CASA 10+
CONFLICT-AFFECTED STATES IN AFRICA INITIATIVE
A DECADE OF INNOVATION

IFC International Finance Corporation WORLD BANK GROUP
Creating Markets, Creating Opportunities

CASA 10
A decade of innovation creating markets in African FCS

Wednesday, January 30th, 2019. Radisson Blu Nairobi, Kenya

Notes from the CASA 10 event

The one-day learning event aimed to share CASA's operational knowledge and experience, to broaden partnership opportunities with various stakeholders, and to foster innovative thinking and practices among practitioners who operate in African FCS. The event brought together regional and international experts and seasoned practitioners from development finance institutions, governments, business, investor groups, and civil society for dynamic learning and networking opportunities. It hosted representatives of more than 100 institutions from over 30 countries.

The event included the following main learning opportunities:

- 3 Plenaries and 6 Workshops (See key take-aways below)
- 2 Talks of the Day
- 6 Project Presentations through "My Project My Pride"
- Photo Exhibition

Overall key take-away:

- **Working in FCS is not business as usual.** Many challenges exist including weak institutions, high operating costs, lack of capacity, low stakeholder engagement, political instability or volatility, etc.
- **Boots on the ground is key.** Presence is key to figure out challenges on the ground in real time and to understand the country's agenda.
- **Take a long-term approach, take more risks and be ready to make losses**. Think completely differently. Finance is important but there is also a need to facilitate and build the capacity of business to harness opportunities in FCS.
- **A sub-regional approach is increasingly important**.
- **More coordination and information sharing amongst partners is key** to scale up DFI investment in African FCS.

CASA 10 Lessons

1. Be present on the ground.
2. Take a tailored approach to the local context.
3. Take a conflict sensitive approach.
4. Unlock investment opportunities with upstream work
5. Do not wait for reforms. Proactively engage with the private sector.
6. De-risk investments.
7. Incubate businesses.
8. Innovate.
9. Build partnerships and go beyond country specific interventions.
10. Broaden the impact of our investments.

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Plenary 1: What would it take to scale up DFI investment in Africa FCS?

Moderator/ Speakers: Julie Gichuru (Arimus Media Ltd), Jumoke Jagun-Dokunmu (IFC), Henrik Dagel (Swedfund), Thomas Husson (Proparco), Jorim Schraven (FMO)

Background: With poverty and fragility on the rise in African FCS, International and Development Finance Institutions (IFIs/ DFIs) have a critical role to play to scale up support to private sector development and investment in challenging markets in Africa. The plenary discussed DFI's strategies, innovations, and lessons in Africa FCS, and how they mitigate both financial and non-financial risks in African FCS.

Key take-aways:

- Take a long-term approach. There is a need to move beyond political cycles. Upstream collaboration is key: take an investment climate approach and develop value chains even if it may take five years.
- It is key to be on the ground and know the stakeholders, be innovative, adapt to the specific needs of the private sector and work with other DFIs. Note that "if the project fails, local communities may be worse off than before."
- "We need to crack the SME nut": support local entrepreneurs and have them become pillars for peace. Small is beautiful: smaller ticket sizes can mean more flexibility and creativity.
- There is not a lack of funds but of fundable projects. Help to streamline financial sector laws to support DFIs entry to FCS markets. Enforcement of these laws is also key. Businesses in FCS are often resilient and "geared up for crises".

"Working in fragile and Conflict-affected states (FCS) changes lives as opposed to others where it improves lives..." Thomas Husson, Proparco

Workshop 1: How to stimulate fast growing SMEs in African FCS?

Moderator/ Speakers: Lesley Bendig (Present Value LTD), Shruti Chandrasekhar (IFC), Abdikarim Gole (Shuraako), Malick Antoine (Crossboundary), Jarl Heijstee (XSML Capital), Judith Rosenbrand (Triple Jump/Dutch Good Growth Fund)

Background: The need for risk capital is most dire in African FCS, where SMEs can have enormous impact on job creation and economic growth. Yet it remains scarce. The workshop aimed to discuss lessons that fund managers can draw from their experience and what could be done differently, discuss real challenges and how they can be mitigated, and how to balance between financial returns and social/ economic impact.

