards this," he said.

Mr Obama said the ongoing campaign against Al-Shabaab terrorists had significantly managed to push the insurgents out of swathes of territories in Somalia.

"Al-Shabaab prefer soft targets because of this," he said.

Standing at State House in the land of his father, President Obama said his government would support reforms in key institutions of government.

"We are working with the Kenyan government to strengthen the Judiciary as well as reforms in the police," he said.

The Obama visit has stirred debate on the potential winners from the historic trip.

Opposition leaders and sections of the civil society were unhappy with the visit because they were not accorded as much time, space and recognition compared to when US Secretary of State John Kerry came calling in May.

Some of the big winners were President Kenyatta, youth, women, high-end hotels and meeting venues and young entrepreneurs.

WINNERS

The Obama family in Kenya, Cabinet Secretaries Amina Mohammed (Foreign Affairs), Phyllis Kandie, Adan Mohamed (Industrialisation) and Joseph Nkaissery (Interior) who played a key role were also seen as winners.

According to analysts, having started his presidency in 2013 with the International Criminal Court case hanging over his head, the Obama visit was the pinnacle of President Kenyatta's time in office so far.

But Cord co-principals Raila Odinga, Kalonzo Musyoka, Moses Wetang'ula, and Narc-Kenya leader Martha Karua, who briefly met President Obama last Sunday, after his address at the Kasarani Stadium, appeared to have had their calls for US pressure on the Jubilee government rejected.

Also deemed to have lost out was the mainstream civil society, who hoped to have a closed door meeting with the President only for the meeting to be aired live on national television stations.

Opinion is, however, divided as to whether Deputy President William Ruto won or lost despite having met President Obama after previous speculation that he would be isolated.

BLOOMBERG
Kenya, U.S. Companies in Talks on Multibillion-Dollar Port Deal
by David Malingha Doya
July 26, 2015 — 7:38 AM EDT

Kenyan and U.S. companies are negotiating a potential multibillion-dollar agreement with the Kenyan government to help develop the East African country's biggest infrastructure project.

The U.S. companies want to take part in the Lamu Port Southern Sudan-Ethiopia Transport Corridor, which envisages the construction of a port, power plant, railway and other facilities, according to Issa Timamy, governor of Lamu county in southeastern Kenya. Discussions are being led by Aeolus Kenya Ltd., a closely held power and infrastructure developer known as AKL, he said in a phone interview on July 21.

"AKL has been in ongoing negotiations with the U.S. government and the government of Kenya proposing a suite of integrated, critical infrastructure solutions that will initiate Kenya's Lapsset program," the Nairobi, Kenya-based company said in an e-mailed response to questions on Sunday. It said the group of U.S. companies interested in the project, known as Lapsset, includes Bechtel Group Inc.

Discussions about the deal coincide with U.S. President Barack Obama's visit to Kenya and come amid competition for influence in Africa, where China surpassed America as the continent's biggest trading partner in 2009. Chinese trade with Africa reached $198.5 billion in 2012, compared with U.S.- African trade of $99.8 billion, according to the Washington-based Brookings Institute.

The suite of projects being negotiated by AKL is known as the American package, Timamy said.

'Very Excited'

U.S. Transport Secretary Anthony Foxx said last month his government is "very excited about Lapsset and we want the American package to be considered," according to a statement issued by Kenya's presidency June 25 after talks with President Uhuru Kenyatta.

Bechtel, based in San Francisco, confirmed by e-mail on Sunday that it's among the U.S. companies in talks with AKL. Kenyan presidency spokesman Manoah Esipisu said he couldn't immediately comment when called on Sunday. Treasury Secretary Henry Rotich didn't answer his phone when Bloomberg sought comment.

Projects being sought by AKL include an 880-megawatt liquid-natural-gas-fired power plant, an oil pipeline to transport crude finds in northern Kenya and neighboring Uganda, and six berths at a deepwater port in Lamu, according to Timamy. A desalination plant will also be built in Lamu to address water shortages in the area, he said.

Kenya's Treasury has estimated the Lapsset project will cost $26 billion. The country envisages also building resort cities, an international airport and an inter-regional highway, according to the government's website.

Improving Security

Building the infrastructure will help alleviate the damage that has been wrought on Lamu's economy by attacks by al-Shabaab, Timamy said. The county borders Somalia, where the al-Qaeda-linked militants have waged an insurgency since 2006. They've also carried out raids along Kenya's coast, include one in Mpeketoni, near Lamu, in June 2014 in which at least 60 people died.

The national government has taken measures to improve security in the area, including starting construction of a border fence, deploying more security forces and improving telecommunications to help encourage investors, Timamy said. AKL plans to ensure that the local community benefits from any projects that are signed, by providing education and training to enable local residents to get jobs, he said.

“The projects are designed to protect Kenyan interests, and will be funded privately by Kenyan and global investors,” AKL said.

The New York Times

Obama Trip to Kenya Offers Rare Chance to Shore Up Economic Ties
By MARC SANTORAJULY 24, 2015

VOI, Kenya — After spending their days digging in the red-clay earth to build a railroad between Nairobi and the sprawling port city of Mombasa, the Chinese workers here retreat to metal trailers surrounded by barbed wire and armed guards.

Each morning as they file out and each evening as they trudge back, they are greeted by morale-boosting banners like the one hanging on the fence at this camp, which lies a few hours from Mombasa: “When you feel grateful, you become great, and eventually attract great things.”

It is just one of scores of worker camps around the country. Roads, office buildings, schools and major infrastructure projects across Kenya have been built by the Chinese, a pattern repeated in many parts of the continent.

