BUSINESS STATEMENT ISSUED AT THE Ai CEO INVESTMENT SUMMIT 2015

THE BUSINESS OF AFRICAN ECONOMIC DEVELOPMENT: IMPLEMENTING THE SUSTAINABLE DEVELOPMENT AND FINANCE GOALS IN SUPPORT OF AGENDA 2063

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BUSINESS STATEMENT IN A SNAPSHOT

This Business Statement is the result of a 12-month Africa investor (Ai) consultative process with over 200 business leaders and investors operating in Africa. Consultations took place in New York at the Ai Heads of State Investment Advisory Council in partnership with the UN Office of the Special Adviser for Africa and the African Union. Consultations also took place at the New York Stock Exchange during the 2014 UN General Assembly, the Ai World Bank Strategic Bankers' Dialogues at both the 2014 World Bank Annual Meetings and the 2015 Spring Meetings, alongside the recent launch of the African Union-NEPAD Continental Business Network in Cape Town, and at a dedicated side event at the Financing for Development ("FfD") Summit in Addis Ababa, Ethiopia, in July 2015, organised in association with the Global Clearinghouse for Development Finance.

This Business Statement reflects the recommendations and the collective views of private sector leaders working in Africa on optimal ways to achieve the Sustainable Development Goals. This Business Statement will be used to focus the discussions of Heads of State and other senior government officials at the Ai Presidential CEO Summit in Addis Ababa in January 2016.

This Business Statement calls on public and private sector leaders to advance the achievement of the Sustainable Development Goals, expanding the role of African business in the implementation of the Addis Ababa Action Plan agreed to by all UN member states at the Third International Conference on Financing for Development. Leaders are asked to implement the African Union's Agenda 2063 and help define the agenda for the Africa investor Presidential CEO Investment Summit to be held in January 2016 during the AU Heads of State Summit in Addis Ababa, in partnership with the African Union and NEPAD.

1.0 Context

In the aftermath of the Financing for Development Summit in Addis Ababa in July 2015, and in alignment with the Sustainable Development Goals (SDGs) and Agenda 2063 (representing Africa's own development plan for the next 50 years), the need for transformative approaches and mobilisation of private sector expertise and capital to meaningfully advance Africa's development is uniformly evident. The experience of trying to achieve the Millennium Development Goals (MDGs) has given the world new insights on how to achieve better, more sustainable growth and development. Key enablers of sustainable development include improved governance and infrastructure, better use of human capital and development of capacity, development of green energy technology, biodiversity, trade and access to long-term affordable finance.

1.1 Africa's Private Sector Represents an Untapped Force for Good

Africa's economic growth is inextricably linked to social development and is primarily predicated on the private sector's unique assets as well as the human and financial resource capability to convert favourable economic growth projections into actual new jobs, and the increase of intra-African trade and investment flows.

The estimated size of the African private sector in terms of formally registered businesses on the continent is over two million businesses. Africa's informal sector is estimated at more than three times the size of the formal sector, therefore the estimated total number of existing businesses on the continent is approximately eight to ten million, representing a significantly untapped resource for African economies.

1.2 The Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a proposed set of targets relating to future international development. They are to replace the MDGs once they expire at the end of 2015. For the SDGs to be successful, all countries must do what they can at a national level and engage their domestic resources in line with their priorities and circumstances. All stakeholders must become engaged. However, what will differentiate the MDGs from the SDGs is the importance of business; indeed, there is a clear business case to be found in supporting sustainable development.

Sustainability needs to be seen as a key business driver. Companies with high ratings for environmental, social and governance factors have a lower cost of debt and equity and frequently outperform the market in both the medium and long term. Therefore, developing a corporate culture of sustainability should be understood as a source of competitive advantage for companies.

1.3 Financing sustainability

The global development landscape has changed dramatically over the last decade and new methods of financing will be the linchpin for the success of the new Sustainable Development Agenda. Developing a financing framework for the post-2015 agenda is underway through the Financing for Development (FfD) agenda.

UN members have now agreed to updated development finance rules that reflect changes in international cooperation over the last decade. The “Addis Ababa Action Agenda” is a revised global framework for development finance, aligning flows with a range of economic, social and environmental priorities. The framework outlines a series of principles to underpin development financing efforts, including building resilience to economic shocks, recognising the risks posed by climate change and reaffirming the importance of freedom, the rule of law and good governance.

