Hogan Lovells

Africa
Making an Impact
Africa Forum 2019

Africa Forum 2019 Report

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Chairman's remarks

Africa Making an Impact

On 3 July, we held our 6th Africa Forum London event at the Merchant Taylor's Hall in the heart of the City of London. The event was another huge success, attracting 300 attendees from business, government and culture. I am proud that this is now one of the "go to" Africa events held in London.

Our theme this year was 'Africa Making an Impact'. We explored in depth ways for African companies and countries to make an impact in their local communities as well as in a global marketplace.

Leaders from some of Africa's leading organisations challenged each other and dispelled misconceptions about doing business in the region. We heard from senior Government officials from the UK and Africa about the rapidly changing and ever-evolving geopolitical landscape and the impact this has on Africa's development prospects, as other nations compete to do more business in it – a new Scramble for Africa. Will China continue to lead the infrastructure charge on the continent? Will the U.S. renew its competitive position? Will Brexit signal increased UK trade and investment? How will Europe, Russia, India, Japan and others react to the opportunities? And how will African countries ensure they make the most of this renewed interest?

Over the last 18 months, overall growth in Africa has continued to increase albeit not on a consistent basis, despite the leading markets of Nigeria and South Africa continuing to face lacklustre GDP growth. We have also witnessed the Africa Continental Free Trade Agreement (AfCFTA) being ratified widely and becoming a beacon for improved Intra Africa trade. It is tipped as the catalyst that the region needs to jolt it into the high-growth optimism that saw it 'rising' in 2011.

AfCFTA has taken centre stage in most discussions around the future prospects of the continent. An agreement that represents a market of 1.2 billion and a $3 trillion economy (both of which are expected to double in the next 30 years), and which has been signed by 54 countries and ratified by 28 of them. Undeniably AfCFTA comes with an extreme amount of scepticism and will, of course, have to contend with the myriad of opinions on how to move it forward. And whilst many agree that the goal to achieve 50% intra-Africa trade by 2063 is an incredibly ambitious one, and that much needs to be done to get there, the trade agreement is a psychological and practical spur to growth, and more importantly, a point of pride for the continent.

At the Forum, discussions centred on the need to create sustained growth and investment through an Impact focused lens. The United Kingdom announced its aim this year to be considered as a global leader in impact investing with the recently launched Impact Investing Institute, and it is now preparing to host its first Africa Investment Summit (AIS) on 20 January 2020.

But what do we mean by impact? It isn't a question that requires a single response. It's one that considers longevity, scalability, capacity and the environment. Whatever impact means to you, whether it is achieving the sustainable development goals or responding to the political demands of more developed countries, for Africa, this cannot be looked at in isolation, but in the wider context of what the continent needs to prepare for its future.

We'd like to say a huge thank you to all our guest speakers and to everyone who attended. We look forward to seeing and working with you again in 2020.

Best regards,

Andrew Skipper
Partner and Head of Africa

The CEO Corner

With a panel comprising some of the most successful business leaders in Africa, the CEO Corner provided a platform for experts to discuss their experiences in doing business on the continent, and share how their organisations are helping Africa make an impact on the global stage.

Hogan Lovells UK and Africa Regional Managing Partner, Susan Bright, chaired this session with Kuseni Dlamini (Chairman of Massmart Holding Limited and Aspen Pharmacare Holding Limited); Dr Papa Kwesi Ndoum (Chairman of Groupe Ndoum) and Professor Benedict Oramah (President of the African Export-Import Bank), sharing their experiences with an audience of senior African government officials and business leaders.

There is no one-size-fits-all approach to doing business in Africa

Drawing from his experience running Massmart Holding Limited, a business with over 48,000 employees spread across 13 African countries, Kuseni Dlamini noted that there is no one-size-fits-all approach to doing business in Africa. In his experience, African communities are highly multifaceted and a business strategy or decision that works in one part of a country, may not work in another part of the same country. As such, he opined that as obtains elsewhere in the world, there is no substitute for thorough, grass root research to help understand consumer preferences, culture and behavioural patterns in each new market.

The African Continental Free Trade Area and the need to encourage African businesses

On the African Continental Free Trade Area (“AfCFTA”), Mr Dlamini noted that Africa is the continent that trades the least with itself. While intra-trade in Africa presently stands at 16%, in Asia it stands at a high of 65%. Considering the fact that AfCFTA was conceived to create a single market for goods and services; and facilitate the movement of persons in order to deepen economic integration, he pointed out that AfCFTA is potentially a game changer and an opportunity for the continent to integrate better through trade within itself. In Dlamini’s view, for trade to be meaningful, it has to be regional. Accordingly, AfCFTA is definitely a step in the right direction and if effectively deployed, a good opportunity for the private sector in Africa.

The Chairman and President of the African Export-Import Bank, Professor Oramah, shared in his opening remarks and on the panel, the importance of AfCFTA. Speaking on the role of African Export-Import Bank (“Bank”) in encouraging private sector growth on the continent, he noted that one of the biggest problems encountered by private companies doing business in Africa is finding the necessary equity or debt finance required to grow a business. The Bank has responded to this challenge by creating the Fund for Export Development in Africa (“FEDA”) – a wholly-owned, development oriented subsidiary of the Bank, designed to implement the Bank’s equity investment programme by providing seed capital to companies, with emphasis on activities that support intra-African trade and value-added exports. Professor Oramah pointed out that FEDA is also intended to reduce the risks associated with more dynamic areas of the economy like agriculture, manufacturing, consumer and retail, financial services, technology and transportation amongst others. In addition, because FEDA is tax exempt, it is expected that returns on such businesses will be higher, thereby proving a useful incentive for investors.

Globalising African products and businesses

In an increasingly competitive and globalised economy, Dlamini called on African companies to raise the scale of their ambitions and progress from just doing business within the continent, to doing business with the rest of the world. Going down memory lane, he recalled the growth of Aspen Pharmacare Holdings from a small African company in South Africa to a global company with offices in 50 different countries. In order to achieve a similar feat, he noted that African companies would have to come up with products that provide solutions to global problems.

