

The 2006 U.S.–Africa Infrastructure Conference

The Importance of Infrastructure in Africa

October 27, 2006

*The Corporate Council on Africa's First U.S.-Africa Infrastructure Conference
was held from September 27-29, 2006 at the Marriott, Bethesda Pooks Hill*

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Table of Contents

1. Acknowledgements	pg. 3
2. Letter from the President	pg. 4
3. Conference Plenaries	
3.1. Opening Dinner: The Importance of Infrastructure in Africa	pg. 5
3.2. Why Infrastructure	pg. 6
3.3. Regional Integration	pg. 7
3.4. Financing Your Projects	pg. 8
4. Conference Workshops	
4.1. Regional Projects: Southern Africa	pg. 9
4.2. Telecommunications	pg. 10
4.3. Roads and Bridges	pg. 11
4.4. Regional Projects: East Africa	pg. 12
4.5. Building the Infrastructure: The Role of IT	pg. 13
4.6. Energy and Electrical Grids	pg. 14
4.7. Ports	pg. 15
4.8. Regional Projects: North Africa	pg. 16
4.9. Managing Commercial Risks	pg. 17
4.10. Airports and Aviation	pg. 18
4.11. Regional Projects: West Africa	pg. 19
4.12. Business Practices and Transparency	pg. 20
4.13. Public-Private Partnerships	pg. 21
4.14. Credit Risk Mitigation	pg. 22
4.15. Water and Sanitation	pg. 23
4.16. A Country Study: Republic of Gabon	pg. 24
4.17. Housing and Construction	pg. 25
4.18. Financing your Projects	pg. 26
4.19. Logistics and Distribution	pg. 27
5. Closing Luncheon: The Way Forward on Infrastructure Development in Africa	pg. 28

Acknowledgements

The Corporate Council on Africa would like to express its sincere thanks to all sponsors of the U.S.-Africa Infrastructure Conference, the conference Planning Committee, and all corporate, government, and in-kind conference sponsors. The commitment to fund this first-of-its kind conference highlights the centrality of infrastructure development to future U.S. trade and investment growth in Africa.

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Letter from the President

The first annual U.S.-Africa Infrastructure Conference was very well run and a high level of appreciation was expressed by the majority of attendees. The conference highlighted Africa's foremost infrastructure development priorities including in such vital sectors such as roads and bridges, ports, electricity, and water. Private, bilateral, and multilateral financiers were on hand to speak with conference attendees about how best to ensure that new projects and investments are realized in Africa.

With just over three hundred registered participants, the conference was addressed by a range of senior speakers including: The Honorable Paul Mba Abessolo, Vice Prime Minister, the Republic of Gabon; Ambassador John Danilovich, Chief Executive Officer, Millennium Challenge Corporation (MCC); Mr. Jeffrey N. Shane, Under Secretary for Policy, U.S. Department of Transportation; Mr. Robert Mosbacher Jr., President and Chief Executive Officer, U.S. Overseas Private Investment Corporation (OPIC); and Professor Firmino Mucavele, Executive Head, The New Partnership for Africa's Development (NEPAD) Secretariat.

Other senior plenary speakers included Mr. Frank Fountain, Sr. Vice President of External Affairs and Public Policy Daimler Chrysler (Auburn Hills) and Chairman of Board of Directors, the Corporate Council on Africa (CCA); Mr. Desi Lopez Fafie, Vice President and Managing Director, Oracle Africa Operations; Mr. Michael Mah'moud, Director, The New Partnership for Africa Development (NEPAD), Regional Integration, and Trade Department of the African Development Bank (AfDB); Ms. Susan McDermott, Deputy Assistant Secretary for Aviation and International Affairs, U.S. Department of Transportation; Mr. Bunmi Akinremi, Head of International Business, United Bank for Africa; Mr. Chris Foster, Deputy Secretary of Business and Economic Development for the State of Maryland; Ambassador Karan K. Bhatia, Deputy United States Trade Representative; and Mr. J. Joseph Grandmaison, Member Board of Directors, Export-Import Bank of the United States.

The 2006 Infrastructure Conference featured 19 workshops, 11 of which were sponsored by companies, countries, and government agencies. All workshops addressed important aspects of infrastructure development that are deemed essential to the African continent as well as to the investing companies. Each workshop was attended by expert panelists, moderators as well as audiences representing companies, non-governmental organizations and African countries.

Our final report on the outcomes of the conference contains information on key issues discussed at the plenaries and workshops. I trust that these summaries will prove useful in increasing our knowledge and awareness of what needs to be done to propel new, sustainable infrastructure development in Africa. I hope that this conference will have laid the foundation for structured future dialogue on the role of the United States in supporting and engaging African countries on infrastructure development that can help to build sustainable trade relationships.

Sincerely,

Stephen Hayes
President

Opening Dinner
The Importance of Infrastructure in Africa

Speakers

- Mr. Jeffrey N. Shane, Under Secretary for Policy, U.S. Department of Transportation
- Professor Firmino Mucavele, Executive Head, The New Partnership for Africa's Development (NEPAD) Secretariat

Moderator

- Mr. Timothy Richards, Director, International Energy Policy, General Electric (GE)

Summary

Mr. Shane drew on his expertise in the U.S. Department of Transportation (DOT) and provided lessons for how some of the DOT's successes could be replicated in Africa. He was especially vocal about the role of the private sector in supporting transportation infrastructure development. For example, he stated that there is a continuum of options for private involvement in transportation infrastructure development, from outsourcing operations and maintenance to outright privatization of transportation assets.

Mr. Shane also highlighted the DOT's experience with Public Private Partnerships. To this end, he said that he was encouraged to see U.S. companies involved in toll road concessions in West Africa and railroad concessions in Southern Africa. The DOT is proud of the successes of the Safe Skies for Africa program, which seeks to assist African nations to improve aviation safety and security operations and thereby meet international aviation standards. The program provides a technical assistance, training and access to critical capital equipment, among other things, enabling African countries to have improved rights of entry to the U.S. travel market.

The New Partnership for Africa's Development (NEPAD) was represented by Professor Firmino Mucavele, Executive Head of the NEPAD Secretariat. Professor Mucavele commended the convening of the U.S.-Africa Infrastructure Conference, stating that it aligned directly with NEPAD objectives for infrastructure development in Africa. Professor Mucavele outlined the goals of NEPAD's short-term and long-term infrastructure development plans and provided insight for some of the projects in information and communications technology (ICT) and electricity infrastructure development, which are available for investment. He noted that problems such as the shortage of adequate electricity supply have already risen on the continent and need to be expediently addressed. To this end, NEPAD is promoting the Mpanda Mkuwa hydroelectric project in Mozambique and the INGA project in the Democratic Republic of the Congo.

Opening Plenary
Why Infrastructure?

Introduction

- Mr. Frank Fountain, Sr. Vice President of External Affairs and Public Policy Daimler Chrysler (Auburn Hills) and Chairman of Board of Directors, the Corporate Council on Africa (CCA)

Speakers

- Ambassador John Danilovich, Chief Executive Officer, Millennium Challenge Corporation (MCC)
- Mr. Desi Lopez Fafie, Vice President and Managing Director, Oracle Africa Operations
- Mr. Michael Mah'moud, Director, The New Partnership for Africa Development (NEPAD), Regional Integration, and Trade Department, African Development Bank (AfDB)

Moderator

- Mr. Timothy Richards, Director, International Energy Policy, General Electric (GE)

Summary

Ambassador John Danilovich noted that the U.S. Millennium Challenge Corporation (MCC) is likely to conclude one additional Compact Agreement with an African country before the end of 2006. Ambassador Danilovich said that the MCC understands the role of infrastructure development in reducing poverty and promoting growth. Ambassador Danilovich commended regional groupings such as NEPAD and the Common Market for Eastern and Southern Africa (COMESA) for promoting infrastructure development as a key pillar of their policies, programs, and projects.