1.4 Africa’s position

In anticipation of the SDGs, Africa has established a Common African Position (CAP) on the Post-2015 Development Agenda, based on six pillars, with the aim of speaking with one voice and facilitating the discussion towards a global consensus on the SDGs:

- **Pillar One: Structural economic transformation and inclusive growth**
- **Pillar Two: Science, technology and innovation**
- **Pillar Three: People-centred development**
- **Pillar Four: Environmental sustainability, natural resources management and disaster risk management**
- **Pillar Five: Peace and security**
- **Pillar Six: Finance and partnerships**

The 17 SDGs (with 169 targets) generally reflect this common position; therefore the post-2015 Development Agenda provides a unique opportunity for Africa to reach consensus on common challenges, priorities and aspirations. It also provides the opportunity to participate in the global discussion on improving financing for Africa’s development and formulating strategies to address key emerging development issues affecting the continent.

Close collaboration with the private sector will ensure that the practical implementation of the post-2015 framework and the African Union’s (AU) Agenda 2063 will be complementary, allow consistent access to human and financial resources, and be mutually supportive.

Africa is creating an increasingly conducive investment and business environment and the role of the African state is evolving to provide a long term investment environment that will enable the private sector to effectively play their role in the continent's economic and social development. The AU is therefore prioritising the building of a strategic framework for strengthening the role of Africa's private sector towards achieving "Agenda 2063."

Indeed, to achieve the transformative agenda contained in Agenda 2063, the private sector is crucial as the principal creator of jobs, the primary investor in key sectors such as extractive resources, manufacturing, services, SMEs, and sustainable agricultural production. In addition, through innovation and investment in infrastructure, energy and other sectors, the private sector has a major role to play in the socio-economic transformation towards an inclusive green economy, and the implementation of the outcomes of the agreement reached at the UN Framework on Climate Change Conference (UNFCCC – COP21) in Paris this December.

We, the business community operating in Africa, therefore call on Africa's finance and development leaders, including, but not limited to, African Heads of State, the President of the World Bank Group, the Secretary General of the United Nations and the Chairperson of the African Union Commission, to urgently advance the formulation and implementation of practical action plans in extensive consultation with the business community on the harmonisation of the Post-2015 Development Agenda, including that of the FfD agenda, the SDGs and Africa's own Agenda 2063.

2.0 Why the Africa Union's Agenda 2063 is critical for business

During the 50th anniversary of the African Union, Heads of State and Government of the AU rededicated themselves to the continent's progress, creating Agenda 2063, which constitutes both a 50-year vision and an action plan for the continent's economic and social development. It is a call for action to all segments of African society to work together to build a prosperous and united Africa based on shared values and a common destiny.

By 2063, the necessary infrastructure will need to be in place to support Africa's accelerated integration and growth, technological transformation, trade and development. Envisioned projects include high-speed railway networks, roads, shipping lines, sea and air transport, as well as a well-developed ICT and digital economy. A pan-African high-speed rail network will connect all the major cities/capitals of the continent, with adjacent highways and pipelines for gas, oil, water, as well as ICT broadband cables and other infrastructure.

This is designed to catalyse manufacturing, skills development, job creation, technology, research and development, integration and intra-African trade, investments, real estate and hospitality development and tourism. The business community will be vital to the financing and development of this agenda. In addition, as identified by Heads of State at the Ai Heads of State Advisory Council meeting in New York 2014, African leaders must seek to mobilise finance by engaging the pension and sovereign wealth fund industry, and efforts must be redoubled to boost intra-African trade and investment.

Ai Research shows that while intra-African trade is currently 12-25%, intra-African investment is a mere 5% but has the potential to grow year-on-year by a compound growth rate of 25-30% over the next ten years. Intra-African investment must be a strategic policy imperative for leaders, and its implementation must be led and driven by African pension and sovereign wealth funds through a combination of direct infrastructure and private equity co-investments and regulatory reform and investment policy leadership.

Developing Africa's participation in global value chains is also a vital component to this, as identified at the 8th World Bank-Africa investor Strategic Dialogue on "Building African Participation in Global Value Chains." Skills development, regional integration and strong leadership will be vital going forward.

According to data from the African Union's *Agenda 2063: The Africa we Want*, improved infrastructure and greater trade facilitation across Africa will enable the significant growth of intra-African trade from less than 12% in 2013 to approximately 50% by 2045 and

Africa's share of global trade could rise from 2% to approximately 12%. This growth would create spill-over effects and momentum, spurring the growth of pan-African companies, job creation, and stronger economies across Africa.

