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Dr. Mima S. Nedelcovych

President & CEO of the Initiative for Global Development (IGD)

IGD: Catalyzing Impactful Investment and Business Growth in Africa

Regional integration, South-South cooperation, business opportunities & challenges, important trends in key sectors of Africa... these are essential topics determining the future of Africa’s growth in the next 10-20 years. The Initiative for Global Development (IGD) and their network of Frontier 100 Leaders, senior executives from sector-leading companies worldwide are shaping frontier market insights, creating economic growth, and promoting business-driven development in Africa.

AFRIMAG: What do you think are the key opportunities for economies in Africa at the moment? What about the challenges?

Dr. Mima S. Nedelcovych: The biggest opportunities in Africa today are in fact ironically tied directly to the challenges. Every challenge or obstacle to economic growth, be it infrastructure or delivery of social services, presents an opportunity to find a private sector solution and business response. The provision of electricity is a classic example where so many opportunities exist for inde-
pendent power producers to make a business case for the investment. The same can also be said, for example, for improved transport infrastructure, industrial parks, warehousing and logistics, you name it.

The African population is rapidly growing and urbanizing and projections are that in the next 30 years, the overall population will double to over 2 billion inhabitants and half of them living in urban areas. The expectation is also that more than 20% of that population will be achieving middle class status so that you will have more than 500 million consumers with purchasing power exceeding basic necessities. Supplying the urban “consumer class” with all sorts of food items and other consumer products will provide a plethora of business and investment opportunities.

The complement to rapid urbanization is the shrinking number of farmers as farming operations move from small holder subsistence type farming to more commercial agriculture where farming becomes a business and more competitive links along the value chains are established for farm to fork delivery of food items. As farm production becomes more competitive and Africa has the abundant arable land and water resources, particularly if properly managed, does the continent also start feeding other parts of the world now short on arable land?

I would also envision the African continent, with improved power and transport infrastructure, and with growing regional markets, allowing industries to scale to competitively meet the domestic and regional markets, to also start to become competitive on the international level. As China becomes too expensive to be the factory of the world, the question is where does much of that production move to, elsewhere in Asia or to Africa? That will require yet further investments into port and other intermodal transport facilities.

As you can see, I have not even yet referred to the large mineral and natural resources wealth of the continent, where we expect value addition and transformation to increasingly begin to happen on the continent. There is no end to the possibilities of those transformative industries coming on stream, particularly as the supply of competitively priced electricity begins to come on stream, and power is the key to unlocking much of the continent’s growth potential.

How important do you think South-South cooperation in Africa is? Particularly, please comment on the special role of Morocco?

South-South cooperation is critical in that those economies emerging faster than their neighbors are the very ones able to offer the best examples of success stories and demonstrating what it takes to overcome obstacles and become successful. That South-South cooperation can come from newly emerging and more developed non-African countries such as China, India, Turkey and Brazil, as well as among African countries at different levels of development. The simple fact is that the right solutions to Africa’s development issues no longer have to come from Washington, Paris or London, and might very well find better solutions and options in newly emergent and aspiring middle-income countries.

Here Morocco has a very special role to play. Inasmuch as Morocco has developed its private sector, and in particular
its banks and insurance companies, and logistics, transport and construction sectors, it has much to offer its regional neighbors in the form of investments and sharing best practices. We have seen major expansion of Moroccan companies particularly into the ECOWAS zone, and that has been to the benefit of both Moroccan companies and their partners in West Africa. Is there a lesson to be learned from the way Morocco has developed its transport and power infrastructure for example?

Tell us a little bit about your organization, the Initiative for Global Development (IGD) and the Frontier 100 Leaders Network?

IGD is an international network of business leaders who are committed to the role of the private sector in delivering economic growth that combats poverty, is inclusive and is sustainable. Our leaders coming from different sectors and from different parts of the world purport to bring their experience of best approaches and practices to bear on their investments in Africa. Most importantly, more than half of our members are in fact leading members of the African business community, and we believe that there is much to be learned by sharing experiences and visions from different parts of the continent.

The Frontier 100 Leaders Network was first set up in 2008 when top business leaders on the continent were identified and joined our cause. Since 2008, the number and stature of African business leaders and African born and bred businesses have grown at a tremendously rapid pace in just 5-6 years to the point that they have much to offer in the discussions of poverty reduction, inclusive growth, and sustainable economic development, and they are seeking to make their voices heard. IGD and a number of African business organizations are collaborating now to create the best forums in which that business voice will be heard.