Desi-Lopez Fafie highlighted the fact that the global economy is deeply driven by knowledge. Today's global office in essence comprises a cell phone, laptop, and passport. In Ghana, where Oracle Africa Operations Headquarters' is based, power cuts that are occurring because of low water levels on Lake Volta are impacting business operations. These basic services issues need to be addressed through the development of adequate power infrastructure. Additionally, the avenues for people to have access to essential skills training need to be opened. For example, staff needs to travel abroad for training and the issuing of visas have emerged as big problem in this regard. Infrastructure developers need to be aware that maintenance of projects requires training for upkeep of infrastructure. Governments and other large buyers also need to have the capacity to undertake large projects.

Dr. Mah'moud wrapped up the session by stating that that many African countries are creating the fiscal space for the private sector to operate successfully. The African Development Bank (AfDB) has developed a new project preparedness program. To date, 30 percent of all AfDB projects are in infrastructure development, with the view that these will increase in the future.

Afternoon Plenary
Regional Integration
Sponsored by U.S. Department of Transportation

Speakers

- Professor Firmino Mucavele, Executive Head, The New Partnership for Africa's Development (NEPAD) Secretariat
- Dr. Paul Jourdan, Chief Executive Officer, Mintek (NEPAD Projects)
- Ms. Susan McDermott, Deputy Assistant Secretary for Aviation and International Affairs, U.S. Department of Transportation

Moderator

- Mr. Timothy Richards, Director, International Energy Policy, General Electric (GE)

Summary

While internal infrastructure development is an important factor for countries' individual growth, investment in regional infrastructure for regional integration is imperative for Africa. According to Professor Mucavele, "integration requires infrastructure." To this end, NEPAD coordinates its projects with the Southern African Development Community (SADC), COMESA, and the African Development Bank. NEPAD is also engaged streamlining the resources of African regional organizations in order to eliminate redundancies. Intra-regional trade is blocked by high tariffs and other trade-restricting barriers. Some of NEPAD's infrastructure strategies include synergy among actors in the public and private sectors to build productivity, establish development corridors, and the implementation of the NEPAD Short Term Action Plan (STAP), which seeks to address infrastructure gaps and create economies of scale.

High transaction costs are one of the key reasons for the lack of investment by foreign as well as African investors in regional infrastructure development projects. To improve transaction costs, better policy integration must occur. According to Ms Mc Dermott, moving goods from one part of Africa to another by transiting through Europe, for example, is time and cost intensive and highly inefficient. Pooling resources and spreading costs across regional organizations is a good strategy for improving the feasibility of projects. A multilateral agreement, known as the Yamoussoukro Decision, which calls for the opening up of national air transportation markets to all African airlines in order to flow people and trade more efficiently throughout the continent, was adopted by all the Heads of State and Government in 2000. Put another way, the Heads of State are seeking to connect African buyers with African sellers and to strengthen ties between African people, said Ms. Mc Dermott.

NEPAD is working with Mintek (science and metallurgical development council) on developing resource-based Spatial Development Programs (SDPs) in Africa. SDPs focus on infrastructure development across multiple countries, thereby maximizing economies of scale. The successful implementation of such programs requires a high degree of political commitment. The Maputo Development Corridor is one of the most mature SDPs and includes projects such as the Johannesburg-Maputo Highway, port of Maputo upgrades, an aluminum smelter developed by BHP Billiton, and the Pande-Secunda Gas line PPP completed by Sasol, for example. Major investments in the SDP are in the region of \$5 billion. Pipeline SDPs include the Zambezi Valley Development SDP, the Nacala Development Corridor, the Niger River SDP, the Gulf of Guinea Coastal SDP, the Mombasa SDP, the Bas Congo SDP, and the Central African SDP. The development of these projects could greatly enhance intra-African trade and investment.

Opening Plenary
Financing Your Projects

Speakers

- Mr. Robert Mosbacher Jr., President and Chief Executive Officer, U.S. Overseas Private Investment Corporation (OPIC)
- Mr. J. Joseph Grandmaison, Member Board of Directors, Export-Import Bank of the U.S.
- Mr. Bunmi Akinremi, Head: International Business, United Bank for Africa

Moderator

- Mr. Timothy Richards, Director, International Energy Policy, General Electric (GE)

Summary

The Overseas Private Investment Corporation (OPIC) is the primary U.S. government agency charged with supporting U.S. investment in emerging markets worldwide. Since 1971, OPIC has provided nearly \$5.1 billion in financing and political risk insurance to 338 projects in Africa, primarily in construction, services, energy, tourism, and manufacturing. Currently, OPIC is providing more than \$1.7 billion in support to 70 projects in Africa, divided almost equally between finance and insurance. Mr. Mosbacher said that he can see individual infrastructure benefits and the attendant improved FDI flows, but also the longer-term societal benefits for all the countries of Africa. OPIC closed 30 housing deals at the OPIC Housing Conference, held in South Africa in May 2006. OPIC has also provided \$100 million in guarantees to the EMP Africa Infrastructure Fund for construction financing and the creation of secondary mortgage markets in Africa. To date, \$380 million in housing deals have been closed in Africa.

The Export-Import Bank of the United States (Ex-Im) is focused on U.S. exports and Africa is a priority region for Ex-Im. Ex-Im is providing medium-term financing for ongoing projects in Africa. For example, Ex-Im has provided \$330 million in transaction guarantees for aircraft in Angola. Additionally, Ex-Im has developed a \$300 million credit facility for Nigerian banks. Further guarantees in the oil and gas sectors can be expected. The United States Trade Development Agency (USTDA) does much of the paperwork preparation for Ex-Im. USTDA will jointly host a conference with the South African power utility, ESKOM, in October 2006.

United Bank for Africa (UBA) is heavily involved in the Leeki Concession, an express way, which runs from Victoria Island to Egbe in Nigeria. Additionally, UBA is financing the Tinapa Project, a world-class integrated business resort, contiguous to the Calabar Free Trade Zone. UBA has also provided \$150 million for an Aviation Development Fund that will focus on the rehabilitation and maintenance of airports infrastructure in Nigeria. UBA's priority areas include power, railways, roads, and aviation.

Regional Projects: Southern Africa

Speakers

- The Honorable Lesego Motsumi, Minister of Works and Transport, Republic of Botswana
- Ms. Siobhan Cleary, Senior Manager of Strategy, Johannesburg Stock Exchange
- Mr. Rustum Mohamed, Executive Manger, Enterprise Development, COEGA Development Corporation
- Mr. Wilfred Ali, Director of Transportation, Republic of Malawi

Moderator

- Mr. Craig Allen, Senior Commercial Officer, South Africa, U.S. Department of Commerce

Summary

Botswana is one of the top economic performers in southern Africa. Botswana is working to diversify its economy, which is highly dependent on diamond exports to international markets. The majority of the country's Gross Domestic Product (GDP) earnings are likely to continue to come from exports of minerals, which account for roughly 33% of GDP. The Minister of Education, Mr. Jacob D. Mkathe, who attended the workshop, insisted that regional integration is imperative for growth and diversification. For instance he pointed to the development of the Kazungula bridge project, which is intended to link Botswana with Zambia across the Zambezi River

Other regional projects include the 238 kilometer Shire-Zambezi waterway project that was adopted due to the landlocked nature of the country of Malawi. The waterway will also service Mozambique, Burundi, Zambia and Zimbabwe, Mr. Bernard Sandy of the Republic of Malawi said. The next stage of the project entails a comprehensive feasibility study. The project will include: 1) the construction of Nsanje Port and upgrading Port of Chinde; 2) charting the waterway channel; 3) meeting equipment requirements; and 4) industrial and real state sector development.

