This letter is excellent, but not perfect. It has been reformatted for display on our web site.

April 19, 2007

Mr. Kamran Kusari Secretary General, Africa in Distress Suite 1203, International Aid Building Quidam 23S 3H5 Arcadia

SUBJECT: Interim report; Negotiations for Aid from Arcadia to Africa in 2007

Dear Mr. Kusari.

I was glad to hear from you that AID succeeded in increasing the amount of aid in the negotiations with Switzerland, and I was especially grateful that you introduced me the leader of our team in those negotiations with Switzerland. The information and advice he gave us was very helpful to our work. As you requested, I'm sending this letter to inform you of how the negotiations with Arcadia are going, and I hope that this will satisfy you as the negotiations with Switzerland did.

Our negotiation with Arcadia focused on two questions: How much aid and in what form it would be provided. During three negotiation sessions, we have found it hard to reach an agreement because there was a large gap between the amount that we wanted and that Arcadia was willing to give. Although we had to compromise quite a lot, we are happy to announce that we have reached some agreements which will be helpful to both Africa and Arcadia.

Some background information on the negotiations will provide you a better understanding of how they have developed. In order to present concrete supports for our position, we conducted preparatory studies on famine, disease, and food production in recent Africa under the New Action Programme for Least Developed Countries. As a result, we found that 40 million people are still facing starvation and that 3000 children die from malaria every day. When it comes to the new action programme, it has failed, and as a result, the food production has reached to only 55% of the amount which we expected when the program launched. You can get further information on this from the report enclosed. With this information, we set our position to request Arcadia \$150 million in cash.

Currently, negotiations have been developing into an agreement from which both parties will benefit. Our team and Arcadia have reached an agreement that Arcadia will provide \$70 million in cash and \$35 million in tied aid, and that Arcadia will hire 500 persons, who will stay and work in Africa for a year, with \$20 million. In return for Arcadia's cooperation, our team made an engagement that AID will conduct a campaign to improve Arcadia's reputation for a year with \$1 million from the \$70 million in cash. I would like to show you the details with the following:

ITEM	AMOUNT
Cash	70
Tied Aid*	35
Human Resources	20
TOTAL	125

^{*}The amount of tied aid will be spent solely on purchasing equipment for irrigation from Arcadia within 2 years.

Table 2. Structure of Human Resources (Unit: 1 person)

FIELD	CLASS	NUMBER
Agriculture	Experts	50 (US\$ 4,000,000)
	Average workers	300 (US\$ 9,000,000)
Medical care	Experts	50 (US\$ 4,000,000)
	Average workers	100 (US\$ 3,000,000)

In addition to these details, in the next meeting, we will discuss a couple of more details: the detailed plan for constructing irrigation system; who will be given the authority to supervise the workers hired by Arcadia; who will bear the charges for transferring the money and the personnel. We did not have enough time to decide them, but we are prepared to finalize them before this June.

Our assessment of the negotiations is rather positive. The amount of aid exceeds the minimum amount which we set as \$100 million in our preliminary meeting. With this aid, we will be able to save more people from famine and malaria, and also be able to improve agriculture in many African countries by providing irrigation system. If, for example, we spend \$50 million distributing food, we will be able to feed 140,000 people for a year, since it costs \$1 a day to supply enough food for a person, according to UNDP. If we spend \$20 million installing anti-malaria bed nets, which costs \$10 a net and will keep people from mosquitoes carrying malaria, we will be able to provide 2,000,000 families with the nets. At the same time, it is expected that corn production will increase 0.5 ton per acre to 0.8 ton per acre in a year after irrigation system is completed. You can get further information on food production from the document enclosed. Though it seems quite positive, there is a little bit negative point to consider: Arcadia government might not get the National Assembly's agreement because it requests much more aid than they expected before the negotiations.

We consider this agreement as the best we could get and recommend that AID go ahead positively with this aid program, with additional efforts. In order to implement the agreement more effectively, we suggest AID prepare:

- A detailed plan to use the tied aid, such as how much and what types of equipments are needed.
- An educational programme for agriculturalist on new system and equipments, because those are literally new to the majority of the farmers in Africa.
- Actions to insist that Arcadia's National Assembly agree on the agreement which our team and Arcadia have reached.

In conclusion, with \$125 million worth of aid, AID can expect improvement in lives of Africans both in short- and long-range view. With \$70 million in cash as well as 150 workers in medical care, we will be able to save more people from famine and disease. At the same time, \$35 million in tied aid and 350 workers will provide better agricultural services and irrigation system which will improve agricultural system and result in an increase in food production in long term.

As always, we appreciate your concern and help. We would appreciate more suggestions if you have any. And if you need more information about the negotiation, please contact me. I will stay at this hotel until April 30.

Best regards,

Kim Go-myoung

Kim Go-myoung Member AID Africa Development Board Peleponne Arcadia

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Enclosures:

- Evaluation Report of the New Action Program for Least Developed Countries
- Agricultural Promotion Plan by Africa in Action