African Trade Group LLC

Presents

A Boon to U.S. Business

300,000 to 500,000 kilometers of:

Re-construction, re-surfacing of existing roads, and new road construction

A Potential $252 billion (USD) Project

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Promoter

African Trade Group, LLC. www.africantradegroup.net

Summary

One of the greatest impediments to development in African countries is poor roads infrastructure. See an excerpt from a report by African Development Bank on road infrastructure in African countries titled: "Report on Road Transport Infrastructure from the African Development Bank." Because rail travel is still in its fledgling stage in African countries, roads are the predominant means of moving goods and people. As a result poor roads infrastructure directly impacts economic productivity, mortality rates and peoples livelihoods.

African Trade Group LLC has developed a multi-billion dollar plan for a roads infrastructure project for African countries. Financing of the project will be through the private sector led by a U.S investment bank. It is anticipated that the general contractor will be a U.S contractor. The lead investment bank and contractor will partner with indigenous African firms to execute the proposed project.

The project is a win-win for African countries and participating U.S firms. The benefits to African countries include: (1) transfer of technology for building roads and bridges to indigenous firms so that future roads infrastructure projects, and most importantly, all future maintenance will be managed by local firms; (2) participating countries will get a modern roads network that connects every community; (3) firms from each participating country will participate in the funding and construction; (4) sourcing supplies from local vendors; (5) in cases where local sources are not available, participating countries will gain new industries that will manufacture supplies for the construction; (6) the project will create tens of thousands of jobs for African countries.

Benefits to Western firms include: (1) the project is a multi-year, multi-billion dollars business opportunity; (2) participating firms can develop new business opportunities that are tangential to the roads infrastructure project; (3) the financial benefits of the project will have positive impact on the balance sheet of participating firms for several years.

Benefits to the U.S and participating countries include: (1) The U.S can reclaim the high ground on trade with African countries in a win-win transaction that will markedly improve visibility of U.S's soft power on the continent; (2) it broadens economic engagement between U.S and African business; (3) it is a multi-billion dollar services, equipment and materials export for the U.S economy; (4) it will create jobs in the U.S.

Project

To successfully propose a plan to African Union (AU) and each African Country for transportation infrastructure rehabilitation and construction that will:

1. Refurbish, rebuild and/or expand existing roads. These are roads that require major retrofitting and in some cases, will need widening as well.
2. Re-surface and strengthen existing roads as necessary. These are roads that are in relatively good condition and require minimal work to bring them to international standard.
3. Build new inter-city roads network as desired by the governments.
4. New intra-city roads as desired by the governments.




Scope of the Project

Estimate is 300,000 to 500,000 kilometers of existing paved and unpaved roads and new roads linking every (remote) village to trunk roads. Our plan is a "Marshall-type" plan for road infrastructure in African countries that will eliminate one of the greatest impediments to development and vastly improve economic productivity on the continent.

Strategy

The purpose of the proposal is to help African countries to improve economic productivity by:

1. Eliminating deficiencies in roads infrastructure as a result of degradation and unpaved surfaces. Both of which increase travel time and cause undue loss of life from accidents.

2. Connect every village and people of the country to the trunk roads thereby making every community in each country accessible by road. The first stage of the plan is to propose that governments provide an inventory of roads that:

    (a) need major refurbishment including expansion

    (b) need minor refurbishment

    (c) have been surveyed and due to be constructed in each country

    (d) roads that are necessary to link every community to trunk roads but have not been surveyed or scheduled. This will allow a concise estimate of the cost of the project in each country.

Unique Features of the Strategy

1. Transfer of Technology and Capacity Building: African Trade Group will facilitate match-making between U.S. construction teams and complementary businesses in each African country in order to promote technology transfer and build capacity in the countries.

2. Offsets Feature: Create tangential projects that will manufacture critical construction supplies in each country in order to minimize the importation of bulk supplies. It will supply construction materials and create long term industrial capacity in the supply chain of the countries.