IGD is involved in four key sectors in Africa: Agriculture, ICT, Financial Services, and Power/Infrastructure, tell us more about your work in each sector.

While there are many areas of concern to be tackled, these four sectors were identified as the key drivers in stimulating sustainable economic growth. I will discuss agriculture further in the next question, but want to emphasize here that food security and the potential for growth emanating from the agricultural sector is key to many of Africa’s economies. Power and infrastructure is the backbone of development. We spoke earlier of the need for business to be competitive; well how can they be competitive if reliable and cost competitive power is not available? How can industries flourish in order to add value to raw materials, food and other local products that Africa has an abundance of and to supply the growing “consumer” class of Africa, as well as export, if the infrastructure of roads, transport, logistics and power are not in place. Meeting those challenges and creating the right environment for PPP innovative financing is in fact a big responsibility for the public sector and a flourishing opportunity for the private sector.

In the power sector we have identified the lack of standard power purchase agreements (PPAs) as a major obstacle to increasing the tempo of bringing on line as quickly as possible desperately needed new power generation plants. Our Taskforce on Power has developed, with the close collaboration of the Power Africa Program in the US and the African Development Bank, an Annotated Standard PPA explaining the benefits of standardization and is presently seeking to pilot the program in a couple of African countries.

Our involvement in the ICT and financial services is all about taking advantage of “leapfrogging technologies” that will provide the most benefit to the largest segments of the population, and in particular those previously out of reach for all sorts of services, including banking services to the unbanked. ICT solutions also have been a big boon to providing services to the small-holder farmers as they transform into commercial farmers. We are always looking for cross-cutting issues where ICT and financial services solutions, along with improved infrastructure, can be sup-
portive in our efforts to increase the competitiveness for African businesses to increasingly add value to its own raw materials and thus create opportunities and jobs and raise standards of living.

**Agriculture has been a key sector to various economies in Africa, what do you think is the key to growth in this sector for the continent and how can it be prioritized?**

Agriculture is certainly the largest employer and major economic driver of most of the African economies. As a continent, Africa today is blessed with the largest amount of arable land in the world. The key will be to properly develop and manage that land resource, as well as the water resources that are an essential requirement for successful farming, to the benefit of all stakeholders. Also the mindset about farming must be transformed, whereby farming is no longer subsistence oriented and a vocation, but is seen as a business trying to increase sustainable productivity. What does that mean? It means that small-holder farmers must become part of a broader farm to fork value chain where we will have increasingly fewer farmers, with those remaining as producers on the land having larger and more productive farms, and those leaving the farms being afforded opportunities for employment and new businesses in the farm to fork value chain that includes providing input services, aggregation, warehousing, processing, packaging, branding and marketing of food products to the ultimate consumer. Central to this evolution is for agricultural service providers agro-dealers, such as those providing inputs, seeds and fertilizer, reaching that “last” small holder and offering them the possibility of improved yields, better post harvest storage and a market for their product, so as to be able to transform from small-holder farmer to small commercial farmer and being able to treat agriculture as a business. Another key element is investments in value-adding processing facilities, such as rice and grain mills, packaging plants, juicing plants, you name it, that add value to the raw food product that is produced and assures a market for the farmer, and give reason to produce a bountiful crop. Capital intensive agro-processing facilities need to scale to be competitive and to do so they need to have available larger resources of quality raw materials, hence creating an ever ready market for the farmers that are tied into that value chain. The interests of food and beverage processors hence become perfectly aligned with the interests of the farmers, with each side looking to increase productivity so as to be able to be more competitive in meeting the demands of the growing urban markets.

Zinafrik Development, recently joined IGD as a Frontier Leader member, what value do you think Zinafrik Development brings to the network? What kind of changes do you envision the company making in Africa, particularly in transportation and logistics?

Zinafrik Development, a Moroccan development company, is rolling out a very innovative program of combined transport, logistics and industrial parks under the name LOGINTEK, with plans to develop a number of such parks throughout the country. Our business leaders have in past Forums identified the poor transport and logistics facilities throughout the continent as a major impediment to creating competitive businesses in Africa. As I stated earlier, industries must scale to be competitive and to scale means you must operate in larger markets and be able to seamlessly and cost competitively be able to move raw materials through to finished products from source to production facilities to markets, and that is all about transport and logistics. So we look forward to Zinafrik being a leader in our discussions concerning solutions to logistics and transport challenges and we look forward to them using their Moroccan experience to “export” development solutions to other African countries facing similar challenges, and in particular those neighboring countries in West Africa for starters. We also look forward to Zinafrik collaborating closely with American partners in our network and with the American Millennium Challenge Corporation (MCC) which in their second compact will have a significant investment into industrial parks.

