

5th EU-Africa Business Forum

Joint Business Declaration

Brussels, 1 April 2013

On 31 March and 1 April 2014, the fifth EU-Africa Business Forum took place in Brussels, Belgium. Organised in the margins of the fourth EU-Africa Summit, the Business Forum brought together representatives from the business and political communities of the EU and Africa to discuss challenges and propose solutions in “engaging the private sector in sustainable and inclusive growth”.

Africa and Europe have a common future and both can bring mutual benefits to the Partnership:

- It is important to take a long-term attitude as partners
- Both the EU and Africa need to work in doing business on an equal footing.

The Business Forum identified a wide range of areas in which enhanced cooperation between stakeholders will significantly contribute to better leveraging the participation of the private sector in development.

A complete set of the Forum’s conclusions and recommendations will be made available in the forthcoming 5th EU-Africa Business Forum Report, while this declaration sets out a number of the key messages and recommendations:

1. Creating a business-enabling environment

Stability and predictability are the two main requisites for the attraction of long-term, sustainable investments, which contribute to increasing growth and employment and help alleviate poverty. Strong political commitment to the rule of law is therefore crucial to develop a clear legal framework that would also help address risks that investors encounter. In parallel, the engagement of the EU and African governments in multilateral discussions, for instance in the UN and the World Bank, will also significantly contribute to building a harmonised international framework for better governance and transparency. Furthermore, Africa is experiencing a demographic dividend which, if properly harnessed this youthful population could contribute to the development of the two continents.

2. Offering financing solutions

It is important that companies, irrespective of their size, are able to participate in development initiatives, as they can contribute to the success of a project in different – but complementary – ways. However, small and medium-sized companies (SMEs) realistically have limited access to finance for development. It is important that this problem is effectively addressed, through the design of instruments tailor-made to the needs of SMEs in the EU and in Africa. For the viability of these instruments, guarantees should be offered by public financing institutions, such as the European Investment Bank and the African Development Bank. Furthermore, besides infrastructure, blending facilities should be also expanded to initiatives in the renewable energy and the agricultural sectors.

3. Promoting EU-Africa and intra-Africa trade

A much larger African integrated market would work for the benefit of both Africa and the EU, as it will help increase trade and investments and improve transport and infrastructure.

4. The role of the private sector in tackling unemployment and social economic development

Unemployment is a major challenge for both Africa and the EU. Hence, there is the need to mainstream the role of the private sector in job creation, poverty alleviation and broader social economic development. This may be particularly achieved within the post-2015 development agenda.

5. Supporting Public-Private Partnerships

Public Private Partnerships should be further promoted as they present significant opportunities for sustainable and inclusive investments in sectors that are key for the future of Africa, such as infrastructure, telecommunications, energy, and pharmaceuticals.

6. EU Africa Business Forum Roundtable Recommendations

The Forum programme included a high-powered programme of 12 focussed Roundtables tasked with discussing recommended actions around key issues or relevance to promoting increased private sector development in Africa, and between African and European private sector actors.

Some of the key findings and recommendations from these Roundtables included the following:

6.1 Regarding sustainable energy for all

1. Need to bring the African private sector into the sustainable energy development, and avoid the danger that the local private sector is excluded in sustainable energy development.

6.2 Regarding the supply of risk capital for new enterprises

1. Risk systems to rate and build investor trust in Africa such as Fiduciary systems should be supported on a technical and blended finance assistance basis by IFIs.
2. Skills development IFI for Europe and Africa should set up a ten year target to support the number of SMEs working with EU business to process and become competitive low value manufacturers for both African and Global markets.
3. The EU and African Private Sector in collaboration with IFIs should develop and implement vocational training and apprenticeship programmes partnering with European and African Academia.
4. Blended finance and PRI- programme related investments- should be supported as a partnership between European and African businesses to initiate supplier development partnership and programmes in order to build an entrepreneurial eco-system and fast track the establishment of an entrepreneurial class across Africa.
5. DFIs should support with venture capital and blended finance African project developers to redress the one in ten PPIC private sector participation in infrastructure, currently the lowest in the world (60% in Europe) with a specific goal of increasing it to excess of 40%.