The COEGA Development Corporation is overseeing the development of a deepwater port and industrial development zone (IDZ) in South Africa's Eastern Cape Province, which is intended to support sustainable economic development for the province. The Eastern Cape Province is the hub for the automotive industry in South Africa and the COEGA deepwater port will house a terminal for international motor vehicle exports. Additionally, the IDZ will house a sizable aluminum plant. Representing the Johannesburg Stock Exchange (JSE), Ms. Cleary insisted that the private sector is important for the development of African infrastructure. A number of South African banks listed on the JSE as well as major construction companies are actively financing and engaging in infrastructure development projects throughout Africa.

Telecommunications

Speakers

- Dr. Joseph O. Okpaku, Sr., President and Chief Executive Officer, Telecom Africa International Corporation
- Mr. Leon Ntalé, President, MicroCom
- Mr. Todd Giacobbe, Vice President of International Business Development, Lucent
- Ms. Michelle O'Neill, Deputy Under Secretary for International Trade, U.S. Department of Commerce

Moderator

- Mr. Philippe Dongier, Manager, ICT Policy Division, World Bank

Summary

Africa countries need to take more steps to improve the investment climate in the telecommunications sector. According to panelists, market liberalization is not fully completed in the sector. Access to international gateways is the least liberalized, which in turn affects the market adversely through high costs for basic telecommunications and IT services. Additional problems impacting further investments in the sector include poor, unreliable electricity supplies, severe regulation of the sector, and poorly developed road networks.

There have, however, been some tremendous successes in the sector, particularly with the rapid growth of mobile telecommunications in Africa. In the period 1994 to 2004, the penetration rate for mobile phones rose exponentially. The market is competitive with rising demand for mobile services. However, factors such as the development of local networks, international connectivity, and the development of necessary backbone networks for the sector must be addressed.

Foreign investors generally concentrate on raw materials investments in African countries, yet telecommunications investments have proven the profitability of investments outside of traditional natural resources investments. Dr. Okpaku stressed the need for private sector partnerships between African and U.S. companies to develop the human capital expertise, affordability, and innovation in the telecommunication sector.

Mr. Giacobbe emphasized the sustainability, profitability and affordability of business models that have been developed to cross-subsidize revenues that were created in cities and rural areas that have tremendous need for telecommunication services expansion. Ms. O'Neill of the U.S. Department of Commerce stated that the ultimate goal is to work together to develop more opportunities and the betterment of regulatory environment in Africa. This can be achieved through technical assistance and other related programs.

Roads and Bridges

Speakers

- Ms. Carol Hessler, Managing Director for Infrastructure, Millennium Challenge Corporation (MCC)
- Dr. David Wheeler, Lead Economist, World Bank Development Research Group
- Mr. Henry Nevares, Director, Office of International Programs, Federal Highway Administration, U.S. Department of Transportation

Moderator

- Mr. Bill Killeen, President, Acrow Bridges Corporation

Summary

The poor condition of roads networks in Africa is one of the major obstacles preventing intra-regional trade and exports growth on the continent. The poor conditions of roads increase product costs by up to 40%. With the exception of South Africa, most of the roads in the 53-country continent, except those around the capital cities, are of low quality.

According to Mr. Wheeler, there is a direct correlation between road conditions and increased trade and development. In terms of economies of scale, road distance, road quality, and trade agreements, southern and western Africa typically fare much better than the rest of Africa. He stated further that by upgrading the road network in sub-Saharan Africa to a level of 2—in a scale of 1 to 5 where 5 is the worst—could result in annual trade flows increasing three-fold. For example, a 5-year road transportation upgrade and 10-year operation program, at a cost of \$32 billion, would result in approximately \$214.3 billion net growth in trade.

According to Ms. Hessler, roads and bridges are not built for convenience alone and can also be used to lift people out of poverty. The U.S. Millennium Challenge Corporation (MCC) is a U.S. Government Agency, created to assist African and other developing countries by providing funding for projects, which are chosen and designed by the recipient countries. The MCC has a \$547 million compact with Ghana to upgrade 14 kilometers of highway and 950 kilometers of feeder roads to upgrade mobility in rural areas. The Compact Agreement is expected to help up to one million Ghanaians by lowering transportation costs, increasing market access, improving healthcare and assisting women and schools.

The MCC also has a \$110 million compact with Cape Verde, which includes the construction of two sets of bridges. The representative from the South African Department of Public Enterprises remarked that two state-owned corporations, Eskom (an electricity utility company) and Transnet (a transportation corporation), are involved in the development of rail, utility, roads and bridges construction throughout much of southern Africa. The two corporations are expected to spend up to 51.4 billion Rand (approximately \$7.3 billion) over the course of the next ten years on infrastructure development projects.

Regional Projects: East Africa
Sponsored by General Electric Rail

Speakers

- Mr. Luca Mazzei, Strategic Marketing Leader, General Electric (GE) Transportation
- Mr. Adijo, African Development Bank (AfDB)

Moderator

- Mr. Mark Ball, Managing Director, Emerging Sun

Summary

The focal point of this workshop was the development of existing rail networks in East Africa. According to Mr. Mazzei, rail development in East Africa has the potential to accelerate the development and competitiveness of the region. Beginning in the 1970's, due to combination of state monopoly, poor policies and other factors, investment in rail systems has fallen. With the rapid pace of globalization, not addressing the issue of transportation costs has a more damaging effect than the implementation of tariffs costs. For instance, freight cost averaged 14.7% of import value for landlocked countries and 23.6% for East Africa, according to a United Nations Conference on Trade and Development (UNCTAD) report. Globalization, according to Mr. Mazzei, should reinforce the role of rail as a catalyst for economic and social development because the foundation has already been set and essentially only maintenance and extension of the system is required.

Rail concessions and privatizations are on the rise in the region. Arelco of South Africa has been awarded a 25-year concession to run Ethiopia's rail network. This includes the Addis Ababa-Djibouti railway line. Given the expansion of projects of this type, East Africa is on track to compete with other regions. The full restoration of rail networks in the region could take between 1 to 5 years. This includes loco modernization or overhauls, maintenance services, parts and track rehabilitation. The second phase would be stabilization and would include track speed improvement, re-signaling and new locomotives. Finally, the third phase would include optimizing the use of new corridors, advanced signaling and smart locomotives, which could take up to 10 years. Technology and expertise will be imperative to successes in the sector. Other examples in rail that GE has managed to complete include Kenya, where repeat situations of low availability and other failures led to changes and a maintenance service agreement, which resulted in 92% service availability and skills development,.

Mr. Adjijo of the African Development Bank (AfDB) stressed the need to promote policy development to support the creation wider regional economic space, where policy is harmonized. Some of the programs in which the AfDB is participating in include the 2006 on-going project of capacity building and close border facilitation where private sector help is needed for construction work and the building of a dry cargo port in Addis Ababa for the Mombassa-Addis Ababa corridor. NEPAD has also made regional policy harmonization a priority area. The Transit Transport Coordination Authority of the Northern Corridors and the East African Community is presently working to facilitate such harmonization.

Building the Infrastructure: The Role of IT
Sponsored by Oracle and Hewlett Packard

Speakers

- Mr. Desi Lopez Fafie, Vice President and Managing Director, Oracle African Operations
- Mr. Olivier Suinat, Managing Director of Africa, Hewlett Packard (HP)
- Mr. Michele A. Castegnaro, Director, Business Development, Emerging Africa & IOI, Cisco Systems

Moderator

- Mr. Claude Ibalanky, Hewlett Packard

Summary

The benefits of Information Technology (IT) are boundless, and its applications have been around for quite sometime when it comes to the developed world. However Africa is a latecomer and remains to be behind in the global IT sector, leaving many challenges ahead for the continent. According to Mr. Lopez Fafie, the vast majority of the IT buyers in Africa are governments. As a result of new IT systems, governments are enabled to become self-supporting through the development better tax systems for example. IT assists the management of funds, which shows accountability to donors, which in turn attracts future grants, loans, and FDI. Hospitals can use IT to share vital information to improve patient care.