Trade between China and Africa, valued at $222 billion in 2014, has been rising swiftly and is now about three times the amount of trade between the United States and the African continent, according to figures from the World Bank and the American government.

That is an imbalance President Obama hopes to start correcting.

Mr. Obama, speaking to the BBC, said China had been “able to funnel an awful lot of money into Africa, basically in exchange for raw materials that are being extracted from Africa.”

“What is certainly true is that the United States has to have a presence to promote the values that we care about,” he said.

Mr. Obama’s return to his father’s homeland on Friday is, of course, part of a presidential trip laden with great personal significance. Islamist extremism and security will also be a focus, given the growing threat Kenya faces from the Shabab, the Somali extremist group responsible for some 400 deaths there since 2011.

But Mr. Obama’s trip is also a unique opportunity to rebuild the strained relationship between Kenya and the United States, and central to accomplishing that will be shoring up the economic ties between the two nations.

Mr. Obama is in Kenya to play co-host to the first Global Entrepreneurship Summit in sub-Saharan Africa. Over the weekend, he is also expected to sign several “government to government” agreements making it easier for American companies to invest in Kenya.

That could help shape a deal involving a consortium of private American companies that is under negotiation, potentially laying the groundwork for one of the largest Western investments in infrastructure projects in Kenya's history.

"This is a mega-project and it will be a game changer for this region," said Issa Timamy, the governor of Lamu County, along the Kenyan coast.

The economic thrust is part of a broader effort to strengthen a relationship that was forged during the Cold War but has become tense in recent years.

In 2007, just before Mr. Obama took office, more than 1,000 people died and 600,000 people were displaced from their homes during election-related violence in Kenya.

The current Kenyan president, Uhuru Kenyatta, was charged by the International Criminal Court with helping to orchestrate and finance the violence.

When Mr. Kenyatta ran for president in 2013, American officials did not hold their tongues. The Obama administration's top official for Africa at the time issued a veiled warning, reminding Kenyans that "choices have consequences."

Kenyans took offense, interpreting the remark as an attempt to meddle, but Mr. Kenyatta won the election anyway. Indeed, some Kenyans, including Mr. Kenyatta's running mate, William Ruto, suggested that the American remarks had backfired, giving them a jolt at the polls.

"It was said that 'choices have consequences,' " Mr. Ruto, who has also been charged by the international court with crimes against humanity, said at the inauguration. "And look at the consequences. We won in Round 1."

When Mr. Kenyatta took office, he pointedly said it was time for Kenya to look east instead of west. He chose to go to Beijing and Moscow on his first trip out of the country.

But circumstances have changed considerably since then. In September 2013, gunmen stormed a fancy shopping mall in Nairobi, killing dozens of civilians in an attack claimed by the Shabab on a gleaming symbol of Kenya's prosperity.

The United States, viewing the siege as a direct threat to Western tourists and even as a possible prelude to similar attacks on American soil, helped investigate and continued its assaults on the Shabab in Somalia.

Then the charges against Mr. Kenyatta at the international court were dropped, frustrating human rights advocates but reducing the diplomatic tensions of working with a head of state who was on trial for crimes against humanity.

The two countries are working closely to counter Islamist extremism, and Western officials say that the relationship is greatly improved.

Now American officials and investors are focusing on another front: trying to compete with China in the race to do business in Africa.

The multibillion-dollar deal being negotiated, which involves major American companies like Bechtel, includes construction of a new port in Lamu, a pipeline to connect it with the oil fields of Kenya and Uganda, an 880-megawatt natural gas power plant, and a railway from the port that would connect to existing rails in Nairobi and then stretch to Ethiopia and South Sudan.

It would be an enormously complicated undertaking, and even people involved in the project cautioned that the deal is not done until it is formally signed. But a project of this scale would affect the lives of millions of people not just in Kenya, but across East Africa.

The hope is that the deal will also provide a model for future cooperation by the American government, the private sector and developing nations on large-scale infrastructure projects.

There have been months of fierce negotiations and strong competition from the Chinese, but Mr. Timamy, the governor of Lamu, said everything was in place for an announcement timed to coincide with Mr. Obama's visit.

"This shows the improvement in relations between Kenya and the U.S.," he said. "For a while relations there — relations were a bit fraught. This is a new beginning for Kenya and our traditional ally, the U.S., and other Western countries."

During Mr. Obama's visit, large swaths of Nairobi will be shut down, and any street where he plans to travel will be closed for hours. An entire forest near the United Nations headquarters and the United States Embassy has been declared off limits.

An American warship is anchored just off the coast, near Mombasa, and fighter jets will be ready to take to the skies. A large cadre of Secret Service agents have been on the ground for weeks.

Benson Kibue, Nairobi's police commander, told reporters that 12,000 police officers, around a fourth of the entire national force, would be deployed to the capital.

Improving security in Kenya and the region has also been a central concern in the negotiations surrounding the new port, pipeline, rail and power plant project, often referred to as "the American package."

In April, an assault claimed by the Shabab on a Kenyan university in the town of Garissa left about 150 people dead. In June 2014, militants attacked in Lamu County, killing at least 60 people.

Mr. Timamy was briefly detained by the police after the 2014 attack, but was soon released after it became clear that the charges against him were baseless and that his arrest was politically motivated.

In an interview on Thursday, Mr. Timamy described the attack as "heinous." He said that since it occurred, "security has been enhanced" and more soldiers have been dispatched to the region.