6.3 Regarding inclusive models in agri-food chains

1. There is a real interest and need to unlock local financial sources, such as insurance funds and pension funds
2. Importance of making large agri-business understand the importance and long-term value in bringing smallholder agriculture actors into the value chain
3. Where big business and/or government is investing in large-scale agriculture projects, how to ensure appropriate transparency and policies are in place to avoid risks such as resource diversion, disenfranchisement of smallholders. Mechanisms/solutions that can be put in place to address this challenge include better provision of data (e.g. electronic wallets for farmers to monitor distribution of subsidized fertiliser).

6.4 Regarding the creation of partnerships to bring e-schools to rural Africa

1. Exempt Eschools/Elearning Connectivity equipment from licensing and customs fees
2. Define and fund a pan-African programme in the next 7 years to ease and accelerate eschools in all of Africa
3. Create a favourable policy environment that encourages innovation and investment, including the development of policies and regulations that promote access to the internet, and help businesses and enterprises develop relevant services that are sustainable and scalable over the longer term.

6.5 Regarding incubating sustainable energy enterprises

(With a particular focus on distributed generation and off-grid market)

1. Provide capital and stimulate innovative financing of the sector: There is a significant funding gap for product and project development at feasibility, proof of concept and seed funding stage – while a significant market opportunity and need for sustainable energy solutions exists conventional funding sources do not have the risk appetite to fund early stage market development. Patient capital is therefore required to nurture long term success in the market, and this requires the provision of flexible funding to proactively incubate, adapt and demonstrate proof of concept and pilot projects including “first loss” tranches and guarantees for funding structures and provision of debt which will allow rapid scale-up of the products and services most in demand from the market.
2. Provide additional technical and commercial assistance to develop, demonstrate and prove concepts: Such assistance, including incubation support and technical assistance is an important addition to the provision of capital, and this service can ultimately derisks early stage business and project development ahead of commercial investment.
3. Support collaboration and economies of scale in the market: Support and scale existing (successful) activities to further stimulate the market, working with and complementing other public investment activities and programs.

4. Ensure local solutions to local opportunities are addressed and developed.
5. Direct efforts towards broader sustainability issues, not just electricity generation and supply - renewable electricity generation and supply is only part of the need and opportunity, and cooking (gas, solid & liquid fuel, waste treatment, agriculture, water supply and treatment) are all related opportunities to be included.

6.6 Regarding ICT for agriculture

1. Focus must be set on agricultural SMEs (advisory services and industry) to build their capacity, through advisory and mentorship services, using European proofed ICT technology and international certification standards to support food security, traceability, to reduce costs, all based on environmental standards and support a guarantee fund to unlock local financing support for agro/SMEs from local and international sources and work out PPP business models including RoI concepts.

6.7 Regarding Infrastructure and construction

1. PPP is seen as an option to finance infrastructure in Africa under certain preconditions such as economic viability, proper risk allocation and professional preparation.
2. EU and Africa partners agreed that 'Design & Build and Design, Build & Operate' are complementary to traditional procurement methods for enhancing implementation efficiency, quality and value for money for large infrastructure project financing.

6.8 Regarding raw materials and governance

1. Environmental protection and local population consultation should always be part of all processes; a good policy framework is needed to attract investment; geological knowledge and information should be increased, including strengthening Geological Surveys capacity and geological cooperation; policies promoting skills development and business education in the sector should be developed; participation in the value addition chain locally should be ensured.
2. Public-private partnerships should be facilitated to ensure that resources are sustainably exploited. The two sectors (public and private) should partner together and not be in conflict with each other, for instance in the case of infrastructure development.

6.9 Regarding promoting growth, innovation and access to healthcare and pharmaceuticals

1. AU – EU political commitment at the Summit to take immediate action in coordination with the WHO to ban substandard medicines causing health risks:
 - a. setting up rigorous product quality testing, pharmacovigilance systems and regional bioequivalence centers;
 - b. implementation of the African Medicines Regulatory Harmonization program (AMRH) and establishment of the African Medicines Regulatory Agency (AMA).Immediate political commitment is needed from country health authorities to agree on necessary resources on national, regional or pan-African level.