Growing business opportunities in Africa are favorable for ICT. Mr. Suinat said that understanding Chinese and Indian investment in Africa, the need for education, improvement in governance and transparency, are some of the important issues to look at. Mr. Castegnaro on the other hand stressed the need for education before installation of ICT and related services. He also said that the development of affordable broadband is essential for providing e-government solutions and for meeting the needs of local communities, schools, and private sector businesses.

Unlike the manufacturing sector, which is labor intensive, the ICT sector is particularly knowledge-oriented. Therefore, investing in education, training in management skills and allowing smooth knowledge transfer is important for the sustainability of the ICT industry in Africa. With this kind of ICT expansion, Africa can begin to benefit not only from its manufacturing sector, but also develop from a small services sector capability to a potentially large services sector capability in the future.

Energy and Electrical Grids
Sponsored by General Electric

Speakers

- Mr. Amadou Diallo, Secretary General, Coordination Center, West African Power Pool, Cotonou, Benin
- Ms. Helen Tarnoy, Commercial Director, Aldwych International Ltd.
- Mr. Fulton “Chris” Eaglin, Business Development Associate, The AES Corporation

Moderator

- Mr. Mark Digby, Region Executive for Africa, General Electric (GE) Energy Global Sales

Summary

Ms. Tarnoy told the audience that Africa is a continent that presents both opportunities and challenges. Given that Africa’s population is expected to double by the year 2030, the need for reliable energy and electricity is essential. Referring to World Bank data, Ms. Tarnoy stressed that to meet the Millennium Development Goals for infrastructure development, Africa needs \$5 to \$12 billion in additional finance per annum. In terms of electricity, there is an average of 8% electrification in rural areas, which accounts for 67% of the population and an average of 51% electrification in urban areas, which accounts for 32% of the population.

Sub-Saharan Africa is also technologically deficient but at the same time potentially rich in terms of coal and hydroelectric power, which she contends has been developed very little. In many parts of Africa, the climate is also suitable for sustainable biofuel. Ms. Tarnoy also did not rule out nuclear power development in the future.

In spite of Africa’s needs and potential Africa, there remain problems which hinder projects from taking place. These include: 1) post-Enron retrenchment, i.e. too few developers; 2) challenges for meeting electricity supplies in former developers’ home markets; 3) slow pace of reform, especially tariff reform and restructuring of inefficient utilities; 4) high fuel costs limit public sector investment funds; 5) private sector projects require return on equity; Independent Power Plants (IPPs) (especially capacity charge) are perceived as expensive, even if arguably more efficient; 6) insistence on competitive tendering is not necessarily always the best solution; and 7) short-term-ism, i.e. power planning and development require long-term vision at odds with political cycles. Finally in a sobering comment, the audience was reminded that at the current level of investment, the proportion of Africa’s population with access to electricity will decline by 2030. Investment in the development of power plants and utility services therefore needs to be rapidly stepped-up.

All other presentations for this workshop can be accessed on the presentations page of the website.

Ports

Speakers

- Mr. Rustum Mohamed, Executive Manager, Enterprise Development, COEGA Development Corporation
- Ms. Maureen Harrington, Vice President of International Policy, Millennium Challenge Corporation (MCC)
- Ms. Audrey Adams, Deputy Assistant Commissioner, Office of International Affairs, U.S. Customs and Border Protection, Department of Homeland Security

Moderator

- Mr. Don Breazeale, Don Breazeale and Associates, Inc.

Summary

Thirty-eight of Africa's 53 countries have direct access to the sea, making ports one of the most important infrastructure components not only to countries that have this access, but also for the remaining 15 landlocked countries. For instance Ms. Harrington made a point that 90% of trade processed by Benin is done through ports. Ms. Harrington stressed that ports are part of a larger development program including agriculture, government transparency, timely distribution of goods to markets, eventually impacting the whole economy. MCC projects in Cape Verde include improving the country's physical infrastructure by upgrading roads and constructing two sets of bridges. The Cape Verde Compact between also seeks to improve the Port of Praia to maximize existing capacity and advance future expansion.

As a way of entry, ports are also vulnerable to security breaches and other illegal activities. Besides facilitating international trade, according to Ms. Adams, it is important that revenue that is collected in ports of entry makes it to the bank. In addition to this, Ms. Adams pointed out that encouraging other customs groups to develop partnerships, share best practices, engage in capacity building measures, and develop training for searching containers, are all important components of increasing efficiency. Mr. Simaeye of the South African Government showcased the 28,000 acres Industrial Development Zone (IDZ) COEGA Project at the port of Ngqura that is providing economic development by supporting identified industries, servicing local growth, and supporting multi-transport networks. Some of the priority sectors for COEGA are in metals, textiles, automotive, services, and chemicals.

In the case of Cape Verde, while the small island has a great social, human capital and infrastructure environment, there are shortfalls in port as well as vessel capacity and huge investment is needed to keep up with demand. With the use of IT and other technology in its port operations, Cape Verde could have a huge list of potential users. In addition to this, a Global Logistics Center is set to be integrated into the plans for port development in Cape Verde.

While Cameroon still continues to work on improving its investment environment, it has an ideal physical condition around its coastal areas. The country presently does not have an adequate rail system that can be used to transport goods inland. Possible funding to improve the port environment could come from the World Bank or private investors.

Regional Projects: North Africa
Sponsored by Waterstone

Speakers

- Mr. Kamel Ghribi, Chief Executive Officer, Waterstone
- Mr. Hedi Larbi, Manager, Infrastructure Department, The Middle East and North Africa Region, World Bank
- Mr. Fadi Abulkhalek, Vice President, Middle East and Africa Public Services, Oracle

Moderator

- Mr. Stephen Hayes, President, Corporate Council on Africa

Summary

North Africa is often viewed from a different lens than is sub-Saharan Africa. This is especially the case when it comes to its economic growth, society, and culture. North Africa is also an increasingly urbanized region. The region has enjoyed steady growth at an average of 4.0% over the past decade. It has an average of \$2000 GDP per capita, with the tradition of an extensive state role in the economy. Development challenges include 15.9% unemployment on average in the region. The economy is not providing enough job opportunities for graduates. For change to occur, the annual growth of the economy should be 7%, not the current 5%. Sectors with the most potential include: 1) Transportation, there is good coverage due to past capacity investment, but there is insufficient maintenance and a quality gap; 2) Water; challenges in this sector are deteriorating water quality and reluctance to transfer water from agriculture to urban areas. Some of the priorities include integrated water management and private sector participation; 3) Energy; there are efficiency gaps and untapped renewable resources. Urban areas enjoy good access, but the same can't be said for rural areas. Sector reform has started, but full-scale deregulation is still far-off; 4) Information Communications Technology: lags in access to infrastructure, and a lack full competition and independent regulators are areas to be addressed. World Bank's objectives in the region include facilitating trade, developing better sector policies to foster efficiency, forging a strong climate for private investment, and addressing the needs of low income populations. To meet these objectives, the Bank is willing to fund investment programs through IBRD loans, IFC and MIGA programs and to provide policy advice that is both country and region specific.

