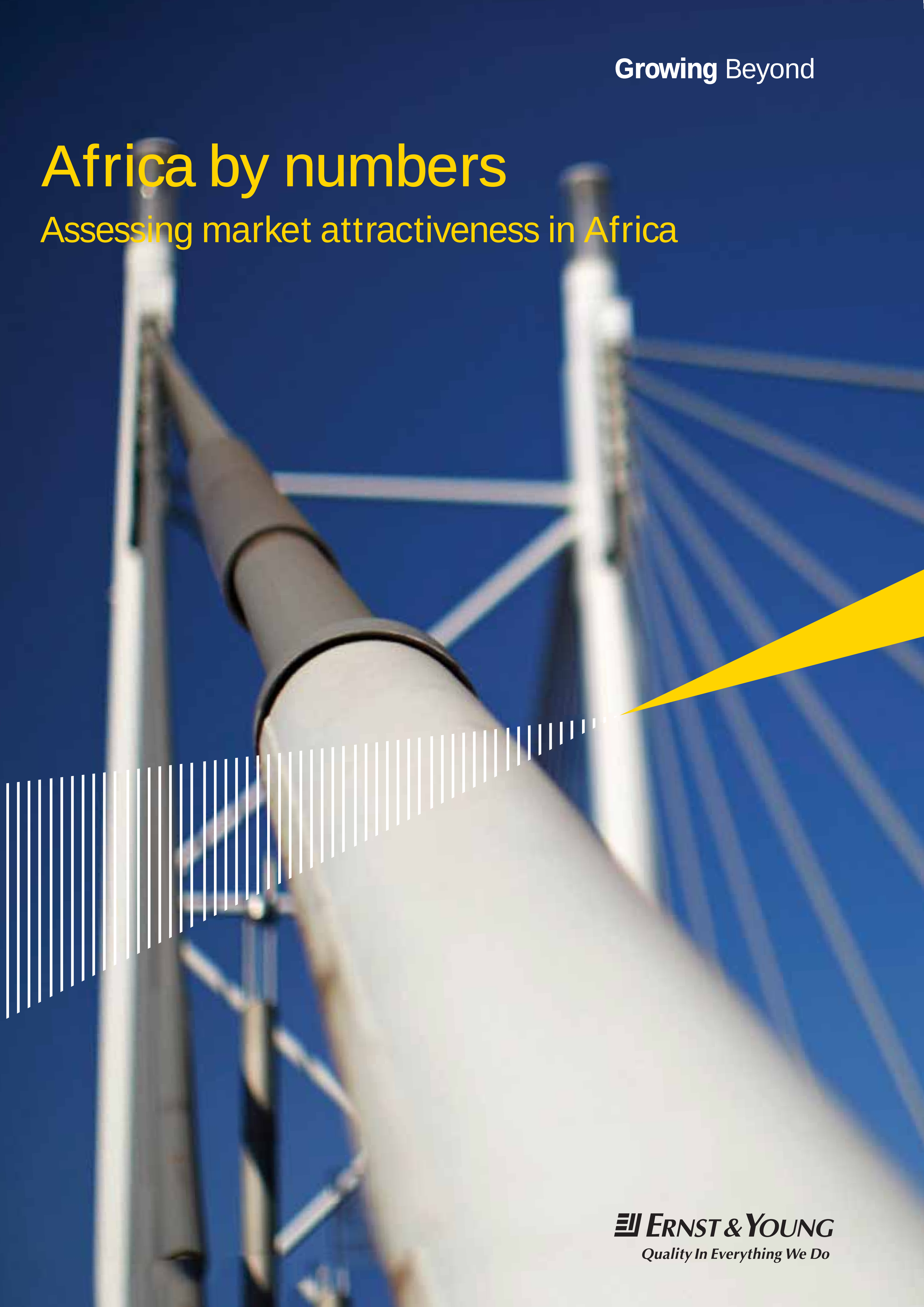
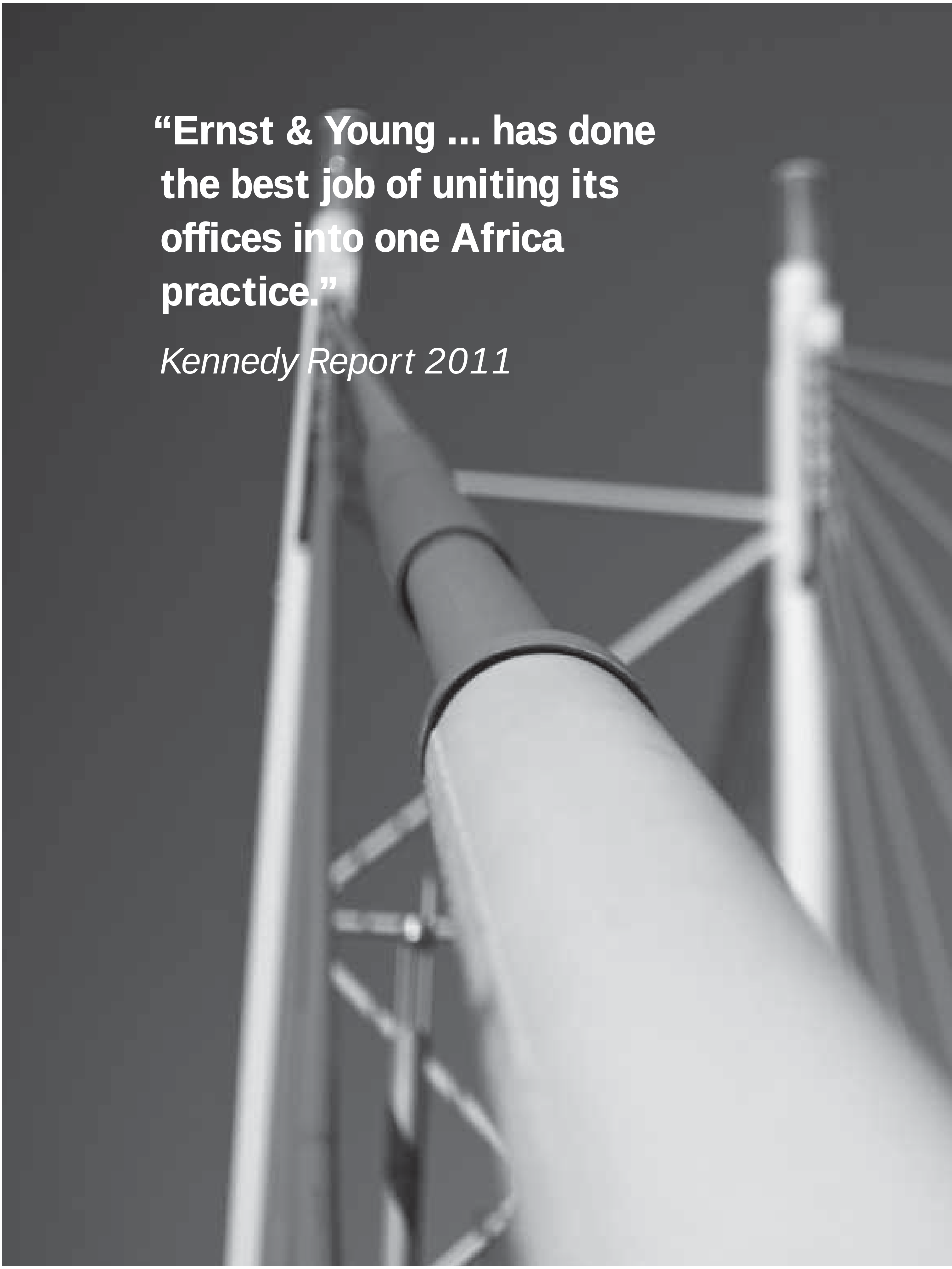
Growing Beyond

