Report on the Private Sector Investment Conference for the Great Lakes Region of Africa

24-25 February, Kinshasa, DRC

Introduction

1. The Private Sector Investment Conference (PSIC) for the Great Lakes region of Africa was held in Kinshasa, DRC on 24-25 February 2016. The conference was in fulfilment of the Regional Action Plan of the Peace, Security and Cooperation (PSC) Framework of the Democratic Republic of Congo (DRC) and the Region, and follows the decision of its Regional Oversight Mechanism that requested the Special Envoy of the UN Secretary-General for the Great Lakes region and the Executive Secretary of the International Conference on the Great Lakes Region (ICGLR) to organize the conference. The PSC Framework was signed in a renewed drive to end the cycles of devastating conflicts in eastern DRC which impacts on stability and development in the Great Lakes region of Africa. 12 Countries in the Great Lakes region and South Africa are signatories of the PSC Framework.

2. The preparations for the PSIC was preceded by several activities including, the compilation of the Investment Opportunities Brief (IOB) for 25 illustrative regional projects, followed by consultations with various stakeholders on the IOB. Other preparatory activities included: a roundtable on responsible business conduct in the Great Lakes, Addis Ababa, Ethiopia on 11 June 2014; regional consultations involving Ministers responsible for investment from the region and private sector representatives in Luanda, Angola on 17-18 December 2014 to endorse the IOB; forum of National Chambers of Commerce and Industry (NCCIs) and other private sector organizations from the region on 31 August 2015 in Addis Ababa during which the Great Lakes Regional Private Sector Forum was launched by the ICGLR; workshop on Regulatory Environment and Investment Climate in the Great Lakes Region on 1-2 September 2015 in Addis Ababa, attended by representatives of Regional Economic Commissions (RECs), NCCIs, National Investment Promotion Agencies (NIPAs) from the region; Regional Small- and Medium-sized Enterprises (SMEs) Forum on the PSIC on 16-17 October 2015 in Nairobi, Kenya; and the meeting of NIPAs and RECs to consult on how to improve the investment climate for regional projects on 8 December 2015 in Nairobi, Kenya.

Opening of the Conference

3. On 24 February, Secretary-General **BAN Ki-moon** and President **Joseph Kabila Kabange** addressed the opening ceremony of the PSIC in Kinshasa, DRC. In attendance were: Vice-President **Manuel Domingos Vicente** representing President Eduardo dos Santos of Angola in the capacity as Chair of the ICGLR; **Dr. Elham Ahmed Mahmoud Ibrahim**, Commissioner for Energy and Infrastructure representing Dr. Nkosazana Zuma, Chairperson of the African Union Commission (AUC), and **Mr. Albert Yuma,** Chairman of the Federation of Congolese Enterprises (FEC). Also in attendance were **Dr. Joseph Butore**, the Vice-President of Burundi, Mr. **Augustin Matata Ponyo Mapon**, Prime Minister of DR Congo and **Mr. Anastaze Murekezi**, Prime Minister of Rwanda. Ministers, Ambassadors and government representatives of PSC Framework countries as well as representatives of the private sector from across the world, members of the

diplomatic community, leaders of the national institutions of the DRC, national delegates from the countries of the region were in attendance.

4. Secretary-General BAN Ki-moon noted that the conference was being held at an opportune moment- the third anniversary of the signing of the Peace Security and Cooperation Framework and in the wake of the adoption of the 2030 Sustainable Development Agenda, the Paris Agreement on Climate Change, and the Sustainable Development Goals (SDGs). He called on the region to use the natural resources endowment of the region to address the root causes of conflict, and for the economic transformation of the region. He urged the leaders in countries of the region to identify regional investment opportunities, improve the investment climate, and sustain dialogue between public and private sectors on how best to achieve economic development, but stressed that it would not happen on its own and that collective approach was needed.

5. Secretary General BAN Ki-moon also called on the private sector to strengthen productive capacity; create decent jobs and livelihoods; improve economic governance; and foster inclusive development and shared prosperity. He urged the international development partners to support initiatives to build and enhance the productive capacities of the countries of the Great Lakes, including helping to integrate the region into international value chains that change the nature of exports from raw materials to value-added products. He called for collective efforts in building bridges to regional integration that will create larger markets and pools of resources, and deliver generous returns on private investments to build on the progress that has been made over recent years. He reiterated the importance of the Global Compacts' Principles of accountability, transparency, responsible investments and good governance as key elements to guarantee confidence by the private sector and promote peace and stability in the Great Lakes region.

6. President Joseph Kabila welcomed the PSIC initiative within the context of a new era for economic integration in the region, and commended the efforts of the UN Special Envoy for the Great Lakes region, Said Djinnit, and Prof. Ntumba Luaba, the Executive Secretary of the ICGLR, for promoting peace and stability in the Great Lakes region. He noted that the conference had brought together nearly one thousand participants at the opening session, noting that such efforts should be used to turn the dark page of violence in the Great Lakes region, and to create new opportunities. He underscored that for the first time, the region was meeting not to plan military operations but to explore best ways to create wealth through regional projects covering seven priority sectors. President Kabila further underscored the potential of the region, noting that in many countries of the Great Lakes of Africa, growth rates have varied between 5 and 10 percent, well above most of the world over the past 15 years. He called on his peers in the region to join efforts in the promotion of regional economic development and integration as a key pillar of the PSC Framework.

7. Vice-President Manuel Domingos Vicente of Angola welcomed the efforts of the region in convening the conference, and highlighted the importance of establishing appropriate governance structures to ensure that the benefits from natural resources are maximized in driving economic growth, and referenced Angola's experience with reforms on regulatory instruments to facilitate trade. He reiterated Angola's commitment to contributing to peace and stability in the region in order to achieve development and called on countries currently experiencing political challenges

to find a path that will ensure lasting peace. Finally, he called on all political parties in the DRC to pursue dialogue and work together to ensure that future elections are conducted in a peacefully.

8. Dr. Elham Ahmed Mahmoud Ibrahim, Commissioner for Infrastructure and Energy, speaking on behalf of the Chairperson of the AU Commission, noted the PSIC's alignment with the overall vision of the African Union through Agenda 2063, and various programmes, including, the Programme for Infrastructure Development in Africa (PIDA) which shares at least four projects with the Investment Opportunities Brief prepared for the PSIC. She noted that the abundant resources within the Great Lakes region have the potential to drive the agenda for sustainable and inclusive development. She called for scaling-up of efforts to translate this potential into poverty reduction, job creation, infrastructure development and improved access to modern energy and social services. She called on regional governments to ensure that their joint investments and projects take into account the social and environmental dimensions, and promote the participation of women as key drivers of progress.

9. Mr. Albert Yuma, Chairman of the Federation of Congolese Enterprises (FEC), speaking on behalf of the private sector stressed the need to consolidate peace in the region and strengthen development and economic exchanges. He welcomed the convening of the conference as a key lever for achieving stability, and underscored the need to overcome barriers to achieve common economic development objectives, including the provision of roads and railway networks, and collaborative projects, particularly in the field of energy. Mr. Yuma also highlighted the need for diversification of economies and the reinforcement of financial integration by providing country-level banking systems with tools that can facilitate direct exchanges, support to small- and medium-sized enterprises, and the harmonization of procedures related to exchanges and trade. He encouraged the ICGLR Secretariat to facilitate the effective operationalization of the Great Lakes Regional Private Sector Forum (GLR-PSF) with a view to promoting dialogue between the private sector and Great Lakes countries to enable them contribute to the consolidation of peace and security in the region.

High Level Plenary – The role of Governments in facilitating responsible business in the Great Lakes region

10. The High-Level Panel included **Dr. Joseph Butore**, Vice-President of Burundi, **Mr. Augustin Matata Ponyo Mapon**, Prime Minister of the Democratic Republic of Congo and **Mr. Anastaze Murekezi,** Prime Minister of Rwanda. The session, moderated by **Mr. Amadou Mahtar Ba**, co-founder and Executive Chairman of AllAfrica Global Med, was aimed to provide the leadership of the region the opportunity to share and engage with private sector participants on the business and investment climate, and private sector development, particularly for integrated projects in the region in line with the commitments by member states under the PSC Framework. Mr. Mahtar Ba asked the leaders to convince the investors on why they should invest in the Great Lakes Region.

11. Prime Minister Matata Ponyo reiterated several key elements mentioned in the opening remarks by UN Secretary-General BAN Ki-moon and President Kabila. He further highlighted the improving peace and security situation in the DRC, and the immense economic potentials and natural resources, beyond minerals, which remain largely under-exploited as convincing reasons

for investor interest in the country. He called on investors to note that the exploitation rate for mining in the country was only at about 30-35 percent, and that the significant hydrocarbon deposits in the DRC are yet to be fully explored and exploited. According to the Prime Minister, over 80 million hectares of arable land are also yet to be fully utilized for agricultural purposes. He underscored several reforms being carried out by the government to create a conducive business environment, including the liberalization of the insurance and electricity sectors, and that several other reforms were still in progress. Prime Minister Matata Ponyo reiterated the economic and social progress being achieved in the DR Congo, underscoring that its macroeconomic framework was one of the most stable in Africa, and even globally. Noting that DR Congo's GDP growth has been consistently high, measured at 7.7 percent in 2015, while inflation remain under control at only 0.8 percent. The Prime Minister reassured the participants that economic reforms remained a high priority for President Kabila and the government with the view to providing stability and the required incentives to attract and secure investments, and to promote economic prosperity for all.