2. All governments criminalizing counterfeiting of medicines, by e.g. implementing national and regional laws and signing the MEDICRIME Convention¹
3. Increase EU-African collaboration on universal health coverage alongside those countries that mobilized resources towards the Abuja commitment of 15% of her national budget for health.
4. Create a Europe-Africa discussion forum for the understanding of the 3 dimensions of HS: Building Blocks, Health Programs and Performance Drivers.
5. Develop sound national and regional investment policies and create Infrastructure Investment Fund that boosts local private sector participation in infrastructure delivery, and promotes PPP in this area.
6. European Union to support the African Union to actively encourage the Business Plan of the Pharmaceutical Manufacturing Plan for Africa (PMPA BP), including financing and facilitating business linkages (e.g. joint ventures, technology transfers, voluntary licensing and patent pooling).
7. EU and African Union to support countries in developing reliable demand forecasting models of key drugs and vaccines, that will drive economies of scale and market size necessary for local production.

6.10 Regarding Social Entrepreneurship

1. Develop a structural collaboration between the EU and African social enterprises, through a number of measures, which might include among others: development of a Working Group on the subject (involving social enterprises and their networks on both continents), development of pan-continental collaboration networks of incubators/excellence centres to exchange experience, on-line platforms to share data and knowledge.
2. Accelerate the creation of a social enterprise Incubator/Propellor Network across Europe and Africa, and run a competition to choose the first 25 Incubator/Propellor Initiatives to be embedded inside secondary and tertiary institutions across the EU and Africa.
3. Create a 100 million Euro fund that targets African small farmers for awards for carbon sequestration by creating value chains that create sustainable ways of enhancing organic content of soil.
4. Funding mechanisms to ensure start-up and scaling-up of social enterprises are still to be analysed and promoted; this includes among others: social impact investment, crowdfunding, involving diaspora etc.

6.11 Regarding Risk Management

¹ See: http://www.coe.int/t/DGHL/StandardSetting/MediCrime/Default_en.asp

The management of political, commercial and other risks are at the forefront of every PPP project: risks need to be allocated to those who are best able to manage them. In order to speed up the development of well-structured projects in infrastructure, the following actions are recommended:

1. Establish a Platform between government, private sector and DFIs to exchange information, views and best practice on public-private partnerships and private sector investment in infrastructure, starting with energy.
2. Develop Risk Mitigation Instruments: e.g. to mitigate political risk, provision of local currency funding, more long-term funding, provision of guarantees which also act as a catalyser.
3. Support and strengthen local African project developers, in cooperation with European project developers.
4. Incentivise development finance to leverage more private sector financing as a pre-requisite for intervention through (blended) lending or grant financing.

6.12 Regarding use of space services

1. Promote cooperation on the development and use of space technology for African sustainable socio-economic growth, through technology transfer, capacity building, and joint business initiatives; support the development of satellite navigation infrastructure (EGNOS) and Earth Observation services (GMES and Africa), establishing the relevant governance and financing schemes

6.13 Promoting development of SMEs and SME success stories

1. Increasingly African companies want to capture a larger share in the value chain and no longer content with exporting commodities to selected markets. Moreover, there is a huge potential for agribusiness and industrialization of agriculture results not only in terms of greater value retention by African companies but also in creating new jobs.
2. For African businesses to grow and scale-up it is important to take a “shared value” approach where successful companies share their wealth and value with those who contribute to the creation of the wealth e.g. giving back to farming communities as they are the ones who help agribusiness succeed.
3. Traditional development models are no longer relevant in the context of Africa. It is possible to leapfrog several stages of development as some of the SME success stories testified.
4. Africa will need to prepare strategically to reap the demographic dividend. It will have the largest work force, particularly young people, in the decades to come. There is a critical need to develop “marketable” skills for these young people to ensure that skills supply match the demand for skills by the private sector.
5. Women’s economic empowerment can help reap rich development dividends.

It is important to emphasise that these recommendations are just a selection of the key messages from the Forum Roundtables and the full set of conclusion and recommendations will be provided in the Forum Report

Conclusion

The EU-Africa Business Forum, organised in parallel to the EU-Africa Political Summit, presents an excellent opportunity for a constructive exchange of views between business and political leaderships. The leading business organisations in the EU and in Africa agreed to further strengthen their bilateral relationship and look forward to constructive cooperation in the future.

Signatures

Markus J. Beyrer
Director General, BUSINESSEUROPE

Jacqueline Mugo
Secretary General, Business Africa