ICT infrastructure includes skills, knowledge transfer, training, and many more factors, and not simply computers and hardware that everyone seems to think. For success in the ICT sector, asset optimization has to occur. In this environment, shared services and centers are ideal for cost cutting and efficiency as well as to transfer knowledge and create jobs. Obstacles to investment in the sector include the lack of sufficient legal frameworks necessary to ward off security fraud and IP protection; inadequate access to financing; lack of capacity and skills to run systems, and the lack of government incentives to attract investors. To address the lack of skills in this sector, building programs around the sector by targeting parts of the population such as university graduates is essential.

CCA has led two trade missions to Libya to assess investment needs in housing, ICT, education, agriculture, and capacity building. The organization hopes to further improve its relationships in the region in the future.

Managing Commercial Risk
Sponsored by General Electric and Hunton and Williams LLP

Speakers

- Mr. Rashad Kaldany, Director, Oil, Gas, Mining and Chemicals, International Finance Corporation (IFC)
- Mr. Jim Williams, Regional Director, Africa and the Middle East, Political Risk, U.S. Overseas Private Investment Corporation (OPIC)
- Mr. Tim Stanley, Vice President, Strategic Risk Consulting, Control Risks North America

Moderator

- Mr. Robert H. Edwards, Jr., Partner, Hunton & Williams LLP

Summary

While risk is involved in every aspect of investment, whether you are investing in Singapore or Senegal, many companies shy away from investing in Africa largely because the continent suffers from an image problem in the global community. Wars, corruption, and political instability, are some of the factors contributing to this problem.

The IFC assesses the following considerations for investing in projects: 1) sponsorship; 2) commercial viability; 3) economic rationale; 3) benefits to the local community; 4) IFC's environmental and social standards; 5) reasonable balance of risk sharing with market return; and 6) the opportunity for the IFC to make a difference. Mr. Kaldany provided the Chad-Cameroon oil pipeline project as an example. For Chad, the project meant that funding will be realized after 20 plus years of development and exploration. For the investors on the other hand, this is going to require large amount of immediate funds, with the political risks not in one but two countries in place. Given the state of the investment climate, the IFC has put forward some risk mitigation measures. These range from technical monitoring, insurance arrangements and periodic expert certification, to strong security packages, insurance covenants, and debt service reserve accounts, to mention few. Other risk measures consider environmental and social impacts, requiring Environmental Management Plan (EMP), application of World Bank standards, independent monitoring arrangements, extensive consultation; revenue management law, disclosure of revenues and project documents, and government public finance capacity building.

Key challenges for investors include availability and accuracy of information and having broad network of contacts on the ground. In addition, consideration should be given to political structures and environment; social and tribal links of key individuals; regulatory climate implications; decision-makers; risk assessment and country knowledge; and finally short, medium, and long-term outlooks. OPIC hopes to increase participation of private capital in Africa through its political risk insurance finance for small and medium size enterprises and investment funds. Risks that are covered under political risk are inconvertibility, expropriation and political violence. According to Mr. Williams, other political risk insurance providers include AIG Global Trade and Political Risk, Chubb Group Insurance Co., Zurich U.S., and Coface North America. .

Airports and Aviation
Sponsored by DynCorp

Speakers

- Mr. Jeff Scheferman, Vice President, DynCorp International
- Mr. Dale Keith Clark, Advisor, DynCorp International
- Ms. Connie Wilson-Hunter, Manager, Africa Safe Skies Program, U.S. Department of Transportation

Moderators

- Mr. Glenn D. Dunmire, III, Director, Business Development, DynCorp International

Summary

This session discussed the requirements for air transportation development in lesser developed economies; the need for ongoing skills training; the development of human resources to maintain air transportation safety requirements and air transportation facilities; the unique vulnerabilities of air transportation infrastructure; and the financial requirements of physical facilities and transportation fleets.

The U.S. Department of Transportation is working very actively with African countries to implement the Africa Safe Skies Program. The overall goal of the Presidential-led program is to promote sustainable improvements in aviation safety and security in Africa, and to create the environment necessary to foster the growth of air transportation between Africa and the United States. Specific targets include: · 1) quadrupling, from two to eight, the number of sub-Saharan African countries that meet ICAO safety standards; 2) improving airport security at between 8-12 airports within the region within three years; and 3) improving regional air navigation services. The U.S. is working closely with Angola, Cape Verde, Cameroon, Côte d'Ivoire, Kenya, Mali, Namibia, Tanzania, and Zimbabwe on the implementation of the program.

DynCorp International's aviation services include: aircraft fleet maintenance, depot augmentations, ground equipment maintenance and modifications, quality control, aircrew services, training, and logistics support. DynCorp is presently building a modern airport in Nigeria in West Africa. The new airport is located in Akwa Ibom, Nigeria and is expected to be one of the first privately funded and operated airports in Africa. The facility will use the latest in technology and design to meet the rapidly-growing needs of West and Central Africa. The airport will include facilities to handle wide-body aircraft, regional air cargo, and major aircraft repair and maintenance. The construction project is a public-private partnership between DynCorp International and Akwa Ibom state. The project represents a strategic investment to meet increasing demands for aviation services in the region; for example oil-industry activities in the Gulf of Guinea region have seen large-scale U.S. investments in oil and gas in recent years. The project is expected to be completed in 2007 and will cost in the region of \$300 million.

Regional Projects: West Africa

Speakers

- Mr. Mark Mondik, Vice President, Delphos International
- Mr. Alain Ebobisse, Principal Investment Officer, Infrastructure, International Finance Corporation (IFC)
- The Honorable Minister Loseni Dunzo, Acting Minister of Public Works, the Republic of Liberia

Moderator/Speaker

- Ms. Holly Vineyard, Deputy Assistant Secretary for Africa, the Middle East and South Asia, U.S. Department of Commerce

Summary

As of September 2006, of the International Finance Corporation's \$3.2 Billion portfolio that constituted loan and equity funds: 44% went to power, 38% to transportation, 10% to water and waste, 5% to natural gas, and 3% goes to other sector projects. In terms of regional breakdown, as of August 2006, sub-Saharan Africa got 7% of the IFC's infrastructure investments, compared to extremes of 48% in Latin America and the Caribbean and 4% in Southern Europe and Central Asia. However, this is not to say that infrastructure investment in Africa is not growing, according to Mr. Ebobisse. Compared to \$173 Million in each FY 2003, 2004 and 2005, investment in infrastructure rose to \$360 Million in FY 2006.

Although the above numbers are encouraging and more is needed, there are still concerns about investing in Africa. Some of these include: 1) massive scale of investment needs; 2) high perceived country risks; 3) weak sector players; 4) untested regulatory frameworks; 5) tariffs that generally are not at cost-recovery level; 6) limited government commitment to private infrastructure; and 7) limited availability of private capital. Mr. Ebobisse showcased the various steps that were taken to build the Kounoune Independent Power project in Senegal. Despite Senegal's 1997 power sector reform, high perceived country risk, absence of international investors, and other obstacles; the IPP was set for construction through cooperation between the World Bank and Senegalese government, through Bank and IFC backed bidding (the Mitsubishi/Matelec consortium was the winner) and financing that included Commercial loans backed by IDA-PRG. The commercial operation of the IPP is expected in December 2006. Mr. Mondik stressed the need of support for African countries by finance and development institutions.

By attracting private sector lenders, extending loan tenure, filling equity gaps and co-funding project developments, Mr. Mondik said such institutions can help African countries attract more confident project financing. By combining debt relief and investment in natural resources with bi-lateral and multi-lateral debt financing and political risk insurance to support private equity, road projects were available in Cameroon, increasing the demand for heavy equipment. Measures like this could have strong developmental impacts as the availability of quality equipment leads to the creation of skilled and technical jobs and the support of local construction companies.

