Testimony Statement of

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For

JOINT SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
Room 2172 of the Rayburn House Office Building
Washington, D.C. 20515-6128

Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations
Christopher H. Smith (R-NJ), Chairman

Subcommittee on the Middle East and North Africa
Ileana Ros-Lehtinen (R-FL), Chairman

Subcommittee on Terrorism, Nonproliferation, and Trade
Ted Poe (R-TX), Chairman

SUBJECT: The Growing Crisis in Africa's Sahel Region
Tuesday, May 21, 2013

I wish to thank Chairmen Smith, Ros-Lehtinen and Poe, as well as the Honorable Members of the Foreign Affairs Committee for the opportunity to testify at this important Joint Subcommittee Hearing to discuss our business perspective on "The Growing Crisis in Africa's Sahel Region" and to assist the subcommittee in its policy making duties.

Africa has been very important for me both personally and professionally. As you can tell by my name and accent I am not originally from the U.S. but from Serbia. My family fled communist Yugoslavia while I was a baby and we moved to Ethiopia; and when trouble started brewing in Ethiopia we left there and ended our migration in the United States where we now call this our home. I have fond memories living in Ethiopia and the African continent and its people will always be with me.

Africa has been the focus of my professional life, both in my government service and as a business executive. I started out with the Peace Corps in Gabon, USAID's Africa Bureau, and followed by a position at Arthur Young before being named to be U.S. Executive Director to the African Development Bank in Abidjan, Coté d'Ivoire from 1989-1993, where again I lived in Africa. As a Partner of Schaffer Global Group, I traveled widely throughout the continent, and years later, I returned to live in Liberia in 2007, where I was seconded as the Country Representative for Buchanan Renewables.

To elaborate more on my business experience in Africa, my Partners and I at Schaffer Global Group of Baton Rouge, Louisiana, have been developing, investing, and engineering large-scale agricultural processing facilities, primarily in the sugar and rice industries and renewal energy from agriculture wastes. We have been very successful in Africa and have really only suffered two set-backs in our African efforts over the firm's nearly 50 years on the continent:

1. Sudan in the 1990's when the USG instituted unilateral sanctions. Schaffer had developed Kenana Sugar in the 1970s, then largest integrated sugar factory and refinery in the world. However, with Sudan's support of radical Islamist factions, our group was squeezed out in the diplomatic row between the U.S. and Sudan,

2. Currently in Mali we have had to stop our efforts on our $600M+ sugar factory, refinery, ethanol distillery and power plant in the Markala region of the Office du Niger. Even though the fighting and terrorist activity was not directly present in our area, the uncertainty and insecurity frightened off key investors and lenders in the project and we are waiting for the situation to return to normal before we can effectively proceed to tie the pieces back together again.

I will elaborate on Mali as this is current and germane to our topic today. Schaffer first entered into the Mali market over 10 years ago to fill an important agricultural need for Mali in the sugar sector. We first went there at the turn of the century to investigate options to develop an integrated sugar plantation and the ability of the Malian Government and private sector to work with us on a major agro-industrial effort. After a couple of years Schaffer made the business decision to invest in Mali. We had support from USTDA in the initial feasibility study and USAID, through their Global Development Alliance, to assist us with our sugar variety trials; this took nearly 5 years to experiment and to develop best practices and a nursery and pilot farm. Following this, we started our engineering and technical drafts and implemented business plans for strategic investor support from numerous multi-lateral financial institutions like the African Development Bank, the Islamic Development Bank, the Korean EXIM Bank, etc. and then from our private investors leading up to our strategic investor and lead partner, Illovo Sugar of South Africa. Most importantly, we also worked with local farmers to integrate their fields into our joint PPP scheme and process the cane in our facility upon its completion. The process was beginning to run orderly enough for us to begin the effort to start physically grading the land and begin the construction phase last year in 2012.

As you can see from the above, this was close to a 10 year process for Schaffer's effort to begin to come to fruition. There are many risks in business and Africa is one of the riskiest places for business; but believe me, none of us ever contemplated a coup, a terrorist takeover of the northern portion of Mali and then finally, a possible attack in the south by terrorists legions in any of our risk management plans and scenarios. I don't say this lightly as the Schaffer Group and I are experienced Africa hands and the events in early 2012 in Mali came to a surprise to us and to many governments and people around the region and the world. Mali had been a bastion of democratic ideals for the past 20 years with an open society and freedoms.