African governments must therefore urgently take appropriate steps in partnership with the private sector to build the necessary capacities for enterprise development. This must be the basis for any economic transformation agenda in the future. They will need to work hand-in-hand with the domestic and international private sector, financial institutions, small and medium-sized enterprises (SMEs) and other partners to achieve the goal of enfranchising Africa's private sector and overall continent-wide private sector development.

There are clear synergies between Africa priorities and the post-2015 Agenda. However, it is urgent that the complementarities between Agenda 2063 and the global development agenda be fully aligned to avoid competing multilateral and continental agendas, and set forth coordinated engagement business engagement strategies to optimally mobilise the required human and financial resources from the private sector.

3.0 Role of business in implementing the FfD agenda and the SDGs

We, the business community, emphasise that greater engagement of the private sector's expertise, innovation and finance will be pivotal to advancing the continent's economic and social development, creation of jobs and overall competitiveness in the global marketplace.

It is certain that Africa's achievement of the goals set forth by these various agendas will not endure in a sustainable manner unless partnerships with the private sector are bolstered and implemented in the following areas:

3.1. Resource mobilisation

Institutional investors can provide long-term financing, risk mitigation, and contingency refinancing facilities, but there needs to be public investments in developing the financial structures, risk mitigation instruments, and domestic capital markets. Equity investors can also contribute to the capital required, but there needs to be public investment in ensuring investment criteria are met.

3.2. Role of the financial sector

Banks can help to finance infrastructure and essential public services critical to sustainable development – but there needs to be significant expanded public investments in developing bankable projects and commitment to creating an enabling environment for finance.

3.3. Infrastructure investment

On supporting enabling infrastructure investment, we welcome the established and stated goals of the Continental Business Network (CBN), which was established in June 2015 under the auspices of the NEPAD Agency. It is critical that governments develop effective and transparent consultation mechanisms with the private sector to enable the identification of priority infrastructure investments and formulate effective execution strategies from project development to financial close, to operation and ultimate asset maintenance.

Specific proposals on action plans are detailed in the below section.

4.0 The harmonisation between the FfD agenda and the SDGs in support of the implementation of Agenda 2063 – Recommendations:

We, the business community, restate the urgent need to better partner with the private sector and systematically mobilise the human and financial resources from within the private sector working in Africa. We hereby call for clarity on the harmonisation between the FfD agenda and the SDGs to support the implementation of Africa's Agenda 2063. The first fifteen years of Africa's Agenda 2063 needs to be have a special focus on the following key areas of development:

4.1. Infrastructure investment and the Development of African Skills

Linked to the recent Continental Business Network (CBN) initiative in support of regional African infrastructure projects, six priority areas for infrastructure investment have been identified: Mobilising public sector support and private sector engagement for early stage project development; project structuring, finance, and operation; managing regional and national project investment risks; fast-tracking and incentivising private sector procurement; developing a practical and effective working relationship with African Heads of State and Governments; and enabling governments and public entities responsible for implementing projects to access high-quality independent technical advisory services. This requires extensive public support in the development of African professional experts in financial advisory, project finance, legal contracts, accounting, environmental engineering, and partnerships. Key areas for public sector support include the following:

- **Mobilising Public Sector Support & Private Sector Engagement for Early Stage Project Development:** For infrastructure to be successfully developed and financed in Africa, there needs to be much greater public sector support for early stage project development with a focus on how to incentivise private sector engagement. We request governments to engage their respective ministries and development partners to work closely with the private sector on how best to incentivise the engagement of the private sector. A key focus is close public-private sector collaboration in the specification 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. Early private sector engagement will 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. Pursuant to this, a key outcome of the 2015 Africa investor CEO Infrastructure Investment Summit is that a dedicated network of private sector project developers is being created, which will be a policy advocate for the acceleration of infrastructure project procurement and development. Regular updates on this will be available on www.aidevelopersummit.com.

- **Project Structuring, Finance, and Operation:** The careful strategic structuring of 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 need to be employed to cover unacceptably high risks. This is the issue that continues to stymie the efficient implementation and development of critical infrastructure projects.

- **Unlocking Domestic Capital and Managing Project Investment Risks:** Practical roadmaps are needed that address project investment risk, including the development and scaling up of risk mitigation, credit enhancement instruments, project ratings, and improved ways to share risks between the many counterparties. African leaders are urged to commit to actions that will develop greater internal capacity to structure projects so they are both bankable to debt providers and investable to equity investors, and a more coordinated approach in providing credible risk assessments and solutions to the domestic and global investment community. Governments and their development partners need to engage the private sector in the design, procurement and piloting of new financing and unsolicited approaches to unlock Africa's domestic capital for qualifying infrastructure projects.