Key take-aways:

- Funds need to be sustainable and to do this they need to make money and be creative. Boots on the ground are key for mobilizing funds.
- Donors have a role to play in terms of support to government to improve tax systems that are some of the main worries for investee companies.
- Importance of analysis of the country and working to reduce blocks to capital. Risks can be mitigated if the right due diligence is completed. TA is especially important for FCS countries. One cannot google 'accountant in Bangui': there is almost no service providers and way to find them: instead one must build from the ground up with patience.

"One job in DRC supports 10 people where it is likely that people eat 3 times a week. Every job counts- especially in fragile countries!" Jarl Heijstee, XSML Capital

Workshop 2: What reforms to prioritize for investors in African FCS?

Moderator/ Speakers: Manuel Moses (IFC), Eric Mabushi (IFC), Lisa Kaestner (IFC), Vimal Shah (BIDCO), Mohamed Keita (Impact Hub Bamako)

Background: Domestic and regional pioneer investors know that, even at times of crisis, business continue to operate and that across the fragility phases, investment opportunities can continue to be seized. This workshop asked: Beyond traditional large business enabling reforms packages, what specific investment reforms are critical to attract investors to African FCS versus 'nice to have'? Is there any specific sequenced approach that has proved the most effective in specific African FCS fragility and local context?

Key take-aways:

- Prerequisites for reforms are stable government with strong reformers, and supportive financial sector. The process is interminable which requires long-term commitment, prioritization, and sequencing to maintain efficiency, and importantly building trust between the public and private sector. The government needs to allow for the private sector to operate in the country. It needs to address security issues, rule of law, labor laws, and be responsive.
- Some of the main challenges, for example, for SMEs in Mali are taxation related to registration fees, lack of qualified Human Resources/youth skills/education especially for technical skills such

as IT, access to finance and access to market. Fundamental reforms are needed, but African entrepreneurs are not waiting when there are opportunities.
- Lessons learned: i) reforming is a process: it takes time, it's costly and requires resilience ii) prioritization is key because everything is a priority in FCS countries iii) need sequencing to ensure efficiency iv) people conducting reforms must understand the political, economic and social context. Reforms are also dependent on political will and capacity building, trust between public and private sectors.

"Wherever there are people there is a market. We are entrepreneurial. We look at the market. We look at where there are consumers. We can't wait for the government to reform" Vimal Shah, BIDCO

Workshop 3: How to catalyze investment in agribusiness value chains in African FCS?

Moderator/ Speakers: Niraj Shah (IFC), Nadeem Ahmed (Global Tea and Commodities Ltd), Gabriel Eshiague (LAPO Microfinance Sierra Leone), Tania Lozansky (IFC), Liz Muange (USAID)

Background: The agricultural sector employs as much as 70 percent of the workforce in Africa and in many fragile contexts the sector is a key contributor to GDP. Yet, many African FCS face shocks, such as drought and conflict, that can increase fragility and disrupt food security and value chains, jeopardizing their ability to attract or keep investors. This workshop discussed what are some of the key issues for private sector development in the agriculture sector in FCS, especially related to finance, the investment opportunities and innovations to increase agricultural productivity in African FCS.

Key take-aways:
- Key challenges include: high risks of lost/ bad debt when financing agribusinesses; limitations for scalability as most agribusinesses in African FCS are difficult to scale-up; commodity price fluctuations in the international market, and informality of the value chain of smaller firms.
- Commercial Banks are not the answer to financing agribusinesses (only 7% of global agribusiness financing comes from commercial banks). What has worked has been the establishment of credit guaranteed schemes and a value-chain-approach for agri-business financing (ecosystem approach).
- Institutions financing agribusinesses should always apply a gender lens in the process for sustainable success and larger impact in agribusinesses. Insurance could play a role in reducing the risks of financing agribusiness value chain financing.

"We need to take an ecosystem approach in financing agribusinesses.

Financiers need to look at the entire value chain."

Tania Lozansky, IFC

Plenary 2: Private sector solutions for the global refugee crisis

Moderator/ Speakers: Rapti A. Goonesekere (IFC), Rajesh Agrawal (Airtel Uganda), Tayyar Sukru Cansizoglu (UNHCR), Kuria Wanjau (FSDA), Joanna P. De Berry (World Bank), Michel Botzung (IFC), Jan Schwier (Bridgespan)

Background: As the duration of protracted refugee situations lengthens and as the 'immediate need'-focused funding of humanitarian actors remains constrained, there is a growing recognition that more long-term and sustainable solutions are both required and beneficial to empower refugees as agents of their own lives, integrated economically within host societies. And increasingly, private sector has been taking initiatives to provide goods and services to the refugees and host communities. This plenary session aimed to discuss the role of private sector in addressing the global crisis and the innovations needed to attract more private sector investors.