“Right now the Kenyan government has started putting a fence between our area and Somalia,” he said, noting that there has not been another major attack in his area since then.

There is hope that investment in the rural communities will spur economic growth, diminishing the appeal of radicals.

Often, big projects in Africa have reaped windfalls for outside companies, with little return for residents. Mr. Timamy argued that through bitter experience, people here know better now.

“This is not the Africa of the ’50s, ’60s, ’70s or even ’80s,” he said.

The package includes elements intended to have a positive social impact through programs involving education, clean water and, ultimately, local employment.

Part of the appeal of the project to the Kenyan government is that it will not require Kenya to invest any funds or take on debt. It is supposed to be financed entirely by the private sector.

The agreement, according to people familiar with the negotiations, would commit the Kenyan government to work with a Kenyan developer, Aeolus Kenya Ltd., and the international companies with whom it has signed letters of agreement.

Gerrishon K. Ikiara, an economist at Nairobi University and a former permanent secretary to the minister of transport, said it was often much more complicated working with Western companies than with the Chinese.

“China does not concern themselves with a lot of local issues and politics,” he said. As a result, he said, deals can be negotiated relatively quickly.

China, he said, also completes projects on time.

Obama visits Kenya
Key Media Coverage
24th July 2015

Telegraph - UK
US President Barack Obama to fly to Kenya – and controversy
Feverish excitement ahead of the arrival on Friday night of the 44th President of the United States – and trepidation about how Kenya's most famous son will grasp the thorny issues

When gunmen from the terrorist group al-Shabaab stormed Nairobi's Westgate Mall in September 2013, Adam Osman slipped out of the capital and went to lie low in his home town.

Although Kenyan by birth, Mr Osman is of Somali ethnicity and knew that as a result, he could take some blame for what they did.

Within days of the attack, the Kenyan security forces launched raids centred on Eastleigh, a Nairobi suburb nicknamed Little Mogadishu for its large Somali population. There followed reports of beating, arbitrary arrests and mass deportations.

On Friday, Barack Obama, the US President, will arrive in Kenya to discuss the east African country's handling of the al-Shabaab terror threat

For Mr Osman, 26, co-founder of a youth empowerment charity which teaches computer and media skills to bored and jobless youths, his mission will only succeed if he shifts American funding away from heavy-handed policing and towards initiatives like his.

"The raids, the arrests, the police demanding bribes if you don't have the right papers isn't working," he said. "It's only helping al-Shabaab get new members. We have to offer an alternative."

The topic of al-Shabaab is among a raft of thorny issues awaiting the 44th President of the United States (POTUS) when he flies in on Friday that threaten to dampen the jubilation of his return to his father's ancestral home for the first time as US president.

As a major material supporter and trainer of Kenya's security forces, some argue the United States bears partial responsibility for the failures in policy that has seen al-Shabaab spread its roots and continue its attacks.

Mr Obama also faces questions about the decision to share a podium with Kenya's president Uhuru Kenyatta, against whom charges for fomenting ethnic violence after elections in 2006 were recently dropped by the International Criminal Court for a lack of evidence, and a possible meeting with William Ruto, the deputy president who is still on trial at The Hague.

Senior Kenyan politicians including Mr Ruto have also warned Mr Obama off speaking about America's recent sanctioning of same-sex partnerships, a divisive subject in deeply traditional African countries.

There is also the issue of Mr Obama's own security and that of the hundreds flocking to catch a glimpse of him. A quarter of the country's police force has been drafted in to keep the capital safe and security cameras have gone up around the city along with alternating Kenyan and American flags and advertising billboards with slogans such as “Jambo POTUS!”

As usual, Mr Obama will travel either in the armour-plated Beast limousine or by helicopter, and Nairobi's habitual traffic chaos will be dealt with by mass road closures as he travels between meetings, speaking engagements and pastoral visits.

The chances of a spectacular attack involving the first African-American US president are slim, security experts say, but they do not rule out a possible attack on another Nairobi target or others outside the city, designed to maximise publicity for their cause and embarrass the Kenyan government.

“There is certainly nervousness among the Americans and nervousness can be infectious,” said one. “The stakes are high for this visit. Kenya is a platform from which the US hopes to come up with a good story. We all need a stable Kenya in an area of gross instability.”

In a press conference on Tuesday, Mr Kenyatta said his principle hope for Mr Obama's visit would be a deepening of support for Kenya's security challenges. "The fight against terror will be central to discussions,” he said. “We have been working in very close cooperation with American agencies."

But it remains unclear what Mr Obama will be willing to offer, and what changes to security policies he might ask for in return. Already this week, the US president has faced an angry backlash from Nigeria's president over his refusal to lift an arms blockage.

Muhammadu Buhari, who last week sacked senior military chiefs because of concern about human rights abuses, said the US's refusal to sell it arms meant it “aided and abetted” Boko Haram's violent campaign.

“They do not possess the appropriate weapons and technology which we could have had if the so-called human rights violations had not been an obstacle," he told an audience of policymakers, activists and academics in Washington.

VOX

A Q&A on Obama's Kenya trip with Commerce Secretary Penny Pritzker

Updated by Jonathan Allen on July 23, 2015, 7:10 p.m. ET ・ jon@vox.com

President Barack Obama is heading to Kenya this week to address the sixth Global Entrepreneurship Summit, along with roughly 200 US investors. I sat down earlier this week with Secretary of Commerce Penny Pritzker, who is arriving there Thursday night, to talk about US economic ties to Kenya, American business in Africa, and the president's trade agenda.