12. Vice President Butore of Burundi, noted that political decision makers needed to do two things: make pro-business policy and legislation; and explain why investing in the region is attractive. He highlighted several of Burundi's strong investment incentives, including a strategic location at the center of the sub-region with access to a market of over100 million people. He further argued that Burundi's good climate, with three agricultural seasons yearly, and very rich soils, could produce good food and crops. He also reported that Burundi has good infrastructure for business, including, the international airport which is well located in the region, and a road network linking the Great Lakes region to markets in Southern Africa. Furthermore a fast improving financial sector, including, in international banking facilities has increasingly attracted foreign and regional players. The Vice President called on participants to take advantage of Burundi's well qualified human resource base, most of which are bilingual, and in several cases, trilingual, speaking French, English and Swahili. In addition, Dr Butore reported that Burundi had recently launched a Special Economic Zone for imports and exports, launched an attractive normative framework for Public Private Partnership (PPP), passed relevant Taxation laws, adopted a flexible labour code, and established a national investment promotion agency to facilitate investment in the country.

13. Prime Minister Murekezi informed that Rwanda had decided to put private sector participation at the forefront of national economic activities. As a result, he noted that the private sector remains the driver of Rwanda's consistently high economic growth, and that private sector actors have enjoyed various incentives in this regard. These include: duty free imports; capital gains tax exemption; VAT refunds; repatriation of capital assets; an investment code that guarantees security of investments; peaceful and stable environment as well as Rwanda's efforts to support and consolidate peace across the region; Rwanda's investment priorities, such as the Lake Kivu methane gas project, the Northern Corridor and Central Corridor projects; improved governance and rule of law, and conducive business climate are all geared to ensure active private sector investment in the economic life of the country. Mr. Murekezi referred the participants to reports from independent evaluations, such as the "Doing Business Index" where Rwanda ranks as the 1st in the region and 2nd in sub-Saharan Africa in terms of improvements to the business environment. Finally, Mr. Murekezi highlighted Rwanda's hospitality where the tourism sector is steadily improving with one million visitors reported per annum.

14. The Panel fielded three questions from the audience. The first question inquired whether DRC would permit exploration of natural gas on its side of Lake Kivu. The second question inquired what measures had been put into place to correct the negative experience by an investor in the DRC regarding corruption and the lack of transparency, and clarity on the relevant interlocutors to guide prospective investors. A participant from the Central African Republic highlighted the need for more attention to focus on the country, which, though emerging from conflict, had elected a new Head of State, and has significant investment opportunities in mining and other sectors. Participants welcomed these developments with applause.

15. Responding to the first question, Prime Minister Matata Ponyo affirmed that DR Congo would welcome and consider gas exploration offers on its side of Lake Kivu, but noted the importance of keeping in mind the shared nature of this asset between DR Congo and Rwanda. On the second question, Prime Minister Matata Ponyo underscored the need to practice good governance with particular attention to curbing corruption as key objectives of the government. While he acknowledged that corruption was a significant challenge, he reassured the participants that the Government was committed to routing out corruption and emphasized how identified cases meet with harsh punishments. He further noted that improvement of investment governance was central to President Kabila's economic renewal programme and that good governance remained a fundamental component of the government policy objectives. He illustrated that since profitable businesses are also a source of revenue for the country, the government remained committed to improving governance in investments. Prime Minister Matata Ponyo concurred with Rwanda's position that the private sector should be the driving force of economic growth and reported that DR Congo is continuously seeking to establish a conducive business climate in order to promote the sector. Finally he reported that DR Congo has established the Investment Promotion Agency (ANAPI) which is now under new leadership and management, and is the key interlocutor for all investors. The agency is supported by the Ministries of Planning and Finance, and where necessary, the Prime Minister's Office.

16. Prime Minister Murekezi noted that corruption was indeed a gangrene, and is accorded zero tolerance in Rwanda both in law and in reality, where perpetrators are severely punished. On the question of interlocutors for investors, Prime Minister Murekezi reported that Rwanda has a new one-stop-shop, the Rwanda Development Board, and online business registration which enables business ventures to set up in just a few days. On gas exploration in Lake Kivu, Prime Minister Murekezi indicated Rwanda's readiness to cooperate with DR Congo on exploiting the shared methane resource in Lake Kivu. He reiterated the private sector's role in driving growth and underscored that with its 370 million people, the Great Lakes region was endowed with a youthful, dynamic and active population, which was being equipped with necessary skills.

17. Vice President Butore reported that for the past ten years Burundi had been complying with World Bank and IMF requirements, and has been among the top 10 most reformed countries for the past three years. He acknowledged that although the news about Burundi has been dominated by post-electoral violence, it should be noted that the country is turning a new page on economic development. On corruption, Vice President Butore noted that Burundi has established a Ministry of Good Governance and other relevant agencies to effectively tackle corruption in the country.

Plenary session on Promoting Responsible Investment in the Great Lakes Region

18. The panelists included **Mr. Jonas Borglin**, Chief Executive Officer of the International Council of Swedish Industry, **Dr. Frannie Léautier**, Chairperson and Co-founding Partner, Mkoba Private Equity Fund, Tanzania, **Dr. Sidi Ould Tah**, Director General, Arab Bank for Economic Development in Africa (BADEA) and **Mr. Stephen Chege**, Director of Corporate Affairs, Safaricom Ltd, Kenya.

19. The moderator, **Mr. Daniel Makokera**, Chief Executive Officer of Pamuzinda Productions, South Africa, prompted the discussions by asking the panel to answer the following questions. What has been the successful public policy advancements in the Great Lakes region to attract and promote responsible business and investment? What have been the key challenges to greater corporate engagement in this area? How can the private sector practice responsible business in a post-conflict context? What are some of the key factors that need to be taken into consideration? What role has the investment community played in promoting responsible business? What is the UN doing to promote responsible business in region?

20. The panelists highlighted that most companies that invest in Africa take a long-term view/goal. A key advice for potential investors is to come to Africa first before they decide whether to invest. They will find that the countries are working very hard to curtail corruption and illicit financial flows, and that the opportunities to invest have increased. They will also observe a growing consumer base, huge potential in the energy sector, and growing youth populations in increasingly urban settings. Africa as a whole has the same number of cities with populations of over a million than Europe does, and the Great Lakes region in particular has a higher percentage. There are also significant material improvements in the business climate. Rwanda has significantly improved the ease of doing business; Tanzania has created an investment center with high level of transparency; DRC has improved transparency in collecting revenues from companies; Kenya has expanded opportunities resulting from policy reforms, for instance in the ICT sector, which have enabled innovations in sectors such as finance and agriculture. Africa is competing with the rest of the world and there is need to have world class institutions. However, there are still gaps in the legal systems that need to be improved, for instance in renegotiating contracts and protecting property rights, before the Great Lakes region can catch up with the rest of the world.

21. The issue of security is important in order to improve the perception of the African Great Lakes region as a prime investment destination. Stability needs to be at the forefront of policy making otherwise the risks can be perceived as too high and investors may choose to invest in another region. There is a significant mismatch between perception vs reality of the situation in Africa generally and the Great Lakes region in particular. As most of the outside media has portrayed a negative image of the region, there is need for intensive communication effort to correct this situation. For the Gulf States, protecting investments is the first concern before making investment decisions in any region, not just Africa/Great Lakes. BADEA shared how the Bank has debunked perception and have found projects to support/finance in the region. Bankable projects are not bankable until they go through the full risk assessment process and this includes taking into account environmental and social considerations (feasibility, profitability, environmental responsibility, and Corporate Social Responsibility). Politics played in business has an impact on

business. There is need for Great Lakes countries to establish investment frameworks with a long-term view that should survive changes in governments and electoral cycles to encourage the private sector to invest in long-term regional projects. Governments of the Great Lakes region often say they are open for business but their actions and the nature of politics (very competitive) is unstable for business, and therefore need to put in place policies that work for business to survive successive governments and electoral cycles. For instance, in Kenya, Safaricom's innovation of M-pesa has been supported by successive governments proving viability of long-term policy implementation that promote business growth and economic prosperity.

22. Africa has private sector actors conducting responsible businesses. The investment community has a responsibility to also attract other responsible companies - through the way they source business, and to attract others who are like minded. For instance, Mkoba Capital, a signatory to the UN Global Compact, supports job creation for youth and women and invests in innovative areas where there is a positive social and environmental impact. To promote responsible business conduct, governments through reforms can nudge the private sector towards accountability and transparency. Competition can make transparency much easier. For instance, Burundi has one of the highest number of formally registered companies – businesses can exist even where there are challenges in the short term. There are a number of successful companies in the Great Lakes region of Africa showing that financial return can go hand in hand with sustainability, particularly with prior planning and innovation. However, to have responsible investors/businesses also needs responsible local people who can enable the environment for these businesses to grow. The importance of youth was underscored, with BADEA announcing plans to launch a program for financing feasibility studies in sub-Saharan Africa to facilitate effective responses to youth unemployment. There is a strong need to marry investment interest with responsible practices in order to have a long term view to the peace, stability and development of the region.

