

DFS Africa



**DEVELOPMENT
FINANCE SUMMIT
2017**

**POST
CONFERENCE
REPORT**

This report aims to present a snapshot of DFS Africa's **Development Finance Summit 2017** (DFS 2017) which took place in Lagos, Nigeria on 27th July, 2017. The theme of the conference was "Towards inclusive growth in development financing in Africa" with a focus on how Infrastructure Development can spur growth in African economies. The DFS Africa team partnered with CNBC Africa, celebrating its 10-year anniversary in Africa to bring together captains of industry, policy makers, development finance institutions and private equity investors to foster conversation on how to increase private sector contribution to infrastructure financing while also ensuring the funds committed to Africa reach the 'last mile'.

This report is divided into two sections:

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The Conference

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The Deal Room

1

THE CONFERENCE

THE KEYNOTE

ADDRESS

AFRICAN DEVELOPMENT BANK'S PRESIDENT **AKINWUMI ADESINA** ON HIS VISION FOR AFRICA AND CNBC AFRICA'S 10TH ANNIVERSARY

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Good morning, everyone.

It's a delight to be able to address you by video today. I really wish I could be with you in person for this ABN Group Conference and while CNBC Africa is celebrating its 10th anniversary. Congratulations! Africa is proud of you.

Let me especially congratulate Mr. Rakesh Wahi. I have met only few people that have the same confidence and optimism about Africa as Mr. Rakesh, the chairman of the ABN Group, owners of CNBC Africa. He has invested his money in Africa for Forbes Africa magazine, CNBC Africa, and several investments in higher education. I wish to congratulate you and all your superb staff at CNBC Africa for this occasion of your 10th anniversary.

It's mean ten years of helping to transform the media, from pockets of news on Africa, spotty coverage of the performance of the stock markets, and a lack of places to turn to for latest news for investors. You've set up what is today the main news platform for authentic Africa-centric news, spanning politics to economic and financial news and many other fascinating debates.

But millions of Africans cannot watch your programs, not because they don't want to, but because they have no access to electricity. I recall so well when I was to launch the New Deal on Energy for Africa, a bold initiative to drive universal access to energy for Africa by 2025, CNBC Africa provided the global platform from Davos, Switzerland. The event, transmitted around Africa live, projected our vision - a vision for a new kind of Africa, from one that's tired of being in the dark, to one that's decided to light up and power itself to improve the quality of life for all Africans. For there cannot be anything more important than having access to electricity. Africa cannot develop in the dark.

Today, some 645 million Africans do not have access to power, and when they do, it is simply unreliable. Nigeria, my country, has serious problems with power, which the past and present governments have continued to work very hard to tackle. The recent elections in Ghana were based on the issue of power. Frankly, to stay in power, African leaders must give power.



The African Development Bank is investing \$12 billion in the Energy sector over the next five years and will help leverage \$45 - \$50 billion. We're making great progress. Last year, we provided \$1.7 billion in financing energy projects and programs, as well as helped provide access to electricity for 3.3 million Africans. In Nigeria, we are supporting the power Transmission Company of Nigeria to improve the country's capacity to provide reliable power supply. We've provided \$200 million to support the Nigerian Bulk Electricity Trading to float bonds in order to address liquidity challenges in the power sector.

We will be supporting Nigeria to diversify its energy mix, especially in solar power systems. We also supported in construction of Morocco's new Ouarzazate Project, the largest concentrated solar power plant in the world. We've supported the development of the Lake Turkana Wind Power Project, the largest in Africa. Just last week, I was in Cameroon with President Paul Biya, where I helped to commission the construction of the Lom Pangar Hydroelectricity Power Project.

We led a loan syndication of \$965 million for South Africa's Eskom, the highest loan syndication in Africa's history. To support it, to develop 13,000 megawatts power generation capacity. We've also launched a \$500 million facility for energy inclusion to support renewable energy companies. And just last week, I signed a new \$6 billion energy financing facility to be provided by Japan to support power systems, transmission, and distribution projects, including clean coal technologies.

