MAGAZINE

Anniversary Issue

DEG TURNS 50

Courage!

Development starts with you.
DEG - Supporting people and their ideas for the last 50 years

Valter, 9 year old, Brazil

The cover shows *9-year-old Valter. We met him at the Olhos d´Água primary school in Brazil. You'll read where he wants to take his life on page 64. A mining company helps fund his school. It's innovative in other ways, too. Page 48.*

Cover Photo *André Vieira*

Photo *Bernd Hartung*

Bruno Wenn, Chairman of the Management Board of DEG and Norbert Kloppenburg, Member of the Executive Board of KfW

Courage, Humility, Hubris

Dear reader, Sudan's Mohammed Ibrahim is an extraordinarily courageous man. Way back when a mobile phone was far from commonplace in a rich country like Germany, he had a vision of a mobile phone network for Africa, which would even connect remote villages south of the Sahara with the rest of the world.

A daring plan – and a hugely risky one. It could have driven Ibrahim into ruin. But his love for Africa and his entrepreneurship outweighed his fear of failure.

Back then Deutsche Investitions- und Entwicklungsgesellschaft (DEG) faced the question of whether to support Ibrahim. A great deal spoke against it. But in the end DEG took the risk – and has reaped the reward for its courage *(page 18)*.

"Courage to develop." That is the motto of DEG's 50th anniversary. It is also the only way forward. To really shake things up, courage is paramount. "Courage is a fundamental ingredient for development," says the French philosopher Cynthia Fleury *(page 14)*.

In this magazine you'll get to know a fair number of courageous people. A teacher who spent his youth in refugee camps before founding Cambodia's biggest bank *(page 32)*. A farmer who created an oasis of healthy nutrition and education in the Egyptian desert *(page 40)*. And a Brazilian entrepreneur committed to solving environmental issues in the mining sector *(page 48)*. All of these people have changed their country for the better. DEG has supported them in their ventures.

To speak of courage also automatically highlights the possibility of failure. Projects can go wrong. Courage should go hand in hand with a sense of humility about life's complexity, its dangers and unpredictability. Without humility it is a small step to hubris. To make that distinction is one of DEG's most important responsibilities. We do not shy away from risk, nor do we succumb to it. Instead we take on responsibility by doing our very best to manage risk. Anticipating danger, recognizing weaknesses, and dealing with crises – these are the core skills of DEG and its employees *(pages 38, 46, 58, 62)*.

Former German president and DEG co-founder Walter Scheel still recalls exactly what happened when DEG started up 50 years ago. "Of course we lacked experience," he says looking back. "But we had no shortage of courage" *(page 28)*.

Much has changed since then. At the outset DEG exclusively supported German companies planning to start projects in developing nations. These days it finances essential development projects by any companies. It is no longer a federally owned organization – since the year 2001 it has been a part of the KfW banking group.

That has given it room to expand - as seen for example by its steadily rising transaction volume. But DEG's principal guideline remains the same as it was 50 years ago when it was founded: Courage to promote development.

We wish you a pleasant reading.

Bruno Wenn
Chairman of the Management Board of DEG

Dr. Norbert Kloppenburg
Member of the Executive Board of KfW

Connected in the middle of nowhere: *How a mobile phone pioneer revolutionized Africa. (Page 18)*

Soft landing: *How an organization established the largest bank in civil war-ravaged Cambodia. (Page 32)*

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Photos *Marc Shoul; SOVAN Philong / Asia Motion*

Milestones

Economic crises, changes of direction in development policies, criticism from outside and global challenges – many factors have influenced the history of DEG. The German Investment and Development Company has been true to its goal of supporting private enterprises to further development in countries in Africa, Asia, Latin America and Europe. DEG's financing volume has grown significantly since it became a member of KfW banking group in 2001.

Annual DEG financing commitments since its founding in 1962

1200 –

in M Euro.

900 –

600 –

300 –

0 –

1962–1972: A courageous beginning in Africa

DEG was founded on 14 September 1962. It was a federal institution established to support small and medium-sized German businesses that were setting up production facilities in the poor countries of the Southern Hemisphere. The undertaking was well suited to the optimism that characterized western development policy at the time. The idea was that economic growth would trickle down from above and benefit the needy as well. The first regional focus of DEG was Africa, where it mainly provided incentives for textile manufacturing.

1964 Textile mill, Tanzania: *DEG equity participation in the country's development society – 5.6 M Deutsche marks.*

1973–1982: Fighting poverty with jobs

In 1973, then World Bank president Robert McNamara declared that the concept of "development by economic growth" was a failure. He believed that it was largely the elite who profited from injections of capital and said that the primary goal should be the elimination of "absolute poverty". This was the goal of DEG, which increasingly began working in partnership with local development banks, whose aim was to kick start new businesses in their respective countries. It was a financial instrument that provided leverage – by 1982, DEG had helped create more than 125,000 jobs in 64 developing countries.

1977 Development Bank, Botswana: *DEG equity participation in increase in share capital – 820,000 Deutsche marks.*

1983–1992: Return on investment as business principle

During the global economic crisis at the beginning of the 1980s, DEG came under fire at home. The prevailing opinion was that development policies should foster Germany's own interests. DEG, which was dependent on subsidies, was accused of inefficiency. Far-reaching reforms were undertaken in 1988. From that time on, all DEG projects had to not only address meaningful development goals, but also be profitable. DEG was freed from the obligation of sponsoring only projects with German participation. New business grew apace, particularly in Latin America.

1986 Herbal teas, Egypt: *joint venture between Sekem and Gebr. Schaette, DEG subsidy – 1.2 M Deutsche marks.*

1993–2002: New outlook, new home

In its 1994 World Development Report, the World Bank argued for greater private sector involvement in infrastructure projects, in order to relieve governments in developing countries of some of the burden. DEG embraced this suggestion and set up a new sector department. Because infrastructure projects are complex, DEG initially concentrated on small power plants, mobile phone networks and container ports, primarily in Africa and Asia. In 2001, the German government sold DEG to the KfW banking group. DEG benefited for example from KfW's creditworthiness and was able to raise financial resources from capital markets more inexpensively than ever before.

1997 Infrastructure, *financing – total of 190 M Deutsche marks, e.g. Container port in Pakistan.*

2001 Mobile phones, Africa: *DEG equity participation in Celtel from its own funds – $15 M.*

2008 Geothermal power plant, Kenya: *DEG arranges entire third-party financing – $105 M.*

2007 Wind, Water, Biomass, Brazil: *DEG equity participation in energy company ERSA – $25 M.*

2003–2012: Green projects, DEG in demand

Wind farms, solar projects and geothermal power plants – DEG began consciously financing ecologically sound ventures. It committed €400 M to such projects in the years 2009 and 2010 alone. DEG's overall financing volume increased dramatically. Its solid knowledge of both the countries and the sectors involved put its advisory services in ever greater demand. DEG began intensified cooperation with European and international financial institutions on complex projects. In 2011, DEG, with its 436 employees, helped create some 110,000 jobs in Africa, Asia, Latin America and Eastern Europe.

0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 30 32 34 36 38 40 42 44 46 48 50

1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012

Infographics *Ela Strickert*

(Status: 2010)

Investment instruments

— Financing —

Venture capital
DEG finances about 40 percent of its projects with venture capital in one of two forms:

1. **Equity participation:** *DEG buys shares in an undertaking in the target country. It never acts as the majority shareholder. DEG often has a seat on the company's supervisory board, but does not get involved in the day-to-day business.*
2. **Mezzanine financing:** *much like equity participation, this instrument increases the capital of the financed company. However, DEG does not become a shareholder; instead it gets repaid.*

Loans
For about 60 percent of its projects, DEG lends money to the undertaking, usually in euros or dollars. The maximum amount of any single loan is € 25M and the term of the loan is usually between four and ten years.

Guarantees
If a company wants to borrow money in the local currency, DEG can function as loan guarantor for local financing.

— Subsidies —

Public Private Partnerships
The PPP programme run by the German Ministry for Economic Cooperation and Development targets western European enterprises that undertake a project that goes beyond the company's core goals and has some significance in the development policy framework.

Green partnerships
Environmentally-friendly projects can be subsidized with up to €200,000, provided by the German Environment Ministry.

Feasibility studies
DEG provides grants of up to €200,000 to finance preparatory project planning.

Top Crop

The cotton pickers in Burkina Faso are among the 20 million people south of the Sahara who make their living from this plant. They are small farmers who use their hands for the harvest. Most people live here below the poverty line. Now many work for "Cotton made in Africa." The Otto group founded this alliance together with companies, the Bill & Melinda Gates Foundation, NGOs and DEG with the goal of improving the market for cotton. In courses the farmers learn to use less pesticides and water.

Photo *Issouf Sanogo / AFP / Getty Images*

Shining Desert

At night Ohorongo looks like a spaceship from another world. The huge factory in the Namibian desert produces cement round the clock. The country suffered from a shortage of cement – a material that´s the basis for development. Before the factory existed cement had to be imported. Schwenk, a mid-sized German company, built the plant. DEG helped finance his courageous plan. Ohorongo supplies the region with 700,000 tons of cement every year, creating many jobs.

Photo *ich.tv*

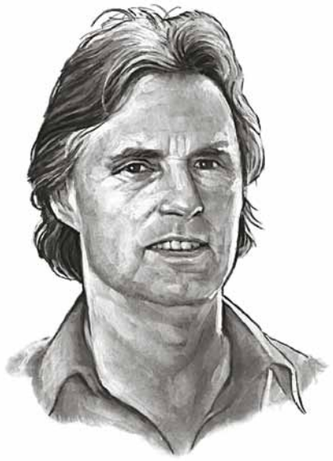
Clean Water

A little boy carefully fills his canisters with drinking water from the community water supply. Each one of them provides a family in the Philippine capital Manila with drinking water. The spigots have existed only since the municipal water supply was privatized. Manila Water modernized the system, so less water is wasted, hygiene has improved and less people fall ill. DEG supported the project with a long-term loan.

Photo *AFP / Getty Images*

WHY WE NEED COURAGE

We lack courage. Courage drives us.
We admire courage. An evolutionary biologist, a philosopher and an economist tell us why.



Evolutionary biologist
Ulrich Kutschera, 57, is a professor at the University of Kassel and author of the book "Tatsache Evolution – Was Darwin nicht wissen konnte".

"Courage is an engine of evolution"

Our ancestors left Africa for Europe some 40,000 years ago. Alone the decision to start that journey was courageous. Their original habitat was the savannah – flat grasslands where it was almost always warm. Here in Europe, they faced cold, mountains and dense forests full of dangerous animals. Adapting to those new living conditions demanded not only courage, but also a willingness to take risks, and intelligence. Above all the alpha males, the hunters who led the groups, needed those characteristics. Our ancestors had to take on mammoths and sabre-toothed tigers. To engage that battle alone would have been foolish. Those who ventured it were eaten, or to put it in evolutionary biology terms – they were selected against; they did not reproduce. By contrast, an intelligent alpha male with many children made sure that the human swarm worked together to bag the tiger. This is also evidence of another factor that gives us humans an advantage in natural selection – cooperation in a group. So taken altogether, we can say that courage is an engine driving human evolution, meaning the driving force in the tribal development of people. But without intelligence and a readiness to cooperate, we would not have survived in our descendants.

Illustration *Bernd Schifferdecker*

Psychoanalyst and philosopher
Cynthia Fleury, 37, teaches at the American University in Paris. She is the author of the books "La pathologie de la démocratie" and "La fin du courage".

"Courage holds society together"

At the moment, we can observe a general discouragement in society. It is particularly widespread in the working world. People fall ill and become depressed, although they have no apparent previous health problems. People are confused. Above all, they are morally confused, because we've thrown many of our values overboard. Hyper-profitability, performance and individuality are glorified; often the prevailing belief is that cowardice pays off better than courage. But the opposite is true. The price of cowardice, and of giving up, is far higher than what we would pay for courage. If we ask which forces we need to mobilize for the future, there can be only one answer: courage. Courage must become the tool of leaders and governments. The only way to protect the individual and the community is with courage. The greatest challenge is to turn courage from a form of resistance into a leitmotif. I am convinced that we can achieve that. Because courage is the basic prerequisite – not only for resistance, but also for development.

Economist *Stephan A. Jansen, 41, is founding president of Zeppelin University and director of its Civil Society Center (CiSoC), as well as an advisor to the German government.*

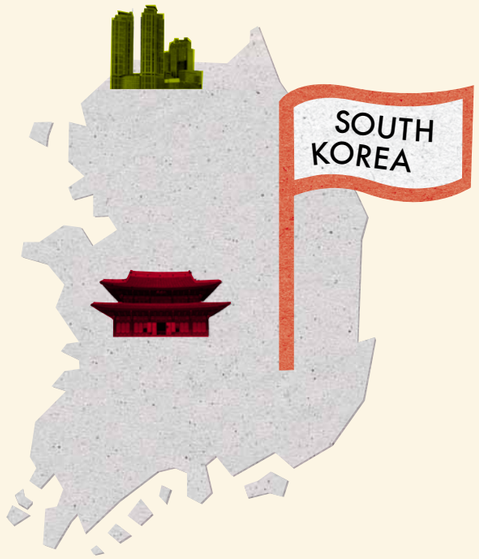
"Only the courageous attempt the impossible"

Inventors are considered very courageous people and rightly so. The main reason they're considered courageous is because they "make things possible". The philosopher Jacques Derrida summarized the way this species works in one sentence: "the only possible invention would be the invention of the impossible". To do that, you need above all one thing – the courage to dare tackle the impossible, and make something new possible.

From an economical point of view, the world is mostly made up of decisions. Many are trivial since we can easily differentiate among alternatives and consequences. Paradoxically the true decisions are the ones that cannot be decided. We lack the necessary knowledge of both alternatives and consequences, or they are equally good or bad.

We have to face this paradox of making decisions during crises, innovation, in love, and even in running companies or states. It only works by saying "let's do it anyway." And for that we need courage and an opposite number – whether it's a partner, a fellow employee or even the markets. It's only when we have a clear image of this opposite that we can weigh the consequences of the decision. Nor does it work without humility. Research into decision-making has more than proven that. Without a balance between courage and humility, people become cocky and unreasonable with other people. These, by the way, are recognized occupational diseases of management.

WE DON'T NEED YOU ANY MORE



For many years, DEG financed firms in South Korea, Hungary and Portugal. Today, their private sectors are standing on their own two feet.

Reason for the support: In 1953, following the Korean War, North Korea and South Korea are both suffering the consequences. Many industrial plants have been damaged and the infrastructure has been destroyed. South Korea has virtually no natural resources and is almost completely dependent on imports. In 1961, a military coup turns South Korea into a dictatorship. Still, the economy grows. Major industries are built from scratch, propelled by exports. For South Koreans, increasing prosperity inspires a desire for democracy; the first free elections are held in 1987.

The projects: In 1970, DEG acquires an interest in two firms: a German-Korean tile manufacturer and an electrical company outside Seoul. The latter firm produces equipment for telecommunications and electric energy meters and wants to expand Korea's telephone network. In the 1980s and 1990s, DEG supports a South Korean firm that produces industrial diamonds, a development bank, a venture capital firm and a manufacturer of industrial pumps.

The country today: The gross national income has risen from $283 per capita in 1970 to $18,600 per capita in 2010. DEG's involvement in South Korea concluded with the end of the economic and financial crisis in 2001. The private sector is steadily growing.

Illustration *Katja Schloz*

Reason for the support: Hungary has a major influence on the political changes of 1989 in the Eastern Bloc and is involved in the push for German unification. Hungary is one of the first Communist Bloc countries to take the tremendous leap towards transformation into a market economy and democracy. In 1989, the Republic of Hungary is established. The young republic opens its doors and prepares to assert itself on the European economic stage.

