



The Continental Business Network

Business Communiqué issued at the First Meeting of the Continental Business Network

“BUSINESS ACTION IN SUPPORT OF AFRICAN REGIONAL INFRASTRUCTURE DEVELOPMENT”

1 June 2015

Cape Town, South Africa

This communiqué reflects the collective views of the private sector supporting the Continental Business Network

COMMUNIQUE IN A SNAPSHOT

This is a business statement to African Heads of State and government, on behalf of business leaders, collaborators and champions in support of the Continental Business Network (CBN), which was initiated by the Heads of State and Government Orientation Committee, called for during the Dakar Financing Summit. This statement highlights the private sector’s interest, support and priority issues for further dialogue with Heads of State, regarding businesses’ proposed partnership and action in support of PIDA and regional infrastructure investments in Africa. Moreover, CBN will serve as an exclusive infrastructure investment advisory platform for high-level African policy makers, providing thought-leadership and engagement on a range of strategic issues such as project development, risk mitigation, procurement, policy, investment risk rating(s), structuring and the overall promotion of projects to the private sector.



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We, the business community, meeting at the first gathering of the Continental Business Network (CBN), commend African political leaders for their steadfast commitment to the development and finance of African infrastructure, and for their essential support to the CBN for its role in engaging the private sector towards this end.

The launch of the CBN is the mandated follow-up and implementation of recommendations emanating from the *Dakar Financing Summit* (DFS), during which the NEPAD Heads of State and Government Orientation Committee (HSGOC), chaired by H.E. President Macky Sall, endorsed an initiative to facilitate private sector advice and leadership in essential NEPAD and African infrastructure projects through the creation of the CBN as the venue for high-level private sector engagement. As representatives of the African business community, we applaud the leadership of African Heads of State and their partners in initiating a practical network for private sector engagement in developing and financing infrastructure across the continent.

We endorse the role of CBN as the platform for CEO-level private sector infrastructure leaders to engage with the African Union and Heads of State in the implementation of the *Programme for Infrastructure Development in Africa* projects (PIDA) and the *Presidential Infrastructure Champion Initiative* (PICI). The CBN will enable African governments and their partners to engage the private sector on specific regional and cross-border projects, so that the private sector can explain market requirements for project development, risk mitigation, and access to private finance, and suggest specific solutions. In addition, the CBN will act as an infrastructure investment advisory platform for high-level African policy makers, providing thought leadership and engagement on a range of strategic issues such as project development, risk mitigation, procurement, policy, investment risk rating(s), structuring and the overall promotion of projects to the private sector.

Towards these ends, CBN will engage with other platforms, business organizations, and senior private sector leaders to enable the development and delivery of consistent policy guidance to African Heads of State and political leaders. We recognize the foundational work of the NEPAD Business Foundation over the years and its role as a critical party in bringing the private sector together, rallying strategic groups to support development and management of infrastructure projects, specifically PIDA, and its pivotal contribution to CBN going forward.

This inaugural CBN event was convened and led by a cross-section of private sector leaders who have provided recommendations to the Heads of State on approaches and practical steps to improve Africa's infrastructure investment climate, as well as the increased role that African Heads of State and stakeholders can play to better crowd-in private sector investment and participation in cross-border and other infrastructure investment projects in Africa. Below we have summarized the key objectives and initial foci of the CBN, as set forth by its members in preparation for the first inaugural meeting and during related discussions:

CBN Objectives: In the true spirit of NEPAD, it is vital to have an African private sector-led international partnership platform that will drive the implementation of PIDA projects across Africa



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and enable their development impact. African business leaders have coordinated with NEPAD in defining the eight key objectives of the CBN as outlined below:

1. Serve as a key private sector engagement platform for NEPAD and the African Union Commission (AUC) to engage the private sector on PIDA and infrastructure projects;
2. Build capacity in private sector firms so they can more successfully bid for infrastructure-related contracts;
3. Assist in catalysing partnerships between African project sponsors and assist them in obtaining the needed project development resources (e.g., financial advisory, technical, legal, etc.) so that they can successfully co-develop infrastructure projects and compete on an equal footing with international companies from the rest of the world;
4. Provide guidance to African government agencies responsible for infrastructure development on ways to engage the private sector based on best practices (e.g., successful business models and structures for infrastructure projects; potential roles of the government, development partners, and private sector; optimal investment climate policies; transparent procurement processes, including unsolicited bids; etc.);
5. Provide guidance to African government agencies responsible for infrastructure development on ways to engage development partners on required inputs at a project level to achieve “bankability” (e.g., needed support in project development to cover costs of financial advisory, technical studies, staff, etc.; de-risking through project legal structure, ownership structure, and contracts with vendors; risk mitigation solutions for construction, performance, credit, political, off-take, currency; etc.);
6. Help government prioritize the “quick-win” projects so that early demonstration projects can create market momentum and pave the way for creating a regional infrastructure market with greater development impact;
7. Create a database of private sector infrastructure professionals (e.g., financial advisors, consultants, lawyers, accountants, engineers, etc.) engaged in developing Africa’s infrastructure to facilitate communication between them and project sponsors (governments and the private sector), unblocking bottlenecks caused by poor information flow; and
8. Be an advocate for African-based infrastructure developers and professionals.