So, you can see much has happened since your CNBC platform helped to spread the word on our New Deal on Energy for Africa. In May of this year, CNBC Africa was there yet again in Ahmadabad, India, at our annual meetings, which focus on agriculture, making it a business for world creation. Africa must not just feed itself. Africa must become a global powerhouse in food and agriculture. That's why the African Development Bank is investing \$24 billion in agriculture over the next 10 years. We will support agri-businesses to thrive - turning cotton into textiles and garments, cocoa into chocolates and other products, and our yams and cassava into food, starch, and industrial derivatives.

And we will get young people into agriculture as a business. That's why we've rolled out \$800 million last year alone to support young agri-preneurs in eight countries. The program will support an additional 15 countries this year. Ladies and gentlemen, the future millionaires and billionaires of Africa will have to come from agriculture. So, I look forward to how you as a media house can help to promote the exciting work of this new generation of businesses. They know agriculture is cool. Your media house should focus on them. That will be really cool.

I know there are several private sector leaders right there with you today. To them, let me say, that Africa is doing well. Forget the negative narratives. Africa's economies will grow at 3.4 percent this year, up from 2.2 percent last year and reach 4.3 percent next year. Let me underscore the resilience of African economies. Last year, 32 African countries grew at between 3 to 5 percent, 12 countries grew at above 5 percent - all above the global average. Foreign direct investments into Africa will reach \$57.5 billion this year, ompared to \$56 billion last year and just \$2 billion way back in 1990. Africa's future is definitely bright, despite the challenges.

Think of a continent where household expenditures will rise to \$1.4 trillion in the next 3 years. Think of a continent where business to business investment will rise to \$3.5 trillion in the next 5 years. Think of a continent where the population by 2050 will be the same as the combined population of India and China today. Think of a continent that will brim with huge demand from a rise in huge population, reaching 840 million by 2050 with rapid growth of the middle class. But don't think far, simply think: Africa.

That's why we must mobilize greater domestic resources to help drive more rapid growth in Africa by raising tax revenues, expanding domestic bond markets, integrating stock exchanges, and leveraging sovereign wealth funds, pension funds, and insurance funds. These are all areas where the African Development Bank is playing leadership roles. And that's why the African Development Bank is launching the Africa Investment Forum. For we believe Africa can only develop with pride by mobilizing its own resources and using them well for badly needed energy, infrastructure, and growth of critical sectors of the economy to create jobs and give hope to millions of youths.

I know that you all will discuss and debate several of these issues so crucial for Africa's development. As you do, just remember, we must fast-track Africa. That's our pulse at the African Development Bank and I'm sure that's your pulse also there for all of you today. Together, let's accelerate Africa's development, for as John Legend said, "The future was yesterday and we are already late."

Congratulations again CNBC Africa on your 10th anniversary. Thank you for believing in Africa. I can't wait for the next 10 years to report on how far Africa has come. Thank you very much and I wish you an excellent meeting.



THE PLENARY

SESSIONS

DFS 2017, which was broken down into two panel discussions, included many influential speakers. The first panel discussion titled, "**Harnessing Development and Multilateral Finance for Infrastructure Development in Africa**," focused on ways to achieve inclusive growth. The panel brought together advisers, project sponsors, representatives from the public sector, and investors to give useful insight into what it takes to bring development finance into infrastructure in Africa. CNBC Africa's Wole Famurewa moderated the panel discussion.



**CNBC AFRICA'S
WOLE FAMUREWA**



Plenary Session 1

Among the plenary session 1 panelists were:



ADE ADEBAJO
HEAD OF
SUB-SAHARAN AFRICA,
UBS



SOLOMON ASAMOAH
CEO, GHANA
INFRASTRUCTURE
INVESTMENT FUND



SANJEEV GUPTA
EXECUTIVE DIRECTOR,
AFRICA FINANCE
CORPORATION



OLUBUNMI PETERS
EXECUTIVE VICE
CHAIRMAN/CEO,
NORTH SOUTH POWER



JUMOKE ODUWOLE
SMR SPECIAL ASST. TO THE
NIGERIAN PRESIDENT ON
INDUSTRY, TRADE, AND INVESTMENT



ADE ADEBAJO

HEAD OF SUB-SAHARAN AFRICA, UBS

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I look at the role of DFIs. Historically, it hasn't changed and it's more about the way which they brought in and the extent of which they're involved in projects. There is a huge infrastructure funding gap across the continent with figures in the region of \$90 billion dollars. Historically, the role of the DFI, whether that's an institution that is representative of the civil government or multilateral with several governments, is really to act as an anchor investor, as a catalyst to enable private sector investment to come in to projects. And I see that in a couple of ways.

One is there are certain sectors in infrastructure which are underrepresented or underserved, and those are sectors where perhaps traditionally the internal rates of returns have been low and have not been as attractive for commercial or private sector institutions to invest in. And those are yet very critical when it comes to the impact in terms of economic growth. Those sectors for instance would include the likes of health, education, water, sanitation. We obviously have a lot of emphasis on power, which is absolutely correct, and even when we talk about power, it's appropriate to categorize that between generation, transmission, and distribution. So, there are certain sectors which perhaps are less attractive from a private sector perspective, but at the outset are deemed to be riskier and that's where the role of the DFI comes in to act as a catalyst, perhaps to risk some of those segments or to provide early stage funding or to just really provide a greater diversity of sources of financing.

Another I think is where the DFIs also act as financial intermediaries, and we've seen this in a couple of ways across the continent. One is where just the ability to act as a catalyst and to act as a cornerstone investor means that they can enable other institutions to co-finance, to be a part of syndicates. Perhaps they can leverage their status. So, when you look at the likes of the IFC, they enjoy preferred credit status which again enables others to benefit and leverage from that. But I think another way where we've seen a lot of this, the involvement and where we've been involved at UBS is also where DFIs are acting as investors through funds, through either private equity funds or credit funds.

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SOLOMON ASAMOAH

CEO,
GHANA INFRASTRUCTURE INVESTMENT FUND

“ I'm now the CFO of the Ghana Infrastructure Investment Fund and this is a unique...well, not a unique, but it's a different kind of vehicle in that it is to develop and invest in infrastructure projects throughout Ghana. It's a good example of a government putting its money where its mouth is. The government put \$250 million dollars in this vehicle as anchor funds. First, to manage and develop infrastructure projects, and to leverage and to raise other finances.

It's very unique and it's very important...because with the government principally involved in this vehicle, we now have political support. We have political access. We can unblock certain problems that the investors often get frustrated about, but because we're a vehicle that has to make returns and raise money, we look at things from a financing private sector perspective.

Development finance institutions are critical for maybe four or five reasons: Firstly, they provide long-term patient capital which is often needed for infrastructure projects which the local banks often cannot provide. Because they're very rigorous in the way that they analyze, some people say too rigorous, but they're very rigorous in the way they analyze projects. When they do finance, they do give a seal of approval that gives the potential investors and financiers comfort that the due diligence has been done well.

There's an element also of political risk cover when you finance with the development finance institution. They're supposed to also take more risk than the private sector. Although, I must say, as a little bit of a criticism, I think the DFIs need to take more risk than they are taking at the moment. You often get the situation where they're taking the same risks as the private sector and so you wonder what exactly the role is. But having said that, I think they play a critical role. And they also provide long-term foreign currency financing which is often also very useful in the developing markets.





SANJEEV GUPTA

EXECUTIVE DIRECTOR,
AFRICA FINANCE CORPORATION

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We must understand that money is fungible. Capital is fungible. Capital will always find returns where it can get it. Capital does not come with a responsibility, per say. Now, as a DFI, of course, when we go and raise capital, be it from the government or be it from other DFIs or be it from the capital markets, which is where most of our funding comes from, we have an obligation to be able to provide decent returns.

So, I don't think the debate should be around whether we should be providing subsidized funding, but I do accept Solomon's point that we should be able to as DFIs do three or four things well.