Commenting on his experience expanding his African business to the United States, Dr Ndoum recounted that he had set up the banking arm of his business with a strategic aim – given that many American banks had withdrawn from Africa, there was a clear need for a bank that bridged this gap between Africa and America. He identified this gap and set out to fill it.

Dr Ndoum also noted how the regulatory environment helped feed his investment appetite as he found the regulatory authorities in the United States more helpful and collaborative. He, therefore, called for a change in the approach and orientation of regulatory authorities in Africa as a means to attract and facilitate both regional and international investment.

Economic nationalisation and local content requirements

For the economy to thrive and in order to attract the right investment for economic growth, Dr Ndoum emphasised the need to reduce the involvement of governments in the market and increase the role of the private sector. In his view, the more the private sector is involved in the market, the more empowered they become and the more Africa is able to attract the foreign direct investment needed to grow the economy.

Speaking on recent economic nationalisation trends and the increased popularity of local content stipulations for foreign investment, Dlamini noted that this trend is not peculiar to Africa, and is in fact a global phenomenon. He further noted that his attitude to business challenges, whether local or global, is to see them as opportunities. In his view, this trend has some merits, as it is inequitable for an international company to come into a local market only to exploit the resources and expatriate all the economic benefits, sometimes at the expense of the local communities. He also emphasised that multinationals have a role to play in sustainable local wealth creation, as well as initiating mutually beneficial partnerships with the local community through value chains, employment practices and talent building.

Dlamini also emphasised the importance of local partnerships and pointed out that at Massmart Holding Limited, they had, in fact, dedicated a team to building these partnerships across the board. Accordingly, the company is always looking for ways to partner, refine and enhance their value proposition to customers. For example, although Massmart Holding Limited is majorly a retail company, they have a Supplier Development Fund set up to create companies that supply goods not only in Africa, but also in other parts of the world. He also pointed out these partners are provided with industrial engineering expertise, financial planning and business planning capabilities that allow them to successfully run their company.

Keen on promoting the goals of inclusivity and parity, many of the company's key partners in the business are young African women. Dlamini also noted that the next generation of Africans are not looking for hand-outs from multinationals, but looking to partner, access value chains and indeed make meaningful contributions across the continent.

Legacy for the future

Dlamini strongly believes that business is a powerful, positive and progressive force for growth. He emphasised that there is an urgent need for African multinationals that can dominate global market shares and industries. Indeed, Africa needs a stronger and well-established private sector in order to take its rightful place on the global economic stage. His dream is that in the nearest future, Africa will be recognised for its world-class retail sector, known for providing quality products, effective prices and in the process, improving the lives of ordinary people. He also emphasised that he is keen to build businesses that would be there for the long term, and so he is always looking to build sustainable partnerships and in the process create more jobs. In his opinion, the time for Africa to unlock its full economic potential by unlocking the potential of its private sector, is now.

On his part, Dr Ndoum is looking to fill gaps, especially in areas where people are reluctant to invest. He wants to be known for leadership that extols discipline, excellence and one that rewards diligent and sacrificial service. Drawing from his faith, he believes that those who fail to use what they have will lose it. On the other hand, those who use what they have and work hard will be rewarded. He shares Dlamini's dream of building sustainable companies that will continue to thrive and succeed even after he ceases to hold the reins. Indeed, he is keen to let the world know that Africa has a lot of good to offer to the rest of the world.

Rounding up the session, Professor Oramah submitted that he is driven by the urge to make Africa great again. He noted that Africa has, for a long time, been regarded as a land of potential. He, however, believes that the time has come for Africa to leave the realms of potential and indeed attain its rightful place on the global stage.

Lending for Impact

The Lending for Impact breakout session engaged prominent figures in the finance sector, to discuss the changing landscape of lending to businesses and individuals Africa. The session provided a deep insight into the key issues surrounding impact lending in the region, including financing gaps, financial inclusion and intra-African trade.