Pritzker said trade deals will strengthen the American worker, that she wants to organize a second US-Africa Business Forum, and that she just doesn't understand politicians who want to kill the Export-Import Bank.

Here, edited for brevity and clarity, is my Q&A with Pritzker.

Jon Allen: If we're going to do trade deals with countries that have lower standards and try to get them to improve their standards, does that mean American workers will have to accept lower standards?

Penny Pritzker: I don't agree with that fundamental premise. I think that by raising the standards around the world, you make the American worker more competitive. Remember, we have the most productive workforce in the world. Why do so many companies want to put a base of operation, and sometimes their largest base of operation, here in the United States? It's not just our rule of law. It's not just our intellectual property protection. It's not just our abundant and low-cost energy. It's the productivity of our workers. And what companies are able to do is they're able to look at the total cost of production. They're not just looking at labor, they're looking at a total cost. These trade agreements make the American worker more competitive.

JA: What's the best the US can hope for out of a relationship with Kenya?

PP: The president created the global entrepreneurship summit six years ago — this'll be the sixth one — with the fundamental belief, and this is something we know to be true, that entrepreneurs and new businesses create opportunities, create jobs, create both better economic and political stability. As the point person on entrepreneurship and innovation for the administration, as well as an entrepreneur myself, I get it. This is for me intuitive, which is that if we help other countries that have huge youth unemployment, help their young people be able to start and build businesses, that creates a more stable local fabric and it will inure to the benefit of that country. The president is committed to that concept.

So what we can hope for in terms of trade? There's a lot of potential, but to unlock it we need to help them develop not just their entrepreneurial class but also their ways of doing business, so that American businesses can do more trade with Kenya. Last year, we had the US-Africa Business Forum. We're looking into doing that again. That's something we want to do again because there's been enormous energy, and the amount of activity that has come and engagement that has come through sub-Saharan Africa after that summit has just been incredible.

JA: How do you measure that?

PP: Our advocacy has more than tripled. [Editor's note: "Advocacy" is a measure of assistance to US companies in getting foreign government contracts. A Commerce aide said they have 17 "wins" for contracts totaling $17 billion but did not specify over what time period.]

That's one way that we engage. But the other thing that we've been doing is diaspora outreach. We've also had a global markets summit, where we brought together US companies to work with our foreign commercial service officers, November of last year. We did this, 300 companies came, and we helped them figure out, How are you going to engage in the countries throughout Africa that your product has demand for?

We've done infrastructure trade missions there that were led by the Secretary of Transportation, and our ITA team went with him. The renewal of the African Growth and Opportunity Act is a big opportunity. I think AGOA has helped make it easier for African businesses to sell into the United States by lowering tariffs. But the real question is going to be helping them take their capabilities and bringing them to the next level. So Kenya is, I think its biggest export to the United States is apparel, and the question is how does that continue to grow?

JA: Kenya's one of the most corrupt countries on Earth. When you are asking American businesses to invest in Kenya and other African countries that have corruption problems, aren't they taking a big risk not only of falling victim to corruption but also of becoming corrupt in order to get business?

PP: I don't think American businesses are going to fall victim because there's too much at stake. Really what the opportunity is is for those countries to recognize they have to do business differently if they want American business there. And my experience, when we went to Africa last year, was that the countries very much want US businesses. Some are committed to reforming and want to see more US business presence as a balance to the presence of other countries. But it's a challenge.

And part of the work I do when I go, which is commercial diplomacy, working with our American businesses, is to sit with the governments and to say, "Look, if you want more US business presence, which you say you do, you have to change the way you do business." And we go through specific changes and things they need to do. The focus of this trip will predominantly be for me around the Global Entrepreneurship Summit. But I'll also work on the issues of ease of doing business and corruption and rule of law.

One of the things we benefit from is we have the President's Advisory Council on Doing Business in Africa, which is 15 private sector CEOS and business leaders, and they've given us a set of things to focus on to help make it easier for them to do business and for American businesses to do business in general.

For example, setting up a US-Africa infrastructure center so that we can figure out how do American businesses come together to do infrastructure projects in Africa or cold chain development. There's desperate need in Africa for better cold chain logistics, you can imagine agricultural products, perishables, and things like that. So we're doing a pilot. The Department of Commerce is doing a pilot to look at how we can work with several African governments to develop a cold chain system, which is really important. Because I think it's something like a third of the post-harvest product is lost today. It's huge. So there's a massive opportunity to work together. Health-care infrastructure is another big opportunity. Kenya is focused, for example, on cancer — it's the No. 3 killer in Kenya — and they want to partner to put together a group of cancer hospitals, both diagnosis and treatment centers, to take care of their population. These are places where we can do work with them. We have the technology. We have the capability.

JA: Are consumers the greatest resource many African countries can offer to American businesses?

PP: That's a start. It's the opportunity. It's a population that's growing. But it's bigger than just consumer products. There's business to be done here. There's the inefficiency I just talked about in agriculture. There's health care. So this not just "we'll make goods and sell you goods." This is about 1.1 billion people in Africa.

Trade is small. Our trade with Africa is small. It's about $72.5 billion, and with Kenya it's very small. This is the reason that the president is focused on it. They are trading. They are doing more business. We should be a part of that. But there's got to be a recognition that the way that our American businesses can do business is different.

JA: How much of the US government's interest in Kenya revolves around national security versus wanting to help American businesses?

PP: It's all of the above, right? It's not one or the other. And the president recognizes that we have our security relationships or our military relationships. We have our diplomatic relationships, and we have our economic relationships. And we need to use all of those tools in order to manage how we engage with countries, and by deepening our economic relations it brings the countries together and hopefully creates benefit for the people and the communities both in the United States and in the countries of Africa.