3. Incorporate African Labor: The project will incorporate a balanced blend of U.S. workers and workers from each African country. Our plan calls for using cheap African labor as much as possible as a way to reduce the cost of the project and also to give African countries more (vested) interest in the project by creating jobs for their people. For example, Liberian workers will work on Liberian roads along with their U.S counterparts. The same arrangement will follow for each participating African country.

Estimated Cost

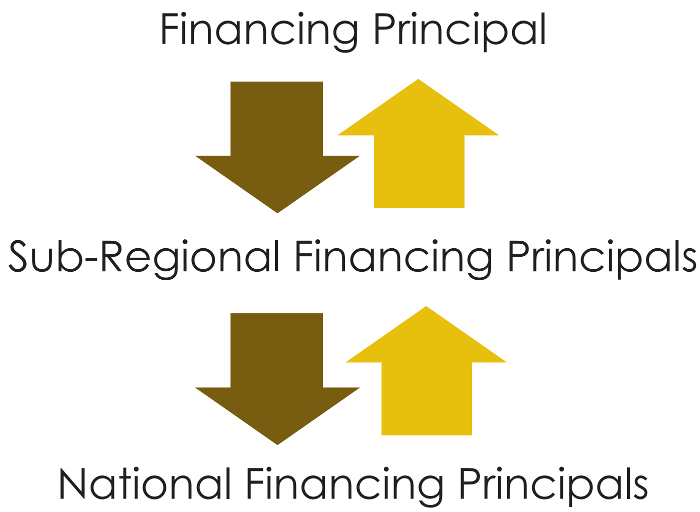
We are estimating between 300,000 and 500,000 kilometers of roads will be submitted in the plan. The total cost of the project has been calculated using the low estimate of 300,000 km of roads and World Bank estimate of $1.4 million per kilometer. Assuming that 60% of the work will be new construction and the other 40% will be refurbishment, the World Bank estimate of $1.4 million (U.S. dollars) per kilometer has been discounted by 40%. The discounted average cost per kilometer used in the calculation is $840,000 (U.S. dollars). Based on the preceding, the estimated project cost is $252 billion (U.S. dollars).

Execution

A master construction manager that will hire other assistant construction managers who will be responsible for each region and national construction managers that will manage each country and regional superintendents in each region of each country and finally, superintendents for each crew/team.

Financial Principal

Financial principal will be the lead agent in, (1) creating the vehicle that will be used to finance the project. (2) Selecting sub-financial principals in each participating African country. (3) Selling the investments to the investing community around the world.



Financing

The project will be financed with private capital. It is anticipated that financing will be by a bond offering or other suitable financial instrument. The plan is to create one or more financing mechanisms that will be sold around the world including African countries to raise the funds needed for construction. Our preliminary plan is for the project to be securitized and managed through an SPV (Special Purpose Vehicle) which will also own the financial assets and the (finished) roads until they are turned over to the countries per the agreed schedule in the contract.

Subscribers

Worldwide.

Executing Financial Aspect

The financial principal take the lead in executing all the elements of the financial aspects of the project. We will collaborate with them to create the funding plan. They will create and manage the SPVs, oversee the disbursement of payment for services and oversee the repayment process. It is envisioned that the financial principal will create and market the securities that will be used to finance the project.

Modalities

Proceeds of the capital acquisition for financing (bond financing and/or other vehicle) will go into the SPV. Payment for Construction and sundry services will be disbursed through the SPV. Payment from the client will go into the SPV or SPVs.

Method of Payment

African Trade Group LLC has designed a proprietary strategy that makes the project affordable on one hand, and ensures that the investment opportunity is attractive to the financial markets on the other. It is a blend of project finance and compensatory trade techniques. African countries will contract to pay through a mutually agreeable payment structure. The key is that the structuring of the payment will give investors ample confidence in the securities created for the funding and also allow the project to be user-friendly for African countries. It is a win-win financial partnership for African countries and the investment community. Each road will be the property of the SPV until payment is completed and the road turned over to the country.