Presentation on the Investment Opportunities Briefs for the Great Lakes region

23. This lunchtime session was moderated by **Ms. Priya Gajraj** UNDP Country Director in DR Congo and the presentation was made by **Mr. Tomas Sales**, Special Advisor at UNDP's Private Sector & Africa Inclusive Market (AFIM) Unit, Inclusive Growth and Sustainable Development Cluster, based in Addis Ababa, Ethiopia. In opening the session, Ms. Gajraj provided a background on UNDP's involvement with the Private Sector Investment Conference, informing that UNDP supported the development of the substantive material on the projects that would be discussed at the Conference. She informed that the projects were compiled into an Investment Opportunities Brief (IOB) following extensive consultations in 12 of the 13 countries of the Great Lakes region. She underscored UNDP's commitment to the Implementation of the PSC Framework and has further supported the launch of a wider UN Strategy Framework for the Great Lakes Region involving UN Country teams, funds and agencies.

24. Mr. Tomas Sales provided an overview of the IOB which had 25 illustrative projects in seven sectors: Agriculture (7), Energy (3), Finance (2), ICT (1), Infrastructure (8), Mining (2) and Tourism (2). He informed that the projects were selected based on their potential for: public-private collaboration; involvement of multiple countries; extent to which they illustrated existing and

emerging economic opportunities in the region; demonstration of 'regional impact' in one country through supporting development in neighbouring countries.

25. In the **Agriculture** sector, seven projects were highlighted including: the US$21m Trans-frontier markets development which involves Rwanda, DRC and Burundi; the US$2.1bn Southern Agricultural Growth Corridor of Tanzania with potential to impact Zambia and DRC; the US$225m Regional integrated agricultural development programme involving DRC and Burundi; the Rehabilitation of the Nzara Agro-industrial complex based in South Sudan with potential to impact DRC and Central African Republic (CAR); the US$20m Regional Maize Value Chain project involving Burundi, DRC and Rwanda; the US$1.1m ABSA-SABMiller Grain and Seed Project involving DRC, Rwanda, Burundi, Uganda, Tanzania and Zambia; and, the Rwanda Bonded Warehouse Facilities to serve traders between Rwanda and DRC.

26. In the **Energy** sector, three key projects were highlighted to increase the capacity for production and distribution of energy in DRC, Burundi and Rwanda: the US$900m Lake Kivu Methane Gas project for exploitation between Rwanda and DRC; the US$640m Ruzizi III 147MW hydro-power project to involve Burundi, DRC and Rwanda; and, the US$150m Rehabilitation of Ruzizi I and II Transmission lines to Burundi, DRC and Rwanda. In the **Finance** sector, two projects highlighted: the US$4m Great Lakes Region Micro-finance institution for DRC and Burundi and the Great Lakes Countries' Development Bank for Burundi, DRC and Rwanda. In **Information and Communication Technology** sector, there was the US$92m Central Africa Backbone Project partly supported by the World Bank to link DRC to Rwanda, Uganda, Burundi, Tanzania and Zambia.

27. Mr. Sales underscored that the **Infrastructure** sector attracted the following 8 key projects: the up to US$30bn East Africa Northern Corridor Roadside Stations projects covering Kenya, Uganda, Rwanda, Burundi and DRC; the US$600m Lobito Corridor project covering Angola, DRC and Zambia; the US$3.5bn Southern Corridor project covering Zambia, Tanzania, Burundi, Rwanda, DRC and Uganda; the at least US$45m One Stop Border posts for Burundi, DRC and Rwanda; the US$24bn Lamu Port, Southern Sudan-Ethiopia Transport Corridor (LAPSSET) covering Kenya, South Sudan, Ethiopia and Uganda; the US$150m Lake Victoria ports projects covering Kenya, Tanzania and Uganda; the US$1.65bn Brazzaville-Kinshasa Road-Rail Bridge Project covering DRC and Republic of Congo; and the Central Multimodal Transport corridor covering Tanzania, DRC, Burundi, Rwanda and Uganda.

28. In the **Mining** sector, Mr. Sales highlighted two critical projects: the US$2.5bn Uganda Oil Refinery project to service the region and the US$2.25m South Kivu Federation of Mining Cooperatives Chambers. In the **Tourism** sector, he highlighted the IGAD Sustainable Tourism Roadmap project and the US$130m Kisumu Lake View Resort City project in Kenya. Mr. Sales provided updates on some projects showing at least 8 of the 25 projects had passed the feasibility stage, 3 projects are in negotiation stages, some projects had been started in one country but still to be started in other countries. He sign-posted interested participants to visit www.psicinvest.com for further details on the projects and emerging opportunities, as well as welcomed them to partake in networking opportunities following each breakout session.

Thematic Breakout Sessions

Thematic Breakout Session on Infrastructure

29. The panelists for the Infrastructure break out session included **Mr. Wamuka Mwamuka**, Commercial Executive at Grindrod Rail, **Mr. Sindiso Ngwenya**, Secretary General of the Common Market for Eastern and Southern Africa (COMESA), **Mr. Admassu Tadesse**, Chief Executive Officer of the Eastern and Southern Africa Preferential Trade Area Bank (PTA Bank).

30. The Moderator, **Dr. Elham Ibrahim** the Commissioner for Infrastructure and Energy at African Union Commission, welcomed the panelists and participants to the session themed "*investing in infrastructure in the Great Lakes region which promotes peace and development*" and stressed the desire to have an interactive session. She prompted the panelists to share their views on a wide range of issues guided by three main questions: what are the challenges in attracting financing for regional infrastructure projects? How can the private sector and government take advantage of existing finance? What does the private sector require from government for investment in the region?

31. On attracting financing for regional projects, the panelists noted that environment is critical as the typical power investor, for instance, will consider capacity concessions, tariffs pricing and risk. The business environment needs to be credible and consistent. Competitive tax regimes and credible mechanisms for dispute resolution and enforceability of contracts need to be in place. Lack of adequate financing to undertake feasibility studies, which typically need between 5-10 percent of project cost and is available upfront, is a critical constraint. The need for risk capital provision and to bring the project to bankability to attract investors was highlighted, noting that Sovereign guarantees could help improve the attractiveness of projects. Lack of guarantees could put the project back 12-24 months, but guarantees could also come in form of parastatal shares in the projects. For infrastructure projects, such as railways, it is important to think regional to increase capacity utilization and viability, and therefore competitiveness. It was noted that infrastructure is best suited for public-private-partnerships (PPPs) and to be thought of as a peace and development enabler rather than solely in terms of commercial viability. On the structure that is best suited for each type of infrastructure, it was emphasized to examine the tariffs which determine the rate of recoupment of investment – to improve the real prospects perceptions. The discussants also lamented that significant amounts of African capital continues to be transferred and domiciled in foreign markets, mainly due to lack of confidence and perceptions on the continent. However, despite the risk perceptions, it was emphasized that returns on investment in Africa are very high, much higher in most parts of the world.

32. On the issue of existing financing sources, it was observed that Banks do advise on financially attractive PPP arrangements, but governments have to develop the capacity to prepare them well. It was noted that access to finance is limited not only by the high cost of finance but also by availability of finance which increases the costs. Savings in Africa are low, bringing about excess demand for capital hence the high costs of finance. It was further noted that risk premiums also play a significant role in increasing the cost of finance and projects, as does currency volatility. It was observed that most of Africa's Pension Funds are invested outside and there is therefore a need for concerted discussion and enabling legal framework to pool resources and require

investment of these pension funds in African regional projects. The diaspora was also recognized as a significant source of financing – with a special focus within the Agenda 2063. There is therefore need to structure incentive frameworks to facilitate diaspora investment in regional projects, such as those applied to FDI. This might include dedicated Diaspora sensitization drives in investment opportunities on the continent and region to galvanize them to overcome any apprehensions. It was further noted that a significant amount of funds are flowing out of Africa illicitly – either they were illicitly obtained or being illicitly moved. There is need for efforts to tackle this problem, curtail the practice, retrieve the flows and invest them in catalytic regional projects. It was reported that some Regional Development Finance institutions – such as the PTA Bank, have reformed with provisions for institutional investors to buy shares in them and avail capital for more investment financing.

33. The panelists shared that the private sector required several actions from governments. They required the governments to promote integration (inter-connectedness) for shared destiny and sustainable peace – e.g. EU coal trading body for preventing World War III and to create necessary policy environment and regulatory framework to facilitate, rather than inhibit, investment and trade flows. They underscored the need for operational, well equipped and competent institutions; mechanisms for public private dialogue for investment facilitation, not regulation without feedback; and, harmonization of policies in the region to enhance integration and investment in regional projects. They noted that some work had already been undertaken in, for instance, regional road standards, but there was need to harmonize provisional roads for seamless experience. The discussants noted that there is greater harmonization between AU and Regional Economic Communities frameworks, but there is room for adaptation as they are not meant to be a one size fits all. They underscored that to build productive capacity requires investment in infrastructure to assure marketing of production, war torn areas need infrastructure development to benefit from rehabilitation and peace building activities. Furthermore, they highlighted the need for an enabling policy framework, to build capacity of SMEs to improve productivity, link into big business, and consort to bid for sizeable contracts as happens in Rwanda where a group of small farmers is now supplying a big hotel chain.

