

OP-ED COLUMNIST



‘Patient’ Capital for an Africa That Can’t Wait

By **THOMAS L. FRIEDMAN**

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Last week, I was touring northern Tanzania when our car passed the small town of Karatu and we suddenly came upon an open field splashed with colors so bright and varied it looked from afar as if someone had painted a 30-color rainbow on the landscape.

As we got closer, I discovered that it was Karatu's huge clothing market. Merchants had laid out blankets piled with multicolored shirts, pants and dresses, much of it used clothing from Europe, and were hawking their goods.

This was not Nordstrom. A man with a tape measure dangling from his back pocket and a megaphone in his hand was shouting: "A thousand shillings for these trousers. It's like giving them away." Men and women, themselves dressed in brightly colored native Tanzanian garments, sifted through the mounds of clothing, holding shirts or slacks up against their bodies to see if they fit.

Scenes like this remind you that Africa is neither all tragedy nor all renaissance. It is a diverse continent that's struggling to find its way in the global economy and has both of these extremes, but is much more in a middle place that looks like that field in Karatu: a wild, unregulated, informal, individual brand of capitalism, which we need to channel into formal companies that can grow and scale up, even with corrupt governance.

Africa needs many things, but most of all it needs capitalists who can start and run legal companies. More Bill Gateses, fewer foundations. People grow out of poverty when they create small businesses that employ their neighbors. Nothing else lasts.

Whenever you read about capital flowing into Africa, though, it tends to be from big lenders like the World Bank, which have very strict criteria and work on big projects, or from microfinanciers, giving out \$50 to a woman to buy a sewing machine. Microfinance has a role, but many people don't want the pressure of being an entrepreneur. They want the stability and prosperity of a job created by capitalist risk takers and innovators. See India.

In some ways what Africa needs most today is more "patient" capital to spur its would-be capitalists. Patient capital has all the discipline of venture capital -- demanding a return, and therefore rigor in how it is deployed -- but expecting a return that is more in the 5 to 10 percent range, rather than the 35 percent that venture capitalists look for, and with a longer payback period.

A good example of what happens when you combine patient capital, talent and innovation in Africa is the Kenyan company Advanced Bio-Extracts (ABE), headed by Patrick Henfrey. He and his partners put together a fascinating group of both white and black African farmers and scientists to build the first company in Africa to cultivate the green leafy plant artemisia, often called sweet wormwood, and transform it into pharmaceutical grade artemisinin -- a botanical extract that is the key ingredient in a new generation of low-cost, effective malaria treatments commonly known as artemisinin-based combination therapies (ACTs). Malaria still kills nearly one million people in Africa every year, more than H.I.V.-AIDS.

From its factory outside Nairobi, ABE is not only processing the feedstock for the drug, but has also contracted with 7,000 farmers, most with small farms, to grow artemisia in Kenya, Tanzania and Uganda. The crop gives farmers four times the financial yield of corn.

"We are commercializing a product that had never been commercialized," Mr. Henfrey said. To make it possible, though, the founders had to not only scrape together all their own money, but also had to find investors, like the Swiss drug giant Novartis and the Acumen Fund, a nonprofit venture capital investor based in the U.S., to put up patient risk capital. (Banks demanded collateral that ABE did not have.)

"Those little windows of support make these things happen," Mr. Henfrey said. "We could not have done it otherwise."

Nthenya Mule, Acumen's Kenya country director, commented to me that the stereotype of Africa is that it is hopeless and just waiting around for the West to come to its rescue. In reality, she added, "there are positive things happening in Africa, but they are not happening overnight, and some are happening quietly. ABE is exemplary. You will not see it as front-page news, but in 18 months they set up a factory with 160 people interfacing with 7,000 farmers and supplying one of the major pharma companies in the world.

"Those stories need to be talked about. It is critical to see things in action. A pothole in the road does not require a workshop. Fill it. We need a new kind of drug -- let's go out and make it instead of let's talk about it for the hundredth time."

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