And the president recognizes that we've been so focused on aid to Africa historically, and it's not that that's going to end anytime soon. But we need to be purposeful in growing our economic relations. So as a result we've doubled the number of foreign commercial service workers that we have in Africa. We've increased our engagement on the commercial side. And you see it from the US-Africa CEO forum. I mean, it was extraordinary. And part of one of the things I want to inquire of the African CEOs that I will see is, "Tell me about your experience at the CEO forum. What could we do better? Should we do another one? And if we do another one, what would make it more successful?"

JA: You think you'll be able to do that in this term?

PP: I sure hope so. I don't see any reason why we can't do it next year. I think it's a good idea and it's something that we should seriously try to get done.

JA: What are the deliverables you're looking for out of the Global Entrepreneurship Summit?

PP: The deliverable to me that is new this year is what I talked about, which is bringing the 200 plus investors, and that we didn't do before. For me I'm going to judge the success of this forum on whether that initiative ... how did that work and how would you institutionalize it as part of these summits. I can think of some things that maybe you might layer on next year. Think about it. You've had the summit for a couple of years, then we added an additional focus on women and youth, and now we're adding investors.

What I like to do is look at not just what we said we were going to do but how do we continuously improve. What are the things that we could add to make these more and more effective for the attendees and more and more effective for the countries that are hosting us?

JA: What frustrates you in making the case for trade and investment right now? What don't people understand?

U.S. President Barack Obama (C), flanked by Paul Sullivan, Vice President of International Business Development Acrow Bridges (L) and Susan Jaime, Founder Ferra Coffee (R) meets with small business owners in the Roosevelt Room of the White House on July 22, 2015 in Washington, DC. Obama discussed the importance of the reauthorization of the Export-Import Bank. (Aude Guerrucci/pool via Getty Images)

US President Barack Obama (C), flanked by Paul Sullivan, Vice President of International Business Development Acrow Bridges (L), and Susan Jaime, founder of Ferra Coffee (R), meets with small-business owners in the Roosevelt Room of the White House on July 22, 2015, in Washington, DC. Obama discussed the importance of the reauthorization of the Export-Import Bank. (Aude Guerrucci/pool via Getty Images)

PP: I think that the fundamental thing people don't understand is the world is not standing still. To stay competitive you have to stay in the game. To stay in the game, we need these types of trade agreements that our administration is supporting, where they're multinational, where they're high standard. Because the state of trade globally is at a lower standard generally.

And what we're saying is we're going to trade with people on a set of standards that's more consistent with how we do business — rule of law, intellectual property protection, how we treat labor. What kind of advantages do state-owned enterprises have or don't have? What protections should you have for your innovation? What kind of environmental policies are acceptable?

So I think there's a lack of appreciation that we can't just assume that we have the economic stability we have here in the United States without being part of the global trading system, and that we can either lead or follow in the global trading system. And what the president is trying to do with trade agreements is lead by setting the standards.

Here's one thing that frustrates me. There are 85 entities around the world like the Ex-Im bank. Most countries that are selling products globally have an export-import bank. Why? Because the buyer of your goods doesn't have a credit rating good enough to borrow elsewhere. And so you need to help. If you want, pick your favorite country in Africa, and say to grow their travel and tourism strategy and employ more people, they have to have airplanes that are coming to their country and they can't do that on their own balance sheet. The Export-Import bank allows them to pay on credit, which they couldn't borrow elsewhere. So why would we unilaterally disarm and take that tool off the table?

The other thing is, it's not just about the Boeings of the world or the GEs of the world. ... [Smaller businesses] want to sell into fast-growing markets. We have a stable market here. We don't have a fast-growing market. They want to sell into the fastest-growing markets in the world, which are in Asia and Africa. But they need support. Not so much for us, but the buyer needs support. And the fact that Ex-Im pays for itself and contributes to the Treasury: to me it's a win-win. I don't understand the issue with that.

Huffington Post
Strategic Investment and Engagement in Africa: Theory or Practice?
By Cindy Courville, First US Ambassador to African Union, Special Assistant to President Bush, Senior Director for African Affairs for National Security Council
Posted: 07/23/2015 4:50 pm EDT Updated: 07/23/2015 5:59 pm EDT

Think of Africa. What comes to mind? Ebola? Boko Haram? ISIS and violent conflict? Famine, poverty and disease? Wild animals and threatened species?

What if I told you that the cradle of civilization is conducting cutting edge research on HIV/AIDS in Botswana? That Africa attracted more than $8 billion in renewable energy investments last year, including a billion dollars for the world's second largest solar project? That Ethiopia is developing the $3.8 billion Grand Ethiopian Renaissance Dam - without any foreign aid - which will almost triple the country's electric generating capacity?

So what does President Obama want to accomplish on his fourth trip to sub-Sahara Africa? The evening before he departed, President Obama remarked, "Africa is a place of incredible dynamism, some of the fastest-growing markets in the world, extraordinary people, extraordinary resilience. And it has the potential to be the next center of global economic growth... the opportunities are extraordinary and we just have to break down the stereotypes and the barriers."