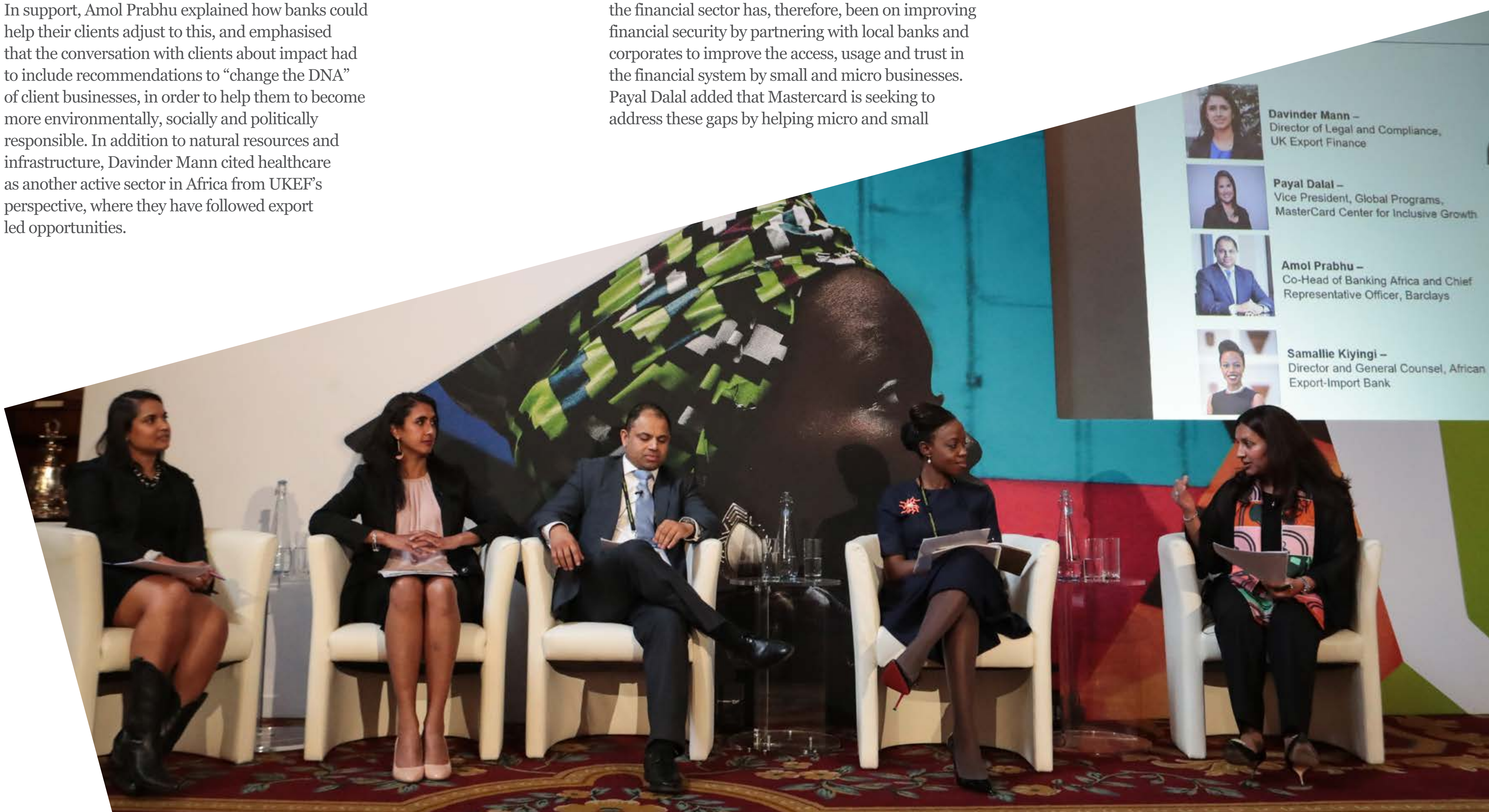
The panel comprised Payal Dalal, Vice President of Global Programs, Mastercard Center for Inclusive Growth ("**Mastercard**"); Davinder Mann, Director of Legal and Compliance and a member of the Executive, UK Export Finance ("**UKEF**"); Amol Prabhu, Co-Head of Banking Africa and Chief Representative Officer, Barclays; and Samallie Kiyingi, Director and General Counsel, African Export-Import Bank ("**Afreximbank**"), each of whom shared their unique ideas and experiences during the discussion, which was chaired by Hogan Lovells Banking and Finance Partner, Shalini Bhuchar.

Perspectives

To set the scene, the panellists provided a snapshot of their institutions' individual approaches: from Afreximbank's perspective as a development finance institution ("DFI"), impact lending is core to their development mandate to transform Africa through trade; Barclays impact footprint is wide and encompasses the issuance of a green bond in 2017, the publication of a regular impact series on water, transportation and renewables; and they also run a green enterprise "lab" to support start-ups around the world. Whilst UKEF is not an impact lender in the same sense as a DFI, they seek to ensure that the right environmental and social standards are met in the lending projects in which they are involved, including upskilling local work forces to monitor impact; and the social impact arm of the Mastercard Centre for Inclusive Growth focuses on alleviating income and information inequality as a next step from financial inclusion.

The Impact Lending landscape

With private debt accounting for a third of impact investment in Africa, the panellists were asked to share their thoughts on which sectors they felt were attracting the largest share of the capital. Participants generally agreed that natural resources and infrastructure were the most active. Notably, Samallie Kiyingi pointed out that there has been a shift from ESG and impact lending being a "nice to have" to becoming a business comparison tool. In support, Amol Prabhu explained how banks could help their clients adjust to this, and emphasised that the conversation with clients about impact had to include recommendations to "change the DNA" of client businesses, in order to help them to become more environmentally, socially and politically responsible. In addition to natural resources and infrastructure, Davinder Mann cited healthcare as another active sector in Africa from UKEF's perspective, where they have followed export led opportunities.



Financial inclusion versus financial security

The World Bank's Global Financial Inclusion Database shows that there was significant progress made in levels of financial inclusion across the African continent between 2011 and 2017, moving from 23% of the population to 43%. However, as Payal Dalal pointed out, this was still significantly lower than the high levels of financial inclusion of 69% in the rest of the world. Whilst the increase in financial inclusion in Africa was primarily as a result of mobile banking, this does not translate as access to finance to small and micro businesses or accessibility to bank accounts – in other words, financial security. Mastercard's focus on impact in the financial sector has, therefore, been on improving financial security by partnering with local banks and corporates to improve the access, usage and trust in the financial system by small and micro businesses. Payal Dalal added that Mastercard is seeking to address these gaps by helping micro and small businesses to modernise and digitise their processes, for example, by supporting them in creating digitised evidence of their transactions, making it more likely for them to attract financing in the future.

Not a new phenomenon – core to business

Financing with a developmental or social impact in Africa has been going on for well over a decade – this is not new. As Samalie Kiyingi noted, this has run in tandem with the ESGs, the UN's Sustainable Development Goals, which have been in place since 2016, and the African Union's Agenda 2063, a 50-year plan around effective sustainable development.

Ms Kiyingi explained that as a bank, Afreximbank has a trade development impact investment framework for all their facilities, requiring them to query the potential development impact of funding at the start of a facility, which the bank monitors throughout the life of the facility.

Amol Prabhu emphasised that the ESGs, SDGs and other sustainable impact frameworks are critical and important to business; banks would be doing a disservice to their clients if they did not approach their lending transactions through the eyes of their investors who care about impact in addition to corporate governance. Shareholder activism and reputational risk further ensure that social impact drivers are core to business decisions and so banks like Barclays must be alive to it.

Commenting on impact being core to business principles, Davinder Mann stressed the importance of managing the environmental and social impact of a project, and gave the example of a project in which UKEF was involved, relating to Kampala airport in Uganda, where they used female-only work representatives to protect the workforce, and managed issues around upskilling local companies to assist in monitoring the impact of the project.