1. Creative Payment Plan: African Trade Group is proposing a payment structure that will encompass project finance and compensatory trade techniques. The plan has built-in accordions to ensure affordability for African countries. The accordions will expand and contract through force modifiers in conjunction with the flow of resources for debt service. Some of the features are:

i) African countries will be able to generate tolls in the options that will be available to them.

ii) African countries will be able to use commodities as payment.

iii) African countries will be given a gestation period before payment for the project begins. Interest payment will accrue during the gestation period.

iv) African countries will have the option of having some of the construction done under BOOT (Build-Own-Operate-Transfer).

Conclusion

The proposed project is good for the U.S. economy because it will create construction jobs and revenues for U.S. construction companies. It will be a great geopolitical victory for the U.S. because the $250+ billion (U.S. dollars) project will be the largest single transaction in history for African countries. It will also establish the U.S as a force for good in the African continent. It is a unique and perfect amalgam of the profit motive and well-doing. It will give U.S. business a good foundation upon which to build a prosperous association with the countries of the continent in the 21st century. Finally, it is great for African countries because absent of proliferation of rail transport, road transport is the single most critical transportation infrastructure in the movement of goods and people. In African countries, the report on road transport infrastructure screams for this project.

Report on Road Transport Infrastructure from the African Development Bank

“Although roads are the predominant mode of transport for freight and passengers in Africa, major deficits exist in road infrastructure throughout the continent. A significant percentage of Africa’s road network is unpaved (52.8 percent in 2011), isolating people from basic education, health services, transport corridors, trade hubs, and economic opportunities. In Tanzania, more than 92 percent of the road network is unpaved and is therefore unusable during the rainy season. In South Africa, about 80 percent of the road network is unpaved and about 78 percent of the national road network is older than the 20 years for which it was originally designed.

“Moreover, access to the road network is uneven, with rural areas largely underserved. This unequal access makes the flow of goods and services to and from rural areas difficult and expensive. The urban-rural disparity in the road network is a concern across all regions of Africa. In Ethiopia, only 10.5 percent of the rural population lives within two kilometers of an all-weather road. In Zambia, Tanzania, and Burkina Faso, the comparable figures are 17 percent, 24 percent, and less than 25 percent, respectively, which are still very low.

“Poor road maintenance is prevalent across Africa. Recognizing that there are several sources of road funding, including loans and tolling, several African countries now have road funds supported by fuel levies; others have autonomous road agencies that contract out to specialist maintenance agencies. However, more needs to be done. Fuel levies are often too low and road funds and agencies do not meet international best-design criteria. For example, fuel levies vary considerably across countries, ranging from US$0.16 to US$0.30 per liter, with the latter considered the minimum for adequate road maintenance. Unofficial fees or bribes and delays contribute to low collection rates. In addition, toll roads operate in only a negligible portion of the region’s classified road network, and almost all of them are in South Africa.

“Further complicating the issue, roads do not last for their planned construction life span because the overloading of vehicles causes the roads to age prematurely, resulting in high maintenance costs. The road network in several African countries continues to suffer from very high overloading rates (e.g., in Uganda, overloading rates are close to 55 percent) as determined at some major static weigh-station locations, pointing to the need for more weigh stations to be constructed. A harmonized regional axle load control act—such as the East Africa Axle Load Control Act, which will soon be adopted—is also needed.

“A high incidence of road fatalities, a consequence of the continent’s poor infrastructure, is prevalent in Africa, resulting in sizeable losses to the economy. The World Bank estimates that road crashes cost approximately 1 percent to 3 percent of a country’s annual GDP (US$100 billion every year in developing countries). 36 For example, Uganda has one of the worst road safety records in sub-Saharan Africa, with an average rate of 45 fatalities per 10,000 vehicles. The country is estimated to lose about 2.7 percent of its GDP through losses of life and property. This is equivalent to the proportion of GDP spent on the road sector.