The President will first travel to Kenya to meet with President Uhuru Kenyatta, provide remarks at the Global Entrepreneurship Summit, and address the Kenyan people. Next, the President travels to Ethiopia, making history as the first American President to visit the only African country that was never colonized. His meeting with Ethiopian Prime Minister Hailemariam Desalegn will focus on regional security issues and the threat of terrorism in Ethiopia, Kenya and Somalia. President Obama will make history a second time as the first United States President to address the African Union at its Headquarters in Addis Ababa. Under President George W. Bush in 2001, the United States was the first country to formally recognize the AU; in 2006 President Bush appointed the first U.S. Ambassador to the African Union.

The creation of the African Union, whose primary objectives are to promote continental unity, socio-economic development, and regional and continental security, marked the end of the historical era defined by the Organization of African Unity (OAU) whose primary objectives included decolonization and liberation of the African continent and ending apartheid. President Obama will meet with the Honorable Dr. Nkosazana Dlamini-Zuma, Chairperson of the Africa Union Commission, and the first woman to head the fifty-four member state multi-lateral organization. The meeting will be held at the brand new $200 million AU Headquarters -- "China's Gift to Africa". In a recent Forbes article Chinese Premier Li Keqiang announced, "China expects to achieve $400 billion in trade volumes with Africa and raise its direct investment in the continent to $100 billion by 2020."

President Obama's agenda for the meeting with Chairperson Zuma is likely to span the gamut: peacekeeping efforts in Darfur, South Sudan and Somalia; constitutional referendums to approve presidential third terms; agribusiness and food security; the threat of both global and regional terrorism; and the impacts of climate change.

Obama's visit to Kenya and Ethiopia occurs at a time when the question of "regime security" is center-stage across the African continent with concerns of its impact on investment and entrepreneurship in the region. Whether democratic or authoritarian, each of the fifty-four African regimes are concerned with mitigating or eliminating threats to their authority. In the 2012 "U.S. Strategy Toward Sub-Saharan Africa", President Obama stated that "As we look toward the future, it is clear that Africa is more important than ever to the security and prosperity of the international community, and to the United States in particular." The administration pursued four strategic objectives: (1) to strengthen democratic institutions; (2) to spur economic growth, trade and investment; (3) to advance peace and security; and (4) to promote opportunity and development. Obama developed Presidential Initiatives, i.e. different programs, to achieve these strategic objectives, but these were undercut by recession, fiscal budget challenges, partisan politics, the ongoing military campaign in Afghanistan, the Arab Spring and regime change in Iraq, Libya, Syria, Ukraine, and Yemen, and local terrorism and security threats posed by ISIS, Boko Haram, and Al Qaeda.

The Clinton, Bush, and Obama administrations have each prioritized African policies with a series of Presidential Initiatives supporting African political and economic development. Presidential Initiatives alone will not guarantee transformation of the entire African continent, but will impact individual countries in different ways.

Superpowers, politicians, multi-national corporations, non-governmental organizations, advocacy groups, and individuals have all called for the "Marshall Plan for Africa." Fifty-four African regimes, both democratic and authoritarian, African political nationalist leaders, and African citizens individually and collectively must demonstrate the "political will" to embrace change.

Again I ask you to think about Africa, but this time think about the opportunities:

• To what extent can U.S. efforts to strengthen African democratic institutions be supported without U.S. and African public and private massive financial commitments on the scale of Chinese investments in restructuring political and economic institutions?

• To what extent can U.S. economic growth, trade and investment be supported without both U.S. and African public and private massive investment in road and electrical infrastructure in strategic African countries?

• To what extent can the U.S. advance peace and security in Africa without clearly understanding the causes of conflict, the impact of regime change and the cost of regime security?

• In the post-colonial era and post-9/11 era, will "the scramble for African resources" continue?

Voice of America

US Investors Drawn to Africa's Economic Potential

Aru Pande

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WHITE HOUSE—
In the aftermath of the 1994 Rwandan genocide, with thousands of families decimated, and many Rwandans left to fend for themselves, Janet Nkubana devised a way to help women become self-reliant.

“They had lost husbands, they had lost children, some were the only surviving member of a family. It led to me and my sister Joy thinking of how we can make ends meet for these women,” Nkubana said. “The only opportunity that was available was the handwork that women knew how to do, which was weaving.”

Nearly 20 years later, Nkubana is the co-founder and managing director of Gahaya Links, selling handwoven baskets and handmade jewelry overseas to large American retailers such as Macy’s.

“We have actually empowered more than 3,000 women in Rwandan communities. These women are no long on the street begging, they can buy their own health insurance, they can pay tuition for their children,” Nkubana said.

The Rwandan business owner sat down with VOA during a July stop in the United States where she attended the International Folk Art Market in Santa Fe, New Mexico.

‘Hand-Up’ for African Entrepreneurs

Nkubana credits the 2000 passage of the African Growth and Opportunity Act for opening U.S. markets to African entrepreneurs and the government-funded U.S. Africa Development Foundation (USADF) for giving her a grant and training to get her business off the ground more than a decade ago.

“They did not give us free money. But they looked at our company, the potential it had and they invested in us. They looked at the infrastructure and invested in a center for the women,” the Gahaya Links co-founder noted.

USADF chairman Jack Leslie says the foundation’s mission is to work with the underserved in Africa, where roughly 50 percent of jobs are created by small business, and women launch some 40 percent of startups.

“Africa, to give you a sense, only gets about three percent of foreign direct investment. So, helping these engines of growth and these enterprises that are really creating jobs is incredibly important, and they are good investments,” Leslie said.

The USADF chairman told VOA President Obama’s visit and speech at the Global Entrepreneurship Summit in Nairobi this week will bring the world’s attention to a new wave of economic activity in Africa.