Bribery and corruption

The panel and audience were asked how much of a "showstopper" bribery and corruption was when it came to participants in the financial sector directing capital and executing initiatives designed for impact. The panellists took the view that while bribery and corruption in Africa was an issue, it was not a showstopper, and that businesses had to continue. Mr Prabhu stressed the need for businesses to be "more savvy" in the fight against bribery and corruption – finding the right business partners with robust governance processes when engaging in overseas projects. He pointed out that it was incumbent on all advisors working on finance transactions to be alive to cultural differences, as what may be considered bribery and corruption in one region could be the normal course of market events in another. All participants agreed that the issue of bribery and corruption in business is global, and not specific to Africa, although, Ms Kiyingi accepted that the institutional framework for enforcement against bribery and corruption is stronger in more established markets.

Have issues faced in the so-called "developed countries" made Africa more attractive?

With an increase in political instability in the West, the panel considered whether or not this had helped Africa to become a more attractive target for capital. The results of the interactive audience vote favoured the answer "no", on the basis that "capital designated for impact will generally favour Africa, notwithstanding what is happening elsewhere".

Amol Prabhu challenged this response, pointing out that such perceived instability in the developed markets has led to investors seeking yield in emerging markets such as Africa. He opined that the changing perception of risk in Africa was something that businesses seeking capital in the region could capitalise on. Samallie Kiyingi explained that Africa has had a long-term attractiveness for investment due to high levels of return, and that in order to allow financers to invest with the confidence that they would see a return of, as well as a return on, their capital, institutions such as Afreximbank provide business guarantees to support foreign direct investment into African countries and companies.

Davinder Mann noted that UKEF has certainly seen an increased focus in Africa, so much so that they have hit capacity in Ghana, Angola and Zambia through the projects they have supported and they are further looking to expand.

Moving forward together

The panellists identified common threads and potential synergies between the institutions they represented - the sentiment was that there were opportunities to collaborate to scale up access to capital in a sustainable way. The panellists expressed openness to the idea of partnering with each other to leverage their respective connections and knowledge to provide solutions given their commitment to empowering African businesses through credit and capital.

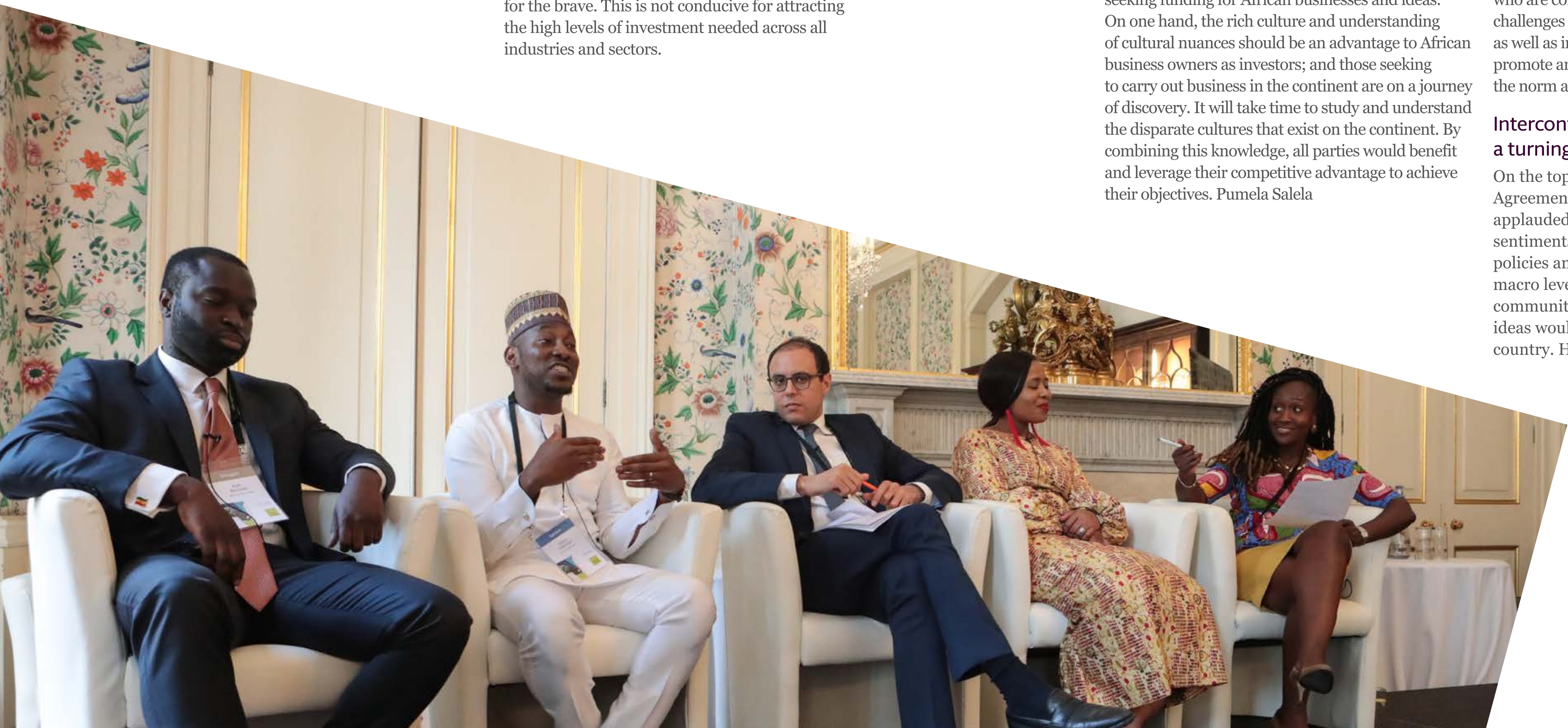
Future leaders: From passion to portfolio

We were joined by a panel of under-45 trailblazers: Kofi Owusu-Bempah, Founder and CEO of Pash Global, an investor in the clean energy sector; Pumela Salela, the United Kingdom Country Head for Brand South Africa; Omar Ben Yedder, Group Publisher and Managing Director of IC Publications, a company that uses magazines, digital media, newsletters and international events to cover news on the African continent from Africa; and Gbite Oduneye, Chief Executive Officer of A&O Acquisitions, an Alternative Investment and Brokerage company focused on the trading, real estate, technology and the art markets.