34. The discussions made several recommendations including: the necessity of a conducive regional investment policy framework and regulatory environment for investment in regional projects; bringing projects to bankability is essential for attracting financing – due consideration should be given to feasibility studies and their financing arrangements; and building the capacity of member States in design, negotiating and managing PPPs. While there is some experience with PPPs in the region, an in-depth analysis needs to be conducted on key issues and instruments for project finance with a view to identifying the scope for greater convergence within the region which could form the basis for a policy brief or a draft model law on regional PPPs in infrastructure. They also recommended initiatives to stop the illicit outflow of funds to supplement FDI, establishment of a framework for harnessing diaspora financing of regional projects and enhance frameworks for sharing learning and best practices.

Thematic Breakout Session on Energy

35. The panelists included: **Mr. Pierre Kalinganire,** member of the Board Director of the Rwanda Energy Developers; **Mr. Vika di Panzu,** Director General of Katanga (DRC) Energy and former Director at SNEL (Societe National d'Electricite); and, **Mr. Jaime Barragan,** Head of Unit, Country Relations and Public, West and Central Africa, European Investment Bank. The session was also addressed by **Mr. Bruno Kapandji Kalala**, DRC's Minister of Energy and moderated by **Mr. Henri Boyé**, a Senior Energy Expert who asked the panelists to explain why investors should invest in energy sector in the Great Lakes region and what the challenges were.

36. Mr. Kalala, DR Congo Minister of Energy, noted that there exist many investment opportunities that can attract investors to the region. He noted that with the significant availability of energy sources such as petroleum, water and solar energy (extremely expensive). He lamented the challenges that come with the immense size of DR Congo (2 400 000 km²) which makes it difficult to maximize exploitation of energy resources in terms of harvesting, interconnections and distribution. Furthermore, Mr. Kalala pointed out that the spatial challenges make the cost of production and distribution of energy to the consumer prohibitively higher than the affordable consumer price – a challenge continually faced by Société Nationale d'Electricité (SNEL), the company in charge of selling electricity in DR Congo. However, he announced that the bill on partnership in private and public sectors intending to facilitate investment based on technical and financial conditions as well as the quota to be determined by investors, had just been passed. He therefore recommended investors to consider the integrating projects, namely Ruzizi 3 and Ruzizi 4 which are in line with the Great Lakes Investment Opportunities Brief prepared for the conference.

37. On the challenges for investing in the energy sector in the Great Lakes region, the panelists pointed out the need for a comprehensive policy framework which clearly spells out the regulations on energy, the modalities for negotiating concessions, prices and power paper engagements. They also underscored the need for energy sector developers to be organized in associations, which include foreign and local investors. Working in isolation was noted to be detrimental due to the number of institutions prospective investors in the energy sector need to consult with. It was highlighted that associations help guide potential investors, and in case of a problem, the Association's Administration, which is familiar with the local terrain, can assist to ensure that business starts as soon as possible. Corruption was decried as a key constraint, although countries like Rwanda were lauded for the significant progress they have made to stamp it out. But clarity and genuine (verifiable) intention (e.g. through prosecution and deterrent punishments) to stamp out corruption needs to be demonstrated to reassure investors.

38. The significant deficit in supply of energy in the Great Lakes region was lamented by all panelists. Although Rwanda was noted to have reduced its deficits significantly, it was suggested that there is need in the region for pursuing a twin approach of promoting investment in both generation for supply and distribution (grid and transmission lines) of energy, as well as pooling regional supply and distribution of energy resources. There was also concern on the institutional framework and modalities for regulation of the sector, funding the projects, facilitating the investment and determining fair price for both investors and consumers. It was suggested that where the public sector lacks sufficient means to run business, the private sector should be allowed to take over. The panelists reiterated the importance of production of energy but underscored the need to direct it to facilitation of improving productive capacity and industrialization as one way of addressing the issue of cost and affordability.

Thematic Breakout Session on Agriculture

39. The panelists for this session on the theme of "*Challenges and Opportunities for commercial agribusiness in the Great Lakes"* included: **Mr. Mounir Bakhressa**, Managing Director, Bakhressa Group; **Ms. Esperance Nzuzi**, President, FOPAKO (Fédération des organizations paysannes du Congo Central); and **Dr. John M. Ulimwengu**, Senior Advisor, Office of the Prime Minister, Democratic Republic of the Congo. The moderator of the session, **Ms. Mary-Jean Lindile Moyo**, Regional Head of Industry, Manufacturing, Agribusiness and Services at the International Finance Corporation, opted for a very interactive discussion posing targeted questions to each panelist.

40. On the Challenges and Opportunities for commercial agribusiness in the Great Lakes, the panelists underscored the importance of being present in the region. Mr. Bakhressa noted that business success has been due to on the ground presence and time taken to understand markets. Expansion of business was enabled by favorable financing terms (rate and duration) offered by development partner (IFC). They also underscored Smallholders are a key part of the equation and can contribute to the region's growth. Smallholders are however faced with numerous challenges including: lack of opportunity for linkages with larger investors; lack of access to adequate land; lack of credit; and information gaps. These can be addressed both by large investors and government.

41. It was recommended that DRC Agri-Industrial Parks concept is one other countries could consider as an integrated approach to agri-development. The park is a form of special economic zone that offer to investors serviced land, streamlined business regulations and shared services to support economies of scale. A pilot park was established by government with intention that the private sector leads the development of the subsequent 22 parks envisioned. Three types of investments are expected: infrastructure (energy, roads, water, etc.); agri-processing (inputs, processing, packaging, etc.); and social investment (e.g., schools, hospitals, etc.). A key feature of the parks is that they include, rather than displace, existing small holders, including those in cooperatives. With appropriate design, this model could be used to promote regional agri-industrial development and investment.

42. Discussing the issues of inclusion of smallholders the panelists underscored that lack of organized smallholders in many markets makes local linkages challenging. They noted that there is also pressure from the governments to shift its responsibility for development of public goods (storage, roads, etc.) to the private sector. The panelists acknowledged that the private sector may be willing to do this if certain guarantees were in place (e.g. support to expand tax base so large investors are not disproportionately taxed, etc.). They also underscored that smallholders need to be involved in initiatives like the agri-industrial parks. They noted that the smallholders may be willing to pay taxes and contribute to society but may need to be educated on responsibilities and rights. The smallholders may also need capacity building and access to agri-research, quality inputs and equipment to improve productivity. The panelists noted that promoting smallholders also supports women's empowerment which is critical to society's development. As discussed above agri-industrial parks are a comprehensive approach to try to address the many challenges the smallholders face.

43. The discussion highlighted that significant challenges remain for both large investors and smallholders. Land continues to be an issue for investment and there is a need to clarify titling/tenure/security to increase private sector investment. The panelists however underscored that the rights of local stakeholders must be balanced. Governments and Development Partners should sponsor dialogue between large investors and smallholders to understand each other's needs and aspirations and facilitate linkages thus tapping opportunities for win/win scenarios.

44. The discussions made several recommendations and suggestions for different stakeholders. They recommended the use of spatial approaches (e.g. agri-industrial parks, growth corridors, etc.) which present opportunities to address both issues faced by smallholders and also to attract quality private sector investment. They also recommended the necessity for the countries of the Great Lakes to begin thinking like a region rather than individual countries – this will help countries to identify competitive strengths rather than competing unnecessarily against each other. The panelists recommended that Governments need to do more to improve the enabling environment for business (both smallholders and larger enterprises). Key issues to address are policies supporting development of linkages, development of infrastructure, and supporting increased access to research, inputs and equipment. Development of credit bureaus and collateral registries would also reduce risks to lenders to increase access to finance. Improved enabling environment is needed in all Great Lakes countries. It was suggested that commodity exchanges (such as one in Rwanda) may be a solution to support smallholders, provided adequate forex controls are in place. Lastly, Governments and development partners were encouraged to support guarantee facilities to ease costs of and increase access to finance for private investment and smallholder development.

Thematic Breakout Session on Tourism

45. The panelists for this session included: **Mr. Funsho Peters**, Chief Operating Officer, Afro Tourism; **Mr. Elvis Mutiri wa Bushara**, Minister of Tourism, DR Congo; and **Mr. Georges Tshibasu Muamba**, Executive Secretary for the Greater Virunga Trans-boundary Collaboration. The session was moderated by **Mr. Luuk Zonneveld**, Chief Executive Officer, Belgian Investment Company for Developing Countries. Mr. Zonneveld asked the panelists to share views on three main questions: What kind of tourism do we want to attract and achieve in the Great Lakes Region? What are the economic objectives of attracting investment into regional tourism initiatives? What is in it for the investors?