**This May, the business leaders in your network are convening in Cape Town for the bi-annual Frontier 100 Forum, what will top the discussion agenda? When will the Frontier 100 Forum come to Morocco?**

The Annual Frontier 100 Leaders Forum in Africa is always the culmination of the discussions among our business leaders in the course of the year toward solving specifically identified obstacles to economic growth and hence poverty reduction on the African continent. These discussions happen through our working groups/task forces whereby best practices and experiences are shared with the goal of positive resolutions to the challenges. In the course of those discussions, naturally trust and relationships are established that indeed lead to many investments among our network members. Our Forum in Cape Town this year will focus on several crosscutting themes I have already alluded to earlier such as:

- Finding solutions to improving efficiencies and cost effectiveness in transportation and logistics, so as to be able to make African businesses more cost competitive.
- Finding solutions to speeding up the development of power generation through the innovative PPAs that we have developed and are now piloting in a certain number of countries.
- Establishing the “Last Mile Alliance” whereby the small-holder farmers are brought into the farm to fork value chains through the intermediaries of the agro-dealers for inputs on the front end and post harvest storage and marketing to processors and end users.
- Identifying new ways of resolving the human skills development challenge, not only for the technical skills that businesses need, but also the “soft” skill required in an increasingly consumer society.
As to your question for holding a Forum in Morocco, in the past we have always held the one major Africa Forum at the same location as the World Economic Forum in Africa. The reason for that is that many of our leaders are also WEF leaders. If the WEF is not to come soon to Morocco, which we will soon find out, we have discussed holding a specific Forum in Morocco because we have such strong participation from Morocco companies and banks in our organization. One of our Board Directors is Ms. Mirem Bensalah-Chaqroun, who as you know heads up the CGEM and is very actively promoting Moroccan investments into Africa as well as foreign investment into Morocco, and particularly American investments through the MWC Compact. I also have a very strong and well placed Advisor and long time confidant in Morocco by the name of Ilham Hanem Farid, who is well known in the Moroccan business community, and who is making sure that Morocco has its rightful place in the overall deliberations about African development.

You joined IGD in 2014 with over 40 years of experience from all over Africa covering both the public and private sector. This month celebrates your 1-year Anniversary with IGD, what have you achieved?
Actually, I have been at the helm for only 9 months so not quite at the Anniversary date yet, but I must say that I am proud of what we have achieved to date. Most important for me was to increase and diversify our business leadership from Africa and particularly include our Francophone colleagues. We are now over 50% African business leaders in the overall network, with a significant number of Francophone leaders. It was also absolutely essential that our Board, which previously did not have African Directors, be restructured to do so. The eleven person Board now has five very prominent African business leaders on it, including Ms. Mirem Bensalah Chaqroun.

On the programs side we have moved strongly in the direction of resolving obstacles and bottlenecks to economic growth as seen by our business leaders. Hence the “Taskforce” approach to resolving particular issues and challenges with actionable and deliverable propositions, and then moving on to new challenges. At the same time, we have reinforced our capacities to provide impact assessments to our member companies who are keen to have an objective view as to the results of their investments from a broader stakeholder perspective and analysis.

Where do you see Africa in 15-20 years and how do you see IGD fitting into this picture?
I am always keen to point out that the transformation of the African continent, and particularly the African private sector, in the last 15-20 years has been astounding. The Africa of 2000 is unrecognizable today and if I look just at the short 6 years since the founding of our Frontier 100 Leaders Program, how dramatically has the African private sector advanced! While Africa always had commerce and trade, what has been significant in the last 10 years is the monumental growth of the African born and bred industrialists, business persons and entrepreneurs who are not taking capital out of Africa but rather pouring it back in as the opportunities for value-addition industries and growth are on the rise.
Young and energetic Africans, often schooled overseas, are coming back and reversing the brain drain, and joining their counterparts in investing at “home” as those opportunities continue to increase with the population growth, urbanization and the growth of the middle class. All sorts of entrepreneurs are emerging and they will be the ones that will paint the Africa of the next 15-20 years! Now is it all wonderful, and will we see even spread growth throughout the continent? No, the countries and governments that have got their policies and incentives right for the private sector growth will benefit more, and particularly will those with a political stability that encourages private investment. In fact, countries will also have leaders and laggards, and that is why it is important to lead by example, and why it is also critical to have real regional economic blocs that will lift all the countries in the bloc in addition to offering better environments for business to operate in.

