

A Fresh Start

Meena Bhandari looks at a new business model emerging in Africa – trading through aid to escape the clutches of poverty

Along the lush green eastern highway on the outskirts of Sierra Leone's capital Freetown, First Step – the country's first Special Economic Zone (SEZ) – is ready for business. This six mile industrial park is designed to attract foreign companies to the country's abundant natural resources to process them inside the country. This will hopefully create jobs and export Sierra Leone out of poverty. Such enclaves have mushroomed across Africa, from Kenya to Cape Verde and Gabon, following their reported success in igniting industrialisation and development in Asia.

The first tenant in Sierra Leone's SEZ is a fruit juice concentrate manufacturer, Africa Felix. This is probably the first significant factory to open in Sierra Leone for two decades, despite nine years of relative peace after the end of the civil war.

The large concrete warehouse would not look out of place in an industrial park in the United Kingdom. Inside, the steel pipework gleams and the line of Italian-built machinery roars and puffs steam as juicy fragrant mangoes roll out of plastic crates and rumble along a conveyor belt.

Africa Felix enjoys a purpose-built factory unit, a three-year tax holiday, uninterrupted electricity and water supplies and some of the best infrastructure in the country. The zone is a relative oasis, considering more than 70 per cent of the wider population live in poverty and both piped water and electricity are scarce. It is, however, much needed for social and political as well as economic reasons, particularly given youth unemployment is estimated at more than 60 per cent – one of the highest rates in the world.

What sets First Step's SEZ apart is that it calls itself one of the first 'ethical' zones, and the first to be conceived, funded and managed by a charity or non governmental organisation (NGO). It also has investment by a social venture capitalist and pro

bono work by law and public relations companies.

First Step is a subsidiary of World Hope International, a faith-based organisation funded by a network of Wesleyan churches and its parishioners from across the mid-west of the United States. Interestingly, Sierra Leone's President Ernest Bai Koroma, who together with parliament gave the go-ahead for the scheme in his country, is a follower of the Wesleyan church.

World Hope International are the majority shareholders and have funded First Step initially. They will always be a majority shareholder under an agreement with the Sierra Leone government. Over time, First Step says it hopes to turn a profit from rent charged to companies who take space. These profits will then be invested back into Sierra Leone.

Far from scaring their traditional donors with this private enterprise, the venture has been welcomed, says First Step's Canadian-born founder and chief executive officer, Richard Schroeder. "They're the kind of people who pull up their boot-straps and work. Enabling others to do the same resonates well with them."

The aim is clear, says Schroeder: "We want to support entrepreneurs to do what they do best – make money and create jobs. But we want them to do it in an environment where labour and environmental standards are as important as profits."

First Step was borne out of Schroeder's frustration with the aid sector, where he worked for 15 years implementing micro-finance projects from Bangladesh to Kosovo. "I found NGOs operate on a small scale, doing the same old things – they don't innovate. They also try to do everything – from child sponsorship to humanitarian work, even if they don't have the expertise. They tend not to follow their strengths, and I felt incredibly frustrated by that."

It was in Bangladesh that the idea of creating a SEZ came to Schroeder.



In Africa Felix's brand new factory, women sort mangoes before they are pulped into juice



"There was row upon row of women waiting to find work outside a garment factory. I realised that the arena in which private companies operated was one where NGOs needed to find some leverage. I needed to harness private sector capacity and energy."

Africa Felix has 60 paid employees, but those same queues of ready workers have already begun outside the factory. Sylvester Charles is one such hopeful. He has forcibly volunteered his labour, loading and unloading crates outside. "I'm an electrician, but finding work is impossible. We need more places like this so I too can support my family," he says.

First Step aims to have 2,000 people employed in the SEZ, with 16 new manufacturers taking up space (at the moment bushland) within five years. All this with an anticipated investment of around \$15 million. But the thousands of knock-on jobs in the wider economy are as important. "It would be easy to source mangoes from large suppliers," says Claudio Scotto, chief executive officer of Africa Felix, "but we've developed a new supply chain with 1,500 small farmers to create village cooperatives through World Hope International's development projects."

While this sounds promising, some question whether this SEZ can be a success because Sierra Leone lacks wider infrastructure and a skilled labour force. It also faces stiff competition from its neighbours to attract foreign investors. Nigeria alone has 24 SEZs and Liberia, Ghana, Ivory Coast and Mali are among others to have developed them.

Madagascar and Mauritius are often cited as SEZ success stories in Africa. "But the monthly wage in Madagascar for an unskilled textile machine operator is less than one-third the equivalent wage of Mauritius, half that of China and 60 per cent of the average wage of India," says Professor Howard Stein from the University of Michigan in the US. A country like Kenya has been able to create jobs and export, because they emphasise unregulated, low-wage and labour-intensive industries like textiles," he points out.

SEZs have not lived up to their

promise of Asian style industrialisation in Africa, adds Stein. "They have been enormously disappointing if we assess their links to local industries and the level of job creation versus their cost. They tend to drive down wages, and governments lose tax revenue." Stein argues that they are questionable as a development tool on their own. "They need a holistic industrialisation strategy to work – encouraging manufacturing outside the zones in parallel. In Africa they have been used as a quick fix."

But Samuel J Braimer, head of economics at the University of Sierra Leone, says that the country needs to be more like Mauritius: "We have the same

resources and the same potential, including people who desperately want and need work. With just 3.8 per cent of people employed in manufacturing, the government's support of this SEZ, and its export-led industrialisation strategy is much needed."

"It's highly unusual for an NGO to set up an operation like this," says John Humphrey, a research fellow at the Institute of Development Studies in the UK. "NGOs do engage with the private sector – and there's a great deal of experimentation. But, often it's at the level of facilitating small-scale farmers to access markets, or producing fair trade products themselves, for example. But this NGO has become a service provider, facilitating multiple private businesses to set up in what would otherwise be a very difficult environment. It's certainly another model for NGOs to keep an eye on."

First Step hopes that its approach – insisting on child labour free policies, its development project connections, as well as annual independent audits for labour and environmental standards will counter some of the negative tendencies of other African SEZs. "We are looking for investors from the Sierra Leone diaspora – people who are connected to the country. Companies will be interested in the social venture aspect as well as the business gains," says Schroeder.

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Meena Bhandari is a freelance journalist based in Freetown, Sierra Leone

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