- **Capacity-Building:** Africa's governments have a role to play in championing the development of domestic infrastructure capacity-building programs, enabling the growth of an African infrastructure structure with skilled professionals that can provide the needed technical skills – financial advisory, engineering, legal, accounting, environmental assessment, etc. as well as equipment and construction.

- **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 and development partners. Unsolicited proposals, in which private sector institutions approach a government directly with a project proposal, oftentimes 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 interrogated against market-related comparative proposals. This would enable a dynamic process that can accelerate infrastructure project development with greater innovation, professional implementation and momentum. This hybrid approach should be developed in a transparent and technical manner to expedite project development. We therefore call on leaders, development partners and the CBN, to develop an open formal process 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 infrastructure projects, operators and long-term investors, such as sovereign wealth funds and pension funds.

- **Developing a Practical & Effective Working Relationship with African Governments & their Development Partners:** For infrastructure projects to be successfully developed and financed, the private sector needs to work closely with African governments and their development partners to create the enabling environments and address the many challenges. African governments need to establish more effective forums for engaging the private sector in creating and improving the business-enabling environment and economic growth. Key forums for sustainable development, including development partner working groups, should include the private sector.

- **Performance Metrics:** There needs to be the development of performance metrics that can inform, compel and confirm the value-added results of public sector support for infrastructure projects. Metrics need to include measuring the key interventions made to create bankable projects in terms of project development and risk mitigation and the cost of and amount of private sector capital mobilised, GDP enhancements, jobs created as well as other tangential development benefits.

Practical steps that require public sector support are the creation of streamlined in-country collaboration frameworks and "knowledge ecosystems" for private sector engagement around priority infrastructure sectors and specific inputs needed for projects to be successfully identified, developed, financed and operated to achieve sustainability and development impact. These country-based frameworks for public-private sector action-based collaboration need to include enabling-knowledge ecosystems, with one-stop on-line directories of public support programmes for infrastructure, such as project preparation facilities, risk mitigation instruments, examples of leading-edge transactions and expert rosters. Such on-line platforms should include the ability of public and private sector infrastructure practitioners to network, closing coordination gaps impeding effectiveness and results. Significant public support is also required in setting up in-country capacity-building programmes that are grounded in the country's universities and professional institutions with "learn-by-doing" programmes, stimulating the development of the in-country professional finance and project experts required to successfully develop and finance projects.

4.2. Capital markets development

Africa needs to finance its development from domestic capital markets that are deeper and more liquid. This requires greater assistance in developing domestic bond markets; encouraging SME and other equity listings; diversifying and de-risking institutional investment by pension and sovereign wealth funds and insurance companies; training bankers in project finance; developing local professional experts in financial advisory, project finance, accounting; building the capacity of local institutional investors and their fund managers, and supporting local private sector development. The noted action steps above related to streamlined in-country collaboration frameworks and “knowledge ecosystems” for private sector engagement are critical to achieving this outcome. We call for greater collaboration led by African stock exchange CEOs through the African Securities Exchanges Association (ASEA) in partnership with investment banks, securities brokerages, private equity funds, capital market regulators and development finance partners to advance this intervention.

4.3. Climate finance

Understanding and adapting to climate change is one of the major challenges confronting Africa’s people, governments and the African Union. Africa’s resources and biodiversity must be fully converted into value-adding activities, adequate employment opportunities, and enhanced economic returns for African citizens. In addition, these resources must be managed in a sustainable and responsible way, and business must be better engaged in the implementation and negotiation of the COP process and priorities. The new challenges and solutions for climate finance, including new technologies and approaches, need to be made available at the country and project level. Global on-line directories need to be developed and disseminated as part of the new required streamlined in-country collaboration frameworks and “knowledge ecosystems” for private sector engagement.

4.4. Technology and innovation

African countries need to be able to access and develop modern climate-smart technologies and innovations. The public and private sectors need to have knowledge of the emerging environmentally-sound technologies. There also needs to be the recognition of the importance of collaborative and cooperative actions on accessing and employing existing industrial innovation for development, accelerating the development of priority technologies, and incentivising and creating an enabling environment for greater private sector research and development. Technologies such as gas-to-power and modern harmonised electronic payments infrastructure should be prioritised. New technologies and approaches need to be made available at the country and project level. As with climate finance, global on-line directories need to be developed and disseminated as part of the new required streamlined in-country collaboration frameworks and "knowledge ecosystems" for private sector engagement.

