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World Marketplace

Into Africa

Elizabeth Harris
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Robert Johnson, best known as the founder of Black Entertainment Television and majority owner of the NBA's Charlotte Bobcats, has recently considered building hotels along the coast of Liberia. "It has beautiful beaches," he says. "They could have ecotourism, but they need help building roads and power supplies." He is also eager to invest in the rubber, timber and diamond industries that have been the country's mainstays—and filled the coffers of local warlords during the 1990s. He has even spoken with Delta about establishing direct flights to the country.

As recently as a year ago, Johnson knew little about this nation of 3.2 million people that was settled by former American slaves in the 1820s. But he has since committed about \$3 million of his wealth to help the Liberian economy rebuild following two civil wars. This venture would qualify as philanthropic, were it not for president Ellen Johnson-Sirleaf's ambitious plans to reform her country through entrepreneurship. At the Clinton Global Initiative Summit last fall, Robert Johnson (no relation to Ellen) heard her make a plea to private investors. Johnson agreed to launch an investment fund, and has raised \$30 million—largely through partnerships with the U.S. government's Overseas Private Investment Corp. and the U.S. Agency for International Development, but also with private capital.

Johnson expects to make his first placements this fall. He will continue to seek investor capital, which he will use to provide financing in the range of \$50,000 to \$500,000 to Liberian entrepreneurs who present viable business plans—in a manner akin to microfinance, but with larger sums.

Flailing, but Not Failing

Some Western investors believe Rwanda and Nigeria are also good ground-floor bets for the intrepid. Robert Fogler, a partner in the law firm Kamlet Shepherd in Denver, became interested in Rwanda after hearing president Paul Kagame speak about the need for investment. So three years ago he started a private equity fund, Thousand Hills Venture Fund. He invested half of the \$1 million fund in 2006 and plans to launch two new funds later this year. Robert Levitt, chief investment officer of Levitt Capital Management in Boca Raton, Fla., used to primarily buy base-metal companies in Canada, but now has 7.5 percent of his clients' global asset allocations in African companies traded locally or in London, Toronto or Johannesburg. When he went to the Nigerian capital of Abuja earlier this year, the country's 12 central bankers sought him out for a meeting and painted a picture of a region with improved financial and political stability.

After traveling and seeing Indian, Chinese and Western companies expanding there, he asked himself, "Why don't I just buy the African company?" Levitt says.

The Only Thing to Fear . . .

The fact that this region suffers from a long track record of instability causes apprehension for these investors. Rwanda and Nigeria now have governments that support election reform and have attempted to fight corruption, but they still rank toward the bottom of Transparency International's 2006 corruption list—142 and 121, respectively, of 163. (The report omitted Liberia in 2006 because the methodology requires at least three contributing sources to a country's rank, which it lacked.) While Liberia's latest war ended four years ago, ex-rebels remain at large and cities are congested by refugees who fled to the countryside.

But Hang Tough . . .

John Patterson, an investor in Fogler's Thousand Hills fund, has traveled to Africa four times in the past 14 months and believes Fogler is using a sound strategy of investing in small companies that aspire to have a big impact. For example, Rocket 2020, one of the companies in the portfolio, provides business services and package delivery to rural areas.

Johnson is determined to see the businesses he funds succeed. "If we're not successful at the entrepreneurial level, how can we expect the new government to be successful?" he says. He projects returns ranging anywhere from 10 to 30 percent. However, investors have to do their part to help development. "For a grand outlay of just \$2,000, you can send a kid in Liberia to college or build a school using modular housing," he says.

Elizabeth Harris is a staff writer for Worth.

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