One is pricing. We should because typically we have better credit ratings. We have access to better financing and therefore, we should be able to bring down the pricing on projects.

Second is tenure. Clearly, commercial banks cannot do the sort of tenures that infrastructure projects need or require and DFIs can and should play a role. Another aspect which AFC is doing, nothing unique about it...every other DFI has probably done it in the past...is around credit enhancements providing guarantees, providing enhancements of the project level, which allows private sector capital to come in.

So, I think, from pure financial modeling point of view, the support DFIs can give is perhaps in those areas with an added dimension. And the added dimension is that we are, because we are built in a certain way with a certain constitution backing us, we should be able to take much more of the early stage risk. If we can do those four things together, I think the development aspect of our development financing will probably have a real sort of substance to it.

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OLUBUNMI PETERS

VICE CHAIRMAN/CEO,
NORTH SOUTH POWER

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I agree that the DFIs need to do a lot and take a little more risk to reduce prices in the African sector. The other thing is that we came on board with one principal that we need to take off in terms of the development in the sector by doing the right things. I think the leadership of organizations, companies in the African setting, really need to redefine themselves.

We started with the principal of making sure that our books are open. We've quality management. Good due process in most things and making sure that when we go out there for finance, we're going to get a good report.

The second thing you need to do within the African sector is to start looking inwards. We have all along looked outside of the shores of Africa to find faults. I think we need to redefine a lot of organizations in Africa and I think we need to start doing it right. Reduce the appetite for other things that are not going to encourage DFIs to invest.

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JUMOKE ODUWOLE

SMR SPECIAL ASST. TO NIGERIAN
PRESIDENT ON INDUSTRY, TRADE, AND
INVESTMENT

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Indeed, we do need the traditional DFIs. We do need the partial guarantees. We do need all the traditional ways of de-risking projects. But a lot of perception, negative perception, about projects on the continent, I wouldn't say that it's unfair in a lot of ways, but I think there's a perception problem that needs to be addressed and no better place than starting with government.

So, making sure that your regulations, your regulatory framework, your legislations, making sure that the project...the contractual nature of the project is properly handled, these are some of the things that on this side administrations can do, and I speak for the Nigerian government, can do to make sure that our projects are properly structured.

We're working on soft infrastructure. Of course, we have a priority for hard infrastructure, for power, for rail, for roads, all the things that we need to diversify our economy and make sure that we can export as much as we need to and develop a very robust economy. But we have not neglected the soft issues. So, I coordinate the Enabling Business Environment Intervention to make sure that we touch on all the regulatory - including transparency, including battling corruption, including battling all those perceptions that sort of linger around the continent, and it creates an opaqueness that makes some investors hesitate.

We can't just put it all on DFIs. We have to definitely play a very strong role as an administration and as government on the continent to make sure that we're investment ready and that we help to fix our own pricing of our projects by doing the right things.

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Plenary Session 2

Transactions: Structuring, financing and operating brownfield and green field assets – Introduction

Structuring transactions can broadly be defined as the process taken by project sponsors to identify and allocate risks. While public authorities focus on concession agreements and legality of the project, investment bankers and private credit providers are often focused on the financial risks associated to the project. Though allocating and mitigating financial risks is important, it is not a silver bullet to fix all the project challenges. Project sponsors must consider other risk factors such as project risks (design, development and construction), political risk and procurement risks as critical risk factors that must be adequately mitigated in delivering a successful project.

The plenary session on transactions focused on how stakeholders can work together in executing successful transactions and highlighted a number of salient points including:

- Expectations Public Authorities have of Project Sponsors
- Expectations Project Sponsors have of Public Authorities
- Evolving Approaches to Value-Adding Procurements for Greenfield Projects
- Innovative Funding Mechanism / Programs for Financing Brownfield Re-development

Project Sponsors were represented by Managing Director, LADOL - **Dr. Amy Jadesimi**

Private Sector Credit institutions represented by Head of Africa for Syntaxis Capital - **Adesuwa Okunbo**

Public authorities by the Ministry of Agric rep

Transactions and Legal framework was covered by Managing Partner at Olaniwun Ajayi Law Practice - **Dr. Konyin Ajayi by Olanihun**

Infrastructure finance by Partner at Quill Partners - **Mr. Olakunle Olaniyi-Edwards**

CONFERENCE COMMENTS FROM

ATTENDEES, SPONSORS AND SPEAKERS

Regarding the conference, **Aishah Ahmad**, Head of Consumer Banking at Diamond Bank, said, "I like the fact that we've brought practitioners together with government and they're talking about some of the key issues...It's really, really fantastic."