“When you look at the entrepreneurial activity across the continent, much of it has to do with technology,” Leslie said. “There is talk of the Silicon savannah in East Africa, which is really showing amazing leaps in mobile technology. In many ways, the Kenyans are way ahead of us in the United States on mobile banking, for example.”

But it’s not just boosting small African entrepreneurs, USADF is also pairing with large U.S. companies like GE – to help give Africans greater access to electricity.

“We are providing $100,000 grants to off-grid energy enterprises. So much of Africa, at least for the foreseeable future, is not going to be part of any electrical grid. So to get power particularly to rural communities, it is going to be through off grid solutions,” Leslie said as he prepared to leave for Nairobi for the summit.

Infrastructure Investment

GE Africa President and CEO Jay Ireland says Africa offers tremendous potential for investment. The company has put in more than a billion dollars across parts of Africa, including oil and gas equipment manufacturing facilities in Nigeria and Angola and a customer innovation center in South Africa – all tied to the locomotive industry.

“The reason we are excited about Africa is that there is a tremendous amount of opportunity and potential. We are an infrastructure company and infrastructure is what Africa needs,” Ireland said.

The Nairobi-based executive notes GE’s work in making electricity more accessible both in urban and rural communities are particularly crucial.

“[For the] Economic growth of the countries, it’s going to be absolutely critical to have power. And they need that to attract manufacturing, and they need that whether it’s mines or oil rigs or shopping malls – they need electricity. So you are looking at significant deficit of power across the range of countries,” Ireland told VOA.

GE and USADF are partnering with locals in Africa to come up with off-grid energy solutions.

“I think what gets under-emphasized and misunderstood is the amount of innovative capability there is in Africa. And I think having this Entrepreneurship Summit in Nairobi is great because it highlights all of the advancements and the tools and technologies that have been developed locally from the standpoint of really making life easier,” Ireland said.

Economic Impact

Janet Nkubana said the spirit of entrepreneurship is alive and well in her native Rwanda, where U.S. investment and training has spurred the Rwandan government to offer vocational programs for young people who are now leading the way in information technology solutions.

“If you go to Rwanda today, there are so many young boys and young girls who are not job seekers, but job creators. All of these initiatives – they are creating jobs. When you teach me a skill I will utilize it to make an income and maybe employ another person,” Nkubana said.

But for the Gahaya Links co-founder, the greatest impact, she says, is on the families of the women who weave baskets that are sold in department stores across an ocean.

“When a woman makes money, a family in Rwanda is doing well because women have proved to be the backbones of their families,” Nkubana said. “Today, we contribute equally. Empowering us, giving us opportunities, you are giving opportunity to the generation of tomorrow.

AllAfrica.com
Africa: Continent Needs Quality Infrastructure and Investment for Development - Dr. Arkebe Oqubay

By Mengisteab Teshome

Special Adviser to United Nations Secretary-General Ban Ki-Moon, Jeffrey D. Sachs (Prof.) underlined the need to work on infrastructure development so as to meet the Sustainable Development Goals (SDGs).

Seventeen goals have been set to end all forms of poverty, hunger, combat climate change and its impacts, ensure sustainable development, and promote peaceful and inclusive societies, among others.

According to Professor Sachs, giving due attention to the expansion of infrastructure that supports the economic performance of a country is important to make the sustainable development goals successful. In this regard, Ethiopia's effort in expanding transport, electricity and communication infrastructures is encouraging, he added.

On the other hand, Africa is lagging behind in terms of integration through electricity, road, and railway, and that's why it needs to work hard on these areas, he added.

It is crucial for a nation to give special attention for infrastructure developments since they are the backbone of the economy, he added, "Ethiopia is on the right position in this regard."

In September, countries are expected to adopt a set of global goals to end poverty, protect the planet, and ensure prosperity for all in New York.

The huge infrastructure developments Ethiopia has been engaged in will give it an opportunity to meet the Sustainable Development Goals, he said. The 3rd Addis Ababa Development for Finance Conference was organized on finance and promotion of quality infrastructure.

Speaking at the occasion Dr.Arkebe Oqubay Minister, and Special advisor to the premier said " Infrastructure development is associated with rapid growth,which has significant contribution to poverty alleviation, industrialization and structural transformation. It is also difficult to imagine rapid economic development, industrialization, international competitiveness with out efficient, high quality infrastructure."

According to Dr.Arkebe, infrastructure development has been given strategic importance. In this regard the nation has been allocating more than 55 per cent of its federal budget on infrastructure with prime focus on those with maximum impacts on poverty alleviation and supporting international competitiveness. Africa needs quality infrastructure and investment for development, he added.

State Minster of Japan for foreign affairs Minoru Kiuchi on his part said, "The development of quality infrastructure is recognized today as a shared goal by government and stakeholders around the world. This is reflected in the drafts 'Addis Ababa Action Agenda'. In which parties are to pledge to facilitate development of sustainable and resilient quality infrastructure in developing countries through enhanced financial and technical support."

According to State Minster of Japan for Foreign Affairs Minoru, quality infrastructure has been one of Japan's top priorities in development cooperation policy. To show its commitment, it contributed 6.5 billion USD over five years to infrastructure development in Africa.

Conference among the many diverse initiatives would certainly add to the effectiveness of their respective actions. The government of Japan beneficiary to share best practices and lessons learned among all players.

At the conference various initiative experiences and views around the world were shared among the panelists in order to promote quality infrastructure investment.

The conference believed to consolidate various initiatives and raise further momentum on quality infrastructures investment with effective resource mobilization and provide inputs into the discussion of the 3rd Third International Conference on Financing for Development (FfD) in Addis Ababa.