I often hear you say “Doing good business is good for business.” What exactly do you mean and how do you see this relate to the African business landscape in the next decade or so?
I begin with a focus on so much of the growth of the African continent being internal to domestic and regional economies. While the exploitive natural resource and export industries will certainly continue to be a major driver to growth, the job creation and increase in standards of living will be primarily a result of the value addition to local raw materials and the industries that will grow on the continent. For businesses to grow healthily, they must have a healthy employee and consumer class. Consumers, employees and the various actors in the numerous value chains must all be getting something out of the growing pie or you will not have political stability.
So that is why interests are aligned. I use the simple example of my own experience of developing large agro-industrial complexes. For my capital-intensive factories to run efficiently, I must be assured of timely and sufficient throughput of raw food products, whatever the particular food might be, say rice for example. For the rice farmer I am the guaranteed off taker for the bumper crops of paddy, and I have every interest in making sure that the farmers receive all the necessary inputs to be successful farmers, even if that means having a commercial farm in the midst of the smaller farmers. Our interests are perfectly aligned and “doing good business is good business”. The other determinant of success is having the right infrastructure, power, roads, etc. that will make me more competitive and here is here I need an alignment of vision with the public sector in meeting those challenges. Those countries that get their public sector mission most aligned with the private sector mission will be those very growing economies that will lead by example!
Telecoms, natural resources, heavy industry, power ... these are important sectors that AFC is investing in to address and assist Africa's infrastructure and fund growth. Over the past eight years, U.S.$2.5Bn has been invested by this African led organization. AFC has been a partner for the public and private sectors assisting in financing bridges, roads, power, refinery, cement, etc.

AFC : Financing Infrastructure to Build Africa’s Future

AFRIMAG : Tell us more about Africa Finance Corporation. What kinds of projects has AFC invested in over the past years ? What countries in Africa do you invest in ?
Andrew Alli : AFC is a supranational African-led financial organization, established by Treaty in May 2007. While our mission is to foster economic growth and industrial development in African Countries, our key focus is to bridge the infrastructure investment deficit in continental Africa. Over the years, we have been able to make investments in our core sectors of Telecommunications, Natural Resources, Power, Transportation and Heavy Industry across various African countries: from Morocco in the North to South Africa in the South, and from Cape Verde in the West to Kenya in the East. AFC has made cumulative investments of over US$2.5bn on the continent and through our investments help to mobilize over US$4bn of capital into projects. Our investment portfolio spans across 14 countries on the continent and some of the projects include: Main one
cable, an undersea fibre optic cable system that links countries on the west coast of Africa to Europe and other parts of the world, the Henri Konan Bedie Bridge in Cote d’Ivoire, a EUR €270 million toll bridge to ease congestion in the region and to aid economic development.

In Kenya, AFC made a US$50 million convertible loan investment in ARM Cement Limited. The project, which reached financial close in mid-2012 will aid increases in cement production in East Africa, and the company’s expansion into Tanzania and Southern Africa. At the end of 2014, the AFC-led Cenpower project was brought to financial close. Cenpower, which is implementing the Kpone Independent Power Project (Kpone IPP), is a US$900 million project that includes a 350MW gas turbine power plant and associated infrastructure that when on-stream will provide up to 10% of Ghana’s generation capacity. AFC was the lead project developer, mandated lead arranger and the single largest equity investor in the project with a 31.85% stake.

In terms of marketing, what actions have IGD member companies used to better sell Africa?

IGD members are people who have distinguished themselves in their respective fields. Their companies through their work have become centres of excellence and agents of change within the broader community. Therefore, through their achievements, their quest to provide optimal solutions to make Africa achieve its potential and their everyday engagement, have all helped to showcase Africa, making it a preferred destination for investment. For example, with the Cenpower deal, AFC as lead project developer was able to attract investors such as Sumitomo Corporation as an investor and Operations and Management partner. The pioneering efforts of the project developers led to the establishment of a suite of bankable project agreements which were developed to address the electricity sector challenges of Ghana and negotiated successfully with a consortium of Commercial Banks and Development Finance Institutions.