Wanting to understand how each of these young entrepreneurs are shaping their businesses for maximum impact, Abena Poku, Senior Marketing and Business Development Manager at Hogan Lovells, explored what success in Africa and on African terms meant with the panel.

Changing perceptions of Africa

The panel unanimously agreed that the negative perceptions of Africa and Africans are hindering the growth of business on the continent. Perceptions of a lack of sophistication, technological advancement, and security and intellectual capacity have and continued to prevent many multinational companies from setting up or fully investing. It is considered a high risk destination with great reward for the brave. This is not conducive for attracting the high levels of investment needed across all industries and sectors.



Omar Yedder stated that this was compounded by information asymmetry, a lack in coverage of African successes and interaction with people on the ground doing business successfully. The panel agreed, stating that there were many successes and once the world dealt with internal biases and began to be open to, and understand, the opportunities that are in Africa, change would be widespread.

It was observed that, although controversial, Africans had to be better geared to do business in the continent; that is, exploit their resources and connections, and use their cultural capital and understanding of their own culture. Viewing the African identity as an advantage is important when trying to ensure business in Africa continues to expand. Kofi Owusu-Bempah explored how perception was both a help and hindrance when seeking funding for African businesses and ideas. On one hand, the rich culture and understanding of cultural nuances should be an advantage to African business owners as investors; and those seeking to carry out business in the continent are on a journey of discovery. It will take time to study and understand the disparate cultures that exist on the continent. By combining this knowledge, all parties would benefit and leverage their competitive advantage to achieve their objectives. Pumela Salela agreed, mentioning how education was key, both within the continent and beyond. She reiterated that without education, an understanding of one's culture would be limited and therefore, the understanding of those who are not African may be corrupted. Kofi Owusu-Bempah went further, advocating the need for education for all; but the education needs to not only measure up to international standards, but be relevant and relative to the environment in which they live. Biases are not just left to the West; even in Ghana, people's inter-tribal prejudices can prevent people from different tribes doing business together.

There was a consensus that the answer is to change perceptions by promoting a new, positive narrative of the continent. There was a sense of hope that, moving forward, existing perceptions of Africa will be challenged by the continent's entrepreneurial youth, who are continuing to succeed regardless of the challenges to inspire others in their home nations as well as internationally. The more successes we promote and encourage, the sooner that will become the norm and the narrative changes.

Intercontinental Free Trade Agreement – a turning tide?

On the topic of the Africa Continental Free Trade Agreement ("AfCFTA"), although all panellists applauded the idea, Pumela Salela reiterated her sentiments on education, stating that many of the policies and agreements are being drafted at a macro level without engaging with representative community stakeholders to consider how these ideas would work in practice within a specific country. Her focus was on enforcement; having an agreement that does not deal with enforcement of obligations and one where the general population is not educated on how these new policies benefits them, may be rejected locally, making it difficult to implement. Policy makers, civil servants, and the public need to be fully versed and understand the changes required and why before such an agreement can be successful.

Gbite Oduneye added that it is paramount for a country such as Nigeria, who did not initially sign the agreement, to ensure that entering into such an arrangement would be a well-thought through move. Recent history recalls a similar, short-lived arrangement made between Morocco and the EU. AfCFTA should learn from those examples, including Brexit, and avoid making similar mistakes. As young business leaders, the panel felt that the opportunities presented by AfCFTA far outweighed the risks. For them, this presents new areas of unprecedented pan-African trade, opening up new markets and business prospects for Africans to benefit from. Kofi Owusu-Bempah echoed these statements, stating that we all have to be cognisant that there would not be an instant change due to signing an agreement; the path to change is often protracted. But in this case, it would be worth the wait.

Bad governance stunts progress

There was a consensus that the biggest threat to a productive and successful continent was governance. In order to see wholesale change and improvement, businesses need to get things done – and a huge impediment to this is the lack of good governance. Regulations are fragmented. There is a lack of speed, and Government is holding back the private sector, stated Omar Yedder.

Gbite Oduneye continued that, the route to success was one that looked beyond Government, and one that was focused on the private sector. He argued that waiting for Government leads to much slower progress. Individuals who want to see change need to mobilise; they need to be proactive, demonstrating to Government what innovation and technology can achieve, while they play catch- up. The private sector has the power to be a driver of change, especially in countries like Nigeria.

Kofi Owusu-Bempah commented that the youth needs a mind-set of continually learning something new; developing a skill and craft will be paramount to Africa overcoming some of its challenges. Gbite Oduneye agreed, stating that all generations have a responsibility to tell positive stories to revive creativity and imagination on the continent and be optimistic. The key was to act with “less apprehension and more audacity”, Omar Yedder confirmed.

Africa open for business

The African Continental Free Trade Area ("AfCFTA") agreement is a big step towards the dream of economic unity across Africa. The largest free trade zone in the world covers 54 of Africa's 55 states and creates a market of 1.3 billion people, expected to grow to 2.5 billion by 2050.

While many countries in the world are taking the protectionist route and building barriers and walls, Africa is bucking the global trend and working towards an African single market.

Partner and Head of Hogan Lovells Africa Practice Andrew Skipper chaired this panel discussion, which took the form of a regional debate focusing on the AfCFTA and Africa making an impact. The panel included keynote speakers with rich insights into the African continent:

- **H.E Yamina Karitanyi**, *High Commissioner for the Republic of Rwanda to the United Kingdom*
- **H.E. Papa Owusu-Ankomah,** *Ghana's High Commissioner to the United Kingdom and Ireland*
- **Ambassador. Rui J. Carneiro Mangueira,** *Ambassador of Angola to the United Kingdom*
- **Paul Arkwright,** *CEO of HMG's Africa Summit, and former High Commissioner to Nigeria*

The AfCFTA a game changer for Africa

Panellists agreed that the AfCFTA will have significant advantages for the continent.

According to **HE Yamina Karitanyi** the AfCFTA is a "solution to Africa's problems".