46. Mr. Mutiri wa Bushara, DR Congo Minister of Tourism, presented an overview of the tourism potential in DR Congo, citing the immense bio diversity, and the DRC's openness (with 9 borders), host to the 2nd largest river basin in the world and the highest falls, and lakes in Africa, including Lake Kivu shared with Rwanda. He underscored the DRC government's recognition of the importance of tourism to the country that prompted the creation of a dedicated Ministry, but lamented the continued challenges with visas which the government is working on to promote tourism in the country. Mr. Mutiri wa Bushara highlighted some of DRC's touristic assets including the potentials in 7 national parks -5 of which are ranked as global natural heritage by UNESCO He called for collective efforts to invest in the rehabilitation of the sites as the Government of DRC is currently constrained to do so. He reiterated the government's commitment to "make DRC the new destination of the world" and highlighted the need to develop infrastructure

for tourism, for instance air connectivity, as more than 80% of potential tourists don’t have access to the sites.

47. On the desired kind of tourism, the panelists suggested the need to look at what each national economy has to offer (wild life, natural reserves, and historic sites), also including festivals and culture, which could present big opportunities for the culturally diverse region. The role of the tour operator is very important for tourism in Africa as they have to demonstrate a clear knowledge of what they are marketing, particularly as there is an “image problem”– great misunderstanding - of Africa. Promotion of tourism in the US and Europe is less human resource intensive (5-10%) than in Africa (70%) where communication necessity is enhanced. For instance, while the recent Ebola episode happened in West Africa, it affected the tourism industry in Kenya and South Africa, neither affected by the disease. It is, therefore, important to have a system in place to effectively challenge the misconceptions.

48. The panelists noted that there are different kinds of tourism resources which require more idiosyncratic approaches. The Virunga Parks, for instance, shared among DR Congo, Rwanda and Uganda call for joint and shared responsibilities for the three countries. This made countries to think regionally, more than nationally, and involved singing a treaty, to ensure that resources are exploited and conserved efficiently and effectively. The challenge in this arrangement is in striking a balance between preservation of biodiversity, environmental and social/economic considerations. Another challenge is the need to build infrastructure – access routes, housing for tourists and welfare facilities. The relevant investment should be a mixture of local initiatives coupled with facilitative public investment alongside private investment drawing from best practice examples of joint ventures between local communities and private sector.

49. For tourists, anything that happens in one part of Africa, happens in all of Africa. The market for tourism is wide (400 million consumers) but only 34 million of these have visited Africa in the last two years. This figure can be increased by investing in tourism infrastructure as well as facilitative general infrastructure – such as railways mentioned by the Prime Minister of Rwanda – to expand markets and access to other parts of the country. Tourists need to be able to easily get around a country but also be able to easily travel between countries. Countries could, therefore, have one marketing strategy not just regionally but there could also be a continental approach to tourism. The panelists also pointed out that investment in tourism is not only about buildings and infrastructure but also investing in humans. They noted that the region has a shortage of qualified manpower in this sector to improve the quality of tourism services. The quality of tourism destination is important to provide a good experience that provokes repeat visits or referrals.

50. For the DRC, the tourism indicators point to a concentration in Kinshasa where hotel occupancy rates are around 80 percent yet Kinshasa is comparatively very expensive compared with the rest of the country. Security and quicker visa processing times (or something like a Schengen visa) are the two most important aspects for foreign tourism operators. However, the airport taxes which are sometimes thrice more than the price of the tickets is also a concern. The high cost of the air ticket perhaps should be discussed in addition to the issue of the visa cost. The government of DR Congo created a paramilitary force to protect the wildlife in Virunga Park and is investing in renovating historical landmarks, such as old slave trade routes. However, there are

several examples of successful private sector provision of tourism services, similar to the national park in Rwanda which is under private sector stewardship. Virunga also has a well-run part of the park that is private sector managed and has no negative impact on the surrounding environment.

Day 2: 25 February 2016

Plenary session on Investment Climate: Challenges and Opportunities

50. The panelists on this plenary included: **Mr. Nathan de Assis**, Executive Director, Equity Capital Resources in Zambia; **Dr. Frannie Leautier**, Partner and Chief Executive Officer of Mkoba Equity Fund in Tanzania; **Mr. Ladell Robbins**, Vice-President and Investment Officer of African Capital Alliance in Nigeria, and **Mr. Anthony Siwawa**, Founder and Managing Director of Venture Partners. The session also benefited from a curtain raiser intervention from **Mr. Jacques Dumond**, the Representative of the European Union to the DRC.

51. The Session was moderated by **Professor Daniel Samba Mukoko**, former Vice-Prime Minister and Minister of Budget in DR Congo. Prof Mukoko asked the panel to share their views on three main questions: How is the Great Lakes Region perceived by investors? If perception is different from the reality, what can be done to improve the situation? How can the implementation of huge regional projects which have been in the making for some time be accelerated? Private Equity (PE) has been growing in Africa. Given the type of capital managed by the PE industry, what are PE investors looking for in the Great Lakes Region? What needs to be done?

52. The opening intervention of Mr. Jacques Dumond, Representative of the EU in the DRC, highlighted, on behalf of EU Development and International Cooperation Commissioner Neven Mimica, the importance that the European Union attaches to the stability of the Great Lakes Region. He noted that it was necessary to balance stability with investment. Mr. Dumond reported that the European Union supports the efforts focused on the fight against corruption and the development of the region. These efforts are aimed at good governance to increase confidence as well as respect of commitments especially in the electoral process. He informed that the European Union wants to support major projects in the region as it has already done in many countries in the region, including the project of North-South Corridor, the Ruzizi Dam, the Grand Inga, and tourism in the Virunga Park. He underscored that while the European Union facilitates investment in the region and in Africa in general, and the Great Lakes Region has the potential to cooperate, there should be genuine commitment through the framework agreement of Addis Ababa. He concluded by announcing that the European Union stands ready to assist and support all efforts.

53. On perceptions of the Great Lakes region, the panelists observed that the market is often perceived on a country by country basis. Some countries such as Rwanda are making efforts to make the environment hospitable for investors. Some countries are also less known of such efforts. There are strengths and weaknesses within the countries to improve the investment environment. However, there is a difference between perception and the reality on the ground. Perception varies among categories of investors. For instance, Private Equity (PE) Investors may not be fully aware of the opportunities and conditions in the region, while other forms of investors such as FDI are

operational in the region. As a result countries with effective FDI profiles are among the highest recipients of additional FDI. The perception also depends on what is reported about the region. There are negative sensational stories about war, conflict and other economic circumstances that often contribute to a negative image of the region. The positive and dynamic narrative is often not in the news.

54. Discussions on what can be done to improve perceptions of the region noted that there should be more efforts to showcase the more positive trends in the region. These could include the positive economic performance and management by countries in the region and the reform efforts by governments to enhance the investment climate. They could also include the establishment of more conducive and investor-friendly policies such as the establishment of one-stop shop to promote and facilitate investments. Harmonization of polices was considered to be key along with efforts to foster a common platform to market the region as an attractive investment destination as well as good governance and transparency of policies. It was underscored that investors look for fast registration of business and protection of their investments through appropriate risk mitigation policies including dispute settlement and arbitration mechanisms for expropriation and other governmental actions that may impact negatively on the investment. Member States were urged to continue combating corruption and maintain peace and stability as a bedrock of development and propitious investment climate.

55. On what can be done to accelerate the implementation of regional projects, such as, the IOB projects, some of which have been in the making for some time, the panelists offered several views. Governments should mainstream regional agreements and projects at the national level and strive to implement them. For instance, there is need to implement agreements on free movement of people, goods, services and capital. Governments should make particular efforts to ease visa restrictions of community citizens, like in the case of Rwanda that is implementing a policy to issue entry visas on arrival for all Africans and investors. Countries of the Region should emulate this laudable example from Rwanda. There is need to unpack and break down various mega projects into manageable multiple components. This will help attract different categories of investments and financing interested in different dimensions of the project. There is also need to define what is feasible, with particular focus on projects that have multiplier beneficial effects on the countries and peoples of the Region as a whole. It would also be important to showcase and share experiences of regional projects success stories elsewhere, such as the ECOWAS visa-free movement of people across the region.

56. The issue of what Private Equity (PE) investors are looking for from the Great Lakes region spawned several views. It was noted that PE is essentially the dissemination of private capital. Forms of PE capital include angel capital, venture capital and growth capital. Some PE firms look for companies that are strong in the market or have an enormous growth potential to become national, and even regional champions within their field of operations. PE firms also tend to identify countries where PE firms have a potential of success and the overall business climate in the country plays a key role in this regard. PE firms value the mobilization of local/African capital and local talent, and that there is a strong base to support new businesses. Some PE investors have a significant focus on SMEs. It was noted that some PE firms are already operating in the Great

Lakes Region. The factors that influence the investment decision include the presence of honest, creative, dynamic and hardworking entrepreneurs. The PE comes in to help with capital for growth. Lack of information between the companies in the region and available funds from various institutions/investors including Private Equity is a constraint. Therefore, there should be a way to popularize the availability of private equity funds to the private sectors, particularly the SMEs. It was also reported that the United Nations Economic Commission for Africa (UNECA) has done an interesting study on Private Equity in Africa that provides more information on the scope and features of Private Equity in the continent. The study can be found on UNECA's public website: www.uneca.org

57. The discussions also highlighted some key challenges. They observed that despite its huge potential in attracting regional investments, many investors still raise concerns regarding some challenges in the region. These include: peace and security, poor governance including corruption, and macroeconomic instability. The need for stability in the region for long term investments was strongly echoed by many participants. As efforts have been made in the region in addressing these challenges, collective campaign is needed by governments to share the positive progress with investors. Governments need to develop common policies or platforms on investment with clear commitments which are key in building confidence of investors. A regional policy framework could be developed setting out good practices and policies on a broad range of issues relating to the investment climate. It could be supplemented by investment policy profiles for specific countries and sectors. It was also noted that free movement of people, capital, and goods remain key challenges in the region. Sharing of good practices by other regions is essential in the region- For example, polices/initiatives of free movement by other regions such the ECOWAS, and ASEAN regions should be adapted to the Great Lakes region. Furthermore, complications in registration/establishing business in some of the countries in the Great Lakes region remain a challenge.