Through this and other projects, AFC has been able to showcase and better sell Africa, by identifying the numerous opportunities and capabilities on the continent.

**Africa is confronted with an estimated annual deficit of US$40 billion in financing for its infrastructure, how can IGD assist Africa with this deficit?**

Beyond using the IGD as a platform to openly discuss the issues challenging Africa’s infrastructure, we have had some specific engagements that have led to some positive outcomes. For example, we participated in Power Purchase Agreement template that was developed for the power sector, which I think has been widely adopted. We also have showcased the various projects we have embarked on, the innovative financing structures em-
ployed and this has been helpful and adopted as a template for best practice that can be used to address the infrastructure challenges in many countries across Africa.

**Currently, there are a number of initiatives to power the African Continent such as President Barack Obama’s Power Africa Initiative (which is a Marshall Plan for Africa’s infrastructure, financing, and power) and Jean-Louis Borloo’s power initiatives. How can AFC share its know-how in the infrastructure sector with these mega programs?**

AFC is already doing this. We are one of the private sector partners under Barack Obama’s Power Africa Initiative. In 2013, AFC expressed its commitment to support the Power Africa Initiative. As part of its commitment, we committed to invest up to US$250 million in the form of development capital, equity, quasi equity and debt and mobilize US$1 billion of investments.

At the end of 2014, AFC had met and surpassed its commitment under the Power Africa initiative through various investments in power across the Power Africa countries, with total investments of US$269 million funded from its balance sheet, and mobilized well over US$1 billion of third party investments.

Some of the AFC led Power Africa Projects include: Cenpower, which is implementing the Kpone Independent Power Project (Kpone IPP), is a US$900 million project that includes a 350MW gas turbine power plant with AFC owning a 31.85% stake. AFC provided a US$25 million loan as part of a US$150 million senior unsecured syndicate loan facility to the Kenya Power and Lighting Company (Kenya Power) to fund the rehabilitation and expansion of Kenya’s power transmission and distribution networks. Additionally, under the Nigerian power privatisation program, AFC has invested and financed over US$150 million in three power assets:

- US$29 million as equity investor in the Benin Electricity Distribution Company;
- US$55 million debt financing for the acquisition of UgHELLI Generation Company, a 942MW name plate power generation company;
- US$68 million debt financing for the acquisition of Kanji Power, which consists of Kanji Hydro Electric Power Plant (720MW) and Jebba Hydro Electric Power Plant (540MW).

**Where are you in this ambitious project?**

Yes the target was US$1 billion of new investment across Africa and not just Francophone Africa. Last year the board of AFC approved over US$1.15 billion of projects and we made disbursements of over US$850 million across various sectors. Even more interestingly, projects were approved in five new countries: Cameroon, Chad, Congo Brazzaville, DRC and Mozambique.

**Initially, AFC was mainly interested in Anglophone African countries. How did this sudden interest for Francophone West Africa come about?**

AFC’s mandate has always been Pan-African and we have made investments in West African francophone countries over time, and there are a number of such investments still on the pipeline. For example, the Henri Konan Bedie Bridge project, a US$365m public private partnership (PPP) toll bridge project in Abidjan, Cote d’Ivoire, which launched operations in December 2014?

The renewed focus for AFC in the francophone countries stems from the fact to the desire to broaden and expand our reach especially in countries where we had hitherto been less visible. And this goes beyond Francophone; it is also East and Southern Africa where we are also doubling efforts to make tangible impact to infrastructure financing.

**While AFC is involved in the development of the infrastructures in Africa, it is absent in both agriculture and education, two sectors that need to be helped by private investments. Why aren’t you interested in the other sectors?**

We agree that these sectors are very important in the development of any economy and we recognize the hard work of other institutions, who invest in these and other types of social infrastructure. One of our investment philosophies at AFC is that, we invest in projects that have both a development and financial impact and this has helped us narrow down our focus to five core sectors: Natural Resources (Oil, Gas & Mining), Telecommunications, Transport, Heavy Industries and Power. This is not to say that the other sectors are not important, but focusing on these five sectors and being able to deploy a wide variety of products has helped us build expertise in a defined area, thus helping us to provide solutions to infrastructure financing on a sustainable basis.