"What this instrument [the agreement] offers us is an opportunity to correct the mistakes of the past in starting trading with each other. Africa is the only continent that trades more with the rest of the world than it does with itself. That is an anomaly, and to correct it we need the types of instruments that other continents have in place, so that we can begin not only trading with each other – but opening our countries (borders) to each other."

"So I think that this instrument will give Africa ... create real wealth within the continent. I think it will also open up opportunities for Africans to relook at value addition, because let's face it – some of the protocols that help Africa trade with the world have barriers which stop Africa from adding value to their own products. So we find ourselves going into a circle and hopefully the protocols that will accompany the AfCFTA will allow for African products to cross borders whilst adding value so that it goes back throughout the value chain and that Africans are taking advantage of that."

AfCFTA means business

Ghana is considered an attractive country for FDI Andrew Skipper asked how the free trade agreement will impact the country in a positive way

HE Papa Owusu-Ankomah said the AfCFTA shows that Africa really means business.

"We in Ghana have come to the realization that no country has ever been able to truly develop by relying on others. Africa, which is the poorest continent, not in terms of resources, but in terms of income levels – has been able to take its destiny into its own hands. In Ghana, we get the advantages of economies of scale – there are various manufacturing industries, like our pharmaceuticals – which are very strong. So, if we have this continental free trade area – then we have economies of scale, which are going to improve on the free movement of people. With the AfCFTA, we are also going to see improvement in the value chain when it comes to agricultural products which transcends borders."

The UK and AfCFTA

Mr Paul Arkwright noted that it is clear that the UK and western part of Europe will undoubtedly benefit from Africa becoming an area of free trade.

"As movement becomes easier, value can be added to Ghana's coconut production for example. And so the chances of competitive exports from Africa to the UK and Europe is going to increase and I think that 'value-added' point is important. Of course we (the UK) are interested in selling into Africa, and if the AfCFTA is going to make that easier, for lots of reasons – and this is a good thing British business - it is going to be easier for British business to invest in Africa as well as trade with Africa. So, from a British perspective in a post-brexit world, the AfCFTA is definitely something that we would strongly welcome."

Signed and sealed, but now it must be delivered

Ambassador Rui J. Carneiro Mangueira said Angolan legislation has already been changed to accommodate the AfCFTA. "We have removed a lot of barriers in terms of the size of investment as well as the type of investment that is being made. All sectors in Angola have to promote public and private partnerships. The policies of privatisation inside the country are already in place in order to take our state-owned companies and pass them along to the private sector. The banking system is already in place and so is the technological revolution that we need to move forward..."

"We are also taking measures to ensure that our people are empowered through education in order to increase the capacity of human capital inside the country. So there are many measures that Angola is putting into place to ensure that we take this opportunity (AfCFTA) forward with the other African countries."

Delivering jobs to the people

H.E Yamina Karitanyi said Rwanda is looking at the future of where jobs are going to be needed.

"This is going to be in innovation, and Africa is not lacking in innovation. It is all about ensuring that there is an enabling environment to ensure that the young people in the relevant fields are receiving the education and right packages to innovate and compete globally. In Rwanda, we are looking at STEM – investing in the field and creating the infrastructure, and getting people at pre-primary level to start thinking about the sciences and technology fields. We are also continuing talks with the private sector – because where Africa may have failed in the past was by having a one sided view from government without all stakeholders involved. If we look at the case of the AfCFTA there is strong component from all stakeholders and that's why I am very hopeful that there is going to be success at a very fast rate. We are also ensuring that all segments of the population (women and the youth) are getting equal access to job opportunities."

Doing business more efficiently

H.E. Papa Owusu-Ankomah noted that the government of Ghana is doing a lot of things to make things more efficient in terms of doing business with the country.

"Even when it comes to declaring goods in the harbour, there were previously 14 agencies that had to go through certain processes. Now, the process is done online and it really doesn't take very long. When it comes to registering companies, now you get your Tax ID number from the companies' registry. So, all over Africa, barriers are being removed. With the prospect of Africa being one big market place, every company will be compelled to change or risk getting left behind."

In summary, the consensus was strongly that AfTCA is a potential game changer for the continent, and that companies and nations alike need to work together to bring its potential benefits to fruition. This is Africa's time, and we increasingly have the tools and the determination to deliver.

Africa Forum Report 2019 - Sustainable solutions to fill Africa's infrastructure deficit

Approximately 700 million people remain without access to electricity in sub-Saharan Africa. Additionally, commercials and industrials face increasing burdens on profitability through unstable power supply and/or dependency on diesel generators. This is just one example of how the net result of Africa's infrastructure gap is a barrier to GDP growth. The last three years have seen the number of new utility scale projects hold steady (although some would say "stall"), whereas the number of community projects, from 'off-grid' to 'mini-cities', has dramatically increased. This is creating new investment opportunities without necessarily needing governmental or multilateral credit support, but is investor appetite ready for this?

A panel consisting of Adesua Dozie, General Counsel at GE Africa; Forbes Padayachee, Head of Power Africa at Eurasian Resources Group ("**ERG**"); Nicolas Pitiot, Investment Director at CDC Group; and Brandon Bowen, Head of London Office at Green Gate, discussed the opportunities as well as the challenges faced by stakeholders involved in these projects, and shared their views on how the growth of the sector as a whole is required to facilitate and support much needed and long-term infrastructure development. The panel was moderated by Arun Velusami, Infrastructure, Energy and Natural Resources Partner at Hogan Lovells.

How do you eat an elephant? Piece by piece

Adesua Dozie kicked off the session by saying that while the picture is not all doom and gloom, developers of African power projects face significant challenges which cut across the value chain from generation to transmission and distribution. Success is, however, within reach as illustrated by Adesua who noted that GE installed its 100th power plant in Africa in 2018, bringing 46GW of electricity to 250 million homes across the continent. She also highlighted some of the innovative projects GE is currently implementing with its partners in Africa, for instance, in 2018 GE launched a power plant in Ghana that uses gas that would have been ordinarily flared as feedstock.