NMRC CEO **Charles Inyangete** also praised the conference for being timely. "I believe the conference is very well-timed," Inyangete said. "The issue of infrastructure in Nigeria and on the continent, is one that needs to be addressed and addressed rather urgently."

When the question was raised about what was holding back the progress of development finance in Africa, participants had various opinions. **Solomon Asamoah**, CEO of the Ghana Infrastructure Investment Fund and a plenary session 1 panelist, said, "Fundamentally, we don't close enough transactions in Africa infrastructure. And each transaction feels like it's reinventing the wheel." Furthermore, Asamoah believes development finance in Africa can see more progress if the public and the private sector start working closely together as they should be.



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THE DEAL ROOM

As part of DFS 2017, the first-ever 'Deal Room' was set up where pre-qualified businesses and entrepreneurs were able to pitch their businesses to Africa-focused institutional investors. A group of carefully selected and prequalified investors were invited to listen to pitches from a pool of pre-screened 60 investees. Explaining the reason for the Deal Room, DFS Africa's Director of Private Equity & Impact Investment, Mr. Olukayode Yemi Afolabi, stated: "Usually, when you have a conference like this, there is usually a display of very needed thought leadership and best practices being discussed, however we felt that we needed to actually do deals that will crystallize these conversations into tangible results. So, concurrently with the conference, we are having pre-screened businesses and project sponsors meeting with Africa focused Private Equity and Impact investors. This will be a unique feature of all our conferences across Africa."



Furthermore, DFS Africa's Director of Corporate Finance, Mr. Olakunle Olaniyi-Edwards noted that the goal of the Deal Room at DFS 2017, was to "get transactions going right here, right now."

Solomon Asamoah, CEO, Ghana Infrastructure Investment called the 'Deal Room' "an excellent idea," saying it provided an opportunity to have frank conversations early in the transaction process. "We need to understand what each side needs to do an investment and then we need to see if we can together find a way to get a win-win solution. So, I welcome any kind of conversations. I just hope that the conversations are frank and really to the point," Asamoah continued.



Uqalo

VEROD | Capital
Management

Though it has room for improvement, investors such as Africinvest, Verod Capital, and Uqalo spoke highly of the 'Deal Room' as a good initiative experience and opportunity provider. They also praised it for being an event of high quality. Additionally, investees expressed appreciation for the deal room concept and the opportunity to seek funds. Investee GVE - Solar Energy thought the quality of investors were topnotch. Another investee, Bartum Energy, said they had fun at the event and left quite hopeful that they would get funding.

One 'Deal Room' participant, Mrs. Rita, CEO of Merciport, shared her experience by saying, "In the Deal Room, I spoke to them about my potentials for growth, the next level I want to see my business, and where I wanted them to come in. And I believe, and I'm hopeful, that I'm going to be getting calls from everywhere to grow my business."



According to the official analytics gathered from the DFS Africa Deal Room:

- 60 companies from Nigeria and Ghana participated in the Deal Room.
- A total of about \$2.3 billion of investments was being requested by the participating companies.
- 17 Private Equity and Impact Funds from Europe, the United States and across Africa participated in the Deal Room.