Next Steps - Addis Ababa & CBN Results: For results to be realised in Africa, the African business community will need to use CBN to implement a new transformative regional infrastructure architecture whereby the utilization of Africa regional businesses becomes the norm as well as effective support from the *Presidential Infrastructure Champions Initiative (PICI)*, securing guaranteed open access enabling the resolution of investment impediments. Towards this end, the first inaugural CBN event has been convened with leadership by a cross-section of private sector leaders. They have provided recommendations to the Heads of State on approaches and practical steps to improve Africa’s infrastructure investment climate as well as the increased role that African Heads of State and stakeholders can play to better crowd in private sector investment and participation in cross-border infrastructure investment projects throughout Africa.



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- 1) The outcomes of this CBN Launch will be presented to African Heads of State and Government at the upcoming *African Union Heads of State Summit* this June in South Africa. This communique will be presented as a summary of the CBN Launch.
- 2) The CBN Secretariat will leverage the new financing framework to be advanced by UN member states in Addis Ababa at the *Third International Conference on Financing for Development* from 13-16 July, 2015 as the foundation for the Post-2015 Development Agenda.
- 3) Starting immediately, the NEPAD Agency will start to formulate a work plan, working with private sector leaders. The work plan will inform the Agenda of the next CBN meeting during the January 2016 Heads of State Summit.
- 4) CBN private sector leaders will advance critical action items at the follow-up roundtable with Heads of State at the *Ai – NEPAD – AUC CEO Private Sector Forum* during the *AU Heads of State Summit* in January 2016 in Addis Ababa.

Next CBN Meeting with Heads of State: We look forward to working in support of these critical objectives and meeting at the Ai-AUC-NEPAD CEO Investment Summit in January 2016. This Summit will be an exclusive, high-level gathering of senior business leaders and investors from across Africa and globally, to engage in support of the African Union Commission's Agenda 2063, and the agenda of other AU-related units and entities, such as the AU Foundation. This two-day forum will occur annually during the Heads of State Summit as a side event. It will take place on the same day as the NEPAD Heads of State and Government Orientation Committee (HSGOC) meeting.

We respectfully ask each Head of State to appoint an accountable CBN official who can maintain ongoing communication with CBN on PIDA and other infrastructure issues.

As the representatives of the business community, we therefore appeal to Africa's Heads of State and Government to consider these recommendations, integrate them as an integral part of the Presidential Infrastructure Champion Initiative (PICl), and provide suggestions on the next steps. We look forward to forging a practical process for supporting PIDA and other infrastructure projects jointly, and delivering on infrastructure results for the African continent.

Annexes

1. About PIDA
2. Confirmed business and development leaders for the CBN Launch
3. Process
4. CBN Leadership and Ownership
5. Six Priority Themes
6. Listing of questions and issues from business leaders



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7. CBN Contact



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ANNEX

1. About PIDA: The African Union (AU) is charged with Africa's rapid integration and sustainable development. An integrated infrastructure development programme is essential for economic development, peace building and for greater regional integration. Yet Africa's infrastructure networks remain highly fragmented, hampering intra-African trade and sustainable socio-economic development on the continent.

Against this background, and during the 18th ordinary AU Summit in Addis Ababa (Ethiopia) in January 2012, the African Heads of State and Government adopted the Programme for Infrastructure Development in Africa (PIDA). The PIDA Priority Action Plan (PIDA-PAP) will be implemented until 2020. It comprises 51 cross-border infrastructure programmes comprised of more than 400 actionable subprojects in four sectors: energy, transport, trans-boundary water and ICT with an estimated total cost of US \$68 billion.

PIDA's Transformative Impact: By 2040, these projects in aggregate are projected to increase economic activity and ensure continent-wide economic benefits.