The projects: DEG supports Hungary between 1994 and 2006.The initial pledges go to a malt producer and to a Hungarian foreign trade bank. Three years later, DEG arranges the debt financing of a producer of aluminium wheel rims. DEG also finances the Hungarian market leader in the production of canned vegetables, also sold in several countries of the European Union.

The country today: Hungary's per capita gross national income has nearly tripled since 1994. Whereas in 1994 it was just $4,020 per capita, today it has reached $13,600. Hungary is going through another economic crisis; in 2012, the country is again dependent on foreign assistance. As early as 2008 its national budget could only be kept afloat with €20 billion in emergency credit from the IMF and EU. And yet the Hungarian private sector remains one of the most successful in Eastern Europe.

Reason for the support: At the end of the 1960s, when DEG begins working in Portugal, the country is at war against its colonies: Angola, Mozambique and Guinea-Bissau. Portugal is politically isolated. Rising state debt leads to inflation and poverty. In 1974, the "Carnation Revolution" breaks out. The new rulers release the colonies into independence and launch Portugal's Third Republic. The country still suffers for years afterward from a poor educational system and illiteracy. Poor infrastructure and inefficient public administration are further problems. Not until 1986 does Portugal become a member of the EU.

The projects: In 1969, DEG takes on its first project, supporting a German battery manufacturer from North-Rhine Westphalia. The company creates 50 jobs. From 1973 until Portugal enters the EU, DEG backs companies manufacturing shoes, furniture, marble and clothing as well as agricultural and financial firms. Among them is a German folding-machine manufacturer. DEG helps the company build its production plant near Porto.

The country today: In 1970, the gross national product came to only $893 per capita; today it has reached about $21,700. Since Portugal joined the EU in 1986, DEG has withdrawn. Even if Portugal is among Europe's poorest countries, the private sector is competitive.

A PACT AMONG PIONEERS

One of them set off a revolution with his mobile phone business; two others hope their flower farm will lift a Kenyan community out of poverty. Visionary entrepreneurs are spreading hope throughout Africa.

Text: MISCHA TÄUBNER Photo: MARC SHOUL

I can hear you now:
Long-distance communication has become a lot easier in Africa.

The man who wired an entire continent seems nervous. His hands are constantly fidgeting as if they had taken on a life of their own. Mobile phone pioneer Mohammed Ibrahim is no entertainer. He's not into making grand gestures. "There is no way back," he says quietly. "The Arab Spring, which I call the African Spring, is here to stay."

Ibrahim stands at a lectern in the Tunisian capital Tunis, expressing his admiration for a people who ousted their despotic leader now over a year ago. In the audience are politicians and celebrities from around the world, a smattering of Nobel peace laureates among them. Many of them were here for previous ceremonies when the Mo Ibrahim Foundation recognized an African leader for good governance. It's no different this October day, in Tunis. The audience listens raptly to the man whose mobile phone company made him a billionaire, and who has been fighting for democracy in Africa ever since. Ibrahim is a rock star. All one has to do is watch the audience in the video of his appearance to get an idea of how much respect he commands.

"We couldn't have foreseen that 10 years ago," says Justus Vitinius. In his office at DEG headquarters in Cologne, the 48-year-old manager recalls when Ibrahim first contacted DEG. Actually it wasn't Ibrahim himself but a member of his staff who asked whether DEG wanted to take a stake in his company. Ibrahim was hunting for start-up capital. He studied electrical engineering, and was a former technology director at British Telecom. His grand vision – constructing a mobile telephone network in Africa – led to Celtel's founding in 1998. He planned to connect every city, every village, and every slum to the

Antenna in Nairobi: *Celtel has covered nearly the entire African continent with its mobile phone network.*

Mobile phone pioneer *Mohammed Ibrahim founded Celtel. Today he´s a democracy activist.*

Photo *Ian Teh / VU / laif*

network. After purchasing his first licences, Ibrahim now needed capital. "He didn't have much to offer on paper," says Vitinius. Celtel was a start-up with huge initial expenses in a yet to be established market. No wonder that Ibrahim had a tough time finding investors for the risky project that would run into the billions. Normal commercial banks deemed it too risky. DEG on the other hand recognized the opportunity for Africa. In 2001, in a leap of faith, it invested $15 million in his company.

DEG's aim is to improve living conditions in emerging and developing countries through the promotion of the private sector. It provides capital to companies mulling projects there, and advises them every step of the way. Celtel is a good example for the boost development receives when someone invests in a country's infrastructure. It's as if people from all walks of life had forged a courageous pact to advance the African continent – Vitinius from DEG, Ibrahim the entrepreneur and those Africans who leapt at the opportunity provided by mobile phones. To understand the effect of this pact, all you have to do is get in a taxi in the Kenyan capital Nairobi.

Wearing a spotless white shirt, Toni Njoroge is sitting in his well-maintained Toyota estate car. Njoroge, 42, has never met Ibrahim – and yet he's made a pact with the billionaire. Njoroge vividly recalls the time before he owned a mobile phone. Back then his business mostly consisted of waiting for customers – often outside big hotels. "I worked day and night and slept in my car in between," he says. When mobile phones first became available in Kenya, he was one of the first to shell out a lot of money for one of the gadgets. "Suddenly I could make appointments, no matter where I was at the time," he says. "My income tripled as a result". Njoroge now manages six drivers whom he coordinates via mobile phone. He also uses his phone to make payments, sending credit by SMS to his drivers, who then use it to pay at petrol stations.

Traffic is moving slowly. Through the window you spot huge billboards with which companies advertise internet flat rates; on the sidewalks people are chatting on their phones; mobile phone towers adorn high-rise buildings. While mobiles are just one more way of making phone calls in industrialized countries, they have for the first time given Africans the opportunity to spontaneously arrange meetings further away than just the nearest street corner. At the time Njoroge was only able to see his family every other weekend – if he had a day off – and he drove his taxi over the bumpy dirt roads back home. But he was lucky. Most Africans do not own a car and would have to walk for two days just to exchange a few words with their wives; farmers walked to find out which market they could get the best price for their vegetables. Small-business owners had to go on foot to their suppliers because they could not order their food by phone. And they always set out not knowing whether someone would be at home.

Ibrahim's mobile phone towers have truly revolutionized the local infrastructure. While he was not the first network provider in Africa, he was the man with the grandest vision. People trusted him, as Celtel became the company with the highest growth rate of all providers on the continent. The revolution that Celtel set off turned the walking continent into a telephoning continent. Even people with just a few cents in their pockets bought a few minutes of calling time. Many families shared a telephone, recalls Njoroge, while others rented a mobile phone from a kiosk when they needed to make a call. An entire economy developed around the mobile phone. "I feel like I'm completely in the dark when the network goes down," Njoroge says as he eases his car carefully into Kawangware, a Nairobi slum.

Kawangware is considered one of the capital's most dangerous areas. Merchants offer up goods and services from garishly painted wooden huts or metal shacks that seem cobbled together. Women carry ba-

Commercial banks believed the mobile phone project to be far too risky.

Few people in Kenya *have electricity. Charging mobile phones is a booming business.*

bies on their backs, children play football; occasionally one can spot a goat wandering around. It is here, in Kenya's poorest communities, that mobile telephony has changed people's lives the most. People are using phones everywhere, while kiosks that sell mobile phone accessories or pre-paid cards alongside artificial fingernails and lipstick are on nearly every corner. Njoroge walks into a light-blue kiosk bearing the name "Reflections." Rajab Ngari Inachira is standing behind the counter, taking apart a mobile phone. Inachira, 28, is proud of his small shop. "After finishing school I couldn't find a job," he says. "There was very little work." Then a friend taught him the technological know-how, and he bought an electricity generator. Now he makes a living for his family charging mobile phones and carrying out small repairs. Ibrahim, the man on the other end of the pact, is just a phone call away. Inachira's life has turned around. "I enjoy working," says the entrepreneur. "At some point I want to go college so I can learn more about state-of-the-art machines," he says.

Mobile phones have created opportunities. They are the reason why DEG supports courageous people such as Ibrahim. And for that, it has to do more than just providing money: it also has to show courage – the courage to invest in places where local banks refuse to, for security reasons. Risk is its niche business, and Africa has always been central. Despite strong economic growth in recent years it remains by far the poorest continent. 67 percent of the world's population who survive on less than a dollar a day live here. In the last two fiscal years, DEG has provided around €500 million for investments in Africa. The development financier is mostly active in countries south of the Sahara. That is where it also made its first investment, in Dar es Salaam, the seat of the Tanzanian government.

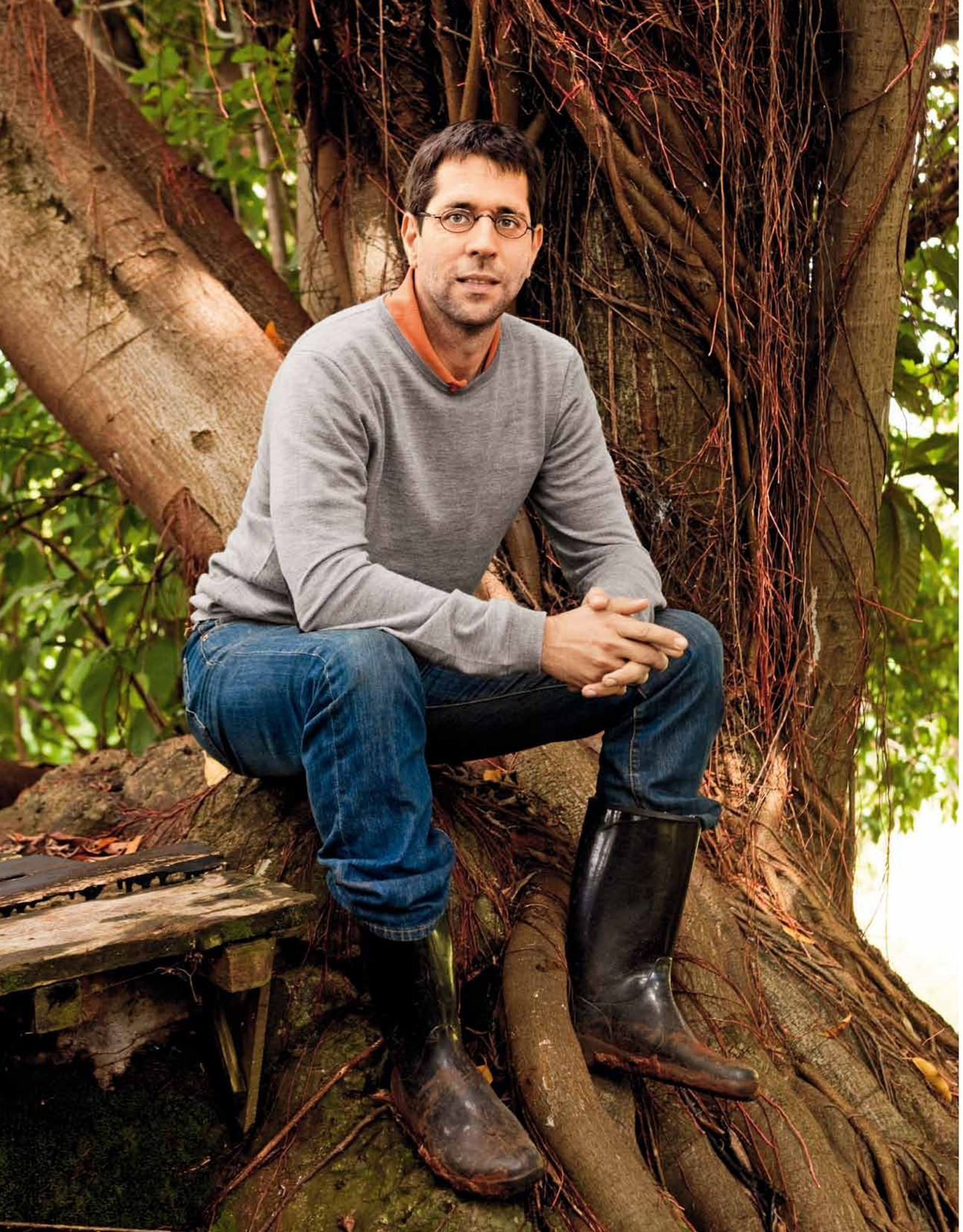
That was 50 years ago. Since then DEG has fostered the development of infrastructure, agriculture, manufacturing and the financial sector with a variety of projects. For example, it arranged all the outside financing for Africa's first geothermal energy plant south of the Sahara; it belongs to the "Cotton Made in Africa" alliance, a grouping started by the Otto retail group that invests in boosting the competitiveness of organic cotton farmers in Africa's most destitute countries; it participated in the Kenyan commercial bank I&M; DEG co-financed Namibia's first concrete manufacturing plant of German construction materials producer Schwenk; it also supports a training centre for cooks in Namibia as well. Again and again it seeks out alliances with people on the ground, whom it sees as the most important partners for a project to succeed.

Eric Kaleja heads the DEG office in Nairobi. He uses the office as a base to sound out cutting edge companies across East Africa. Six years ago the 38-year-old added a flower farm on Mount Elgon, an extinct volcano in eastern Kenya, to the DEG roster. Bob and Bea Andersen run the farm. For years, in addition to roses, they grew lilies for export to Europe, and made healthy profits. But then a virus suddenly infested the lilies and sales collapsed.

Mobile phone revolution in Africa

Aside from Celtel (now called Airtel), the company of mobile phone pioneer Mohammed Ibrahim, DEG has co-financed several mobile communication projects in Algeria, Kenya, Nigeria, Tanzania, Tunisia, Uganda and Zambia in the last decade. By 2005, it had already invested more than €80 million in this sector. Experts say Africa's mobile phone market is the fastest growing in the world. By 2008, the number of mobile phone users exceeded that in North America– 280 million versus 277 million. Celtel illustrates Africa's mobile phone success story. Between 2001 and 2005, when DEG invested in Celtel, the number of its customers rose from 100,000 to more than five million.

Entrepreneur in a Nairobi slum: *The poor connect with the world at Rajab Ngari Inachira's mobile phone shop.*



DEG man Eric Kaleja
visits the rose farm on Mount Elgon.

They needed new bulbs, and the Andersens wanted to renovate several greenhouses and expand their cultivation of roses. DEG provided them with a loan of €2 million.

Investment manager Kaleja has left his pin-stripe suit at home – he won't need it at 2,000 metres in these muddy surroundings. It's raining hard but Kaleja does not seem to mind. After donning rubber boots, he wades through the reddish mud, exclaiming, "It's great to be back." The last time he was here was four years ago when he travelled to the farm to dedicate its new hospital.

Kaleja climbs into a jeep driven by Bea Andersen. The 51-year-old Dutchwoman moved to Kenya many years ago as a member of the organization Doctors Without Borders. Now she's investing her idealism in her flower farm. She can hardly wait to show Kaleja how much progress has been made. The car bumps through deep puddles and potholes, passes greenhouses covered in white material – they seem to extend all the way to the horizon – and drives past thatched clay huts and children playing in shorts in the mud. One-storey buildings come next – these are home to a hospital, an HIV testing station, two schools and an orphanage. These buildings are thanks to Andersen. Again it seems like an alliance has been forged – an alliance between the Andersens, its employees like Jane Nassimiu, and Kaleja. Andersen parks the jeep on a huge meadow dotted with 100 reddish-brown mud huts. Each building is equipped with a fireplace, a plot of land to grow vegetables and a makeshift wooden facility with a toilet and bathroom. You could think you're in a German garden allotment – that is, if it weren't for the many African women hard at work preparing meals out of doors.