The nations seem to work hand in hand to end poverty and lay foundation for the Multilateral Development Banks (MDBs) and International Monetary Fund (IMF). And they signed to extend more than $400 billion in financing over the next three years and vowed to work more closely with private and public sector partners to mobilize the resources needed to meet the historic challenge of achieving the SDGs.

The African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, World Bank Group (referred to as the MDBs), and the International Monetary Fund - announced their plans in the lead-up to the Third International Conference on Financing for Development in Addis Ababa, July 13-16.

The SDGs demand equal ambition in using the "billions" of dollars in current flows of Official Development Assistance (ODA) and all available resources to attract, leverage and mobilize "trillions" in investments of all kinds - public and private, national and global.

ODA, estimated at $135 billion a year, provides a fundamental source of financing, especially in the poorest and most fragile countries. But more is needed. Investment needs in infrastructure alone reach up to $1.5 trillion a year in emerging and developing countries.

Meeting the staggering but achievable needs of the SDG agenda requires everyone to make the best use of each dollar from every source, and draw in and increase public and private investment. The MDBs - the engines of development finance - are looking to a range of options for scaling up which we all take very interesting.

FINANCIAL TIMES

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Oil pipeline dispute strains east Africa relations

John Aglionby in Nairobi

$23bn US-backed regional trade corridor under threat

A dispute over the route of a proposed oil pipeline from Uganda to the Indian Ocean is straining relations in east Africa and threatening a $23bn US-backed regional trade corridor.

Public disagreements between the main oil companies involved in the $4bn pipeline project — Total of France, Tullow Oil of the UK and China's Cnooc — over the preferred route are stoking tensions between the governments of Uganda, Kenya and Tanzania.

Uhuru Kenyatta, Kenya's president, and his Ugandan counterpart Yoweri Museveni said they held “fruitful discussions” in Nairobi on Monday on the pipeline but failed to agree a route. They pledged to meet again in Kampala in two weeks after officials had met to “harmonise” their views.

The pipeline’s route appeared to have been settled in August, as the two leaders signed a deal for a pipeline from Uganda’s fields in the Lake Albert basin via Kenya’s oilfields near Lake Turkana, and on to Lamu on the Kenyan coast.

Kenya said at the time that the pipeline would be the foundation for a $23bn infrastructure corridor connecting the two countries, Ethiopia and South Sudan and possible others. It had signed a memorandum of understanding with the US to help develop it.

But two months later, after intensive lobbying by Total, Uganda announced it was in discussions with Tanzania, to direct the pipeline through its southern neighbour.

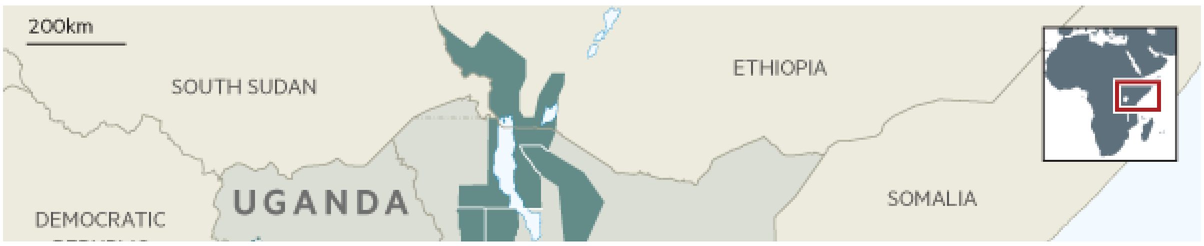
This month came an announcement from the Tanzanian and Ugandan governments that the pipeline would go via Tanzania to the port of Tanga, and that Total had raised the $4bn needed to finance it.

After Monday’s talks both options still seemed to be on the table, along with a third route through southern Kenya that passes further from Somalia than the Lamu option.

Total has said it is concerned about the Lamu route because of the potential for attacks on the pipeline by Somalia-based al-Shabaab Islamist militants. Some analysts, however, say terrorism is a regional issue for east Africa and so the risks are similar wherever the pipeline is built.

Uganda, with 1.7bn barrels of recoverable oil reserves and a less developed economy than Kenya, has the most to gain from playing its neighbours off against each other to secure the best possible deal. However, oil industry analysts say it is likely to benefit most from sharing construction and running costs of a pipeline with Kenya.

With only 600m barrels of oil reserves and a much more diversified economy, Kenya has shown less urgency to build the pipeline. But analysts say that if the project does not go via the northern route it is unlikely that the trade corridor — which would benefit Kenya’s coastal region and less developed northern counties — will go ahead.



Tom Dimitroff, managing director of infrastructure at Aeolus Kenya, which is seeking to build a consortium to develop the corridor, said the project would "depend on anchor investments like the pipeline".

"Without an anchor pipeline investment, it would be challenging to make a new-build port bankable and thus to develop the corridor," he said, adding that two pipelines are not a viable option.

Tanzania does not have any oil reserves, but its president, John Magufuli, is keen to win the pipeline, partly because his own country has conspicuously failed to develop its own extensive gas reserves. A route through Tanzania would deliver 15,000 jobs during the construction.

Tullow, which is developing oilfields in Uganda and Kenya, is strongly advocating a pipeline through Kenyan. "Tullow is clear that the synergies from a joint pipeline means that the lowest cost option remains a route that links Uganda and Kenya's oil resources," a spokesman said. Cnooc has not commented publicly but is thought to be less keen on the Tanzania route.

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