The discussion next turned to the transmission and distribution sector, highlighted by Nicolas Pitiot as a key sector for CDC as part of its mission to clear bottlenecks in the African power sector as a whole. We learnt that while historically transmission assets in African countries have been funded through donor funding or through government budgets given their status as strategic assets, new solutions are needed to increase investment in this sector. Compared to power generation assets, private investment in transmission assets is depressed due to the political sensitivity around these assets and the difficulties in generating the levels of returns that private investors expect to receive.

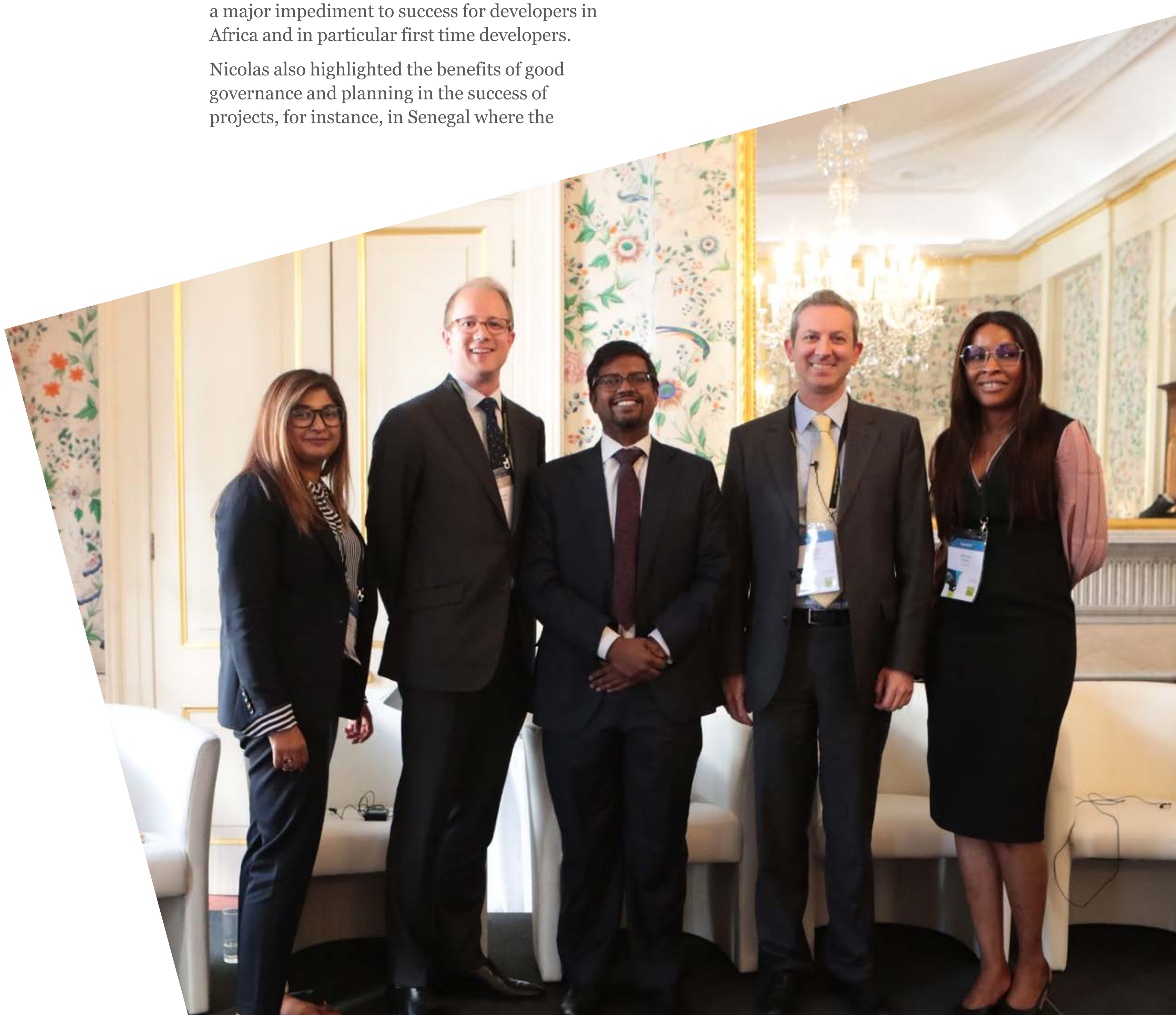
The panel welcomed the role of organisations such as CDC in increasing investment in the transmission sector. Nicolas described the pool of patient capital, with higher risk tolerances and lower expected returns on investment, currently being deployed by CDC through a new company called Grid Works. Grid Works invests in transmission assets using a model similar to the independent power project (IPP) structure used in power generation and will also work with governments to create opportunities for the private sector through partial privatisations, management contracts for utilities and the provision of technical assistance.

To complete the picture from the perspective of a large scale power user, Forbes Padayachee described some of the steps taken by ERG, alongside state utilities, to ensure a consistent supply of electricity to its mines. ERG, has for instance, rehabilitated power generation assets owned by the national utility (SNEL) in the DRC in exchange for discounts on its monthly payments to SNEL. Addressing transmission, Forbes confirmed that ERG rehabilitates transmission networks as well as power generation assets given that mines are often located in remote areas which may not be grid connected. She did, however, flag that even with these measures in place, ERG still needs emergency power and relies on generators as part of its power mix.

Politics...

Brandon Bowen identified changing political priorities as being a key source of unpredictability in getting power projects over the line in African countries. He advised that in order to ensure success, developers need to build due and proper political relationships in parallel with developing the economic and technical aspects of a project. He identified lack of awareness of the significance of political relationships in progressing projects as a major impediment to success for developers in Africa and in particular first time developers.

Nicolas also highlighted the benefits of good governance and planning in the success of projects, for instance, in Senegal where the country now has some of the lowest power tariffs in Africa. The panel spoke about the importance of strong institutional frameworks, such as IPP frameworks, which have been developed over a number of years in countries like South Africa and Côte d'Ivoire. They also highlighted work done by governments in creating credit worthy offtakers, such as in Kenya, as being a key factor in attracting investors who are then able to take credit risk on the offtaker without needing a full guarantee from



a government. The panel concluded that given the financial constraints faced by governments across the continent, removing the need for full government guarantees can often be a significant boost to investment.