Key take-aways:

- The current landscape of private sector interventions is nascent (50% in existence for less than 3 years), small (50% at less than 1 million USD), and not yet ready to scale.
- When it comes to financing private sector engagement, the need is not necessarily for more money, but rather for more smaller and more flexible financing. Partnerships between private sector, DFIs, humanitarians, and development partners should be based on comparative advantage and problem oriented. Since direct investment opportunities are limited in this context facilitation of the pipeline and upstream efforts to remove bottlenecks are key. Both Host and Refugee communities must be engaged to ensure a larger market and make engagement more palatable. Equal opportunities for refugees are needed (e.g. restrictions on ID, movement and employment hinder local enterprise development).
- Opportunities: Getting the private sector on the ground in camps and host communities is key to shifting their perception, addressing the info/data gap, and testing/piloting ideas. Identifying specific opportunities, packaging it for the private sector, and pitching it is necessary as seen by response to the Kakuma study. Key ways for the private sector to engage are to adapt existing business, expand services, support employment (e.g. Luminous), and build business focused on refugees/host community.

"Refugees may have lost their home and financial assets. But they didn't lose their hope and knowledge. Let's invest in that." Tayyar Sukru Cansizoglu, UNHCR

"Refugees lack equal opportunities due to hosting policies that circumvent their rights to work and move around. If private sector is going to be a tool in refugee empowerment, they will have to lobby for policy changes." Joanna De Berry, World Bank

Workshop 4: How to operationalize conflict sensitive investment in African FCS

Moderator/ Speakers: Massimo Fusato (International Alert), Catherine Collin (EIB), Julie Vallat (Total), Rodrigue Djahlin (IFC), Brian Ganson (Africa Center for Dispute Settlement)

Background: Over the past 20 years, a strong business case for conflict sensitive approach has been developed by companies, the civil society and development organizations. With increasing emphasis on private sector investing in African FCS markets, this session discussed how to operationalize the conflict sensitivity and make them more relevant and practical to investors and private sector development practitioners.

Key take-aways:

- Adding resources to a conflict environment can increase conflict. Private sector can help to reduce conflict risks, e.g. through compliance and governance requirements such as a board level policy that says 'we do not move into a space until we understand the conflict situation'.
- EIB prefers the guidance approach over the compliance approach when it comes to conflict sensitivity and it has a help desk to support project teams. Partnerships (with subject experts) are key to operationalize conflict sensitivity, as is awareness and management support i.e. board decision. Local presence is also key as is seeking out like minded investors.
- Prior to investments, risk assessments should include conflict sensitivity and local expertise should be consulted for a better understanding of the context. Challenges should be identified i.e. employment should be prudent to avoid conflict through for instance employing more of one ethnic group over another. Gender issues must be taken into context also and more at a community level.
- Process for monitoring is key, not just pre-analysis of the project. Companies must view conflict sensitivity as an investment and not as only a social responsibility. Policy and processes that facilitate integrating communities, beyond economic investment are also key.

“Fragility=Patience”

“Conflict sensitivity should not only be considered at entry but must go beyond and throughout the project” Rodrigue Djahlin, IFC

Workshop 5: Opportunities and limitations of blended finance to de-risk investment in African FCS

Moderator/ Speakers: Tracy Washington (IFC), Niraj Shah (IFC), Jukka- Pekka Kärkkäinen (FCA Investment), Raphael de Guerre (Proparco), Lade Araba (Convergence)

Background: Blended finance is increasingly featured as a key de-risking tool to scale up investment in African FCS. This workshop discussed examples of using blended finance in African FCS, its impact and key limitations as well as opportunities.