Liberia is open to new investment to support basic infrastructure development, especially in the electricity, water and sanitation, and telecommunications sectors. Liberia's success hinges on the support of the international development community and bilateral development programs that can help set the country's development on the right course. The government is working diligently to put the right systems in place to support the management of funds and the undertaking of new projects.

Business Practices and Transparency
Sponsored by General Electric and Hunton and Williams LLP

Speakers

- Mr. Akere Muna, Vice-Chairman, Board of Directors, Transparency International
- Mr. Edward Rowe, Counsel, International Law & Dispute Resolution Group, Hunton & Williams LLP
- Mr. S. L. (Sim) Moats, International Government Relations, Exxon Mobil Corporation

Moderator/Speaker

- Mr. Liam McCollum, General Counsel, Middle East & Africa, General Electric (GE)

Summary

One of the most essential factors to attract private sector participation in investment in Africa is the development of sound legal frameworks. This facilitates increased participation by, not only local private sectors, but also increased FDI flows. Transparency is important for bidding, contract signing, completion of projects, and investment. Africa is a continent that has to persistently work on its investment image because of the prevalent notion that it is a continent full of rampant corruption. According to Mr. Muna, African legal frameworks under the AU, ECOWAS, UNCAC, and SADC, are adopted, signed, ratified, or entered into force by all or some of their respective members. Other instruments with legal impact on legal framework are NEPAD (African Peer Review Mechanism), OECD, UNTOC, and the United Nation Global Compact, whose principle 10 states that “all businesses should work against corruption in all of its forms, including extortion and bribery.” Transparency International uses global measurement tools such as Corruption Perception Index (CPI), Bribery Payment Index (BPI), the Corruption Barometer, and National Integrity System (NIS), which help inform the business community, governments as well as individuals about costly illegal practices. According to the World Bank, yearly corruption costs amount to US\$1 trillion. According to TI, public work/construction, arms and defense, oil and gas are business sectors from which public officials accept or demand bribes the most.

Globally, there has been an increase in international and foreign anti-corruption laws. The U.S. Foreign Corrupt Practices Act (FCPA) has also contributed to increased number of investigations and enforcement actions. FCPA has also increased its reach due to the 1998 amendment in order to cover acts by foreign companies and nationals. However, such measures are not without challenges of compliance due to high-risk activities that include joint ventures, foreign subsidiaries, and other related issues that arise from working with governments such as public tendering and localization requirements. Best practices and precautions include: internal compliance policies and programs,; annual training, reporting and disciplinary procedures, screening procedures and contractual provisions, and other protection against litigation procedures. From the business perspective, the three important pillars for business practices and transparency are governments, the international company, and local content and capacity. When it comes to transparency in paying taxes and royalties, companies should publish what they pay, and comply with the Extractive Industries Transparency Initiative (EITI) and the G8 Transparency Initiative. Companies should also employ business practices that would contribute to the local economy by adding value and including local labor, material and services without compromising quality, health, safety and environmental standards.

Public-Private Partnerships
Sponsored by Schaffer Global Group and The Partnership to Cut Hunger and Poverty in Africa

Speakers

- Mr. Daniel Runde, Director, Office of Global Development Alliances, United States Agency for International Development (USAID)
- Mr. Reatile “Chicks” Mochebelele, Director, Infrastructure, Water and Sanitation, The New Partnership for Africa’s Development (NEPAD) Secretariat
- Mr. Ini Urua, Director, The New Partnership for Africa’s Development (NEPAD) Unit, African Development Bank (AfDB)
- Mr. Greg Fyfe, Head of Export Finance within Project Finance, Standard Bank

Moderator

- Dr. Mima Nedelcovych, Managing Director, Schaffer Global Group

Summary

Collaboration between the public and private sectors has been significantly developed over recent years. Collaboration between the two sectors is widely advocated for development in Africa. However, the level at which the private sector is needed to enter a project must be more clearly defined. Nevertheless, PPP’s are essential for improving efficiency in service delivery, reducing burden on government, and for increasing economic growth. Some of the challenges for the further development of PPPs include: a) perception of investment climate; b) partially liberalized, poorly regulated sectoral markets; c) availability of instruments to mitigate risks; d) development of capital markets; e) capacity, especially the availability of technical and management skills; f) high cost and risk of project development; g) shortage of risk capital for early stage development work; and h) institutional weaknesses of the public sector as a project sponsor. Public involvement is needed to initially attract private sectors. The private and public sectors should take time to understand the risk/reward equation. Factors impacting the equation include: stability and the certainty of a sound legal and regulatory environment; stability of the political, economic, financial environment; partnerships between governments, banks, bi-lateral and multi-lateral institutions; as well as political risk providers are essential in order to share risk.

On part of the U.S. government, re-engagement in African infrastructure initiatives has recently occurred through USAID and its Global Development Alliance. USAID also has a Public-Private Alliance (PPA) that jointly defines a development problem and its solution; values shared resources, risks and rewards; engages new partners and/or traditional partners and, uses new innovative approaches and entails significant leveraging of resources. Some of the projects that are being carried out under this program include The Angolan enterprise development alliance (Chevron): To help rebuild Angola’s shattered economy and agricultural sector after prolonged and devastating civil war and the Mali sugar project alliance (Schaffer Group): To support Malian economic expansion in mobilizing funds to prove the feasibility of a program to grow and process sugar for local consumption and exportation. Overall, accommodating the interest of the public and the private sector is essential for a sustainable relationship between the two. With such understanding, the necessary investment climate and the right combination of private sector players, sectors, incentives, policies, and corporate responsibility, PPPs can become more effective vehicles for supporting development in Africa.

Credit Risk Mitigation
Sponsored by United States Agency for International Development (USAID)

Speakers

- Mr. John Richter, Regional Director for Africa, Export-Import Bank of the United States
- Ms. Mitchell Strauss, Director, SME Finance Department, U.S. Overseas Private Investment Corporation (OPIC)
- Mr. John Wasielewski, Director, Office of Development Credit, United States Agency for International Development (USAID)
- Mr. Nick Rouse, Managing Director, Emerging Africa Infrastructure Advisors (Standard Bank)

Moderators

- Mr. Paul Freedman, Chief Counsel, Credit Programs, United States Agency for International Development (USAID)

Summary

Access to adequate financing is essential for conducting business. The U.S. Export-Import bank is one of an institution that is backed by the United States government that has the ability to provide export finance solutions through working capital guarantees (pre-export), short and medium-term insurance, medium-term and long-term loan guarantees and structured/project finance. There are specific requirements, however, to determine who can participate in these programs. Under its export credit insurance, commercial risks such as insolvency, bankruptcy, protracted default, and political risks such as transfer risk, war, revolution, insurrection and cancellation of imports are covered. Some success stories include the sale of irrigation products by a Florida company to Agriplas (PTY) Ltd, of South Africa and the sale of satellite equipment worth \$2.5 million by a California based firm to Suburban Telecom Nigeria Ltd. In fiscal year 2005, Ex-Im Bank completed 115 transactions worth \$462 million in 20 countries in sub-Saharan Africa. OPIC supports U.S. businesses investment in developing countries and emerging markets.

Standard Bank's GuarantCo initiative addresses failures in domestic markets to supply capital to infrastructure projects in lower income countries by providing guarantees as credit enhancement of local currency debt, and supporting both private and municipal sectors to obtain, and domestic market to supply such capital. It offers partial credit guarantee to cover default risk on under-lying debt service, principle of risk sharing with local debt providers, acceptance of certain local currency risks as well as technical assistance and funding to develop and structure transactions. Sectors that are included, however, are limited to energy generation, transmission and distribution. Lending or guarantees are provided to private sector owned, managed and controlled entities with infrastructure focus on power, transportation, telecom, water, manufacturers of infrastructure components, and for infrastructure within the mining and agribusiness projects, under the policy of Emerging Africa Infrastructure Fund. EAIF is a public-private financing partnership initiated by the Private Infrastructure Development Group ("PIDG"), whose founding members are the UK Government's Department for International Development ("DFID"), the Swedish Government acting through the Swedish International Development Co-operation Agency, the Netherlands Minister for Development Co-operation and the Swiss State Secretary for Economic Affairs of the Government of the Confederation of Switzerland.