The positive effects of these governmental actions were contrasted by the panel against the dampening effects on investment in countries where governments are reopening IPPs that have already achieved financial close, on the basis that the tariffs agreed by previous governments were too high. The challenges created by governments taking an unrealistic view on tariffs more generally were also discussed, with cost reflective tariffs emerging as an important factor in encouraging investment, together with stable and long term national planning with transparency and clarity of process.

Brave new world

As the final topic of the session, the panel discussed the upsides and downsides of the recent growth in smaller scale power projects and off-grid projects.

Starting with the upsides, the panel concluded that these projects offer quick gains by increasing rural electrification and improving access to energy, as well as by diversifying the power mix in a country. The panel agreed that due to their smaller sizes, these projects can be completed more quickly than utility scale projects, helped also by simplified financing approaches. Nicolas explained that CDC, for instance, finances off-grid solar projects on a corporate basis rather than on a project finance basis, as part of its off-grid solar strategy.

Moving on to the downsides, the panel noted that utility scale projects, on the other hand, have a bigger effect on the wider economy by boosting energy intensive industrial activities and growth through the provision of significantly more abundant and stable electricity. Some members of the panel suggested that the current focus on smaller scale projects threatens to potentially kick the can down the road in this regard. The panel also queried whether or not a boom in large scale off grid projects (with private generation companies / suppliers), such as large captive power projects, would deprive utilities of their biggest and best customers and further undermine the credit worthiness of utilities, which could in turn make it more difficult to develop IPPs.

The panel closed the session by highlighting cross border transmission as another high impact way in which to establish reliable power supply throughout the continent, with mechanisms such as the West African Power Pool and Southern African Power Pool enabling credit risk to be diversified between large scale users (and public utilities) leading the way. The future is bright!

Impact investing – fad or fixture?

Impact investing has seen a tremendous growth over the years, with greater calls for companies to be more conscious of the impact their investment generates. For example, as a result of legislation recently implemented, every company registered in France is now required to consider, as part of its corporate objects, the social and environmental impact of its activity. Many believe that this is symptomatic of a trend, the effects of which are likely to be felt in Africa, or (at the very least) in the 17 countries which are members of the OHADA treaty.

Although, there is no consensus around the definition of "impact investing", Abi Mustapha-Maduakor, COO of the AVCA, suggests that there are two key principles that impact investors must adopt. The first is the intention, meaning that an impact investor must have the intention to generate social return as part of the investment. The second is prioritizing the social return aspect over the financial return.

Investing in this way has very important consequences for local communities, which is the reason why impact investing is so critical, especially in Africa. Historically, investments in Africa were dominated by big companies that invested money in their operations, but neglected to use local labour to assist with their projects or create opportunities for local people, and did not take care to avoid destroying the environment around them (for instance, there was no concern about the amount of pollution that projects caused). However, Kofi Owusu-Bempah of PASH Global points out that in order for investments to be sustainable today, they should have a "win-win" outcome (that is, benefit local communities as well as to help investors achieve their objectives).

Whilst the theory is noble and even somewhat glamorous, there are many challenges in practice. The recent rise and fall of Mobisol demonstrates this well, and ultimately shows that a robust business model is crucial in order to avoid a bad investment. Julien Deconick of Clermount advises that another major pitfall is overestimating the market. Taking off-grid solar electrification as an example, the market is huge – 460 million people do not have access to electricity in Africa. Few industries have comparable markets. However, very few people in Africa's key jurisdictions can afford to spend significant amounts on electrification, which in turn affects the profitability of the market.

From an investor's perspective, James Magor, manager at Actis, believes that a greater concern is impact washing – that is, over-claiming impact that perhaps is not there – and governance issues. These concerns often undermine investor confidence and affect fundraising. Despite this, there has still been a surge in interest from mainstream institutional investors that have an impact allocation, meaning that this area is no longer the preserve of DFIs exclusively. Private equity activity in Africa, for instance, has generated over 20,000 jobs alone.

Another noteworthy area is the renewable sector, which has seen much interest from impact investors. Kofi Owusu-Bempah indicates that this may be because there are many different stakeholders often involved in these projects, and because of the nature of the sectors, all of these people have certain requirements which are usually based on social impact. As such, there is naturally a pressure on those operating within this area to develop initiatives in accord with certain social impact goals.

The requirements in other sectors such as real estate, financial services, healthcare and education, vary but the approach appears to be based on the same pillars of intentionality, measurements and verification. In practice, this means: (1) transparently stating your intention to generate positive impact at the outset; (2) measuring your performance against that intention; and (3) having your results verified. In terms of education and healthcare specifically, James Magor reports that when the UN developed the sustainable development goals and they were adopted by all the member states in 2015, it was very clear that those goals could not be achieved by the public sector alone, and private sector capital was required. In Africa, private investment and impact investment in African healthcare and African education is critical for relieving pressure on the public sector for creating jobs, reversing the overseas brain drain and the medical tourism at the top end.

With several different actors, it is important that they all work together. Typically, each actor will play a role at a different stage of the lifetime of a company. To provide an example, many companies operating in this space will rely on support from a donor, such as foundations. Successful companies like "d.light" or "Greener Planet" would not have emerged without support from the Shell Foundation. In addition, DFIs are also useful in terms of providing equity investment. However, perhaps most important, and an actor that is commonly neglected, are social anthropologists. Social anthropologists can be useful at the planning stages by assessing where the most pressing needs for local communities exist and investors can respond to this accordingly.

We are still early on in the impact investing journey in Africa, and we do not necessarily have the volume of experts to substantiate whether or not this is the best way forward, but the story so far has certainly been an interesting one. The panellists agreed that there has been a dilution of the DFIs in this space, and the space is opening up to more non-traditional partners which is a trend to be celebrated. Impact is now the mainstream, and we are at a tipping point, however, that this does not mean that impact is somehow replacing environmental, social and corporate government (also known as ESG). It is fundamental that businesses manage their investment risk through ESG, but they can measure the positive impact that their activity has on top of that; and the latter is impact.

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