"The underdevelopment of the road network has also resulted in severe traffic congestion in several African capitals, causing direct loss of time and productivity. Urban traffic congestion is common across the main cities of Africa. Indeed, traffic congestion is estimated to cause direct loss of time and productivity at an annual cost of roughly 4 percent of GDP (US$8 billion) in Cairo, US$19 billion in Lagos, US$0.89 billion in Dar es Salaam, and US$0.57 billion in Nairobi.37 Poor air quality and road accidents may actually double the direct cost of congestion."

Excerpted from a report by African Development Bank, titled: "Developing Africa's Infrastructure for Enhanced Competitiveness," Chapter 2.2. The report is featured in a larger study by the World Bank titled, "The Africa Competitiveness Report," presented at the World Economic Forum (WEF) in 2013.

http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/africa-competitiveness-report-2013-main-report-web.pdf

Delivering Development: Why Better Logistics is Critical for Africa's Growth

by Frank Matsaert

"Three little boys in Kigali, Rwanda's capital, are sharing a lollipop. They lick it in turns. The lollipop is imported, so 45 percent of its cost is due to transport and allied costs.

"It might have been made in Kenya or Tanzania or even further afield, and it has travelled thousands of kilometres and across several borders. So whichever of the boys bought that treat, he is paying part of the freight clearance charges, handling charges, insurance, fuel costs and the salary of the trucker who got it to the Rwandan capital.

"Logistics is a critical yet easily neglected component of economic development. Investment in agriculture is futile if there is no supply chain in place to get produce to market. Essential medication is rendered ineffective if it cannot be transported in the appropriate conditions. Consumer goods cannot improve people's lives if the cost of importing them means they are too expensive for people to access.

"Yet in discussions of "sustainable development goals" or "poverty reduction", there is too often a tendency to focus on headline targets and forget about the mechanics of delivery.

"In east Africa, transport and freight costs are among the highest in the world, with freight logistics expenditure more than 50 percent higher per kilometre than in Europe or the United States. This extra cost is caused by a 'logistics gap': a lack of infrastructure, technology and expertise affecting everything from road networks, to payment systems and warehousing facilities. In landlocked countries such as Rwanda and Burundi, this gap is even more pronounced: transport costs there can reach as high as 75 percent of the value of exports.

"Transit times are also high in east Africa. The 1600 km journey from Mombasa (Kenya) to Kigali (Rwanda) takes on average 422 hours – nearly 18 days. Trucks must stop at two border posts and are likely to encounter 45 road blocks, each of which involves delays and costs, as well as potentially damaging the goods being transited. In contrast, a truck covering a similar distance in Europe – driving from, say, Rotterdam (The Netherlands) to Budapest (Hungary) – would be able to complete the route in less than a day.

"These high costs have a significant impact on the lives of people living in the region. Transportation expenses are passed on to small businesses and consumers – indeed, the World Bank estimates that logistics costs account for 40 percent of consumer prices in east Africa. Concretely, that is 250 million people, many of whom are already living in severe poverty, who are paying more for food, household goods and healthcare products. Added to this are the large numbers of small business owners unable to grow their companies because of the high overheads connected with distributing or sourcing their goods.

"In order for east Africa's exports to compete in the global marketplace, businesses operating in the region need to have reliable flows of inventories such as raw materials or finished goods, without which businesses need to carry higher levels of inventory to deal with uncertainty. This raises costs, erodes efficiency and results in poor competitiveness and high prices. In contrast, firms that can rely on efficient logistics, modern supply chains and just-in-time delivery systems are more efficient and cash generative and, therefore, more competitive and more readily integrated into regional and international global supply chains.

"This applies just as much to international companies operating in the region as to local players. For example DHL, a leading logistics and shipping company, has more than 3300 service points across Africa – a network which it has developed by forming partnerships with small businesses, fuel retailers and supermarkets. The company has grown a successful business in Africa by adapting to local circumstances: the informal economy, rural population and large number of SMEs. Bolloré Africa Logistics also has a significant presence on the continent, investing in modernising ports in both west and east Africa to equip them to handle larger vessels.