Nassimiu is sitting on a blanket outside one of the huts; her six children are nearby. Nassimiu, wearing a red hat and a colourful dress, is washing corn. She's lived on the farm half her life. The 34-year-old was the first worker here who took the decision to own her own home, making her a bit of a pioneer. She grows cabbage, corn and onions. "The project is supposed to enable our employees to own their own home, to increase their standard of linving and to have a good relationship with their neighbours," Andersen says. A house with 26 square metres of living space and a 1,000-square-metre garden costs about €2,000. The owners pay off their loans in tiny instalments. Andersen begins speaking to Nassimiu in Swahili who, smiling, quickly beckons her inside. Colourful cloths adorn the walls, on the floor a mattress and a couple of chairs. Nassimiu is clearly relieved that she's no longer living in a damp mud hut, and proudly shows off her house.

DEG supported Andersen and her housing project. The project was partially supported by the public-private partnership programme, which DEG runs in cooperation with Germany's Ministry for Economic Cooperation and Development. The same programme also funded the hospital and the orphanage.

The farm is a case study of what motivates DEG around the world. The organization is a funder of risky projects, a consultant at times of crisis and a promoter of development. DEG helped the Andersens with a long-term loan of €2 million when their business ran into difficulties. The funds benefited the entire region. Implicitly, that is the exact definition of this pact among pioneers, between the farmers, Bea and Bob Andersen, Jane Nassimiu and the German investment managers. Some 1,000 men and women from local villages, most of them unskilled labourers, have found work on the flower farm. And it is work that provides them with a relatively good income, in comparison with other local jobs – and prevents them from having to move 350 kilometres away to Nairobi to try to make a living there, where hundreds of

Evaluation criteria

Before DEG finances a project, they evaluate it according to four criteria.

Long-term return on investment:
Does the project have a solid foundation? Does it have long-term market prospects?

+

Development & sustainability:
Does the project contribute to the local economy? Does it create jobs? Additional tax revenue?

+

The role of DEG:
Not competing with local banks? Attracts third-party funding for the project?

+

Interest on equity investment:
Does the project yield an appropriate return for DEG?

Trailblazer: *Farmer Bob Andersen supplies Europe with flowers.*

Homes *for the farm workers are going up alongside the road.*

thousands of rural migrants live in slums. Kaleja has moved on to one of the giant greenhouses, where roses are growing as far as the eye can see. Bob Andersen is making his way through the plants, occasionally reaching out to touch a few leaves to see if the plants are healthy. Andersen, 45, has suffered a number of setbacks. Back in the spring of 2005, Kaleja had already taken a close look at the farm. What kind of phases did the farm go through? How is it financed? How much know-how and experience does the owner have? Kaleja also reviewed the Andersen's reputation, carried out a study of the entire market and identified potential production risks. How had the company dealt with difficulties in the past? Once the audit was completed, he then discussed possible financing opportunities with the Andersens. They had cleared the first hurdle - but the deal was far from done. DEG may be courageous but it is also extremely demanding. Such a detailed review process is what allows DEG to support very risky projects. The investment managers do not just carry out their reviews on an ad hoc basis – they use a clearly defined evaluation instrument *(see box on page 25)*.

Kaleja sent his project report to DEG headquarters in Cologne, where it landed on the desk of Roger Peltzer, project manager in the department of agricultural economy. Peltzer, 58, has worked for DEG for nearly 25 years, is an expert on agriculture in Africa and has a good sense of what constitutes a plausible business plan. His small glassed-in office – number 368 – has seen a lot of big dreams fall apart. Once he has crunched the numbers some have just appeared overly ambitious or unprofitable. "The experience of the operators and the importance of the farm for the entire region convinced me," he says. It then went to the body where DEG leadership discusses each funding request; it then makes a preliminary decision and adds comments and questions. Among those could be for example the precondition of higher margins, or that an external consultant be brought in to review environmental issues. The final step was the agriculture department, which combed through details and drew up a detailed financing model and the contract. After management approval Peltzer and Kaleja inked the deal with the rose farmers.

A two-million-euro loan is a small investment for DEG that does not promise substantial profit. But overseeing this project takes DEG just as much time as it would to review a much larger one. Furthermore, investing in agricultural projects always comes with a great deal of risk. The main problems are weather, pests and plant diseases. In this case, the deciding factor was the huge boost to development the project would offer – which is what Kaleja found attractive. The project will soon wrap up, and it's been successful. DEG is planning to sell what remains of the loan to a local bank. "Then DEG will have made a tidy little profit," says Peltzer.

Celtel, in comparison, is huge. And yet the Mount Elgon flower farm pact and the mobile phone deal are really quite similar affairs. In Celtel's case, however, the review process had to take place at lightning pace. Founder Mohammed Ibrahim was urgently in need of capital. The DEG infrastructure department, which Vitinius headed at the time, had just three weeks to review the financing top to bottom. Vitinius feels like it was just yesterday when the project was hotly debated all the way up to DEG management – and how the company's in-house financial experts had plenty of concerns. To cover an entire continent with mobile phone antennas was a plan that was one part costly, one part courageous. In the end, however, courage and confidence in their own analysis gained the upper hand. "That was lucky for us," says Vitinius, "because Celtel did not just enrich Africa but DEG as well". In 2005, DEG sold its shares and achieved a record profit. "To this day it remains DEG's most lucrative project in its history," Vitinius says, his eyes flashing.

Whether it is mobile phone pioneer Celtel or the trailblazing flower farmers – Africa needs many more such pacts if its problems are to be mastered. DEG has been helping realize such deals for half a century. The alliances depend on people on the ground, entrepreneurs and investors. If they join forces, their pact will enable the most courageous effort ever: development. □

"WE DID NOT LACK COURAGE"

Former German president Walter Scheel talks about the birth of cooperative development work, small and medium-sized German companies in Africa, and the founding of DEG 50 years ago.

Interview: KATJA KASTEN & JAKOB VICARI

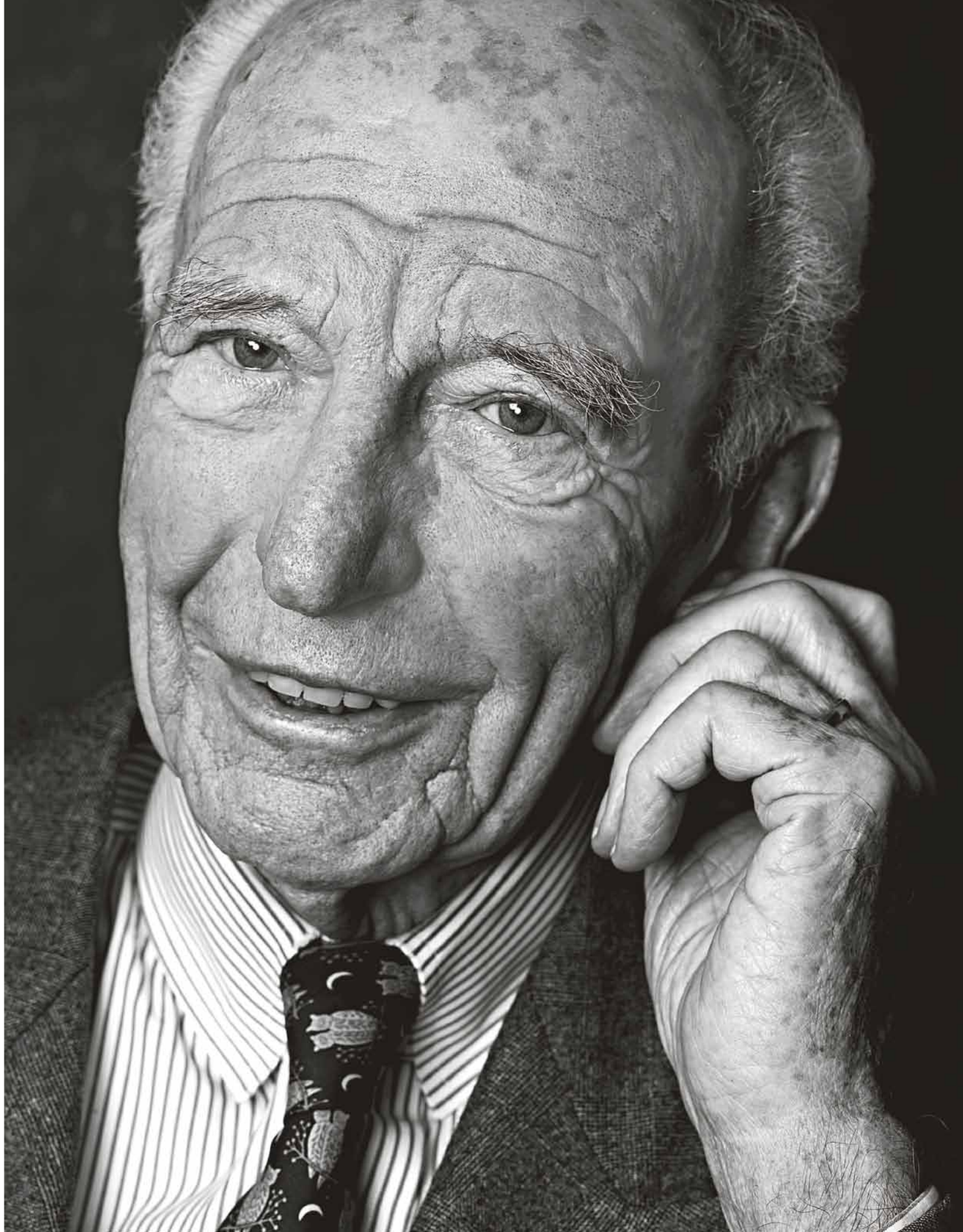


Photo *Wilhelm W. Reinke / Ullstein Bild*

Walter Scheel became Germany's first development minister in 1961. Working with the then state premier of Schleswig-Holstein, Kai-Uwe von Hassel, he developed the "Deutsche Gesellschaft für wirtschaftliche Zusammenarbeit" (German Society for Economic Cooperation), what we now know as DEG. It was founded on September 14, 1962 in Cologne.

Mr. President, how did the idea come about for you and Mr. von Hassel to found DEG 50 years ago?
We experienced firsthand the need for an international development organization for small German companies. Both Mr. von Hassel and I had been involved in development policy since the 1950s. His focus was on the African continent. I ran two companies at the time that also worked in the international arena. Neither of us was a career politician yet. We got along very well. It was clear to both of us that – after the founding of the development ministry – there was a need for an organization to implement the policies.

What role did DEG play in the framing of German development aid?
There's no doubt that DEG was an important component. We needed a small, well functioning association to help pave the way in third-world countries, especially for small and medium sized businesses. At the time, we could not predict – as has now become clear 50 years later – how much the developing countries would also benefit. I always took the stance that we should not help people with charity, but rather by working with them on an economic basis. Alms do not achieve anything. That's why I was so pleased with the initial name of my organization – Ministry for Economic Cooperation. That doesn't mean that Germany can't help.

"I always believed that we should not help people with charity, but rather by working with them"

DEG stands for a business approach. That's a form of development work that you have supported for decades. Why does loaning money make more sense than donating it?
I am convinced with every fibre of my reason that economic cooperation and educational cooperation are the solution to improving the prospects for developing countries, and that gifts will achieve nothing. Donations simply make people inert.

What kind of hurdles did you face in convincing businesses to invest in the developing countries?
The hurdles were more in the details than in the companies' willingness. Our German mid-sized businesses are so flexible and strong that it did not require much persuading from our side. What was more difficult was local implementation. We had no previous experience, but we did not lack courage. DEG distinguished itself with its precision work, as opposed to creating a lot of commotion.

Was there a conscious strategy behind that?
Definitely. A mid-sized German company, in particular, does not need some overblown public relations storm; it needs discreet, specific undertakings. That was one of the things, maybe precisely the thing that made DEG so valuable.

What kind of support were German companies looking for in their work in the developing countries?
One important thing for all of them was initiating contacts. And, of course, financing. The classic small or mid-sized company naturally required more help than large companies like Thyssen or Volkswagen. Cooperation between development projects and those small companies was exactly what was needed. In my opinion, that remains true today. It is my conviction that the right path is not one huge showpiece project, but rather many long-term projects that produce mutual benefits. DEG is the classic instrument for realizing international business partnerships.

Why did DEG concentrate on Africa in the beginning?
That was due to us, the two founders. Mr. von Hassel had ties to the continent through the Africa Society. And as the chairman of the development policy subcommittee of the European Parliament, I had experienced the efforts when African states garnered independence from their colonial countries. Both of us had travelled all over Africa and gathered a wealth of experience that we brought to the work of DEG. But it was also clear to us that, in the long term, the work would expand beyond Africa.

At that time, the cold war cast its shadow over everything. What role did that play when you were setting up DEG?
For me and my party, the FDP, the conflict between east and west in the 1950s and 1960s was predominant. Of course we differentiated between the communist countries and the western world. But I always kept sight of the fact that we wanted to help people who were suffering from deprivation, not to engage in politics. That makes me think of Julius Nyerere, who is considered even today the founder of Tanzania. During my time as a development politician I met him often and we valued and liked each other greatly. Nyerere embodied African socialism. But when we talked about the different projects, it was not about a market economy or political science; it was about the people in East Africa. It was an excellent collaboration.

The Founding Fathers of DEG

Two men with one vision: Walter Scheel was born in 1919. After secondary school, he trained in banking at the Volksbank. From 1945 to 1961, he was the managing director of a series of companies and associations. A member of the Free Democratic Party (FDP), Scheel entered professional politics in 1961, when Chancellor Konrad Adenauer appointed him the first German minister for economic cooperation. He had barely taken up the post when he began moving forward with the founding of DEG. He met the premier of the German state of Schleswig-Holstein, Kai-Uwe von Hassel. The two men wanted to end the exploitation of developing countries. Von Hassel, a member of the Christian Democratic Union (CDU), was born in 1913 in what is today Tanzania. In 1961, he had written a paper outlining the concept for a German development society. Von Hassel served as the first chairman of DEG's supervisory board, before taking up the office of defence minister in 1963. He died in 1997. After retiring from the office of German president, Scheel continued with DEG, serving as chairman of the supervisory board until 1998. The Walter Scheel Prize for commitment to cooperative development was awarded for the first time in 2011.

Proud founding fathers: *Walter Scheel (left) in discussion with Kai-Uwe von Hassel, in 1972 at celebrations marking the tenth anniversary of the founding of DEG.*

Was there a moment when you realised that you were altogether on the right path with DEG?
I couldn't tell you anymore when the exact point was. In essence, I was convinced of the success of the development society from the very beginning. It's very interesting when you experience an association being founded, as I did, and then see how your "offspring" develops. After a successful start-up, at some point, people start talking about it as it were an obvious success story. That can happen very quickly, as it did when I founded my private company, the financial services company Interfinanz. Or it can take a few years.