TELECOMS
(26%)



HEALTHCARE
(23%)



ENERGY
(20%)



AGRICULTURE &
FAST-MOVING
CONSUMER GOODS
(13%)



MANUFACTURING
(9%)

THE DFS

CONVENERS



Olakunle Olaniyi-Edwards advises on Corporate Finance transactions. His experience cuts across financial sector, extractive industries and Public Sector financing. His field of expertise hinges on core understandings of Financial theories (Risk, Returns (Expected and Actual), Capital Allocation, Capital Structure, Pricing and Valuation), Financial Markets (Cash/Money, Equity, Debt and Derivatives markets), and Financial products (Cash, Equity, Debt and Derivatives). His core skills are creating financial models on well researched assumptions and data, analyzing core financial statements, create pro-forma artifacts, core valuation of companies, transaction origination, stakeholder management and corporate governance advisory. He's particularly keen on the social developmental effect of a well functioning market with good price discovery, transparency and deep liquidity pools, and the dent it makes on poverty. He has worked on numerous projects within leading Investment Banks such as HSBC, Barclays Capital and Lloyds Banking Group.

Kunle has a bachelor's degree in Biochemistry from the University of Ibadan and attended executive courses in Investments and Capital Markets at Harvard University, USA.



Bankole Eniola is the Director of Project finance for DFS Africa. He has over 12 years' experience in investment banking and project financing in leading financial services organisations such as HSBC, UBS, Deutsche Bank, Lloyds Banking Group and Royal Bank of Scotland. Bankole's fields of expertise include Deal Origination and Structuring, Strategic Planning, Risk Analysis, Financial Modelling, Transaction Structuring and Deal Execution. Bankole's core deliverables over the last decade includes setting up several public-private partnerships, design of public procurement processes in infrastructure financing, pricing and regulation of infrastructure services; public and private sector performance monitoring and macroeconomic and fiscal performance evaluation.

Bankole is one of the experts on the African Economic Platform (AEP) working on the region's 10-year strategic plan for infrastructural development. He also consults for the African Development Bank (AfDB) and he is a regular contributor to infrastructure financing dialogues on the continent. Bankole has a Bachelors degree in Mechanical Engineering from University of Ado-Ekiti, Nigeria, a Masters degree in Infrastructure Financing from University College London and a MBA from Birmingham University.



Olukayode Yemi Afolabi leads DFS Africa's Private Equity and Impact Investing activities. In his role he curates platforms such as the Deal Room, Deal Portal and Investor Roundtables to fast track the deal making process in Africa. Kayode's expertise is in Deal Structuring, Raising Capital, Board Governance and Operational Management to turn around financially distressed or undervalued companies and maximize shareholder value. Prior to co-founding DFS Africa, Kayode worked with leading Investment Banks and Industry leaders such as UBS, HSBC, Columbia-Threadneedle and British Telecoms leading large scale revenue-generating and regulatory programs.

Kayode has a bachelor's degree in industrial chemistry from the University of Ilorin Nigeria and has attended several executive level courses at Harvard University and SAID Business School (University of Oxford) covering subjects such as Project Financing, Investments & Portfolio Analysis and Entrepreneurship. Kayode's professional mission is to make a significant and sustainable impact in improving the lives of people across Africa.

INTRODUCING

GHANA 2018

THEME

Towards Inclusive Growth: Catalyzing private sector participation for economic growth and development

PARTICIPANTS

- ▶ Public Authorities
- ▶ Development Finance Institutions
- ▶ Local DFI's
- ▶ Foreign Investors
- ▶ Local Investors
 - ▶ Pension Funds
 - ▶ Insurance Company
- ▶ Consumers/Investees
 - ▶ Public Authorities
 - ▶ Extractive Industries
 - ▶ Agriculture
- ▶ Local Financial Facilitators
 - ▶ Niche Investment Companies
 - ▶ Commercial Banks
 - ▶ Financial Advisory Companies
 - ▶ Solicitors
- ▶ Technical Partners



DEVELOPMENT FINANCE SUMMIT

DFS Africa has plans to run the conference over the next 10 years in 10 different African cities that they believe will make the most significant contribution to socio-economic development in Africa.

Development Finance Summit 2018 will be held in Ghana, West Africa.
For Sponsorship, Partnership or Registration enquiries, please contact the DFS team.

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