58. On what needs to be done differently, the panelists and audience made some recommendations. In addition to the big projects, the region needs to support SMEs which are not complicated and easy to attract investors. The countries could collectively undertake a consultation to take stock of existing mechanisms and arrangements for financing productive investment, including emerging capital markets, banks, private equity funds, institutional investors, and innovative forms of SME finance. The study should review relevant experience compared to international best practices and suggest recommendations for the Great Lakes to adapt. Furthermore, the Great Lakes region needs to enhance its efforts in mobilizing domestic resources for investments to supplement FDI and establish a foundation for greater equity in its assets. There is need to train SMEs on the management and running of businesses as well as financial literacy. The region needs to take advantage of available financial resources from the private equity funds.

Thematic Breakout Session on Mining

59. The panelists for this session included: **Mr. Boris Kamstra**, Chief Executive Officer, Alphamin Resources; **Mr. Sacha Backes**, Senior Investment Officer, International Finance Corporation (IFC); **Mr. Andre Kapanga**, General Manager, Tenke Fungurume Mining; **Yvette Mwanza**, Chairperson of the North Kivu Chamber of Businesses and Traders and **Mr. Claude**

Baissac, Eunomix' Executive Director. The Panel was moderated by **Mr. Jean Bakole**, UNIDO Regional Director. The session was also attended by Ms. **Gertrude Zouta**, the Minister of Commerce, Industries and Small- and Medium-sized Enterprises of Central African Republic, **Hon Come Manirakiza**, Minister of Energy and Mines of Burundi, and **Miguel Paulino Augusto de Almeida** Angola's Secretary of State for Mines. Mr. Jean Bakole, UNIDO Regional Director, asked the panelists to share their views on some recent challenges in governance of the mining sector; the opportunities in the sector and what can be done to use them; and recommendations for government and other stakeholders.

60. The panelists underscored the consensus that the Great Lakes has a massive resource endowment but has not been able to capitalize on for development due mainly to weak governance, insecurity and poor infrastructure. One key recommendation was that investment in these difficult conditions needs to include a broader understanding of the communities through dedicated for a considering that mining play a key role in human development. They also noted that the level of investment in the mining sector is lower now than it has been in the past, and the strategy going forward should include capitalizing on the investors that are already in the region and have taken such big risks while wooing others to increase competition and its benefits.

61. The panelists noted that in order to get investors to commit, ground work and extensive studies need to be conducted, but infrastructure to access the mining sites is always a challenge. Moreover, mining has a huge capital investment and a long term horizon- timeline of production - 10 years or so of explorations, studies, etc before flow of real revenues. Furthermore, security is another key challenge in such isolated sites, yet an investor needs to ensure security of their people and assets before making investment decisions. Lastly the issue of governance and perceptions is key for investors who often are flights away far removed from mining sites. While governments may be doing a lot to improve governance at a local level, formal assessments of governance measures may not capture these, limiting the potential investor's realistic assessment of the situation. It is therefore important for potential investors to venture out and make own in-country assessments to complement those available from international sources to permit them to build a realistic risk profile and investment capital allocation.

62. Prospective investors need to work with government and development funding partners to ensure that development of mining projects is coupled with development of public infrastructure and rural development programmes. In the current development paradigm shift, it would make sense for traditional donors to support public projects if they are related to commercial ventures that create jobs, improve productivity and reduce poverty. However, the mining sector has a negative history of engaging with communities, therefore, new mining projects need to style up to responsible business practices to build trust with communities and donors. There will be need for strategic community investment, which is an opportunity for companies to get communities to support an operation as well as supporting minor local companies to join the investment value chain to help manage technical risks.

63. While there have been examples of successful nationalization programmes in mining, as happened in Zambia where the sector is bringing higher revenue than aid received by the country, these have been due to prudent policies that ensured full autonomy of the mining entity with associated incentives often provided to FDI. To support private sector operations in mining,

governments have to be realistic in measuring the operational cost versus the revenues being received, as well as the overall cost to investment and associated required return to attract investment. Inconsistent and changing policy regimes, often based on electoral cycles are deterrents to investment in long term projects like mining. Moreover, decentralization which introduces different layers of taxation of mining activities also inhibits investment in mining as current operators are often faced with 'super taxes'.

64. Interventions from the Central African Republic Ministry of Trade underscored the need to ensure that investment in natural resources really benefits the local communities and country rather than unduly and disproportionately enriching investors, and is for the long term, to avoid white-elephant structures. Intervention from the Minister of Mining of Burundi underscored the variance between perception of risk and reality in the desire to protect foreign investors in times of political insecurity. He reported that, during the on-going political crisis, foreign investors are being protected by the local people who feel a sense of ownership of the investments. Interventions from Angola's Secretary of State of Mining underscored the need for comprehensive planning, mapping to establish the resource endowment and provision of infrastructure to facilitate its exploitation. It was reported that Angola plans to develop infrastructure all over the country over the next 10 years to include 3 main railway lines from the Atlantic cost to the border with DR Congo and generation of energy to facilitate industrial development. Access, (visa) issues are increasingly being liberalized and the government is listening and learning on this score.

65. The discussions also exposed a number of issues in the mining sector. Illicit financial flows were highlighted, notifying prospective investors on the need to operate responsibly as measures are increasingly in place to tackle the illicit financial flows – with renewed impetus to keep resources in the emerging countries for the achievement of the recently agreed Sustainable Development Goals (SDGs). The discussion also touched on the issue of involving local communities particularly with respect to going from small-scale to industrialized production and the challenge of feasibility studies required for funding decisions. Furthermore, issues about artisanal mining and value addition to increase local content, say in polishing, in export mineral products were also raised, highlighting that there would be need for capacity building to increase productivity.

66. In addition, formalization of artisanal miners associations and operations would be significant steps in the process of scaling-up from small-scale to industrial production – this would include youth and women in the value chains. There is need for a regional framework for addressing artisanal miners' situation, and sub-contracting to include them in the value chain, for guiding potential investors. Furthermore, the issue of high taxes that then encourage illegal sales and smuggling was highlighted as needing cooperation among countries to harmonize fiscal policies. Capacity building for artisanal miners was also highlighted to increase their productivity and fundability and to access finance as well as management of minerals traceability mechanisms.

67. However, it was reiterated in the discussions that World Bank cannot finance state-owned companies, wary of issues like human rights and environmental considerations, who struggle with living up to international standards. Moreover IFC is not the mechanism that provides financing

to small scale projects. The question then was how to develop win-win partnerships, especially around artisanal mining- given that the IFC doesn't necessarily focus on smaller scale projects?

68. There were several additional recommendations made for different stakeholder. Investors should ensure that they include local populations and their education and health needs - this should not be seen as a cost but as necessary for sustainability of operations. Investors could also work with local population to develop mechanism for establishing other economic activities beyond mining activities. The governments should review and harmonize the taxation regimes and mining codes for the development of the regional mining sector. Certainty of taxation regimes aide private decision-making, and experiences from former Katanga and Kivu regions could be emulated. All stakeholders should work towards turning mineral resources from instigating and propagating conflicts to achieving sustainable development.

Thematic Breakout Session on ICT

69. The Panelists for this session included: **Mr. Christian Doyen,** Head of Africa Operations, PYCO Group; **Ms. Alice Kariuki,** Director of Regulatory Affairs, Airtel Africa; and, Mr. **Hans Kuipers,** Partner and Managing Director, Boston Consulting Group. The Session was moderated by **Ms. Juliana Rotich,** CEO and Co-Founder of Ushaidi and BRCK (Internet Access built for Africa). The panel also featured the participation of **Mr. Thomas Lohaka Losenjola**, Deputy Prime Minister, Minister of Posts, Telecommunications and new Information and Communications Technology (ICT-PT) of the DRC.

70. Ms. Juliana Rotich, the Moderator, asked the panelists to share their views on the following questions for the session. What are the challenges and barriers to improving ICT connectivity and utilization? What are the opportunities for harnessing ICT to improve quality of life, productivity and governance in Great Lakes region? What can governments do to enhance ICT uptake and make it more available to all to maximize its potential contribution to development in a responsible way? How can the Great Lakes region entice private sector investments into the ICT sector?