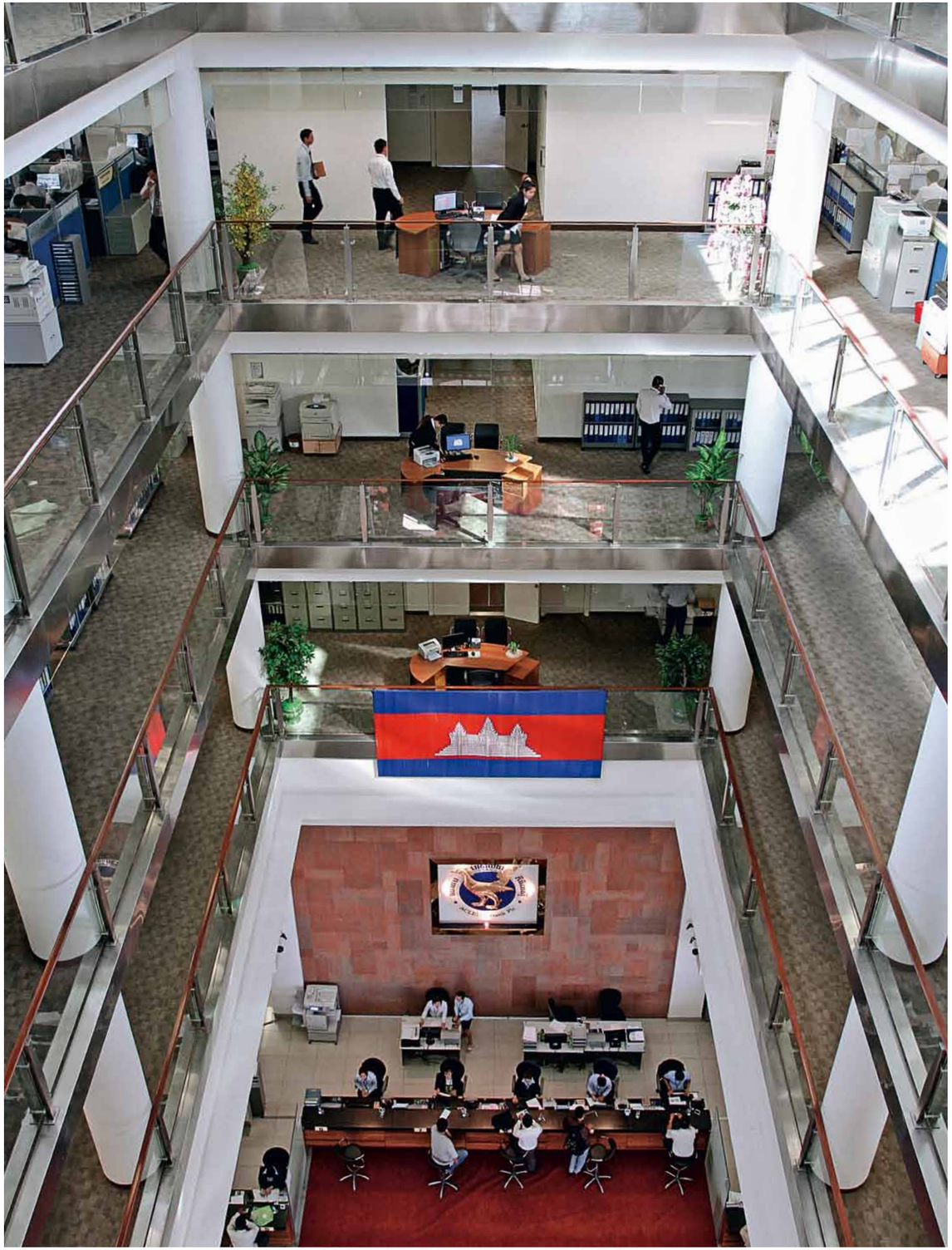
How did your experiences with DEG affect your later term as German president?
I don't want to attach too much importance to that. Of course, having been development minister, I entered the presidency with more knowledge. As president, I was always sure that after I left office, I would become even more involved in development work. On the one hand, that included founding the German section of Plan International. But it also included my years as chairman of the supervisory board of DEG.

What aspects do you think are particularly important to development work in the current day and age?
The key to everything in development policy is a modern educational system. Rural populations above all present a big challenge for the international community in that respect. However, DEG is not involved in that sector. I see DEG's best prospects in the continued advancement of cooperation with German businesses.

"I would like DEG to continue to lead the way in modern cooperative development work."

Looking ahead, where will DEG be 50 years from now?
It's very different today than it was 50 years ago. But I have a wish. I wish for cooperative development work between equal partners. I would like DEG to take on the right role. □

Photo *DEG*



The principle *of transparency – walls are a rarity in the headquarters of Acleda Bank.*

THE MIRACLE OF PHNOM PENH

Twenty years ago Cambodian refugees returning home founded a small aid organization. Acleda is now the country‘s largest commercial bank. A lesson from Southeast Asia.

Text: JAKOB VICARI **Photo:** SOVAN PHILONG/ASIA MOTION

Bank CEO In Channy has the groove. He used pop songs to sell Cambodia‘s biggest bank to the people. Many Cambodians opened their first checking account dancing to that music.
“Hey, I‘m happy, so happy honey, happy about the bank machine. Acleda‘s new service helps the housewife, helps me track my expenses and income”.

Those lyrics seem too lightweight for the brand new bank head and his challenging responsibility – explaining to Cambodian villagers how a metal box can spit out money when you slide in a card. But also to start up a well-run bank in a wholly impoverished and corrupt Cambodia – a country shattered by years of conflict and civil war. Around the world, a bank forms

In Channy *was a teacher in a refugee camp. After he came back he used international support to found Acleda Bank.*

the heart of the local economy. In 1993, the country even lacked a functioning currency. During their reign of terror, the Khmer Rouge outlawed money and blew up the central bank. Channy set out to change that. The pop song paved the way to Acleda's fabulous success story in this long forgotten corner of the world.

On a recent morning on Monivong Boulevard, motorcycles, tuk-tuks and SUVs are slogging their way through the traffic chaos that chokes Cambodia's capital Phnom Penh. Rules are largely absent in this sea of multihued metal – but most of all nobody seems to be in charge. Drivers liberally lay on their horns and are none too worried about getting their fenders dented. It is quite a different story inside the five-storey glass building that is Acleda Bank headquarters. Rules are extremely important here. Outside the bank men keep watch, occasionally parting the sea of metal to let through customers' cars.

"This country was nothing but chaos. We wanted to create an orderly, values-driven organization," says Channy as we arrive in his office on the fifth floor. Channy, 52, is a short and stocky man. But he does not radiate the power of money – trust is what springs to mind. And trust is a more valuable currency in a country where you can get any official stamp with a bribe of a few dollars.

How did Channy, a former teacher, manage to build Cambodia's biggest bank out of nothing? The song about the cash machine pretty much explains Acleda Bank's recipe of success. He took his bank to the people. And he made them desire its services. He hired the country's most famous pop star to sing the song. And he distributed the tune for free to play on Cambodia's long distance buses and in village discos. Everyone should get to know Acleda; each resident in every small town was supposed to want a branch in their city. The music was great, people started dancing and Acleda's message became a hit. Coca-Cola would probably have acted similarly – a company that also carries its message to the remotest areas of the world. Channy quickly recognized the effect of capital against poverty, and how entrepreneurship could stabilize the shattered country. When Channy speaks he talks about people and their values – not about products and profit. "If only a small group of people shared our values, then we would surely lose them," he says.

Channy feels like he has been to hell and back. As a teenager he was forced to work at gunpoint in the notorious Killing Fields, where the Khmer Rouge committed genocide against their own people. At age 18 he fled and spent the next 17 years holed up in a series of refugee camps along the Thai border. His last shelter was Site II, a treeless wasteland – home for several decades to as many as 180,000 people who had escaped the repressive regime. In 1993, the UN finally dispatched peacekeeping troops to the country, giving Channy the opportunity to return home and found the bank. He wanted to provide loans to former refugees, discharged soldiers and war widows – seed money that would put them on the road to self-reliance.

The village of Thlarng is an hour's drive from the capital. Shorn Shidern, who makes pans, is firing up the clay oven in front of his home. Inside the oven aluminium is being melted. His wife, Eam Srey Neang, uses her hands to shape sand into a dome-shaped mound. The dome, with the approximate diameter of a bicycle tyre, is the mould for one of the large frying pans the couple produces. The couple are the company's only employees. Once the aluminium has melted they will pull the mould apart. Then they'll make a small slit into which they will pour the aluminium.

Eam Sray Neang says that they can make 10 pans a day – each pan takes an hour and a half. The wholesaler pays them 20 dollars apiece. The line of work provides a living for her and her family. Once they bought food and were left without money to buy the material for the pans, she says. That is when they discovered the importance of seed money. A year ago they took out a loan of 900 dollars to buy more material. That means they have enough to make pans until the next rice harvest.

The bank branch *connected the city of Prek Phnao to the world. Money from relatives living abroad arrives at the yellow counter.*

Acleda has 234 branches around the country – 200 more than its biggest competitor. Each branch allowed Channy to connect one more village to the modern economy. Eam Sray Neang says the bank in the nearby town guarantees her business can thrive beyond her hometown.

Acleda got its start as a small relief organization before recognizing that Cambodians needed more than just microcredits. People wanted to put their savings in a secure place, to send money to relatives and borrow money to buy things. "The people needed a real bank," says Channy.

Acleda's founding meeting one January day in 1993 got off on the wrong foot. Twenty-eight courageous people came together to take the next step – handing out microcredits in a country that had long lacked a currency, which had neither banking laws or financial legislation. The International Labour Organization (ILO) provided him with $630,000 in funds. And they dispatched some of their top experts to help out.

Now they sat in silence in a conference room. Silence during the Pol Pot regime guaranteed your survival. But talk was what was needed. "If you don't speak then we'll use a pig as our logo," Channy told them. "A picture of a pig will advertise our brand name and be displayed on our letterhead." That so outraged people that it spurred a passionate debate – the first in the bank's history. They argued and talked until nearly midnight.

Channy tells this story in his office on the Boulevard, gesticulating with his hands as if he was starting Acleda all over again. He walks over to the little safe in the corner where a kettle is standing, and heats up some water to make a cup of tea. In the end, the golden hong bird became their logo. "In our tradition, this bird saves people from drowning," says Channy. Discussions are a part of the company culture to this day. "It can be slow going but it ensures that everyone is ready to take the big steps together", he adds.

They bought food once and then there was too little to buy new materials.

As Acleda continued to evolve into a bank, 12 years ago four international investors acquired half of Acleda's shares: the World Bank's International Finance Corporation (IFC), the Dutch development organization FMO, sustainable bank Triodos which specializes in microfinancing, and DEG. "We didn't invest a large amount," says Jutta Wagenseil. "The big step was going into Cambodia." Wagenseil joined Acleda's Supervisory Board as a representative

Workers *in Lor Srun Nguon's print shop box up school notebooks which will only be sold months later – but they were bought with Acleda´s support.*

Employees *are learning how to become customer service agents in the bank's training centre. Many started their careers here as temporary workers.*

of DEG in 2001. One number illustrates the bank's exponential growth. Its assets grew from $22 million in the year 2000 to $1.2 billion a decade later. "I feel privileged to have experienced the bank as it grew – and for 10 years I helped shape its development," she explains. DEG's participation in Acleda is fairly typical. Its mandate includes strengthening the financial sector around the world. Jutta Wagenseil: "A functioning banking system that is open to all is an important condition for economic development".

"The investors contributed more than just money, they mostly offered their expertise," says Channy. As a teacher, he taught business administration – but he knew nothing about the business of making loans. At five in the evening, the CEO of the growing microfinance institution went to night school, to earn his Master in Business Administration. "If I were to start over again, Acleda would have been a bank from the beginning," says Channy, "but that seemed impossible at the time".

"Acleda Bank turned a profit from the get-go," notes Wagenseil. Acleda received a top grade of one under the DEG's strict Corporate-Policy Project Rating, which assesses all projects. One – that's a good investment benefiting the country. The bank provides university graduates with good jobs, and reaches out to the country's poorest with its branches. Half of Acleda's customers are farmers. The bank made their life a good bit easier by protecting them against failed harvests and accidents. And an increasing number of companies are turning into small- and medium-sized firms. "We grew along with our customers," says Channy.

Printing press owner Lor Srun Nguon is one of these new small-business owners. Nothing outside suggests a busy company – but his press employs 50 people. He used loans from Acleda to grow his company over the last decade. In one corner of his tiny office stands a box with German bookbinding tape. "You can't find better tape anywhere," Nguon says. He does his business in school notebooks and notepads. He picks up one of the notebooks. "This is the most comfortable notebook you have ever run into. You will feel like with it all the time," is written in English on the cover. Nguon imports ink and paper from Indonesia. While he produces notebooks yearround, he does most of his business twice a year, at the start of the school semesters. "I took out loans to bridge the time until then".

Acleda really just pursued the classic banking business model that dates back centuries. Collecting savings, issuing loans and turning a profit with their repayment. The bank keeps it hands off of speculative businesses such as options trading and similar affairs – the bread and butter of many financial institutions.

The rise of Acleda Bank

Acleda Bank was founded as an NGO in 1993. During this time it received loans from KfW banking group. In 2000, Acleda founded its own microcredit division, which was backed in part by the DEG. It became a full-service bank in 2003. Acleda now has 234 branches and 7,000 employees. The bank administers 265,000 loans and 785,000 accounts. Its main focus is credits for micro-, small- and medium-sized business owners. It recently introduced tele-banking. In 2010, it held assets of 1.2 billion dollars.

"We practice banking just like 200 years ago," says John Brinsden, the deputy chair of the Supervisory Board. Brinsden, a native New Zealander, worked for 40 years across Asia for the private bank Standard Chartered. After his retirement he joined Acleda. "My former colleagues just laughed when they heard that I'm now handing out 20 dollar loans," he remembers. "I told them: try turning a profit the way we do first".

Channy, the teacher from the refugee camp, has financed any number of dreams – and along the way seen his own dream come true. Acleda has been a successful and a worthwhile investment. DEG sold back its shares last spring with a profit. But that does not mean it has pulled out altogether. The company has issued long-term credits to Acleda to guarantee its future development. The bank aims to grow into a regional bank – and to this end opened its first branches in neighbouring Laos four years ago.

"Acleda Bank made a profit from the very first minute."

Acleda's next adventure is just around the corner: The stock exchange. Three state-owned companies were the first to be listed on the stock exchange this year. The computer system has already been installed. So the bankers can learn about trading shares, bank employees are "trading" the bank's own shares among each other. The courage of the 28 women and men who founded the bank nearly two decades ago with the aim of improving their country can still be felt in the company's culture today. Acleda goes beyond its own employees in its in-house training centre – it also welcomes bankers from around the world for courses financed in part by KfW bank.

Acleda has also just issued its eighth recording of pop songs. The fairy tale of the bank with the golden bird continues – one rhythmic step after another. □

Visionary on Shaky Ground

DEG manager Manuela Marques on the special investment risks in developing countries – and how to overcome them.

Interview: MISCHA TÄUBNER **Photo:** SELINA PFRÜNER

Manuela Marques, *52, has been with DEG since 2001. Since March 2011, she's headed the department that advises and finances German companies that are planning on investing in developing countries.*

Mrs. Marques, DEG finances companies in so-called high-risk countries. What dangers lurk there?
In the countries where we are involved, you have to for example expect extreme weather such as drought, which creates major problems for the agricultural sector. In addition, there are always political crises hampering economic life. Conditions are simply less stable than in industrial countries. A shrimp dealer we sponsor in Madagascar was suddenly faced with unexpectedly high transportation costs. Why? Because the large freighters that travelled between Asia and Europe no longer stopped at the island. Obstacles like that are impossible to predict.

DEG is based in Cologne, far from the developing and emerging countries in which you invest. How do you pick up on difficulties that arise in these distant places?
Well, we are not glued to our desks shuffling papers. As an investment manager I visited two continents, supporting projects in Latin America as well as in Africa. It was my job to see how our partners were doing, to check whether those who received a loan from us could repay it in instalments and on schedule or if we should introduce supportive measures. You have to work closely with a project in order to really notice all the ups and downs.

In what ways can DEG intervene if a project isn't going as planned?
We're not only financing but also consulting. We help our partners test new markets, for example by providing funding for market analyses. And we advise them on establishing a sustainable financial structure. These kinds of preventive measures make our partners less susceptible to crises. We've also set up a kind of in-house task force that comes to the aid of projects that have run into difficulties. The task force consists of experts who specialize in specific countries, types of business, fields of law and financial products. They discuss how the firm in question can best be helped. Does it need an injection of additional funds? Or simply expert advice? Should the loan repayments be temporarily suspended? Or would restructuring the loan suffice? Some problems we can help solve through our reputation alone – for example if a local bank denies a new credit line to a project company, or if a public authority delays issuing a licence. Just mentioning the partnership with DEG can work wonders.