Although I am not an expert in terrorism activity, the current world-wide terrorism based on factions of Islamic radicalism is violent and uncompromising in its nature towards anyone or any belief that is not in-line with their version of beliefs. These groups use religion as a stepping stone for their violent and illegal activities and only wish to better themselves and not the people of the region. Many of them seem to be criminal and intolerant in nature, use religion as a crutch to enter into the local society, and then take control at first through religious teachings and civility before turning reactionary to the community and converting it to a safe haven for their criminal activities. These criminal activities include drug and human trafficking, kidnapping, bootlegging products, illegal arms dealing and extortion of local communities close to their base of operations.

As we all know, capital is a coward and only goes where it feels comfortable and safe. The recent activities and convulsions in Mali have driven out foreign investments and are drawing attention to neighboring countries that are dealing with radical Islamic factions, like the northern part of Nigeria where Boko Harem is threatening both domestic and foreign interests with their brutal violent campaigns against Christians and Muslims alike. This story is unfortunately only just beginning to unfold.

In addition to Mali, over the many years I have worked in West Africa, I also travelled and conducted business extensively in Nigeria. A couple of years ago we were investigating developing a rice plantation in the northern part of Nigeria. All was moving well, we had found local partners and developers to work with, but then the environment turned sour with the ethnic and criminal environment taking hold in the northern regions of Nigeria. The uncertainty of northern Nigeria is simply making it unsafe to travel and invest there, particularly in agro-industrial projects that take large sums of financing and many years to come to fruition. We have since had to turn our attention to developing the rice project further south in the "Middle Belt" States, to the detriment and investment loss for the people in the north.

Please let me not highlight only what is bad in the region or in Africa as a whole. We all know the rapid rate of growth presently being experienced in many countries in Africa, and this growth is not restricted to oil and gas, and other natural and mineral wealth. There is a growing and consuming middle class, and internal growth that is attracting the attention of international investors. There is no question that growth rates and investments are closely tied to peace and political stability, so we do see a "patchwork" of different levels of development around the continent, but for us in business, the good news is that the trend is VERY positive.

Africa has its risks but the rewards are also profound. There are substantial inflows of direct foreign investment going into various parts of Africa from China, the US, Europe, India, the Gulf investment houses and other Middle Eastern countries that see great returns. The question is what happens to the Sahel region which is experiencing such increased levels of turbulence? Will private capital run away or will it remain on standby waiting to see the eventual resolution to the uncertainties and difficulties?

There are considerable opportunities in developing certain mineral resources and speaking for my own industry, many opportunities for developing agro-industry in a sustainable manner, particularly with the potential of harnessing the Niger River, as it winds thru Mali, Niger and Northern Nigeria. But to do so requires an extended period of political and social stability and strong collaboration between the public and private sectors, domestic and international, to develop the necessary physical and social infrastructure conducive to investments. And yes, it will take considerable financial resources.

So what are the options; not very easy ones? Many years ago a noted psychologist named Abraham Maslow depicted a 5 level "pyramid" of hierarchies that human beings required and yearned for. At the bottom of that pyramid were the two foundation levels, physiological needs (food, water and sleep) and security needs (safety, shelter and employment) that needed to be met before any other desires came into play. For those suffering people in the most unstable parts of the Sahel, these basic needs have to be met or else there will be no hope for peace and stability. Desperate people with little to lose will act desperately and can be easily swayed into "radical" if not "romantic" solutions!

Experienced investors and developers such as ourselves and others operating in the region will need to find a way to closely collaborate with the international "development" community to achieve at least a modicum of economic growth in these regions as the only solution to maintaining peace and stability that could encourage further investment. Without that economic growth, neither the physiological nor the security needs of the common person will be met, and as long as hunger and poverty persists, desperation will breed radical solutions.

I would be remiss to not mention that I am one of the founding members of the Corporate Council on Africa and presently sit on the Board of the CCA as well as the Board of the Partnership to Cut Hunger and Poverty in Africa, in addition to being a proud investor and businessman in Africa. The CCA has recently prepared policy recommendations entitled: *Promoting Shared Interests: Policy Recommendations on Africa for the Second Term of the Obama Administration*. They were prepared April 17, 2013 and I have brought several copies here today for your review and use. There are several recommendations that are particularly pertinent to this hearing today and they have been submitted in my testimony:

Finance Recommendations:

- A growing number of African nations are tapping financial markets for the first time and need U.S. Treasury Department technical assistance to make this policy sustainable.
- Speed up the due diligence process by USG financial agencies.