71. The session started with a presentation by Minister Lohaka Losenjola, who outlined the Government of DR Congo’s efforts, with World Bank support, at promoting the ICT sector including the 50,000km fiber optic backbone cable of the country as part of the Central African backbone featured in the IOB. He reported progress with the first phase connecting Kinshasa through a 660km cable to the West Africa Cable System (WACS) in the Atlantic Ocean and the second phase of 3,300km cable to extend to Lubumbashi and the Zambia border starting in March 2016 including correcting imperfections in fiber-optic installations following on-going reviews. DR Congo had also secured support from three Chinese companies to fill gaps in the fiber optic project as well as suggestions by Google for a $1billion investment in a ring around Kinshasa, like that of Kampala. Furthermore, the Minister reported that DRC was working with Chinese partners to launch a satellite to overcome the geographical issues DRC faces with fiber optic coverage and linkage with other countries of the region, and also potentially become an ICT hub.

72. In discussion of the challenges of providing ICT connectivity, all panelists underscored the centrality of ICT development for its role in enhancing efficiency and driving development e.g. market information sharing, mobile banking etc, as well as enabling lower costs and increasing

productivity. However, information on the technology and effective demand as well as public good aspects of ICT are key challenges to providing connectivity. There is latent demand for ICT, it has been previously unexplored, and therefore opportunities still abound. Furthermore, provision of infrastructure while essential, is not sufficient to enhance economic growth – promoting uptake is required. Investment is required in the following four areas to optimize the impact of ICT in the Great Lakes region and Africa generally: development of **Infrastructure** (backbone, spectrum); **Affordability** of: hardware, i.e. no tariffs or taxes to bring it in-country, as has happened in Kenya and Tanzania; and, services – the UN goal is that only 5% of income is spent on services, but in Africa it is much higher; **Education and awareness** –digital literacy to enable people to contribute; and, **Local content** – to create consumer surplus. Government can do more: create hubs, encourage creation of local content, provide government e-services, etc. In addition, governments need to minimize duplication of provision of cable conduits and also ensure the physical and legal protection of these fiber optic cables.

73. On the Opportunities to harness ICT to enhance life and productivity, the discussants observed that Opportunities abound in the ICT sector. They cited several examples of such as opportunities. The BRCK developed to deliver equitable education access, which enables the provision of basic literary materials, and provides digital literacy and both the opportunity and demand for services in future. It can potentially lead to innovation, creation, and customization. ICT underpins many facets of life. Constituents, for example, can communicate dissatisfaction to representatives through ICTs. The sector is developing platforms for healthcare workers, so that they can record and integrate patient measurements and so on, to create a more mobile and efficient healthcare system. There is a reported reduction of malaria in Kenya of up to 35% due to the use of phones to record temperatures, and thus providing early warning about looming outbreaks. ICTs can improve health, education, and entrepreneurship services, as well as promote financial inclusion. Banks were underestimating how the mobile banking sector will explode but with the recent success there is need for strong regulation to avoid huge percentages of wealth floating on Local Stock Exchanges (LSE), as seen in Kenya. **S**oftware that can map or report demand, ensuring that farmers to direct their produce were needed, thus preventing wasteful travel, especially helpful in a country like the DRC. The Great Lakes region presents a conducive environment with increasing stability, improving governance structures, planning, clear licensing frameworks, and increased consultation which are required prior to new effective legislation. The remaining challenges include the threats posed by electoral cycles for business, which calls for enduring policies that business can trust will last through elections and beyond**.** The importance of rule of law and proper dispute resolution mechanisms was emphasized. Telecoms, for example, is seen as a cash cow and subject to arbitrary taxes, but which combined with consumer protection measures could impact business negatively.

74. On what needs to happen for ICT to grow, the discussions made several observations. The Private Sector is rational and weighs risk and opportunity. Therefore, it is unhelpful to expect the Private Sector to underwrite all the ICT related costs. The Private Sector wants to work with government but requires: Policy certainty; considerate taxation and regulation; Continuous dialogue as has, for example, been achieved in the Northern Corridor project; and, regional governments' cooperation to institutionalize and harmonize policy across regions. Discussion on the regional ICT collaboration were in progress among DR Congo, Rwanda and Burundi. The EAC already has one area network – a cost and price structure that allows local rates to carry over.

However, the barrier is a lack of formal cooperation and so that is a formal recommendation to the DRC Minister – participate in formal cooperation on the one area network. There was a need to drive an ecosystem of tech-savvy individuals. Africa is lagging in ensuring cyber security. The problem involves entity management, and so is one where government can do a lot. Lessons could be learned from Ghana which has made relative progress in this area. DR Congo is in the process of establishing a one-stop-shop project for the telecommunications sector. The DR Congo visa concerns remained tricky but collaboration is an imperative given the interconnected destinies of the countries of the region.

75. The Panel brought out some key themes namely: the need for greater collaboration between members of the region, and with the private sector, especially on designing legislation; the need for fair taxation, and to pricing interference, in order to encourage business into the sector; the essential need for policy stability across electoral cycles; and the way that ICT can promote equitable educational access, improved healthcare provision, financial inclusion, better agricultural outcomes and boosted entrepreneurship.

76. The Session made several recommendations for the governments, to: provide for the legal and physical protection of physical infrastructure; protect ICT investors with legislation; use ICT to unlock financial inclusion; create enduring policies that survive elections and promote investor confidence; and formal cooperation between governments. The private sector and government together need to invest in infrastructure, affordability, education and awareness, and the generation of local content.

Thematic Breakout Session on Finance

77. The panelists for the Finance break out session included: **Mr. Wale Adeosun**, Founder and CEO, Kuramo Capital Management, **Mr. Eric Mboma**, Chief Executive, Standard Bank, DRC; and **Mr. Henry O. Ajagbawa**, Consultant, International School of Management, former Executive Director, Ecobank. The session was moderated by **Professor François Kabuya Kalala**, Professor of Macroeconomics and Banking, University of Kinshasa, Democratic Republic of Congo.

78. Professor François Kabuya Kalala asked the panelists to share their views with respect to the following questions. What measures could improve access to finance in the Great Lakes Region? How can the gap between the formal and informal economies where most microenterprises operate be bridged? How can Central Banks/government policies encourage investment in the Great Lakes region?

79. The panelists observed that political stability permits predictable ease of doing business which is a key consideration for investors. While the size of the Great Lakes region economic market could be very attractive to a number of investors, the prospects could be limited by ability of an investor to enter the region (ease of doing relevant business-Visas). For most foreign investors, the first thing they look at is the level development across several dimensions such as money markets, stock exchange, financial penetration rates, etc. They noted that stability is very critical and the suppression of the rule of law is detrimental to development.

80. Development financial institutions (DFIs) are mandated to provide capital for development and long term projects. It was however not clear how these DFIs are placed to receive foreign capital as the practice varies from country to country. It is important for governments to put policies in place to strengthen institutions for microfinance business to improve financial inclusion which is still very low, for example, less than 20 percent in the DRC. Banks need to be encouraged to invest in subsidiaries that deepen and broaden financial access to people. SMEs employ about 70 percent of labour – SME business is critical in this respect. Banks, particularly commercial banks, have higher leverage from working with SMEs, where in broad terms SMEs constitute 37 percent of the Banks' business and 48 percent of their profits. Banks' challenges to reaching SMEs include the high financial illiteracy among SMEs, poor proposal preparation leading to more than 80 percent rejection rates, and poor record keeping discipline. SMEs are less trusted mostly because of lack of information. Commercial banks are not structured for development financing, therefore a credible legal framework is required to manage compensation. There should be a frank and genuine dialogue between banking and businesses to clarify and harmonize the rules of the game.

81. It is often recommended that SMEs should merge to improve their ability to attract financing. The typical way in which a PE will invest is if the SME is looking for additional capital to grow (scale-up) or for regional expansion. However, mergers are unlikely to improve SMEs' funding attractiveness, as the merger may just amplify the original gaps and issues why banks do not fund SMEs in the first place.

82. There is more disposable income in Africa than is formally captured. A lot of the metrics created to capture this variable in developed markets do not apply to Africa where there is a significant informal economy. There are disparities in understanding the true volume of financial wealth circulating in African economies. Private equity firms have a different set of metrics than established banks, it is more based on trust which takes a lot more work but provides greater understanding and therefore, getting a better grasp on available investment opportunities. PE firms can fund medium- to large-scale ventures, but the key concern is that SMEs (which are the engines of growth) have transaction deal sizes that are below the threshold for a typical PE firm. Regional integration may help by creating small industrial parks which lead to shared services allowing businesses to pool resources, share management and risk to attract larger scale funding. In Malaysia, for example, an incubator called Magic provides a credit platform for SMEs to leverage a support system where they can get infrastructure (offices), legal advice, etc other support services enabling SMEs to access contracts they would otherwise not be able to. Governments should promote and facilitate local content consideration in awarding contracts and legislation to enhance SMEs participation in emerging value chains.

83. On government policies to encourage investment in the Great Lakes region, the panelists observed that the central banks have a duty to manage inflation and influence interests rates, but the market rates are determined by market fundamentals, particularly demand and supply of credit and savings. To include SMEs in the formal financial sector requires more creativity and innovation, as has recently happened in Kenya and now spreading to the rest of the continent with mobile money. Long-term funding, however, typically comes from Pension Funds, although PE is

also in long-term more than short investment. Nevertheless, the current structure of pension funds inhibits funding in regional projects. More is needed to orient African Pension Funds to fund in Africa and regional projects in particular. While the region is perceived to be risky, current investors suggest that it also offers higher returns on investment than most regions of the world. Moreover, argued the panelists, there should be deliberate measures for the transformation of the informal sector, to harness the entrepreneurial and financial resources in this sector for the transformation of the region.