"One example of an innovative approach to support international entrants to Africa is the Logistics Innovation for Trade Fund (LIFT). LIFT aims to reduce the risk of investment by providing a matching grant to international/local private sector partnerships with transformative technologies or improved practice that will have a significant impact on the efficiency of the transport and logistics sector across east Africa. It will co-invest with the private sector in projects that may be too risky to undertake without such support – with the goal of challenging business to develop and test new ideas to reduce the cost of transports and logistics.

"For many companies, however, the prospect of entering a market with so many challenges is daunting. Since 2008, freight volumes through east Africa's major ports, Mombasa and Dar es Salaam, have grown at 8 and 13 percent per annum respectively. With this growth comes major transport and logistics investment opportunities, to handle the increased freight volumes. But in order to overcome the logistics gap in Africa, we need to take an innovative approach that draws on existing private sector expertise.

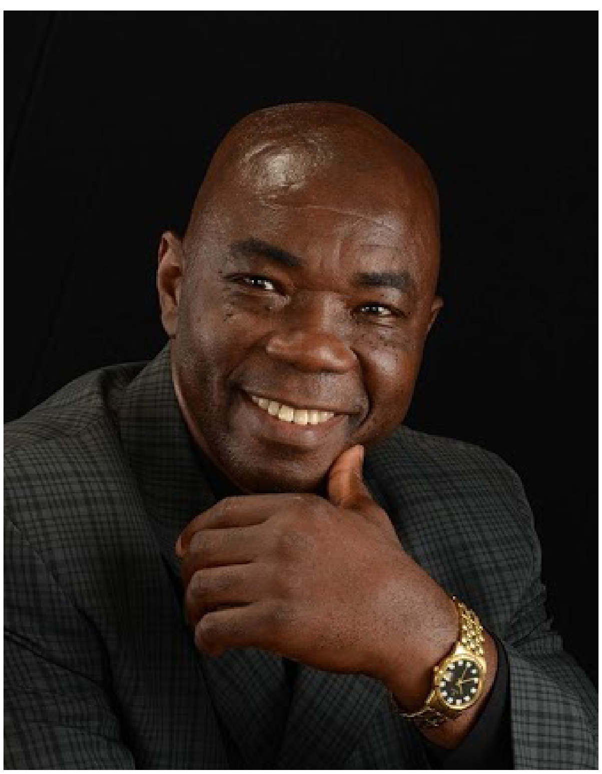
"It is innovation which has driven improvements in global logistics over the past decades. Electronic payment systems, real-time tracking software, shared services for SMEs and improvements to fleet vehicles are all ways in which the costs – in both time and money – of transporting goods can be reduced. Tapping into this innovation and encouraging businesses to invest in pioneering solutions to logistics challenges will have a major impact on the lives of people across Africa, and will make delivering other development goals – like healthcare and food security – much easier.

"Frank Matsaert has been CEO of TradeMark East Africa, a trade advocacy organisation, since October 2010. Previously he was a private sector adviser in the UK's Department for International Development (DFID) and a country director for Care."

From This is Africa*, 6 May 2015:* http://www.thisisafricaonline.com/News/Delivering-development-Why-better-logistics-is-critical-for-Africa-s-growth?ct=true