Every project is put to the test before DEG makes a decision to finance. Hardly any financer is as stringent with testing as DEG. So how can there be any problems?
Because problems often arise where it´s least expected. Take a cardboard factory in Brazil, which we supported with a major loan. It's a great company that created several hundred jobs in the middle of nowhere. But then it ran into problems. The cardboard manufacturer wanted to control the construction of his new factory himself, and we agreed to this. That was a mistake. At some point I heard that the system was not functioning properly. So we went out to the site and also had a meeting with the German subcontractor. I learned that he normally builds much larger facilities than what was needed in Brazil. He had scaled things down just for this project – so what was delivered to Brazil was an unfinished prototype. It would have been very expensive to send German engineers to take care of the problem. Neither the firm nor the subcontractor wanted to pay for this. The project was at serious risk of failing. In these difficult circumstances, we did the only thing we could do: We hired an impartial advisor to investigate the cause of the problem and find a solution. After months of delay, production finally began. The firm is still operating today.

What has DEG learned from this case?
That you must have a turnkey contract when building complex manufacturing facilities. And that means we have to find a general contractor who takes responsibility for construction and who hands over the factory in the end, ready for use. These kinds of experiences are worth a lot. DEG has invested in developing and emerging countries for 50 years now. And in that time it has accumulated a wealth of knowledge.

Corruption is one of the biggest problems in many countries. What makes corruption so dangerous for investors and how does DEG deal with this problem?
Corruption is like a time bomb. Let's say the operator of a power plant gets a licence for a period of time. They negotiate with governmental authorities for a fixed electricity rate and influenced politicians to get a higher price. If a new government comes to power whose leaders don't want to pay so much for electricity, disaster strikes, for the power plant operator and also for us, his financers. That's why precautions are urgently needed. In this kind of case, a far-sighted investor like DEG checks whether local electricity rates compare to those in neighbouring countries. I've seen it happen time and again. If the numbers we require from a company seem too perfect, that should set off alarm bells. □

TWO CRAZY DREAMERS, ONE FANTASY

German entrepreneur Ulrich Walter dreamt of green spices. Egyptian Helmy Abouleish had a vision of a green desert. They met 27 years ago – the story of a partnership.

Text: KATJA KASTEN Photo: MYRIAM ABDELAZIZ

The organic farmer *and the spice dealer: Helmy Abouleish (left) and Ulrich Walter became friends over tea and spices.*

On a recent Saturday, Ulrich Walter is leaving the northern German town of Diepholz, destination desert. There his friend Helmy is hard at work on their joint dream. The sporty 62-year-old from Lower Saxony closes the door of the yellow house – energy efficient, of course – with a view of the marshes, the headquarters of his company Lebensbaum, or Tree of Life. Inside a machine is filling tea bag after tea bag with chamomile, fennel, mint and other herbal teas – spitting out 140 bags a minute. Walter is on his way to Bremen airport to catch a flight to Egypt. There he's got a meeting with the Abouleish family, one of Lebensbaum's biggest suppliers of organic tea and spices. Tugging a silver suitcase, he leaves the sleepy town of Diepholz and takes off into the world, headed for the noisy Egyptian capital.

The air there is choked with dust. Security is tight at Cairo airport – it feels a bit like war. One of Walter's suitcases hasn't arrived but he seems unconcerned. His mind focuses on only one thing: Sekem.

This is the tale of one powerful idea and a few courageous men who have realized their dream – and how DEG helped make it come true. The company supported the farmers Ibrahim and Helmy Abouleish with their crazy plan to grow organic spices and tea in the middle of the desert. And it also helped Ulrich Walter, the owner of a small organic foods company, inch closer to his own dream - though DEG had no inkling at the time. Walter is not going to let a revolution and its aftereffects stop him.

Cairo airport and the Abouleish farm lie just 60 kilometres apart, but it seems like a trip to another world. The driver honks frequently as he bumps through the capital's early evening traffic jams. After a while the noise dies down, it even seems a bit too quiet. The desert road stretches endlessly into the distance. Rusted car wrecks covered in sand dot the landscape. Suddenly the driver rounds a curve. A few more kilometres on a clay road and we pass a bright red and yellow symbol painted onto a white wall – the Sekem logo. Blooming fields and verdant trees everywhere, while song birds twitter away. The car comes to a stop in front of the guesthouse where two men wait outside. Fifty-year-old Helmy Abouleish is one of them. He studied Waldorf education in Germany. His 75-year-old father Ibrahim is the founder of Sekem and the 2003 winner of the Right Livelihood Award, or alternative Nobel Prize. Walter gets out of the car and heartily greets the men who escort him to the dining room of the new hotel. Along the way, they pass a number of buildings with whitewashed walls. One is home to a group of Germans who left their native country several years ago to help start up Sekem. A eurhythmics teacher, an engineer, an artist, a farmer from Germany's Allgäu region – all of them are living their dream of an oasis of good health and education in a developing country.

> Abouleish has not just created 2,000 jobs – he's founded an oasis of education in the desert.

Sekem roughly means the vitality of the sun. What began 30 years ago in a 70-hectare rocky plot of land in the desert has, with DEG's help, slowly grown into Egypt's largest organic company. Ibrahim and Helmy have built up a firm that supplies the basic materials for teas, food, textiles and medicines. Its profits are largely ploughed back into the training of its employees, and into improving their living conditions. The Abouleishs have created 2,000 jobs – but they haven't stopped there. Some 650 children are enrolled in Sekem's school; the company operates a job training centre for young people and a hospital that provides healthcare to employees and residents of nearby villages. A university that will teach sustainable development is currently in planning.

The mezze on the table in the sunny dining room smell fabulous. In particular, mint sprinkled on fried courgettes, coriander and lime juice mixed into baba ghannouj, the delicious aubergine cream with tahini. The spices are what brought the men together here – Walter, a German who trades in organic products, Egyptian entrepreneur Ibrahim and his son Helmy.

Seated at the table, the business partners tell the story of their first steps, nearly three decades ago. They toast their reunion with agave cactus juice. Against everyone's advice, Ibrahim bought the plot of land northeast of Cairo – a desolate piece of land with nary a blade of grass growing on it. This is where Ibrahim, who studied chemistry and medicine in the Austrian city of Graz, planned to create a green desert – Sekem, a company modelled on the anthroposophist teaching philosophy of Rudolf Steiner. "I dreamt of an oasis, a place where people from all countries and cultures could come to live and work together in a holistic manner," he says.

The first years were tough going. Abouleish planted trees and built houses.

Harvesting *tea is hard work. Workers pick the ripe fruits of the hibiscus bush, carefully avoiding the thorns.*

One of the biggest challenges was irrigation. He solved the problem by drilling two wells and building an underground irrigation system. The lack of a direct road from Cairo to the farm meant logistics issues: transportation was slow and difficult. Abouleish bought a tractor and at least developed the streets on his land. When after two years the family was finally connected to the grid, they celebrated by slaughtering a cow and gathering for a festive meal.

Abouleish planned to grow plants and later sell them for use in medicine. He got started by extracting ammoidin, the active ingredient in a wild plant that grows in the desert and was thought to be effective in treating skin pigmentation problems. When that failed, he moved onto herbal tea blends that were both tasty and effective remedies for some medical ailments. He planted chamomile, peppermint and mullein, registered the recipes for the blends with the health ministry, and paid visits to doctors and pharmacies to convince them to prescribe his teas. Abouleish was determined to farm organically – an exception in a country where farmers welcomed pesticides with open arms since they killed bugs and other pests. Abouleish relentlessly beat the drum for his approach. That was then – now many Egyptian farmers have switched to certified organic methods.

Once Sekem was on the road to success, Ibrahim turned over day-to-day management to his son Helmy in 1984. He wanted to expand, but local banks had their doubts about viability. “First the farmers thought we were crazy, then the banks,” says Helmy. When financing was on the brink of collapse, he found out about DEG, which was promoting development projects in Egypt at the time.

Chamomile *destined for Diepholz. Several workers aerating the soil on the Sekem fields. Herbs ready for shipping bagged up in jute sacks (below).*

"Only DEG understood us immediately," he says. But the DEG had one condition at the time: it only funded German customers who hoped to start up projects in developing nations. Enter pharmaceuticals maker Roland Schaette, who distributed herbal remedies in Germany. Schaette was prepared to enter into a joint venture. In 1986, DEG and the German and Egyptian partners founded ATOS, which to this day continues to produce drugs and teas on a natural and biological basis. That was the beginning of a long partnership between Sekem and DEG – over many years the bank has provided €18 million in capital to the company in the form of long-term loans.

It has gotten late when Walter leaves the dining room, wishing everyone a good night. He falls onto the hard mattress in the Sekem guesthouse. Each time he is in Egypt, Walter recognizes the value of his partnership with the company. The following morning over breakfast, Walter tells his story – how the former shipping agent and teacher opened a small organic store in Diepholz. That was back in 1977, and he was extremely upset that he could not offer his customers any organic tea or spices. He started to hunt around, contacting wholesalers and organic associations. His business grew. In 1984 a wholesaler in southern Germany told him about an Egyptian firm that produced organic spices and teas – Sekem. That sparked his interest, especially once he found out that Demeter International, the renowned biodynamic association, had certified Sekem. He wrote to the Abouleish family. When they failed to respond he booked a ticket to Cairo, took a hotel room there and drove out to the farm. That was 27 years ago. The owner of a small organic store has since become Germany's largest organic spice and tea producer with annual sales of roughly €30 million. Since then Walter has frequently returned to the Egyptian desert, where the Abouleish family continues to pursue their dream.

After breakfast he strolls through the fields where Egyptian workers grow the chamomile, hibiscus and peppermint for Lebensbaum tea and herbs. Walter and Helmy Abouleish take us back to their first meeting when they mulled over potential crops and experimental fields, and how Abouleish first had to experiment with what he could grow there. They grew seeds in order to study the climate. And more than a thing or two went wrong – when for example the fennel failed to thrive. "This was just the beginning for us," says Walter. "We were pretty ignorant about a lot of things". When Helmy Abouleish travelled to Diepholz he slept on the Walter's couch. And when Walter flew to Egypt he ate dinner with the Abouleish family. "We were passionate about growing organic spices. That brings you closer together," Abouleish says.

Both men learned from each other as the companies grew. Over the years they constantly improved their standards. The first spices and teas were still bagged in jute sacks and taken by truck and ship to Diepholz, where Walter himself unpacked them. But the two businessmen soon switched gears – using containers which were loaded on site at Sekem before going by ship via Alexandria, Rotterdam and Bremerhaven to Diepholz. They required the Egyptian workers to process the spices in such a way so that Walter could pack and sell them as easily as possible in Germany. That required Abouleish to buy machines to process the goods. The goal was to leave the maximum added value in Egypt. They learned about microbiology, residue analysis and purity – and that German labs were better at testing for pollutants than the Egyptian ones, since facilities in Egypt had lower standards. Sekem, for its part, convinced an increasing number of farmers to make the switch to sustainable agriculture and work with his company, which guaranteed the farmers set prices and contracts. A beneficial arrangement for Lebensbaum, as well, since Walter felt he could rely more heavily on his Egyptian partner. "It was now possible to plan on larger quantities. That made us both more independent," says Walter.

Lebensbaum is an essential partner in Germany for Sekem – it bought 400 tons of raw materials last year alone. Such quantities provide security to the Egyptian firm – and that is particularly important in times of crisis. When prices for tea and spices plummeted by 40 per cent during the revolution, Walter stepped in to help his friend. He paid outstanding bills and contributed to the company's social welfare projects. DEG also helped out Sekem when several local banks withdrew from their financing commitments, providing a further €5 million. Walter believes a real partnership is one where each partner experiences bad times together as well. He muses, "That's what I understand sustainability to be". And he is cognizant of the fact that Sekem keeps the tea-bag machine humming. Sometimes people at German mid-sized companies ask him what it's like to work with firms in developing nations. He always has just one answer at the ready. "You have to be willing to get to know the people and the country, to understand what makes them tick. But I'm particularly happy if that relationship also leads to a friendship". □

A Fighting Soul in a Suit

For the last 24 years, DEG manager Klaus Hülsewig has thrown his weight behind projects that do not fit the usual mould.

Text: KATJA KASTEN **Photo:** SELINA PFRÜNER

"Klaus, we have a problem!" Klaus Hülsewig is in his element when emails like that land in his inbox. He springs into action. Even when the project has already left his desk, handed on to another department in the organization. "If I've developed a relationship to a project, then it goes without saying that I'm available for questions, even years later," he says.

Hülsewig evaluates agriculture projects before they're financed, first on paper, then on site. Finally, he draws up the contracts. He notes, "I also take on the not entirely easy projects with a certain enthusiasm". In fact, the 60-year old did just that a few days ago, when he left his office on the spur of the moment, still dressed in a suit, and boarded a plane for South Africa. A project that had landed on his desk was missing some of the information he needed to analyse its viability. A company that DEG is already financing was hoping for additional credit in order to expand. So Hülsewig flew to South Africa. He did more than just listen to a report from the small company; he took a close look at the project himself. He then met the company's owners for dinner and asked his questions. He wanted to understand how they work, what they are planning and how they hope to implement their new plans. His methods initially make some people uncomfortable, but they often lead to success. At the end of the evening, Hülsewig's dinner companions said he was the first who had ever asked in detail about what they were planning.

Once back in Cologne, he shared his impressions, calling it "a good project for DEG". One hundred scientists are working on the project, which involves sustainable agriculture in South Africa. Using technical know-how, soil analysis and an exact determination of fertiliser dosages, yields can be increased enormously. The scientific findings are already being put into practice, although final results are not yet in. It's a typical DEG project, but one that Hülsewig is fighting for. It's a project about which he can later say with pride, "we're financing that".

Hülsewig calls himself an old DEG hand. He began at DEG in 1988. It was a period of change for the company. While DEG had previously concentrated on German companies that wanted to invest abroad, it was now opening its doors and coffers to local companies in developing countries, who could now finance their ventures through DEG. The development financing company was putting increasing emphasis on providing credit. That was something Hülsewig had learned from the ground up. After vocational training in banking, he took a degree in business administration and trained at a bank in New York. Having worked for some very large banks, including WestLB, Norddeutsche Landesbank and SEB, he began to wonder at some point what it all meant. He says, "I wanted to look in the mirror in the evening and be able to say: what you do means something".

Nonetheless, his first project was not an overwhelming success. DEG had teamed up with Degussa and Metallgesellschaft to form an investor group in Papua New Guinea. They were joined by the Australian mining concern BHP, a Texan energy conglomerate and the Papuan state. Ok Tedi was a strip-mining operation for gold and copper in the middle of the rainforest. The project was worth billions and very important to DEG. After the first oil crisis, securing the raw materials was a primary goal. DEG even increased its own capital in order to make the project financing possible. But Hülsewig could sense opposition.

Despite two environmental impact studies comprising more than 20 volumes, DEG was deluged with protest postcards. The DEG management at the time decided to pull out of the project. "We'd never touch a project like that again," Hülsewig says. But the experience still had a positive aspect for him, because he learned a lot about cooperative development work, as well as the limits of DEG. The idealist learned pragmatism and came to the realization that "I always have to involve the people who are directly impacted in the decisions".

His colleagues value him precisely because of that clarity and courage. Within DEG, he is seen as somebody who fights for projects, even if they're small and hold little promise of big profits. One example was investment financing for the Wagagai flower farm in Uganda, which DEG had rejected internally as too risky. Hülsewig dug in his heels. He was convinced of the potential of the Dutch-German flower farm. As he put it, "many people in-house saw nothing but the high risk of the project. I saw the strong development and social welfare effects."