A number of African initiatives over the last 35 years have created pan-African frameworks and programmes that now serve as a strong foundation for PIDA given the consensus agreement on political priorities and economic approaches: Lagos Plan of Action (1980), Final Act of Lagos (1980), Africa's Priority Program for Economic Recovery (1986-1990), African Alternative Framework to Structural Adjustment Program (1989), African (Arusha) Charter for Popular Participation and Development (1990), the Abuja Treaty (1991), and the Cairo Agenda (1994), amongst others.

With the support of the African business community through the CBN, PIDA can operationalize these commitments and bring concrete results, using its comprehensive development programme to become the most transformative African development programme in history.

Expected outcomes of PIDA

- **Reduce energy costs and increase access.** Africa will reap savings on electricity production costs of US\$30 billion a year, or US\$850 billion through 2040. Power access will rise from 39% in 2009 to nearly 70% in 2040, providing energy access to an additional 800 million people. PIDA energy projects will provide more than 61,009 MW to Africa.
- **Slash transport costs and boost intra-African trade.** Transport efficiency gains are valued at a minimum of US\$172 billion in the African Regional Transport Integration Network (ARTIN), with the potential for much larger savings as trade corridors open. Steady advances in regional integration and services will finally create a shift from overseas trade to trade



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between countries and within and across regions, helping fulfil the promise of the 2028 African Common Market.

- **Provide finance for transport:** The transport sector will benefit from more than US\$22 billion in investment.
- **Ensure water and food security.** Africa has the lowest water storage capacity and irrigated agriculture in the world, and about half the continent faces some sort of water stress or water scarcity—and demand is going to surge. To deal with the coming crisis, PIDA projects will enable the water storage infrastructure needed for food production and trade.
- **Increase regional connectivity.** PIDA projects will boost broadband connectivity by 20%. By increasing broadband penetration by 10%, which can be expected by 2018, GDP will increase by 1% given the improved connections between goods and markets as well as between people and jobs.

For further information on PIDA, see www.au-pida.org.

2. Confirmed business and development leaders for the CBN Launch

- 1) Mr Jean Louis Ekra, President, African Export Import Bank
- 2) Dr. Bamanga Tukur, African Business Roundtable
- 3) Mr Stanley Subramoney, Chairman, NEPAD Business Foundation
- 4) Ms Wanjiru Kirima, Director, Alternative Prosperity
- 5) Mr Arnold Ekpe, Chairman, Atlas-Mara
- 6) Mr Henri de Villeneuve, President, COBASA
- 7) Mr Reiaz Moe Shaik, Group Executive: International Finance, DBSA
- 8) Ms Gosego January, CEO, Debswana Pension Fund
- 9) Mr Richard Vaka, Chairman, Debswana Pension Fund
- 10) Mr Paul Thomson, CEO DRA Group Holdings
- 11) Mr Tshepo Mahloele, CEO, Harith Partners



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- 12) Mr Alain Ebobisse, Global Head, InfraVentures
- 13) Mr Gilberto Rodrigues, CEO, Mota Engil
- 14) Mr Chris Maroleng, Executive: Group Corporate Affairs, MTN
- 15) Dr Admassu Tadesse, CEO, PTA Bank
- 16) Mr Reginald Muzariri, Co-Founder, Utho Group of Companies
- 17) Mr Leutloileng Qhobela, Alternate Director, WBHO
- 18) Mr Rato De Mendonca, Regional Head of Corporate and Investment Banking, Standard Bank
- 19) Mr Yuexing Wang, Chief Representative, China Africa Development Fund
- 20) Mr Jin Zhang, Director, China Africa Development Fund
- 21) Mr Guoqin Wang, Country Manager, China Africa Development Fund
- 22) Mr Edoh Kossi Amenounve, CEO, BRVM
- 23) Ms Neside Tas Anvaripour, CEO, Africa50
- 24) Mr Phillips Oduoza, CEO, UBA
- 25) Elias Masilela, The UN Global Compact
- 26) Barbara Samuels, Global Clearinghouse for Development Finance (GlobalDF)
- 27) Hubert Danso, CEO, Africa investor

2. Process: The road to the 2016 Addis Ababa Private Sector Forum will begin with the formation of the Leadership Council, as detailed above. The Leadership Council comprising business leaders will meet directly with the PICI Heads of State, presenting the outcomes of the CBN launch as part of the discussion agenda. Through this process, the CBN will be able to play its essential role in facilitating private sector views, advocacy and participation in infrastructure development and finance for PIDA projects.

3. CBN Ownership and Leadership: The suggested CBN governance structure and operation, following extensive consultation, is based on best practices as outlined below.