Key take-aways:

- Public sector finance alone cannot bring impact to the private sector. Leveraging private funds through Blended Finance brings depth and broadens impact. Blended Finance helped IFC to increase FCS footprint (62 IS projects, 7 AS projects after 8 years GAFSP) and increased outreach to smallholder farmers would not be possible without donor concessions through Blended Finance.
- There are structural constraints that the government must fix first to for Blended Finance to have an impact. For instance, governance issues, such as a lack of transparency can result in little access to local market intelligence and expensive due diligence. Poor infrastructure is another challenge that can make it hard to implement a project and supervision of small and customized projects can be difficult. Additional challenges include: weak partners, compliance issues, and risky jurisdictions.
- Local presence and being on the ground to understand potential harms to the economy is key in FCS, as is patience and persistence. Commercial money does not work in places like FCS because incentives do not match the risks. Partnerships are also key for Blended Finance, as stakeholders such as with NGOs or other financial institutions can help deploy Blended Finance.

"We need to be persistent and patient" with business development for investments in African FCS.
Tracy Washington, IFC

Workshop 6: Pandemics and disaster preparedness: how to better leverage the private sector in African FCS?

Moderator/ Speakers: Frank Ajilore (IFC), Rahab Kariuki (Acre Africa), Ramah Nyang (CGTN), Idrissa Kamara (Standard Chartered Bank Sierra Leone), Dr. Alan Knight (ArcelorMittal, via Video)

Background: African FCS are particularly vulnerable to large scale pandemic and natural disasters with human and economic spill overs potential across the continent. The private and financial sectors have a key role to play, not only to mitigate internal risks but also as a partner for more effective multi-stakeholder crisis preparedness and response in African FCS. This workshop aimed to discuss examples and lessons of effective private and financial sector innovations and public development community collaboration and what expectations and challenges could be better managed.

Key take-aways:

- Governments should liaise with the private sector, especially when tackling pandemics and disaster preparedness. During the height of the Ebola Crisis, IFC and Standard Bank collaborated with other Development Partners to devise an impromptu strategy for operating on the ground.
- The private sector response to the crisis displayed the fact that the private sector is most resilient in FCS countries (much more than developed markets). Many companies continued to operate but just with less staff, they filled the gaps where foreign companies pulled out, they worked with NGOs and government to provide their services where possible.
- During times of disaster and pandemics, the private sector must be resilient, think outside the box, and be flexible. Being resilient and flexible enough to respond quickly is key in FCS. Not having a response or pulling out is not an option as it sends the wrong message to the market. Have a response plan in place and pay attention and take events seriously from the beginning.
- Times of disaster and pandemics always creates an increased need for insurance. Insurance companies saw a spike in new business post the EVD epidemic.

"Pandemics and epidemics should be part of the risks registered with companies' risk management framework, particularly in FCS countries." Dr. Alan Knight, ArcelorMittal, Secretariat/Chair of the Ebola Private Sector Mobilization Group (EPSMG)

Plenary 3: How to Leverage the Private Sector expertise to reduce climate vulnerability in African FCS

Moderator/ Speakers: Elizabeth Sellwood (UN Environment and Security), Vikram Widge (IFC), Fatima Jibrell (Adeso), John Kidenda (PowerGen), Julie Gichuru (Arimus Media Ltd)

Background: Although Sub-Saharan Africa's contribution to global GHG emissions is negligible, the region is one of the most vulnerable and severely impacted by climate change effects, all the more in African FCS. This plenary session aimed to discuss what we know and what we don't know yet about the real interplay

between climate change, conflict and displacement; the early lessons to be learned and what more could be done to mitigate climate vulnerability risks in African FCS, leveraging the private, financial sectors and innovative partnerships.

Key take-aways:

- 86 million people will be displaced due to climate change. The private sector has done a lot of analysis and has provided solutions to climate change resilience and adaptation that the public sector can draw from and need to leverage.
- There is increased trust between the Private Sector, DFI, UN and Government- dialogue is key and reflection is important. Businesses should be encouraged and involved in finding solutions. It has a vital role to play in climate change mitigation, resilience and adaptation.
- A roadmap involving all stakeholders and standardization of policies of climate change across the continent are key.
- The role of the communities that are affected by climate change is important in finding sustainable solutions. Consultations, involvement and ownership of solutions by the community increases their buy-in and commitment.
- Fatima's personal testimony and story, resilience and voice represented the ordinary people 's commitment to address climate change at the grassroot level.

"The world is sleep walking into a climate change catastrophe", Vikram Widge, IFC