84. In terms of the ease of doing business, there are variations in the performance of the Great Lakes countries. Some countries like Rwanda have made significant progress on many indicators but others on the whole have more to do. Four countries in the Great Lakes region have the highest growth rates in the world, yet they are struggling to attract investors. It is important that Great Lakes countries mobilize domestic resources for investment and devise local guarantees to attract investors. To this end, there should be a dialogue on use of dormant Central Bank reserves, Pension Fund resources and harnessing the potential for insurance to collect and allocate resources for investment.

85. In conclusion, the participants underscored the need for Government policies (e.g. strengthen legal institutions and support a strong rule of law) to create the enabling environment to encourage domestic resource mobilization as well as to attract foreign investment. They noted that since the bulk of opportunity in the Great Lakes region is through SMEs, Governments should support initiatives for funding for SMEs, directly through new funding structures geared towards SMEs or indirectly through supply chains. The participants also noted that Africa needs to think of new ways to capture the true strength of its markets and public and private sector alike need to better work with SMEs to build their capacities and make them more attractive to funders. The participants also observed that initiatives in Africa have a hard time growing alone, and suggested that offering opportunities that provide access at the continental level is a stronger position for African countries in terms of large catalytic projects.

Perspectives on the potential for the PSIC to contribute to lasting peace and development processes

86. **Dr. Martha Namundjebo-Tilahun**, Chairperson of United Africa Group, shared with the participants her views on the role of investors to lasting peace and development processes. She underscored the huge natural endowment of the region, make it a likely prime investment destination with additional potential to transform into an industrial hub for Africa. She argued that there was significant potential for greater value addition on Africa’s exports whereby jobs and wealth are created, but that Africa needed to first address some significant barriers, many of which are artificial. She underscored that sustainable and viable intra-regional trade will be elusive without sustained peace and political stability and stressed the need for leaders of the region to remain focused on deepening peace and political stability while addressing the economic development enablers that deepen popular regional buy-in. She pointed out the development of modern and sound infrastructure such as in energy, transport and logistics as well as the development of the agricultural sector where women can leverage their catalytic role to drive inclusive economic growth in the region. Drawing on the experience of Namibia’s post-conflict

development, she pointed out the need for deliberate support for SME development, capacity building and access to finance to ensure the trickle down of peace dividends to the grassroots.

Reflections on the Private Sector Investment Conference by the Chief Rapporteur

87. **Mr. Modibo Toure**, former Assistant Secretary General and Special Adviser to the Special Envoy of the UN Secretary General for the Great Lakes Region, articulated the conceptualization of the PSIC, where it came from and the purpose it was envisaged to serve. He reminded the conference of the rationale for the PSIC underscoring that the signatories of the PSC-F framework recognized that pacifying a region that had experienced violent conflict for so long would require a multi-pronged strategy that addresses key issues on a number of reinforcing levels. The mediation and political efforts would have to be underpinned by economic initiatives which provide tangible benefits to the stakeholders. To enshrine a shared ownership of the process would therefore necessarily require regional cooperation and economic integration.

88. Mr. Toure thanked the participants for their high level of enthusiasm for the conference, in part captured by the huge attendance at the opening, plenary and thematic breakout sessions as well as on-going side meetings, including business-to-business, business-to-governments and in some cases govern-to-governments engagements. He noted for instance, that just as in the pre-conference consultations, the discussions in the two day conference also underscored the importance of regional cooperation in joint identification of priorities, examination of policies and issues inhibiting investment in regional projects and cross border activities, harmonization of policies and practices as well as legal frameworks to safeguard and govern trans-boundary economic activities effectively. He also observed the overwhelming acknowledgement of the huge potential for production in the different sectors within member states, particularly the landlocked countries, that lack access to markets, internally and globally, and therefore the need for projects which open up access.

89. Mr. Toure highlighted some recommendations from various sessions including the need to addressing governance, such as regulation, non-tariff barriers, infrastructure and energy deficits, inadequate access to finance, modern technology and appropriate skills' initiatives. He underscored the potential for policy cooperation in a number of fields – harmonization of investment policies and practices, fiscal policies to discourage disruptive arbitrage (e.g. as in promoting smuggling), dispute settlement policies, and negotiations of treaties with external countries. Noting the post-conflict nature of the Great Lakes region, he highlighted the discussions which recommended the need for upholding responsible business conduct where governments provide a conducive regulatory environment, while businesses operate in ways that ensure adherence to best practices and international standards in environmental stewardship, corporate governance and social responsibility. Lastly, he underscored the need for creation of additional innovative vehicles to intermediate long-term financing for investment in long-gestation but catalytic projects as well as innovative risk mitigation measures that reassure private sector investors.

Closing

90. The conference was closed by **Said Djinnit**, Special Envoy of the Secretary General for the Great Lakes Region, **Prof Ntumba Luaba**, Executive Secretary of the ICGLR, and **Raymond Tshibanda**, DR Congo's Minister of Foreign Affairs, all of whom called for the issue of investments in the Great Lakes region to be firmly placed on the agenda of regional discussions, as well as the need to empower the ICGLR Private Sector Forum.

91. Special Envoy Djinnit expressed his gratitude to the conference participants, the Government of the DRC, and in particular President Joseph Kabila, for the steadfast support during the preparatory stages, and for the President's personal attendance at the conference. He also thanked the UN Secretary General for his presence at the conference which clearly demonstrated the high priority accorded by the United Nations to the implementation of the PSC Framework and the development of the region. He also thanked the International Conference on the Great Lakes Region (ICGLR) for the collaboration in organizing the conference. Special Envoy Djinnit applauded the guarantors of the PSC Framework Agreement – the United Nations, the African Union Commission (AUC) the Southern Africa Development Community (SADC) and the ICGLR, which have steadfastly supported the implementation of the PSC Framework. He further acknowledged the generous technical and financial contributions by various partners from the international community, including donors, financial institutions and regional organizations and all members of the PSIC Steering Committee for their support and encouragement during the planning and organization of the conference. Special Envoy Djinnit noted that the conference had provided additional impetus to the member states of the Framework to advance the objectives of the Regional Private Sector Forum established by the ICGLR on 31 August 2015 with support from the Office of the UN Special Envoy. He reaffirmed the commitment of the United Nations through the Office of the Special Envoy to continue supporting the ICGLR and other relevant regional organizations towards the achievement of the goals of the PSC Framework. He expressed hope that the conversations that took place during the conference, and the new relationships established, will lead to growth in responsible business and investment in the region which would hopefully herald a new dawn through which the region is perceived in more positive light.

92. Prof Ntumba Luaba, thanked the participants, co-organizers and all people who contributed to the success of the conference. He noted that achieving stability and prosperity for all people of the Great Lakes region depended on increased growth and investment, and the private sector achieving its maximum potential as a generator of innovation and provider of gainful employment for millions of people across the region. He applauded the conference for showcasing the great potential of the region as a destination for investment, and urged participants to seize the opportunity to find innovative partnership models between governments, national, regional and international investors in pursuit of mutual benefit and prosperity in the Great Lakes region. He underscored the establishment of the Great Lakes Regional Private Sector Forum on 31st August 2015 in Addis Ababa, Ethiopia to ensure that the voice and perspective of the private sector is heard and incorporated into the broader effort to stimulate development in the region. He called on officials of PSC Framework Member states to help invigorate the platform by assisting in the establishment of the National ICGLR Private Sector Forum in each country, and thereby operationalize the General Assembly and effective functioning of the Forum. He encouraged the participants to take a close look at the 25 illustrative projects presented and devise concrete ways

in which to move them into implementation in the quest for Peace, Security and Development in the Great Lakes region.

93. In his closing remarks, DRC's Foreign Affairs Minister Raymond Tshibanda, expressed appreciation to the participants and conveners for their contribution to the success of the conference. He underscored that the DRC will work tirelessly to take forward the recommendations identified during the two-day conference on proposals that have the potential to significantly contribute to the improvement of the business climate in the Great Lakes region. He noted that harmonization of regulatory frameworks would facilitate entrepreneurship and business conduct and enhance the vitality of the private sector, which remains the real engine of growth and the main source of job creation necessary for the sustenance of lasting peace and stability in the Great Lakes region. He also emphasized the urgent need to ensure legal certainty regarding property rights, including land issues, the importance of transparency in business management and business conduct, and the need to ensure strong oversight mechanisms to fight against corruption, corporate social responsibility that recognizes the needs of communities living near areas of operation of large companies. Foreign Minister Tshibanda underscored the requirement to recognize and reduce the risks associated with political uncertainties as a key factor in generating consistent private sector funding flows, as well as the need to adopt economic policies aimed at macroeconomic stabilization. He further emphasized the need to harness opportunities offered by public-private partnerships at national and regional coordinated programmes. The Minister committed the DRC government to forward the resolutions of the Conference to other signatory countries of the PSCF in order to 'fast track' the implementation process.

94. Following those remarks and the customary exchange of courtesies, Minister Tshibanda declared the Conference closed at 16.30pm followed by a press conference on Thursday 25 February 2016.