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Leadership Council: The CBN will be an inclusive African business network comprising the full spectrum of companies involved in developing and financing African infrastructure. Five key levels of the CBN will enable a dynamic exchange and inclusion of business, both large and small, throughout the continent:

- 1) CBN Co-Chairs: Taking ownership of the CBN will begin with the election of Co-Chairs. It will be critical to select a business leader with extensive experience and commitment to infrastructure who can provide the needed leadership to drive the CBN engagement around projects. The selection of a Vice-Chair would provide continuity in the event the Chair is not available, thereby strengthening overall dynamic operation.
- 2) CBN Leadership Council of Strategic Business Leaders (“Council”): The Council will drive and articulate the CBN mandate. It will be important to have representation of all the major sectors and skills required to develop and finance regional infrastructure projects, such as investment advisory, technical support (sector expertise, engineering, procurement), legal support, and required official sector support (e.g., policies, project development, risk mitigation, etc.).
- 3) CBN Steering Committee: A large Steering Committee will be needed, representing private sector groupings and platforms from across the region. Business associations will be instrumental and can help engage the wider networks of African private sector leaders and their international peers.
- 4) Observers: The CBN will also need to include “Observers” that are not from the private sector but play essential roles in defining, developing, and financing infrastructure projects. Observers will include African political entities (e.g., NEPAD, the African Union, the regional economic communities); development banks and partners (e.g., the African Development Bank; World Bank, other regional and bilateral partners); PIDA Project implementers; etc.
- 5) Secretariat: The above functions will be supported by a small Secretariat of technical staff, equipped with cost-effective on-line communication platforms and databases to enable coordination and provide needed timely information on projects and their progress.

The governance of the CBN will be strictly transparent, with open disclosure of information provided by governments on projects to enable coordination and open engagement.

4. Six Initial Priority Themes for CBN Follow-Up: CBN members have suggested that the priority foci of the initial work of the CBN be related to the six key themes below. Other important questions and issues are below.

a) Mobilising Public Sector Support & Private Sector Engagement for Early Stage PIDA Project Development: The CBN wishes to highlight the need to mobilize public sector support for early stage PIDA project development with a focus on how to incentivise private sector engagement. Today the CBN has facilitated business feedback and recommendations on types of required public sector support, private sector engagement and solutions for early stage PIDA Project Development. We



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request Heads of State to engage their respective ministries and development partners to work closely with the CBN on how best to incentivise the engagement of the private sector.

The definition of high-quality PIDA project teams for each project is critical. In this regard, CBN should develop approaches that ensure each government has dedicated high quality professional experts to each PIDA project, and has been able to engage outside experts as needed. Moreover, CBN will explore the possible appointment for each project of one or more senior-level champion, such as a Head of State, Prime Minister, or Minister that could champion projects and ensure they are progressing.

A key focus is to structure effective public-private sector collaboration in the specifications of technical studies, user fees, and business plans to ensure bankable projects. Public funds will often be required to fund technical studies and financial advisory, which may be reimbursable in the event of successful financial close. The CBN wishes to emphasise the importance of early private sector engagement to ensure the projects are de-risked and bankable, enabling the projects to attain greater interest from a wider range of private sector operators, equity investors and debt financiers.

b) Project Structuring, Finance, and Operation: The careful structuring of PIDA projects is a critical requirement. This includes how to identify the parties best suited to assume development risk and on what terms, and thinking through innovative ways that risk mitigation instruments and approaches may be employed to cover unacceptably high risks. This is the issue that continues to stymie the efficient implementation and development of critical PIDA and regional projects.

PIDA projects to date have registered the most successes by engaging the international development finance community and donor supporters, in some cases, at the expense of early involvement of the ultimate and actual project finance risk takers, developers, operators and financiers. The CBN today facilitated business feedback and recommendations on business views on alternative approaches and models to increase the participation and interest from the private sector to bid for, design, finance, implement and maintain PIDA projects.

c) Managing Regional Project Investment Risks: CBN members have emphasised the need to create practical roadmaps that address project investment risk, including the development of regional approaches for risk mitigation, regional credit enhancement instruments, regional project ratings, and improved ways to share risks between the many counterparties. Special focus should also be made towards ongoing risk assessment with regards to mitigating and avoiding negative social and environmental impacts. PICI members are well-placed to champion actions that will develop greater internal capacity to structure projects so they are bankable, and a more coordinated approach in providing credible risk assessments and solutions to the global investment community. NEPAD Heads of State and Government Orientation Committee (HSOGC) and Presidential Infrastructure Champions Initiative (PICI) members have a key role to play in championing this initiative, enabling the growth of an African infrastructure sector with skilled professionals that can provide the needed



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technical skills – financial advisory, engineering, legal, accounting, environmental assessment, etc. as well as equipment and construction.

d) Fast-Tracking and Incentivising Private Sector Procurement: Private investment plays a key role in developing infrastructure in most nations in Africa. Good governance demands that infrastructure projects involving private capital are commissioned through an open, competitive tendering process. This is the preferred approach recommended by funding agencies such as the World Bank as well as many of the continent's governments.