- Streamline the number of U.S. financial agencies and processes required to reduce disbursement time. This will increase the U.S. private sector's competitiveness in Africa.
- Develop special process vehicles to fund projects in Africa, including regional projects.
- Intensify consultations between the private sector that is actively investing in Africa and key USG entities involved in financing including project financing (i.e., USAID, MCC, IPIC, EX/IM, TDA and State). This channel should provide for clear time sensitive communication on major policy and programmatic issues, so that the views of the private sector can impact the USG decision making process in real-time.
- Remove or reduce obstacles to flexible and fast USG financing, such as the OPIC Carbon Cap, GMO seed restrictions, economic impact tests, use of U.S. bottoms for transportation, and local content requirements. The goal is to make USG financing fully competitive with that offered by other governments.

Agriculture Recommendations:

- Coordinate USG support for agriculture development and agribusiness in Africa with ongoing efforts under the USAID Feed the Future/Grow Africa/New Alliance initiatives and focus on these initiatives' priority countries and value chains, particularly end of value chain activities.
- Continue programs like the USAID Global Development Alliance and Development Innovation Ventures that provide direct financial support to private sector investments.
- Expand USDA programs that strengthen African agricultural and agribusiness institutions through expanded ties to U.S. universities and agricultural research institutes, which are well-positioned to help build capacity. Ensure that there is a role for the private sector as a partner, including supporting U.S. companies that have research collaboration with U.S. colleges and universities.
- Increase investment in existing agribusiness programs in African university networks and expand tertiary agribusiness programs in Africa to raise African skill levels in agricultural commodity trading, commodity exchange contract design, financing, management, equipment operation and maintenance, and smallholder business entrepreneurship.
- Encourage African governments to pass and implement land reforms that allow smallholder farmers (including women farmers) and cooperatives to hold title to land and use it as collateral.

Security Recommendations:

- Expand, or at least maintain, Government funding to the U.S. Department of State Bureau for African Affairs' Africa Peacekeeping Programming (AFRICAP) and the Africa Contingency Operations Training and Assistance (ACOTA) Program as these have played a vital role building Africa's capacity and capability to ensure its own regional security.

- Expand support for capacity and capability building programs for African militaries, police, and judiciaries critical to creating and sustaining secure environments that respect and uphold the rule of law. Programs include International Military Education and Training (IMET), ACOTA, Global Peace Operations Initiative (GPOI), and the Department of Defense's Distinguished Visitors Program for the military. Police and judicial programs include the Department of State International Narcotics and Law Enforcement programs, such as the International Law Enforcement Academy in Botswana.
- Ensure that security sector reform initiatives are holistic including the military, police, judicial, prisons and financial institutions as well as the legal framework of the target country. This has not only improved institutional capacity, but transparency as well, thus enhancing political, economic and social development as well as business investment.
- Lastly, fund AFRICOM security programs, as these require sustainment and expansion, and ensure regional stability. For example, the U.S. Navy and Coast Guard Africa Partnership Station provides valuable capacity building assistance, in addition to operational and public relations benefits. The USG tends to cut Africa programs in times of budget contraction.

Conclusion:

All regions of Africa are important for U.S. business investment, although as we have experienced, some are more attractive than others. We have seen remarkable business investments over the past 15 years in Africa and growth is skyrocketing. There are more international players viewing Africa as a prime destination for their business interests. The USG, through its various arms and vehicles, should be there to assist U.S. companies to compete in this market and to be part of the solution to achieving sustainable growth and social and political stability; particularly in those volatile areas like the Sahel, where close public-private collaboration is most essential. In conclusion, the best if not only way to create sustainable development and counter "radical solutions" is by engendering growth, creating jobs, and meeting those very basic needs we all have for food, shelter, security and employment. American companies can do this and can work hand-in-hand with the USG to improve policy decision-making in order to provide the best returns for our African friends and the U.S. business community.

Thank you for the opportunity to testify today. I look forward to answering your questions.

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