We highly recommend platforms modelled on the Industrial Internet Consortium being pursued: http://www.industrialinternetconsortium.org.

4.5. Industrial and SME development

Africa's private sector has been relatively stable over the last decade, employing on average 55% of total working age individuals and providing 90% of total jobs. Ai Research estimates that there are roughly seven million formally registered businesses on the continent and 21 million businesses in the informal sector.

Africa's private sector is comprised mainly of agriculture, banking, consumer goods, infrastructure, mining, oil and gas, and telecommunications. Retail banking in sub-Saharan Africa is projected to grow at a compound annual rate of 15% between now and 2020, increasing the sector's contribution to 19% of the continent's collective GDP. Services as a whole accounted for 57% of the continent's collective GDP in 2009. Natural resources generated 32% of Africa's GDP growth from 2000-2008. Industry accounted for 30.6% in 2009, of which manufacturing alone accounted for 12.9%. African economies rely heavily on agriculture; for sub-Saharan Africa, the agriculture sector's share in GDP was 12.7% in 2009.

To fulfil the potential of the Continental Free Trade Area (CTFA), there now needs to be a much stronger SME and industrial sector. Once established, the CFTA would offer a market of over one billion people and a GDP of US $2 trillion. Employment in Africa grew at an annual average of just 2.9% from 1991-2012. Prioritising industrial and SME development will have a profound impact on upgrading skills and job creation.

In addition, a more hospitable environment for e-commerce and trade should also be created to stimulate intra-African trade and the implementation of the CFTA.

4.6. Import substitution

Africa loses US $30 billion a year due to imports. This outstrips official development aid (ODA) contributions to Africa. If Africa were to reduce imports, a process which could occur if regional integration were seriously pursued, not only would these costs be reduced, but the efficacy of ODA would be vastly improved.

As stated above, this would also have a positive and supportive impact on progress and implementation of the Continental Free Trade Area (CTFA) and industrial, SME and agribusiness development overall.

4.7. Women's empowerment

Africa loses over 50% of its talent and innovation pool by inadequately engaging and supporting female entrepreneurs. To jump-start development, women need to be economically empowered in all aspects of the economy and business. We therefore support the African Union's proposed immediate intervention to set a goal of 30% of commercial bank loans for women and the provision of targeted technical assistance in the preparation of bankable projects to meet this 30% goal. Increased training and eradication of workplace inequalities must also be prioritised.

5.0 Next steps

We, the business and investment community operating in Africa, call on African Heads of State, multilateral leaders and international development partners to work with the private sector in the further definition and implementation of the prior recommendations. As leaders from the private sector, we stand ready to undertake our collective responsibilities to build a more industrialised, economically competitive and jobs-centred prosperous Africa in partnership with Africa's public sector and its development partners. Pursuant to this, we look forward to working in support of these critical objectives and the partnership between the business and investment community to meet annually at the Ai-AUC-NEPAD Presidential CEO Investment Summit in January 2016 as part of the Heads of State and Government Orientation Committee (HSGOC) meeting during the AU Heads of State Summit.

This annual Investment 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 inaugural business and government leaders Summit will occur annually during the HSGOC and AU Heads of State Summit to set out the business and investment communities' commitments to supporting development, job creation and the implementation of cross-border trade and investment projects in Africa.

We applaud the AU and NEPAD for their vision, partnership and leadership on this summit and consider this Ai-AUC-NEPAD Presidential CEO Investment Summit as a critical integrated platform for business leaders and Heads of State to dialogue annually and advance a roadmap of specific initiatives and interventions to fast-track regional economic integration, stimulate intra-African trade and investment, and fast-track regional infrastructure projects, and the development of African capital markets and skills.

As the representatives of the business and investment community, we appeal to Africa's Heads of State, senior government officials, and finance leaders to consider these recommendations, integrate them as an integral part of the Post-2015 Development Agenda actions, and provide suggestions on practical next steps for advancing Africa's sustainable development. The input received will help inform the agenda for the Ai-AUC-NEPAD Presidential CEO Investment Summit in January 2016 as part of the Heads of State and Government Orientation Committee (HSGOC) during the AU Summit.

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ABOUT AFRICA INVESTOR

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Africa investor (Ai) is the premier African investment and private sector development platform for domestic and global institutional investment decision makers, African governments, development finance institutions and business leaders working in Africa.

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