Hülsewig travelled to Uganda for a week. He once again trusted his own personal impressions. The Dutch company employed 800 people, predominantly women. It produced geraniums and poinsettias for the German company Selecta Klemm. The workers get relatively high wages compared to the national average, low-interest loans to buy bicycles and access to free medical care. Hülsewig managed to persuade the credit experts at DEG of its merits and DEG then helped finance the construction of a hospital with a maternity ward, which also served patients from the surrounding provinces. The fight against HIV and malaria is of particular importance in Africa. What had been a high-risk project became a success. Wagagai paid back the €3.5 million loan before the due date. "And the best thing about it," says Hülsewig, "is that they now want to expand again". □

Klaus Hülsewig, *60, is a project manager for agriculture, forestry and foodstuffs. Before coming to DEG in 1988, he studied business administration in Germany and the U.S. and worked for a number of large banks.*

THE GREEN CRATER

Mining is a dirty business. But that does not stop DEG from financing a mine operator in Brazil. With a good conscience.

Text: ANNICK EIMER **Photo:** ANDRÉ VIEIRA

Ricardo Vicintin taps into the veins of Brazil: veins of quartz, of dolomite. The blades of his backhoe grind into stone. Heavy machines load a mix of white, shimmering quartz crystals and brick-red laterite by the shovelful into his trucks. The vehicles appear so small – almost like toy cars – in this huge crater, against the backdrop of a massive rock face. It looks as if a hungry caterpillar has gnawed a hole into the green Brazilian savanna.

"A model project," says manager Bertram Dreyer, at DEG headquarters in Cologne. Dreyer helped turn Vicintin's red crater into a project that meets both environmental and social standards. Dreyer could hardly have taken on a more difficult project. Mining is not for romantics who are into development assistance. Mining is dirty; it eats up land and energy. "There's no such thing as green mining, anywhere. But we depend on mining," says Dreyer.

Thousands of kilometres away Vicintin – whom everyone here calls Doutor Ricardo –is about to tuck into a plate of fried catfish. The excavators have made him a rich man. He is the ultimate businessman, not an eco-visionary. He has just arrived in the small town

It is a dusty *affair when the trucks transport the minerals out of the crater.*

Surrounded by energy. *Businessman Ricardo Vicintin (left) with his chief financial officer in a eucalyptus plantation.*

of Montes Claros, near the big hole in the Brazilian state of Minas Gerais. The company headquarters are about 400 kilometres away, in the metropolis of Belo Horizonte.

But those veins of raw material that feed the world of tomorrow are here, in the middle of a green nowhere. Silicon – that's what computer chips and especially solar cells are made of. Magnesium is used to make super-light autos. Vicintin, who is wearing an ironed polo shirt and a pair of fine cloth trousers, pushes his plate aside and spreads out a map. The huge metropolis of São Paulo is a mere red dot on its surface. "Here and here and here and here," he says, gesticulating with his pen to draw small circles and rectangles on the green-grey coloured patches. "No, this is perhaps even a bit bigger," he says, extending the line of the rectangle a bit to the right, with a stroke of his pen snapping up an entire region of 100 square kilometres. All the fields on this huge map of Brazil belong to his company, Rima. The rectangles mark his quartz and dolomite mines and the eucalyptus plantations. The circles mark his five factories.

It was six years ago that the mining executive first met the development manager. Vicintin smiles when he thinks back to their first collaborations. "Those managers had questions, questions and more questions." Dreyer's stubbornness impressed him. DEG's vision of earning the best profit with the best standards convinced him.

But, DEG was uncertain whether to finance the firm. There's hardly any company that fulfils DEG's high standards right from the start. "Mining is an industry where you have to look really closely," says Dreyer. The open-pit mine, where thousands of square meters of earth are dug up, is only one aspect of the environmental dilemma. The blast furnaces consume tremendous amounts of energy and it takes vast amounts of charcoal to extract metals from ore.

DEG's involvement secures raw materials for a turn to new energy sources and technologies; for a future with lighter autos, solar cells, computer processors and chips for mobile phones. At the same time, mining is a major engine behind development, ensuring foreign exchange income. Dreyer took over supervision of the project during his tenure as head of DEG's office in São Paulo – it's an important asset. Worldwide, very few companies produce high-grade magnesium. And of the four major firms that do, Rima is the only non-Chinese producer. "To uphold environmental standards in a business that depends on natural resources presents us with a dilemma," says Dreyer. "You just have to try to be as ecologically conscious as possible."

Conservation of resources is an essential step towards a greener production of metals. Among these resources are carbon compounds – petroleum, coke or charcoal – which have to be dumped by the ton into the furnace, where valuable metals are extracted from the ore.

Rima uses charcoal to this end. To produce it, the firm cultivates eucalyptus on huge plantations. One of them is about 100 kilometres from the factory – as the crow flies. But to get there you have to drive for hundreds of kilometers through the cerrado, a scrubby woodland savanna that originally covered millions of square kilometres from central Brazil to the rainforest around the Amazon. The region is home to such animals as puma, the maned wolf, anteaters and tapirs. In addition, many plant species here are found nowhere else in the world. And yet, starting decades ago, large swaths of this natural landscape have been sacrificed for agriculture. First came cattle ranching, then the cultivation of soy, palm oil and eucalyptus.

Rows of eucalyptus tree trunks line the area for kilometres, spindly as straws in the wind. In the sparse upper canopy, leaves rustle. True, none of the cerrado was sacrificed for the Rima plantation, because these areas had been cultivated long before. But this entrepreneur is not interested in window-dressing. "Have a look," he says. "This is not natural cerrado. It is nothing more than a eucalyptus plantation."

A tough business: *The stone mill crushes the shimmering white quartz, which is then loaded into the blast furnaces.*

For DEG, the plantation is an important argument in favour of financing: "Despite the negative consequences of this kind of monoculture, I didn't know a more ecological way to accomplish the smelting of metals than to use renewable resources," says Dreyer. But for Vicintin that's not good enough. He still has to buy a fifth of the wood required. "The quality is not good. And besides, we don't really know where it comes from," he says. Some eucalyptus producers recently received bad press for illegally clearing rain forest to make way for new plantations. That is unacceptable to Vicintin; he has his principles.

He takes out his map of Brazil again and draws another rectangle on it. "If you want to see natural cerrado, you have to go here." This rectangle is a 21,000-hectare reserve, a former plantation that the company has reclaimed. "That was my daughter's idea," says Vicintin. "She is the ecologist in the family." With a wink he adds: "I liked the idea, too." His straightforwardness has made him one of Brazil's most successful entrepreneurs. Vicintin is the son of an Italian immigrant who fled to Brazil to escape fascism. His father built a successful metals factory in São Paulo. As a young engineer, Vicintin wanted to try his luck outside the family business. In Minas Gerais, Brazil's third largest state, he bought his first mine concession and a nearby site on which he built a blast furnace. From then on he sold metal bars. He steered his firm through the economic crisis that gripped Brazil during the 1980s. Rima also recovered well from the financial crisis of 2008. The firm was always two steps ahead of the competition and has maintained this lead as it advances the greening of metal production. Vicintin's motto? "Invest and be independent."

DEG finances eucalyptus plantations for the production of metals.

Rima has acquired more land thanks to a DEG credit. The firm now owns a total of 50,000 hectares of plantations. Next year, Rima will produce enough wood to cover its own need for charcoal. The plantations are FSC-certified – FSC standing for sustainable forestry. The label is not necessary since Rima does not trade in wood. But independent standards are a test of how seriously a firm takes the issue of environmental sustainability. At Rima, the electricity that heats the furnaces is also regenerative. The huge amounts that the company needs are drawn from a state hydroelectric power plant.

"We don't want to be dependent on suppliers any more," says Vicintin. "That goes for energy, too."

Environmental and social welfare standards

DEG attaches great importance to ensuring every business it finances operates to certain standards of environmental and social responsibility. It persuades its customers that it is in the best interests of their companies to observe those principles. The backbone is DEG´s environmental and social responsibility guidelines. They are in line with the internationally recognized standards set out by the World Bank subsidiary, the International Finance Corporation (IFC) and the International Labour Organization (ILO). For many of the undertakings that DEG finances in developing and emerging countries, meeting those standards is a challenge. So DEG also works to advise and support them in achieving the standards. This includes things as diverse as making sure companies dispose of harmful waste in an environmentally responsible way and that employees are guarenteed fair and safe working conditions. The overall range of environmental and social responsibility covers protecting human life and health, as well as people's ecological, social and cultural environment, and the sustainable use of natural resources. DEG measures its own operations against those principles and holds itself to a high standard of environmental and social responsibility.

So his engineers are constantly adjusting the energy balance. Head of development, Fernando França has established a process for magnesium production that uses significantly less energy than conventional methods. França has organized the collection of coal dust generated in the production of charcoal for use in the smelting of metals from ores. DEG is financing another step in the greening of Rima: The firm is to modernize its blast furnaces and start producing high-grade silicon. Because the market is growing for this metal that is the main component in solar cells.

Rima's rise started on the outskirts of the town of Bocaiúva. The factory there is still the firm's largest production facility, these days employing almost 5,000 people. It is hot, sticky and loud inside the large hall in the centre of the site. From the blast furnace at one end, molten metal streams gleaming into a vat.

A few years ago this was the extent of Rima's business. The metal flowed into ingot moulds for cooling; the ingots were then shipped around the world from the port at Rio de Janeiro. Today, Rima processes some of the raw material itself, saving energy because the metal does not have to be melted down again.

At the other end of the hall, steam hisses behind glass. For a brief moment you can catch sight of the glowing metal before a bolt jams it into a form in a fraction of a second. The bolt is part of a die-casting machine that produces engine mounts and transmission housing. França gives the machine a satisfied knock. "DEG financed it," he says and laughs.

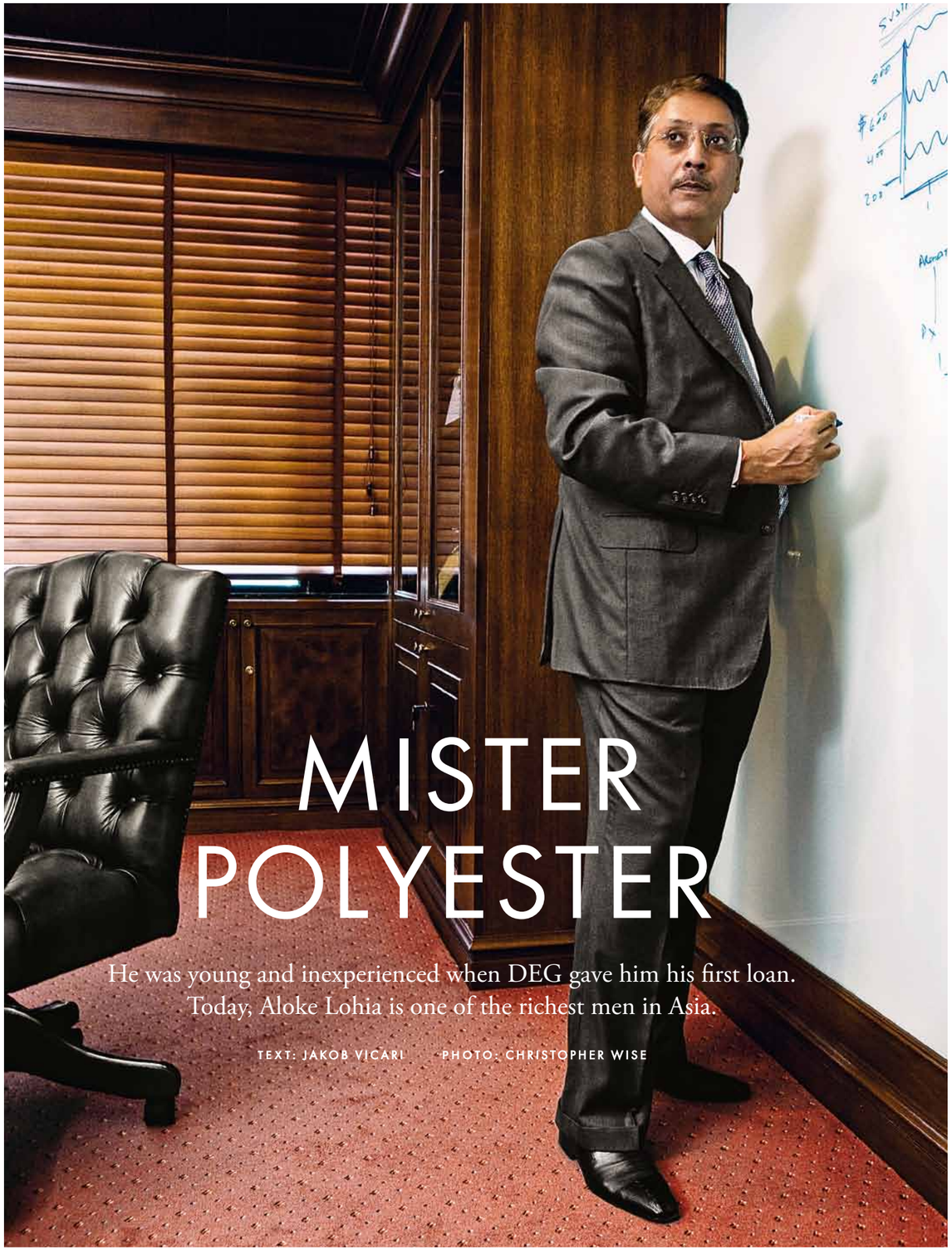
For several years, Rima has produced auto parts. When the auto industry started outsourcing more and more manufacturing processes, Vicintin saw an opportunity and took it. "This was a big win for Rima," says Anderson dos Reis, the firm's financial director. The benefit: As a supplier to the auto industry, the firm is no longer dependent on world market prices for metals. Long-term supply agreements help guarantee the future. Auto parts now make up about one third of Rima's annual sales volume. Dos Reis himself grew up near Bocaiúva and has worked for the company for more than 30 years. He says: "For this region, the auto industry commissions meant a great step forward."

Brazil's economy is booming. The country has the sixth largest economy in the world – even beating out Britain. But for outlying provinces prosperity comes very slowly. If someone in Bocaiúva has a job, it's probably with Rima. The company is the biggest employer here, in a town of 47,000 inhabitants. "The creation of qualified jobs in an area dominated by tremendous poverty was an important argument on behalf of financing," says DEG manager Dreyer. For five years now, Rima has been making prefabricated metal parts for the automobile industry. To accomplish this, the firm needs more qualified employees than the region can supply: Well-trained workers who can put the finishing touches on engine mounts and transmission housing. And the firm needs quality controllers. Since there are not enough such skilled workers here, Rima provides training to its employees. The firm sends them to evening school, where they complete their school leaving qualification. Rima also finances university studies in nearby Montes Claros for its most gifted employees. "These are real investment costs," says dos Reis, "but they pay off every day."

Vicintin, his team and Dreyer are all well aware that there is no such thing as green production of silicon or magnesium. But they are working together to ensure the sensible production of the building blocks of tomorrow's world. On principle, Vicintin, the ultimate businessman, is never satisfied with the status quo. He points to a hill above the eucalyptus plantation. "Up there," he says, "we're about to install a couple of windmills. And then we'll make energy ourselves." □

Intelligent processes. *Once rendered, the molten metal is not poured into bar moulds but into vats, which are rolled directly into production.*

Cast and polished: *Rima turns the metal into engine mounts and transmission housing for ultra-light automobiles.*



MISTER POLYESTER

He was young and inexperienced when DEG gave him his first loan. Today, Aloke Lohia is one of the richest men in Asia.

TEXT: JAKOB VICARI PHOTO: CHRISTOPHER WISE

He appears to be cautious, but he's tough where it counts. With a few strokes of a pen, Aloke Lohia sketches out the profit margins in manufacturing polyester.