Who We Are

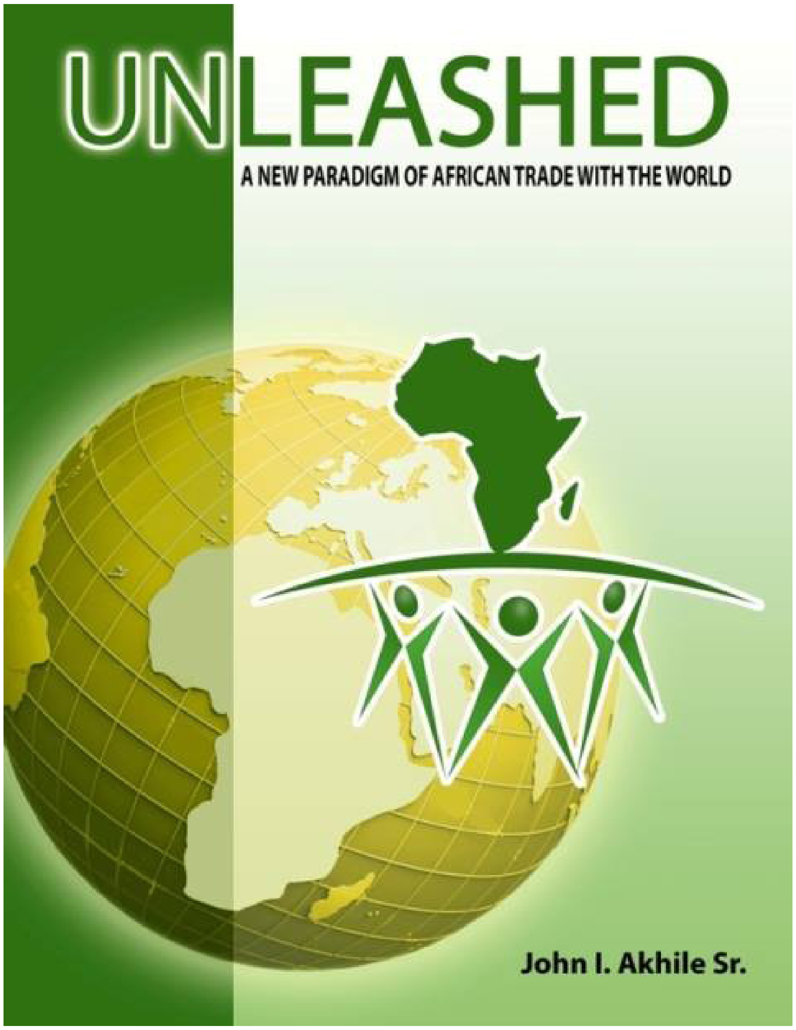
African Trade Group LLC is an Africa-Centric company that is focused on African trade. We specialize in helping clients in African couantries to develop industrial projects. We also supply commodities and manufactured goods to and from the global market to African countries.



John I. Akhile Sr., President and CEO of African Trade Group LLC., **www.africantradegroup.net** and author of two books. The newest one, *Unleashed: A New Paradigm of African Trade with the World*, is available on Amazon.com or at **www.unleashafricantrade.com.**

"Every developing country, including those in Africa, has the potential to grow dynamically, transforming herself from a poor, agrarian economy into a middle- or even high-income economy in one or two generations. The key is for the government to facilitate the growth of sectors for which they can quickly become competitive internationally with what they currently have such as abundant supply of labor and/or nature resources. John I. Akhile Sr.'s Unleashed: A New Paradigm of African Trade with the World is a book full of practical insights about how to make such quick wins happened in Africa. This book is must reading for anyone who concerns about the poverty reduction and prosperity in Africa."

--Dr. Justin Yifu Lin
Professor, National School of Development, Peking University
Former Chief Economist, the World Bank



Unleashed: A New Paradigm of African Trade with the World has taken a holistic view about the issues that directly and indirectly bear on the ability of African nations to evolve strategies and mechanisms for transcendent economic growth. It takes a look back in history to review the mechanisms with which Europeans plundered the material and human resources of the people of Africa. Drawing on examples of Asia Tiger's path to successful economies and prosperous societies, Unleashed looks into the deficiencies in both the governance apparatus of African countries; as well as the human shortcomings of the leaders of African countries that directly bear on poor policy prescriptions and follow through since independence, of most, if not all the countries. It makes tangible suggestions for new institutions and policies that will unleash the inherent potential of African countries and create permanent successes.