Water and Sanitation

Speakers

- The Honorable Hackman Owusu-Agyemang, Minister of Water Resources, Works, and Housing, Republic of Ghana
- The Honorable Sidik Mia, Minister of Water Development, Republic of Malawi
- Mr. Mark J. Devine, Manager, Water and Wastewater Division, Coler and Colantonio, Inc.
- Mr. Andrew Zaske, Global Equipment Product Manager, General Electric (GE) Water

Moderators

- Mr. Gad Cohen, Deputy Managing Director, Infracore

Summary

The availability of clean water resources for drinking and sanitation is one of the more important sectors requiring investment in Africa. Too many people continue to die from lack of access to clean water and related diseases. In addition, huge amounts of human energy that could be utilized in other economic or social activity, particularly by women and children who carry containers for miles, are spent everyday in trying to access this essential resource. The lack of water or the means to harness it from lakes and rivers in order to use it for irrigation or personal purposes has meant constant cycle of food shortage especially for east African countries.

Mr. Owusu-Agyemang pointed out that 60% of the population of Ghana is in need of access to portable water, and the sector has been mismanaged by the government. He was also keen to mention that there is no U.S. investment in urban water delivery. On the other hand, for the agricultural-based economy of Malawi the Shire Valley Irrigation Project, as the largest project of its kind, has the potential to meet food demands and improve the economy. From the potential 400,000 hectares, right now there are 14,000 hectares used by small holder farmers. According to Minister, Mia, there is a need to develop an irrigation culture and expand coverage of complementary infrastructure such as transportation and agricultural production.

Technological innovations are also important when it comes to delivering water and making the resource more accessible. Mr. Zaske pointed out the use of electro-dialysis reversal, where you apply electricity to water to remove salt and other contaminants. Another technology put forward by GE includes advanced membranes for water purification, wastewater treatment, and water reuse, which are applicable in urban environments.

Country Study: Republic of Gabon
Sponsored by The Republic of Gabon

Speakers

- The Honorable Paul Mba Abessolo, Vice Prime Minister, Minister of Transportation and Civil Aviation
- The Honorable Idriss Ngari, Senior Minister, Minister of Public Works Equipment and Construction
- The Honorable Paul Biyoghe-Mba, Minister of Trade and Industrial Development (in charge of NEPAD)
- The Honorable Martin Mabala, Minister of Merchant Marine and Ports Equipments

Moderator

- Mr. Bert C. Ubamadu, Managing Director Fairmont Capital Strategy Group, LLC

Summary

The oil rich, yet relatively small country of Gabon is located in the central West Africa, close to the equator. Gabon is the only country that provided itself as a case study at this conference, providing an example of the investment-encouraging steps that African countries need to take to attract new growth and development. .

Gabon's Libreville airport is being constructed to be used as a hub for the region of central Africa. In the north and south of the country, construction for two airports is also planned and investors were invited to bring proposals for these projects. Gabon also wants to extend freight rail to the Congo and improve its harbor for increased trade accessibility. There is also the Cameroon rail extension in the works. For this and other projects that are on Gabon's to-do list, Mr. Abessolo warned the audience to come before the Chinese do, reminding them if U.S. investors are not going to take advantage of such projects, the only option Gabon and other African countries have is to grant them China; perhaps another testimonial of the current state of African economic relations in that even if the conference was prepared to increase U.S.-African business relations, China is still part of the game. With finances from M&T Bank, an intermodal train station is planned to open up access to Libreville.

Mr. Ngari on the other hand conveyed that out of the 9,170 km of official and unofficial road network, only 936 km are covered, making it the lowest percentage wise in Sub-Saharan Africa. With this in mind, Mr. Ngari urged the need for roads in Gabon to open up the country's riches, develop small and medium enterprises and open up access to the cost, ultimately reducing poverty. Although the idea for the construction was laid down in 1992, construction is late, to say the least. However, the plan was updated in 2000 and it was decided that 2,700 km of road network was deemed a priority for construction.

Gabon, according to the ministers, is the gateway to other countries. It has a market economy supported by diversification. In terms of regional cooperation, the President of Gabon Mr. Omar Bongo is responsible for implementing NEPAD programs. Gabon is also member of the Economic Community of Central African States (ECCAS). The APIP is the agency that is in charge of creating any company in Gabon as well as responsible for private investments. Gabon also has a non-discriminatory tax system and an investment charter of different kinds of codes such as labor, the environment, etc. In addition to these investment assurances, Gabon is also a member of MIGA, SIMA, WTO and ICSID.

Housing and Construction

Speakers

- The Honorable Jacob Nkate, Minister of Education, The Republic of Botswana
- Ms. Mitchell Strauss, Director, Credit Policy, U.S. Overseas Private Investment Corporation
- Mr. Rick Jackson, President, Global Steel
- Mr. Randall Byrd, President, PyMM

Moderator/Speaker

- Mr. Alan Beard, Managing Director, Interlink Capital Strategies

Summary

With continued high rate of urbanization taking place in Africa, there is a need to provide the necessary housing for the growing urban population. Now more than ever it has to be done with efficiency and affordability. The technology to meet these housing development needs exists. Mobile building factories are available; so is thermal impact energy efficient housing.

Availability of funding remains a matter that hinders housing construction. In order to address this, bilateral organizations such as OPIC are beginning to take some encouraging steps. For example, loans with life of up to 15 years can be made available by the OPIC and other outside lenders. To this end, OPIC provided \$10 Million in loans to PyMM, a company that specializes in building low-cost housing. PyMM used the loans to expand pre-made concrete homes from its manufacturing facility in Monterey, Mexico.

To expedite and facilitate housing constructions, it is necessary to reduce application and disbursement time. OPIC also would like to serve people that are in need as well as employ the people in the community to construct their homes. Their homes will be fully modernized and have different construction approach. House maintenance, according to Mr. Beard, will be done by minority executives in order to sustain partnership with the community. Additional infrastructure must also be established through partnership with local communities.

Financing Your Projects

Speakers

- Mr. Peter Gent, Project, Structured Trade and Commodity Finance Team Leader, Rand Merchant Bank
- Mr. Jim Polan, Vice-President of the Small and Medium Enterprise Finance Department, U.S. Overseas Private Investment Corporation (OPIC)
- Mr. Stephan Von Klaudy, Lead Infrastructure Specialist, Infrastructure Economics and Finance Division, World Bank
- Mr. Dan Bloom, Director of the Advocacy Center, International Trade Administration, U.S. Department of Commerce

Moderators

- Mr. Svetoslav Gatchev, Vice President, Delphos International

Summary

When good ideas for projects that have large impact on society arise, African countries are often strapped for capital to finance them. It is not wholly exaggerating to say that many projects are forced to halt due to lack of investment, either from local government, business sector, as well as international actors.

The IFC, an arm of the World Bank Group, plans on growing its investments in Africa by between 40 to 60% over the next few years. The U.S. Department of Commerce's International Trade Administration (ITA) will work more closely with the IFC over the coming months. Presently, the ITA, which supports fair access to projects for U.S. companies, is currently working on cases worth \$20 billion in investments in Africa.

The World Bank's Multilateral Investment Guarantee (MIGA) facility is somewhat comparable to OPIC in that it provides partial risk guarantees. MIGA's terms are generally favorable.