Aloke Lohia was 29 years old when he decided to turn trash into cash. Corncobs could be used to produce the release agent furfuryl alcohol. No one needed the cobs, denuded as they were of kernels; but foundries needed the agent. It seemed a tantalizing, potentially lucrative business. Instead, 24 years ago, Lohia lost nearly $30 million. Part of which had been a DEG investment.

Bangkok, 37th floor of the "Ocean Tower II". Down below, traffic is backed up on the busy Sukhumvit Road in this rapidly expanding metropolis. On the wood-panelled walls hang photos of Indorama factories around the world, in golden frames. There's no room left on the walls for pictures of the most recent acquisitions, so rapid has Indorama's recent growth been. Aloke Lohia is sitting in the Indorama Ventures meeting room. He hardly resembles a risk-taker. While his moustache has greyed, this 53-year-old man's eyes sparkle with curiosity from behind frameless eyeglasses. Yesterday's young entrepreneur has become the head of a conglomerate that produces – in addition to furfuryl alcohol – wool, packaging, PET bottles and synthetic fibres. Tied around his right wrist is a red Hindu armband that is supposed to bring good luck. Lohia laughs as he relates how he nearly failed as a young man. "I was still wet behind the ears. I was just starting to understand the outside world."

His father, a successful Indian textile manufacturer in Indonesia, had sent his youngest son to Thailand, so he could try his luck in Saraburi, in the northeast of the country. Lohia's first business, and also his apprenticeship, consisted of converting corncobs to furfuryl alcohol. This was the adventure that would wed his entrepreneurial life to DEG. Lohia started out on a greenfield site. The German firm Krupp had developed the technology for alcohol production. Indorama Chemicals, the first company in Lohia's business empire, received 10.3 million Deutsche marks in initial financing from the DEG. Another partner was the Thai development bank IFCT.

"Expect your costs to skyrocket and your sales price to drop every year," his father advised. "You always have to be efficient." So there was Lohia, at 29, in a foreign country and without any business experience, about to try his hand at a kind of technology that until then had only functioned in the lab. "If you went by today's criteria, we would probably never have supported such a project," says Bernd Tümmers, who got to know Lohia back then. Tümmers heads DEG's sector division. "Fortunately, we were quite bold in those days." Tümmers' career was immediately influenced by this encounter. "At the time I did not quite grasp the dimensions of his talents," he says, "but today I'm sure: Lohia is the best manager I have ever met in my life".

> "I´m now sure that Aloke Lohia is the most outstanding manager I have ever met in my life."

There were enough corncobs and the factory was up and running at full steam. But it still did not produce any furfuryl alcohol. This was where Lohia's entrepreneurial genius first came to the fore. "German engineers had built a system for machine-harvesting clean corncobs," says Lohia, "whereas in Asia they only harvested corn by hand, with workers throwing the cobs on the ground. They were dirty". For one whole year, the developers experimented with elaborate solutions to the problem of cleaning the cobs. With little success.

"If this had been a German company it would have folded long ago," said Tümmers. He was impressed by Lohia's determination to succeed. Lohia hired the inventor of the corncob process. And he flew in a dozen engineers. His luck turned, thanks to a resourceful engineer from the German machinery company Rieckermann. He was the one who suggested a pool. Being lighter than water, corncobs would float. Thrown into a pool, they would rotate in the current and come out clean. "It was the simplest and most efficient solution", says Lohia. The pool was the solution that rescued a million-dollar investment.

"In this first project I learned that if you believe in what you do, you will succeed," he says. Lohia is certainly no charismatic visionary. He is an astute investor and skilful manager, always appearing cautious, yet tough when it counts. He pays close attention to his counterpart as if trying to anticipate his next move.

Lohia is a go-getting businessman who early on kept an eye out for out of the ordinary projects. In the mid-1990s he entered the wool business with support from DEG. His idea was to prepare Australian Merino wool for shipment to Italy. In a few years he became Thailand's leading wool processor. Sales for Lohia companies rose from $5 million to $120 million within

His father *sent 29-year-old Aloke Lohia to Thailand. Today, Lohia senior still looks down sternly from above the desk of his son, the chief executive.*

a few years. To DEG this growth seemed almost freakish. "Mr. Tümmers called it aggressive growth," Lohia says. "It was difficult for the Germans to understand how we could manage to grow so quickly. For a while, DEG was seriously worried." DEG had no idea that Lohia had even bigger plans – that alcohol and wool were his first attempts on the way to a firm worth billions. "There was no furfuryl alcohol in Thailand, but there were corncobs. So we started the furfuryl alcohol project. There was no wool business in Thailand. So we started a wool business." In building his company, he long ago abandoned the idea of strategic planning – seizing opportunities instead.

Lohia picks up a water bottle, with the "Crystal" brandname. This, he says, was one of those opportunities. The bottle is made of polyethylene terephthalate, or PET for short, the synthetic material that gave him his biggest boost in earnings. Lohia takes the plastic bottle in his hand and turns it upside down to show the watertight seal. Then he crumples it up. "In 1995 we built Thailand's first PET factory. A very, very small one," he says. Back then Indorama produced 20,000 tons of plastic per year. Today it produces 3.3 million tons; the Indorama Group racks up sales of more than $8 billion. Business magazine Forbes listed Lohia in its 2010 ranking of the world's richest people as one of India's wealthiest men. For Lohia, PET production opened up the entire world of plastics. Polyester is used in auto parts and toothbrushes, clothing and water bottles. Indorama makes polyester fibres for clothing as well as the polyester raw material, terephthalic acid (PTA). Polyester is Lohia's passion.

For a long time, this businessman acted on intuition. Then came the Asian financial crisis of 1997. Lohia did his business in dollars, so Indorama survived the downturn unscathed. But the events were a wake-up call: He stopped relying solely on his intuition and began acting strategically. "Would you like to see my first plan? Come!" He jumps up and runs into his office.

A bronze sculpture sits in a niche: A couple embracing the globe. A portrait of his father adorns the wall above the computer on his cluttered desk. Lohia opens a presentation on the computer: His dream, preserved in PowerPoint. He wrote it in 2001. It starts with a quote from John F. Kennedy: "Efforts and courage are not enough without purpose and direction." Then come his goals for 2010. "I didn't share this plan around everywhere at the time. It sounded too bold. People would have laughed at me," he says. He lights a cigarillo and inhales with pleasure, even though smoking is banned in air-conditioned buildings in Thailand. He reads his goals he drafted at the turn of the century out loud: He wanted to become one of the top five producers of PET; be present on all continents as a low-cost producer; to be listed on the stock market; and to grow by buying up businesses. And he wanted to be immune to dumping. Lohia hasn't merely achieved all these goals – he has surpassed them. He just drafted his next plan: "Aspiration 2014" aims to triple production within the next three years, to 10 million tons of plastic.

But Lohia is not just another greedy businessman, nor is Indorama a voracious company intent on growing at any price. Influenced by his father's business culture and by his early contact with DEG, Lohia has fostered a distinctive sense of corporate governance at the core of Indorama Ventures. For example, board directors are traditionally independent. And Indorama publishes a "Corporate Sustainability Report" every year – printed on paper made from 100 percent recycled water bottles – just like the director's business cards.

"We never fire anyone and we never cut wages. We raise productivity."

With help from DEG, he realizes projects on greenfield sites when other investors would find the business environment too risky. For example, German funds are helping him build a new PET factory in Nigeria. Close to a source of oil, the raw material for plastic. "There just aren't any German firms that would take the chance", says Tümmers.

From his window, Lohia can see Terminal 21, Bangkok's newest shopping complex, where an escalator from the San Francisco level under the roof passes through six floors, including ones named Rome or London. But he has long moved beyond Thailand. In the next three years, he plans to invest $3.8 billion to grow the company. He has just returned from Frankfurt, where he took over Trevira, the traditional German manufacturer of synthetic fibres, based in Bobingen near Augsburg. One of his talents is buying established companies that have fallen on hard times, and turning them into cash cows in record time. DEG once supported Lohia as a young entrepreneur from a developing country, now he has taken over factories in the Netherlands, the US and Britain. "We never fire anyone and we never cut wages," says Lohia. Instead efficiency is what matters. "We raise productivity with the existing staff." People who know him say he's a tough negotiator. He's never failed at any project. "When we're looking into a takeover, if we think we'd have to lay people off we won't take over the firm." He picks up the latest edition of his in-house magazine, "The Beacon", and looks for the report about Trevira. Annoyed, he stares at the page. "But that's not Augsburg. That's the wrong city in the photo," he tells the marketing woman, who is obviously embarrassed at the error.

Indorama has outgrown DEG. But they retain close ties. "My relationship with DEG is an emotional one. Like the relationship between a student and professor", says Lohia. "The student leaves the university. But he'll always return to his professor for advice." □

The global polyester empire

Indorama Ventures is the holding company of the Lohia companies, based in Bangkok. Aloke Lohia and his brother, Sri Prakash Lohia, jointly run the company. Indorama operates 27 production centres in 11 countries, with about 8,000 employees. Following the holding company's initial public offering three years ago, Lohia exercised his first right of refusal and took over DEG shares. His initial ventures into furfuryl alcohol and wool contribute only slightly to earnings; plastics are the main income source. Last year Indorama bought the Bavarian mid-sized firm Trevira, which specializes in polyester fibres. Sales in 2010 equalled €2.3 billion, profit after taxes was €254 million.

Photo: WOLFGANG STAHR

“When I look to the future…”

Chairwoman of the DEG Supervisory Board Gudrun Kopp would like to see more respect and less charity in the development sector.

“Life without hunger, poverty, oppression and war. That’s what the world would look like if I could shape it the way I wanted to. But a world without suffering is, unfortunately, utopian. That’s why now, today, we need the courage to face new challenges in an unconventional and pragmatic way.

Fifty years ago, DEG arrived on the scene with the basic idea of enabling the medium and long-term development of the fundamentals of life, of infrastructure and, in the end, of a self-sustaining economy in our partner countries – and doing it as equal partners, with mutual respect. We intended that to remain our defining principle for the future. DEG has become one recognized engine of development and an important partner for local economies.

When I look to the future, I think of a quote from physics Nobel Prize laureate Albert Einstein, “imagination is more important than knowledge. For knowledge is limited”, which is a central idea for me. That does not mean a licence for ignorance or remaining clueless. What it means is that we must hold on to our ability to make the impossible possible. First we must imagine it – before then courageously beginning to realize it.

The most important prerequisite to successfully shape the future is to be open and curious. Because the world is constantly changing – in increasingly rapid cycles. Even today, emerging nations such as Brazil, Russia, India and China are locomotives of growth.

We must keep our eyes open to change and muster the courage to permit new ways of thinking.

It is also important to look towards developments that go beyond what we are accustomed to seeing. Here it’s worth looking at the past – who would have thought a few years ago that the mobile phone sector would become a key instrument of development in Africa? Perhaps in the future it will be innovations in energy supply, medicine or agriculture that will turn out to be engines of development.

In the past, development policies were often characterized by hauteur and short-term charity. Donor countries often behaved with a complete lack of respect. For a long time, they reduced people in poor countries to the role of takers or recipients of alms, who were and remained dependent on help from the outside.

Frequently donor countries failed to recognize that they, too, could benefit from the rich culture of their partner countries. For instance, last year during a trip to Mali, I met people of the Dogon ethnic group. The Dogon are a very poor, but proud and very hospitable people, with an enormously rich cultural heritage. For centuries, Dogon culture has practiced a mediation process that fascinated me. When there is conflict, the adversarial parties must get together somewhere under the supervision of a tribal elder. They are not allowed to leave that place until they have agreed on a solution to the conflict. So this ethnic group in West Africa has for centuries been practicing a type of mediation that is still very new to us as a way to resolve disputes.

The Ministry for Economic Cooperation and Development long ago learned from its past mistakes – it now has a different understanding of the concept of cooperative development. We invest in working together and dealing with our partners respectfully, as equals. The goal is to support people in partner countries to take the future in their own hands, so they can live an independent life. We bring our values and goals to the partnership – we act and negotiate with an awareness of our concepts of rule of law and democracy.

Our goal, in essence, is to treat poor people as equal business partners by, for example, giving them the chance to access financial services. Innovative financial instruments can also pave the way to an independent existence even at the smallest scale. This desire is particularly widespread among the poorest of the poor. The goal in cooperative development is to recognize and further such potential – and DEG plays a key role in fostering it.

German cooperative development work must therefore be clearly focussed on promoting independent development in poor countries – but it can also be of use to us in the industrialized world. The countries that we today consider to be developing or emerging countries are home to our future business partners and customers. At the same time, new markets will open up for German businesses.

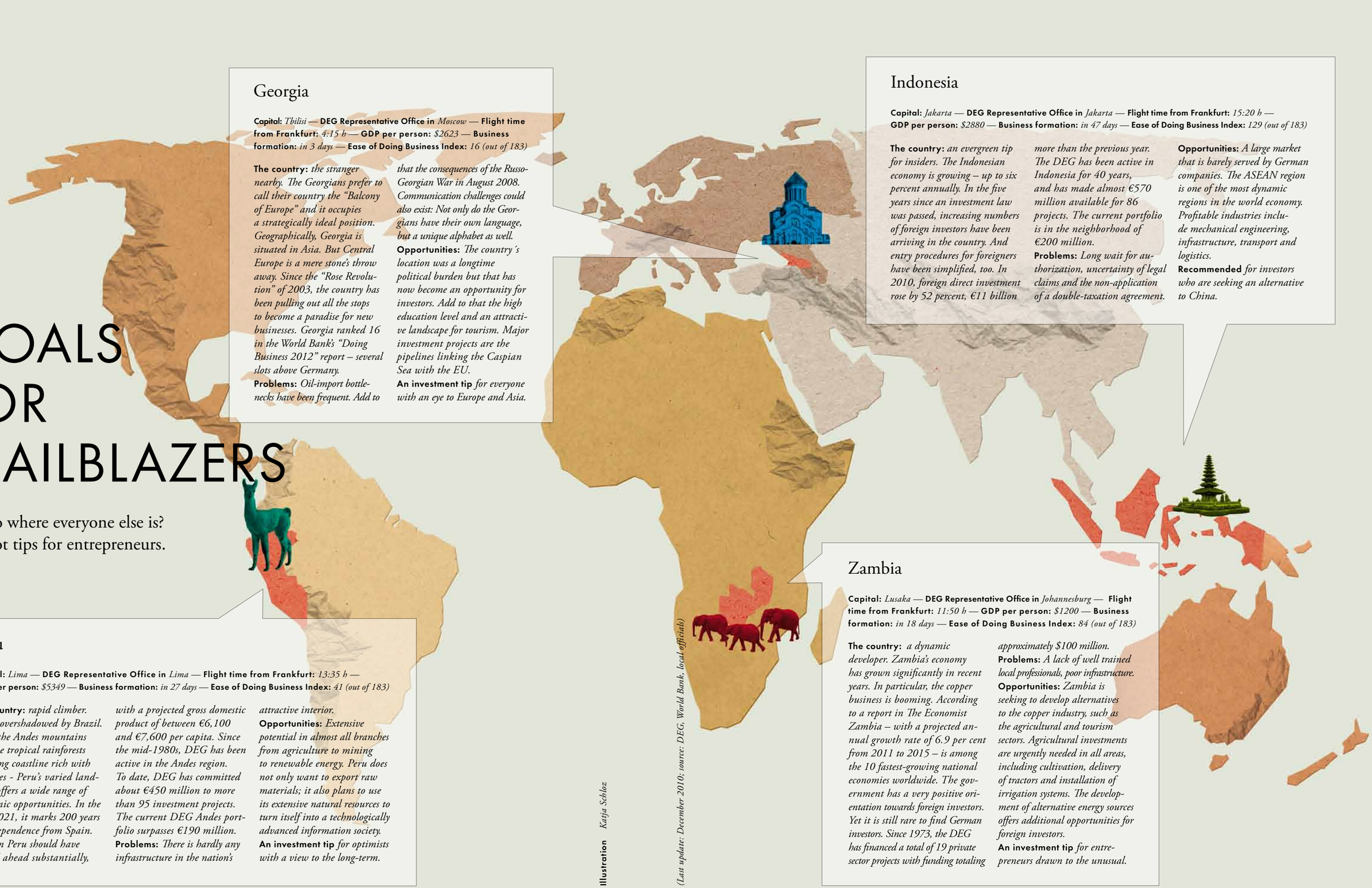
When I look to the future then I also see the need for a deeper appreciation for the protection of our planet. From now on, we need to do better at maintaining social and environmental standards, in developing countries as well, and combining them with growth and prosperity. German companies already have the experience and firm grounding in that arena to make a major contribution to partnerships based on mutual trust.