Unsolicited proposals, in which private sector institutions approach a government directly with a project proposal, do not fit into this framework because such proposals are not compared against other bids, thereby not enabling assessments of value for money. Public spending necessarily requires competition and due diligence to ensure fairness. Since there is a need to allow an open competition to ensure the best value, a process could be set up by which unsolicited proposals may be presented but then compared against competing proposals. A second mechanism that can be employed for unsolicited proposals is the development of "market tests." Developing systemic ways to consider unsolicited proposals would enable a dynamic process that can accelerate PIDA project development with greater innovation and momentum. These hybrid approaches should be developed in a transparent and technical manner to expedite project development against existing best practices used by donors.

The CBN therefore suggests that it is critical to develop an open formal dialogue for unsolicited bids as a starting point for reviewing and considering unsolicited bids and other private sector opportunities that can optimise the ability to crowd in traditional and non-traditional finance for PIDA projects, operators and long-term investors, such as sovereign wealth funds, pension funds and insurance schemes.

e) Developing a Practical & Effective Working Relationships with African Heads of State and Governments: For PIDA projects to be successfully developed and financed, the private sector needs to work closely with African Heads of State and Government to create the enabling environments and address the many challenges, including cross-border policy harmonization and related coordinated political commitments. However, up until now, the private sector's access to African Heads of State has been limited. As representatives of the business community, we propose to meet regularly with you, the Heads of State, to address these issues and therefore contribute to the development and finance of African infrastructure.

The CBN Secretariat will avail itself for further feedback and input to the CBN draft work plan. We propose the CBN Steering Committee engage the PICI and other Heads of State Sherpas to align a work plan to this effect ahead of the meeting and we look forward to an ongoing direct relationship with members and representatives of the Presidential Infrastructure Champions Initiative (PICI) and the Heads of State Government Orientation Committee (HSGOC). ***We respectfully ask each Head of State to appoint an accountable CBN official who can maintain ongoing communication with CBN on PIDA and other infrastructure issues.***



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f) Enable Governments and public entities responsible for implementing projects to access high-quality independent technical advisory services: One of the key success factors for completing PPPs in developing countries is that Governments or the public entities responsible for implementing infrastructure projects are able to engage high quality advice (technical, legal, financial, etc). CBN will therefore support the creation of mechanisms, entities and frameworks that enable quick access by governments and public entities to high quality advice from firms and professionals with a good track-record of supporting successful infrastructure PPPs.

7. Listing of Questions and Issues for Follow-Up: The below questions and issues have been identified for the CBN to follow-up in preparation for the next CBN meeting:

1. A full description of the CBN and its operational rules and processes will need to be developed. Some of the related questions are:
 - a. What are the expected outputs from the CBN?
 - b. What is the profile of membership? Who has confirmed to date?
 - c. What is the CBN's annual programme and what are members being asked to commit to? What is the expected level of time and participation commitment from members each year?
 - d. How often will the CBN meet each year, what will the agenda be, and where will it meet and for how long?
 - e. What role and commitment will the Heads of State have as dialogue counterparts with the CBN? Which AU/PIDA unit(s) will be CBN's administrative counterparts at the CBN Steering Committee level?
 - f. What is the preferred model for covering CBN costs related to technical support and meetings? Options of multiple possible sources include: annual payments from member governments and NEPAD to cover costs related to supporting their projects, annual fees and optional sponsorships from CBN members to cover the costs of the meetings, support payments from development partners (e.g., AfDB, World Bank, etc.).
2. Other issues that CBN will review include the following:
 - a. Integration of Environmental, Social, and Governance ("ESG") principles within all PIDA terms of references, project planning processes, and decisions affecting selection of vendors and equipment;
 - b. Dissemination of responsible business practices as embodied by the Africa Strategy of the UN Global Compact;
 - c. Incorporation of the Ten Principles of the UN Global Compact as a guidance mechanism for business engagement on human rights, labour conditions, the environment and anti-corruption.

7. CBN Secretariat contact point:



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