



Final

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Welcoming Statement

2nd Continental Business Network (CBN) meeting

Lusaka, 23 May 2016



- **H.E Dr. Sahar Nasr, Minister of International Cooperation, Arab Republic of Egypt**
- **H.E Hon. Clever Gatete, Minister of Finance, Republic of Rwanda**
- **Mr. Yofi Grant, Partner Grant Dupuis Investment Management**
- **Esteemed Members of CBN Council and CBN members**
- **Distinguished participants, Ladies and gentlemen**

I welcome you all to the second Continental Business Network (CBN) meeting. The CBN was launched in June 2015, on the margins of the World Economic Forum in Cape Town, South Africa, as an African Union Heads of State and Government response to facilitate private sector advice and leadership in essential continent-wide infrastructure projects. We are holding this second meeting as part of the African Development Bank (AfDB) Annual Meetings.

The CBN serves as the continental platform between private and public sectors to promote implementation of the Programme for Infrastructure Development in Africa (PIDA). It aims to engage and advance private sector priorities and requirements to invest in regional and cross-border projects. In addition, it acts as an exclusive Infrastructure Investment Advisory platform engaging and interfacing high-level African policy makers and captains of industry, on a range of strategic issues such as procurement, sector policy, investment risk ratings, structuring and the overall promotion of projects.

The focus of this second CBN meeting is on the critical role that the private and public sectors need to play in de-risking PIDA projects.

Since the launch of the CBN, 21 council members spanning from private sector personalities, prominent patrons of the NEPAD agenda, representatives of both Development Finance Institutions and International Development Agencies were nominated to be members of the CBN Council. The CBN Council held its inaugural meeting on 16th October in New York as part of the United Nations Africa Week events.



The CBN Council deliberated and adopted a 12 month work plan with clear results. Overall, the meeting noted that the governance structure as highlighted in the CBN Framework needs to be implemented, especially the strengthening of the Secretariat of the CBN. I am glad to report that since June 1st and October 16th, the CBN has achieved set milestones as guided by its 2016 work plan. Highlights of the work undertaken will be presented in this 2nd CBN meeting.

Furthermore and of significant importance, the CBN Council noted the need to work towards assisting African governments to orientate civil servants in business practices. Therefore, a dialogue with public sector entities on a project by project basis in terms of fast-tracking government processes in supporting private sector participation will be an essential role of the CBN. Therefore, this 2nd CBN meeting is in-line with the aspirations of the CBN Council meeting outcomes.

The CBN Council also stressed the utilisation of sovereign wealth funds to recycle financing of PIDA projects, hence, the Council called for a strategy to be in place for “big money” to be attracted through sovereign wealth funds and pension funds which will contribute to de-risking PIDA projects. Therefore, the reason we are gathered here this afternoon is to fulfil the request of the Council on the need for the CBN to discuss the issue of de-risking of the PIDA projects in order to attract private sector funding.

Distinguished Ladies and Gentlemen.

Public investment continues to account for the bulk of spending on infrastructure, in fact it is estimated that 65% of infrastructure projects in Africa are funded through public funds. However, given Africa’s aspirations to sustain economic growth on the continent with constrained government budgets, it is clear that more innovative ways of financing are needed and that there is need to leverage and enhance private sector participation. There are several on-going initiatives such as the PIDA Service Delivery Mechanism (SDM), the NEPAD Infrastructure Project Preparation Facility, and the Project Preparation Facilities Network which are all established to provide support for early and mid-stage project preparation. Additionally, Africa50 Fund established by the African Development Bank to accelerate infrastructure delivery by mobilising private financing



and to complement funding from other multi-lateral institutions will contribute significantly in the packaging of the PIDA projects for implementation. These facilities are extremely important but the issue of risk continues to pose an obstacle for private investments in PIDA.

The Question that reminds to be answered-

Is the Issue of “Risk” a reality or a perception?- and as well know, perceptions do matter.

Building on the achievements of the mentioned facilities, this 2nd CBN meeting will allow for in-depth discussion on what can be done to further promote private participation in PIDA, and help craft recommendations for policy interventions to address constraints that will be identified as perceived high risk to private sector investments in trans-boundary projects. Therefore, the need to strike the right balance between social and commercial considerations and a lack of suitably structured investment vehicles and risk-return profiles will be discussed.

I would like to stress that the CBN is growingly becoming a relevant platform for open and frank interactions between Business and Government at the highest level on how best to move the PIDA projects to “financial close”. I would like to highlight very interesting and encouraging data for project finance bank loans. Moody’s Investors Service has reported that the average default rate on project finance bank loans is lower in Africa (2.2%), whilst in North & Latin America (9.9% & 14.8% respectively) and South-East Asia (10%)¹. I am sure we can change the trend on the continent through changing the perception of risk as it relates to investing in trans-boundary projects which require substantial but patient investment capital.

Distinguished Ladies and gentlemen.

I would like to thank all of you esteemed guests for taking precious time out of your very busy schedules to join this meeting. The presence of high-level representatives from key private partners and public institutions itself demonstrates the high level commitment to accelerate PIDA implementation.



I sincerely hope that our deliberations in today's meeting will be a great occasion to exchange insights and ideas on the next steps to expedite PIDA implementation.

I thank you all.

ⁱ Moody's Investors Service, "Default and Recovery Rates for Project Finance Bank Loans, 1983-2013" March 2015