And last but not least: When I look to the future, I have a vision – not least of all given that context – that successful cooperative development work will one day render itself superfluous.” □

Gudrun Kopp, *61, is a member of the German parliament for the Free Democratic Party (FDP) and parliamentary undersecretary at the German Ministry for Economic Cooperation and Development.*

GOALS FOR TRAILBLAZERS

Why go where everyone else is?
Four hot tips for entrepreneurs.



Georgia

Capital: *Tbilisi* — **DEG Representative Office in** *Moscow* — **Flight time from Frankfurt:** *4:15 h* — **GDP per person:** *$2623* — **Business formation:** *in 3 days* — **Ease of Doing Business Index:** *16 (out of 183)*

The country: *the stranger nearby. The Georgians prefer to call their country the "Balcony of Europe" and it occupies a strategically ideal position. Geographically, Georgia is situated in Asia. But Central Europe is a mere stone's throw away. Since the "Rose Revolution" of 2003, the country has been pulling out all the stops to become a paradise for new businesses. Georgia ranked 16 in the World Bank's "Doing Business 2012" report – several slots above Germany.*
Problems: *Oil-import bottlenecks have been frequent. Add to that the consequences of the Russo-Georgian War in August 2008. Communication challenges could also exist: Not only do the Georgians have their own language, but a unique alphabet as well.*
Opportunities: *The country´s location was a longtime political burden but that has now become an opportunity for investors. Add to that the high education level and an attractive landscape for tourism. Major investment projects are the pipelines linking the Caspian Sea with the EU.*
An investment tip *for everyone with an eye to Europe and Asia.*

Indonesia

Capital: *Jakarta* — **DEG Representative Office in** *Jakarta* — **Flight time from Frankfurt:** *15:20 h* — **GDP per person:** *$2880* — **Business formation:** *in 47 days* — **Ease of Doing Business Index:** *129 (out of 183)*

The country: *an evergreen tip for insiders. The Indonesian economy is growing – up to six percent annually. In the five years since an investment law was passed, increasing numbers of foreign investors have been arriving in the country. And entry procedures for foreigners have been simplified, too. In 2010, foreign direct investment rose by 52 percent, €11 billion more than the previous year. The DEG has been active in Indonesia for 40 years, and has made almost €570 million available for 86 projects. The current portfolio is in the neighborhood of €200 million.*
Problems: *Long wait for authorization, uncertainty of legal claims and the non-application of a double-taxation agreement.*
Opportunities: *A large market that is barely served by German companies. The ASEAN region is one of the most dynamic regions in the world economy. Profitable industries include mechanical engineering, infrastructure, transport and logistics.*
Recommended *for investors who are seeking an alternative to China.*

Peru

Capital: *Lima* — **DEG Representative Office in** *Lima* — **Flight time from Frankfurt:** *13:35 h* — **GDP per person:** *$5349* — **Business formation:** *in 27 days* — **Ease of Doing Business Index:** *41 (out of 183)*

The country: *rapid climber. Easily overshadowed by Brazil. From the Andes mountains and the tropical rainforests to a long coastline rich with fisheries - Peru's varied landscape offers a wide range of economic opportunities. In the year 2021, it marks 200 years of independence from Spain. By then Peru should have moved ahead substantially, with a projected gross domestic product of between €6,100 and €7,600 per capita. Since the mid-1980s, DEG has been active in the Andes region. To date, DEG has committed about €450 million to more than 95 investment projects. The current DEG Andes portfolio surpasses €190 million.*
Problems: *There is hardly any infrastructure in the nation's attractive interior.*
Opportunities: *Extensive potential in almost all branches from agriculture to mining to renewable energy. Peru does not only want to export raw materials; it also plans to use its extensive natural resources to turn itself into a technologically advanced information society.*
An investment tip *for optimists with a view to the long-term.*

Zambia

Capital: *Lusaka* — **DEG Representative Office in** *Johannesburg* — **Flight time from Frankfurt:** *11:50 h* — **GDP per person:** *$1200* — **Business formation:** *in 18 days* — **Ease of Doing Business Index:** *84 (out of 183)*

The country: *a dynamic developer. Zambia's economy has grown significantly in recent years. In particular, the copper business is booming. According to a report in The Economist Zambia – with a projected annual growth rate of 6.9 per cent from 2011 to 2015 – is among the 10 fastest-growing national economies worldwide. The government has a very positive orientation towards foreign investors. Yet it is still rare to find German investors. Since 1973, the DEG has financed a total of 19 private sector projects with funding totaling approximately $100 million.*
Problems: *A lack of well trained local professionals, poor infrastructure.*
Opportunities: *Zambia is seeking to develop alternatives to the copper industry, such as the agricultural and tourism sectors. Agricultural investments are urgently needed in all areas, including cultivation, delivery of tractors and installation of irrigation systems. The development of alternative energy sources offers additional opportunities for foreign investors.*
An investment tip *for entrepreneurs drawn to the unusual.*

Illustration *Katja Schloz*

(Last update: December 2010; source: DEG, World Bank, local officials)

Making Development Happen

Top-flight knowledge, contacts and sensitivity help him find new customers. Documenting a day in the life of Kunal Makkar.

Recorded by: ANNICK EIMER **Photo:** DILEEP PRAKASH

Kunal Makkar, *30, joined the Acquisitions Team of DEG in 2007 as Senior Investment Manager. He studied financial management in Mumbai and New Delhi.*

5:30 a.m. After getting up I head to the fitness studio around the corner. As an investment manager I spend a lot of time behind my desk – so I need to make sure I get some exercise.

6:30 a.m. Breakfast with my wife and our three-year-old daughter.

A traditional Indian breakfast: bread, eggs and vegetables on some days. Afterwards it's time to get our daughter ready for kindergarten. She keeps us on our toes!

8:30 a.m. We live in a quiet neighbourhood outside New Delhi. The drive to work isn't nearly as bad as TV images from Indian cities would have you believe. I need 40 minutes for the 28 kilometers to the DEG office. Investments in India's traffic infrastructure are clearly paying off.

9:15 a.m. The DEG offices are in Jor Bagh 21, a quiet and green locality close to Delhi´s most beautiful and serene garden - Lodi Garden. My office lies at the end of the hallway. I stop by my colleagues' offices to say hi, their doors are usually open and we chat briefly. That's how I find out what others are working on.

9:45 a.m. I quickly scan the financial sections in the newspapers and check my emails. Because of the time difference we're five hours ahead of our colleagues in Cologne. But my inbox is often full of mail they sent the day before when I had already gone home.

11:30 a.m. I work on the acquisitions team. My job is finding new projects for the DEG. That sounds like a lot of knocking on doors and plenty of travel, but it really isn't that bad. Just like today, I'm often in the office, on the phone. The DEG has a good reputation here – after all it's been involved in India for more than 40 years. But don't ever believe that companies are eagerly queuing up here. The truly attractive companies can choose who finances them. If an Indian bank can provide a loan with similar terms then our chances are nil. Our premise is that we don't compete with local banks. But we frequently work with them. They'll issue a loan in the local currency while we pay it in a foreign currency.

How do you find new customers? Networking coupled with my personal contacts make my job easier. Many of them haven't changed since my university days. I studied financial management in Mumbai and New Delhi before going to work for a Dutch bank. I joined the DEG in 2007. The manager of the DEG's offices abroad offered me a position. I never regretted it. Friends of mine in the banking sector often ring me up because they're looking for a partner for a joint investment. Or I phone them just to stay in touch. After all I'd like it if my colleagues at other banks would ask us first whether we'd like to co-finance an exciting company. Networking is the be all and end all in my job.

12:15 p.m. I meet the entire DEG team for a break in the conference room. Everyone brings along his own lunch and we catch up on the latest.

1:15 p.m. I spend the afternoon evaluating projects and discussing them with my colleagues. It's like looking for a needle in a haystack. Approximately one out of every 10 projects we review is actually funded. That adds up to eight to 10 projects every year in India. Our current portfolio encompasses about €446 million, which we've invested in 45 companies. Germany remains one of India's most important investment partners. If our office decides that we like a project, then we send a description to the Cologne office that then undertakes a comprehensive evaluation.

If the project passes the evaluation then I'm back in the picture. That's when I help with due diligence, which means checking a company from top to bottom. It sounds awful but is actually one of the most exciting parts of my job.

4:20 p.m. I just finished speaking on the phone with a manager who was quite upset. A few days ago we evaluated an investment in his company. This is a large Indian company listed on the stock exchange. The sticking points were DEG's strict environmental and social standards. It wasn't so much an issue that this company doesn't uphold them. But these managers are quite proud and keep their cards close to their chest – they especially don't want to reveal anything to a foreign bank. That's where we, the Indian staff, have to mediate. Then I'm more someone who helps bridge cultures.

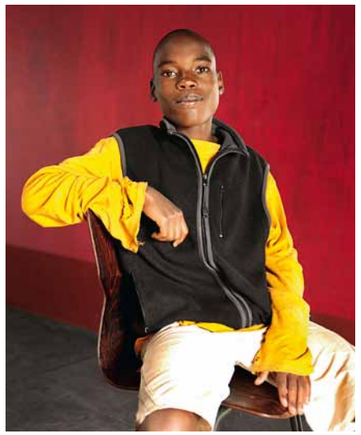
My favourite project I helped run was on the east coast in Chennai, India's fourth-largest city, where we funded a desalination plant. Before that the city suffered from a shortage of drinking water. One-third of the city's water needs weren't covered. When I visited Chennai for the first time in 2007, there wasn't anything more than the wasteland where the treatment plant was to be built. Now the plant is up and running; it produces 100 million litres of clean drinking water a day. 100 million litres! That's not quite enough but it covers about 10 percent of the city's needs. I think it's great to see how meaningful our investment has been.

6:10 p.m. Quitting time! Now I have time for my family. Or I still receive a call from my colleagues in Cologne – a drawback of the time difference. □

IF I HAD JUST ONE WISH ...

The future lies in their hands: 12 children and young people from all over the world tell us what they would change immediately, from a swimming pool to world peace.

Sian, 12, Johannesburg, South Africa
"…I'd clean up the city and reduce crime. Everybody should just be happy."



Alex, 14, Kitale, Kenya
"…all children could go to school and get a good job. I want to become an engineer and build huge bridges."

Valter, 9, Olhos d'Água, Brazil
"…I'd ban school uniforms. And everybody should have enough money to travel. I'd like to go to Hollywood."

Im Sochea, 11, Phnom Penh, Cambodia
"…there would always be enough notebooks, pens and pencils in our school. I want to study tons so that I can become a secretary."

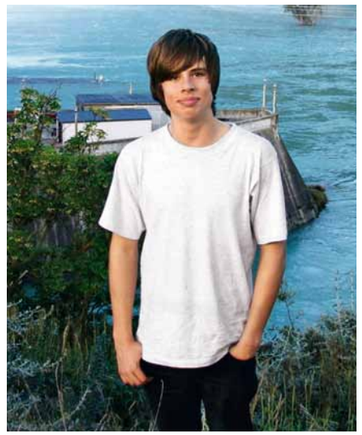
Elisa, 12, Hamburg, Germany
"…I'd get rid of the lesson plans in school. I think children should decide for themselves what they want to learn."

Arnau, 13, Bellcaire d'Empordà, Spain
"…politicians would go to school. Children just need love. Once politicians get that there won't be any more war."

Photos *Marc Shoul (2), André Vieira (2), privat (6), SOVAN Philong / Asia Motion (2)*

Leila, 7, Brighton, England
"…I would make the world much bigger. So large that wild animals and people could live together in peace and harmony."

Olimpia, 12, Imielin, Poland
"…everybody would be good-looking, intelligent, rich, popular and happy. The rich wouldn't be able to boast and the poor wouldn't die of hunger."



James, 16, Auckland, New Zealand
"…I'd build a skateboard park outside our house. And everybody would be able to decide on the kind of life they want for themselves."

Shi Le, 18, Tianjin, China
"…I would found a school for disadvantaged children that would give them a chance at a better life."

Im Ra, 8, Phnom Penh, Cambodia
"…I would interest more people in sport so that they stay healthy. And for that I'd need a house with a swimming pool."

Maria, 10, Bocaiúva, Brazil
"…there would be more books in the library. I want to become a teacher and teach children how to read and write."

The desire to develop:
founder Bethlehem Alemu in her shoe works in Zenabwork, Ethiopia.

If the Shoe Fits, Make it

It is high time that the skills of Africans are valued, says Ethiopian shoe manufacturer Bethlehem Alemu. In our interview, she talks about opportunities.

Ms. Alemu, unlike many of the people with whom you went to university, you did not go abroad to try your luck. Instead, after getting your business degree, you founded a shoe factory in your hometown on the outskirts of Addis Ababa. What drove that decision?
I wanted to create jobs in the village where I grew up. I found it painful to see how the talent and the labour capacity of the people here simply were not exploited. I felt like shoes and clothing could be a platform for inspiration and hope across Ethiopia.
You got $50,000 in start-up capital from your family. All that was missing was a good idea.
My idea was to marry native materials with modern, western design trends, and to start training the people from my town to make high-quality shoes. I knew that the people here were very proficient craftspeople and all that was needed was to channel their skills for them to develop properly.
High quality by itself does not ensure success. What did it take that you got to the point where your creations are in vogue in cities like New York and Tokyo, your company has millions in sales and in 2011 African economic experts named you "African Businesswoman of the Year" ?
From the beginning, I put great value on developing a strong brand identity, which above all, had to clearly reflect our Ethiopian roots and our pride. All of our shoes are re-imaginations of the selate and barabasso shoes that are traditional in my homeland. They were worn by the Ethiopian rebels who once opposed the colonial powers. That is also how I came up with the name of the company – soleRebels. In keeping with tradition, the sole of each shoe is made from recycled tires. Then we add design elements done in the style of old Ethiopian craft traditions. Yet despite all that, these are modern shoes, sneakers and sandals that big city types think are cool. I recognized what people all over the world increasingly expect from a brand – namely that it stand for socially and environmentally responsible action. And I was rigorous in implementing that. Our hand-made production method emits zero CO_2 and the salaries of my employees are far higher than the national average.
Is soleRebels a model for the future for countries like Ethiopia?
I would hope so. Since I was a child, I've seen how international aid organizations have pumped billions of dollars into Ethiopia. And yet we remain a poor country. We must free ourselves from the dependency on gifts and become conscious of the fact that we are rich in physical, cultural and intellectual resources. It is time that Africa and the Africans have the opportunity to use their own talents to their advantage. I think soleRebels shows where our opportunity lies – namely in creating strong brands and high-quality products, instead of simply exporting unrefined raw materials. I began seven years ago with five employees. Today, I employ more than 100 people. In addition, I provide numerous local suppliers with work. That shows what entrepreneurial courage can lead to, especially here in Africa. □

Photo *Kora Image*

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