As South Africa's leading investment bank, Rand Merchant Bank is involved in 30 African countries and is financing projects in sectors such as mining, oil and gas, power, telecommunications, and public-private partnerships for infrastructure. RMB has vast experience funding partner in South African PPP projects in sectors such as transportation, healthcare, power, water and concessions.

RMB is also partnering with OPIC under the RMB-OPIC Co-Lending Facility, which acts as a US\$200 million debt vehicle. The fund is available for private sector projects that meet OPIC policy requirements and RMB's credit criteria. and It is also available, for any industry and for most Sub-Saharan Africa countries. The partnership, however, can only offer loans larger than US\$15 million.

In the long-run, for private banks and investment guarantee vehicles to be successful in Africa, the right policies and procedures will need to be supported, enacted, and consistently upheld by African governments.

Logistics and Distribution
Sponsored by Pegasus Energy

Speakers

- Mr. Hap Palmer, Chief Executive Officer, Pegasus Energy
- Mr. David Morgan, Founder and Chief Executive Officer, D.W. Morgan Company, Inc.
- Mr. Robert Smith, Logistics Director, DynCorp International
- Dr. Edgar Pieterse, Special Advisor on Strategy, Western Cape Provincial Government, Republic of South Africa

Moderators

- Ambassador Frances Cook, Member, Board of Directors, Pegasus Energy

Summary

One of the best ways to transport oil in Southern Africa, if not in Africa, is through the pipeline system. Timing, efficiency and reach, and theft are important when it comes to transporting oil through pipelines. But with new technology, these issues have largely been solved. In terms of proposals, Mr. Palmer has advocated for a \$53 million offshore station in order to free up small ports. Pegasus Energy is also working on SBM/storage/pipeline project that will supply the Southern African countries of Mozambique, Malawi, Zimbabwe, Zambia and Southern DRC, who depend on the Republic of South Africa for their supply, with fuel. Due to its complexity, according to Mr. Palmer, the project requires the involvement of regional and international actors such as SADC, COMESA, NEPAD, 'Pan-African' BEE (Black Economic Empowerment) participants, as well as the World Bank.

Mr. Morgan emphasized the need for Africa to develop extensive and efficient distribution and logistics capacity. Most of the continent's current logistics and distribution is done via Europe and it costs African countries 15-19% of their GDP, something that has to be changed sooner or later. Emphasizing the ever-important issue of knowledge transfer, Mr. Tillett also said that African countries have to somehow figure out the two-way combination of good-fast-cheap philosophy of logistics and distribution because it is hard to have all three together.

With regard to South Africa, Mr. Pieterse, said that logistics and distribution should be anchored by major metropolitan region, in his case Cape Town. With alignment, coordination and integration among key institutions, with innovative finance solutions, and with more autonomy for regional and local governments on funding for infrastructure, projects such as logistics and distributions could have a huge impact on trade and exports for countries and for regional communities in Africa.

Closing Luncheon

“The Way Forward on Infrastructure Development in Africa”

Speakers

- Mr. Chris Foster, Deputy Secretary of Business and Economic Development, State of Maryland
- The Honorable Paul Mba Abessolo, Vice Prime Minister, Minister of Transportation and Civil Aviation, Republic of Gabon
- Ambassador Karan K. Bhatia, Deputy United States Trade Representative (USTR)

Moderator

- Mr. Stephen Hayes, President, The Corporate Council on Africa

Summary

Mr. Foster noted that the majority of manufactured goods are transported by ship from Asia to the United States and to the European Union markets. Shipping is an essential asset to international trade success. Countries in Africa such as Liberia, Senegal, Ghana and Benin are strategically positioned to the U.S. east and gulf coasts. Yet there are two factors hindering the development of trade on these routes – infrastructure and leadership. CCA's conference therefore addresses an issue that is integral to future success in Africa – the development of adequate infrastructure. The State of Maryland is proud to be a partner in forging stronger business alliances between the U.S. and Africa.

Ambassador Bhatia recognized the tremendous efforts being made by the State of Maryland to forge stronger relationships with the U.S.' trade partners. Ambassador Bhatia applauded the quality of the representatives who had participated in the conference – those from the U.S. government, from African governments, and the U.S. and African private sectors who had demonstrated the centrality of the subject of infrastructure development in Africa. In his remarks, Ambassador Bhatia underlined the importance of the links between trade and infrastructure. Ambassador Bhatia told participants that if we can work together to increase Africa's share of global trade by just one percentage point, so take it from 2% to 3%, the additional revenues generated would be in excess of 70 billion dollars a year. He stated further, that this is nearly 3 times the amount of annual assistance that sub-Saharan Africa receives from all donors, all donors around the world. So the power of trade to strengthen economic development really has no equal. Ambassador Bhatia said that another core focus has to be on how to drive new investment on the continent. The U.S. is working to create the climate necessary for investment through programs such as AGOA and the MCA. At the same time, private capital is needed to drive growth. The U.S. is working to develop more Trade and Investment Framework Agreements (TIFAs) to help spark new investment. The approach however must be much more integrated if the needed results are to be attained.

Vice Prime Minister Abessolo thanked Stephen Hayes and the Corporate Council on Africa for convening a conference of such significance to Africa. He was thankful that Gabon has had the opportunity to engage investors at the conference and was hopeful that new trade and investment would result from these efforts. The Vice Prime Minister presented CCA with a gift from the Republic of Gabon – a green and black sculpture – would Stephen Hayes promised would be guaranteed a prominent place at CCA's office.

The conference and luncheon were adjourned.

U.S.-Africa Infrastructure Conference Report Conclusion

The goal of CCA's first annual U.S.-Africa Infrastructure Conference was to promote more business cooperation between the U.S. and African private sectors as well to encourage U.S. companies to improve participation in infrastructure development in Africa. The topic of the conference was timely and very relevant to CCA members and co-sponsors of the conference. The U.S. Department of Commerce and the U.S. Department of Transportation both served as co-sponsors for the conference; underlining their commitment to engage African countries on priority areas in infrastructure development.

The conference featured strong interagency cooperation and the U.S. Millennium Challenge Corporation, the Export-Import Bank of the United States, the U.S. Overseas Private Investment Corporation, the United States Trade Development Agency, the United States Agency for International Development, and the Office of the United States Trade Representative, all took on very prominent roles.

The support and engagement of the African public and private sectors was equally commendable. The Republic of Gabon, a conference sponsor, sent a sizable delegation to the conference and arrived fully prepared to engage investors on opportunities in the country. *The Gabon: A Country Case Study* workshop was very well attended and it is hoped that new projects and new contracts for U.S. companies to work with Gabon will result from this and other meetings held at the conference.

The conference would not have been possible without the support of U.S. private sector companies, and more especially, the planning committee, which was chaired by General Electric. Planning Committee members devoted a tremendous amount of time and effort to ensure that the conference was adequately thought out and that all of the most important topics were sufficiently addressed. CCA trusts that all participants were able to engage peers and partners' at the most professional level and that these discussions continue well into the New Year,

In the interim CCA will be taking on an exciting new opportunity in the agriculture sector. At the closing of the conference, CCA President Stephen Hayes announced the receipt of a \$1 million grant from USAID to work more closely with the NEPAD Secretariat, COMESA, and others on U.S.-Africa agricultural trade development over the course of the next three years. CCA will therefore be much more visible on the African continent as the organization works to spearhead this exciting new opportunity to increase African agricultural exports to the United States.

In addition to the new agriculture work, CCA will remain committed to the 2007 follow-up to the U.S.-Africa Infrastructure Conference. Visit CCA's website at www.africacncl.org to stay abreast of progress and new developments in this area.

A full database of conference presentations and speeches can also be accessed from the website.

End