Africa by numbers

Assessing market attractiveness in Africa



Ernst & Young
Quality In Everything We Do


"Ernst & Young ... has done the best job of uniting its offices into one Africa practice."
Kennedy Report 2011

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EY Africa by numbers

33 countries

5 regions

162 years in Africa

1 African Executive

5,100 staff

263 partners

1 integrated operating model

"Ernst & Young is a professional services firm that has set itself apart from its competitors by its extensive footprint across Africa (offices established in 33 countries on the continent), supported by a fully integrated business model. Ernst & Young's ambitious growth strategy, its pan-African vision, inclusive leadership philosophy and leading people culture all contribute to attracting and retaining the best talent allowing them to deliver seamless and innovative, value-adding solutions to their clients across the continent."

Corporate Research Foundation

Corporate Research Foundation "Best employer to work for" voted Ernst & Young as:

Winner 2006 | Top 10 ranked 2007 | Top 5 ranked 2008 | Top 3 ranked 2009 | Top 10 ranked 2010 | Top 10 ranked 2011 | Top 3 ranked 2012

First professional firm and one of only seven organizations to be certified as a top employer across Africa, which included Kenya, Mauritius, Mozambique, Namibia and Nigeria.

Introduction

Ajen Sita
Chief Executive Officer, Africa,
Ernst & Young

Michael Lalor
Lead Partner,
Africa Business Center™

Over the past few years, the levels of interest in Africa have grown exponentially. What was, only a short while ago, a trickle of enquiries from our clients on opportunities for investment and doing business in Africa has grown into a flood.

On a daily basis, we are fielding requests for more information from clients globally. We are engaging with companies in our unique Cube environment to help stress-test their Africa growth strategies, and are leveraging our pan-African network and Growing Beyond Borders™ toolset to provide data and insights that support investment decision-making.

At the same time, we are proceeding with our own growth and integration journey. This year alone, we have opened new offices in Cameroon, Chad and South Sudan, and expanded our senior level capacity in key markets such as Nigeria, Angola, Kenya and South Africa, further entrenching our position as the leading professional services firm in Africa.

This report draws together much of this accumulated experience and knowledge, and builds on our flagship Africa attractiveness survey to provide a "starter pack" for assessing, analyzing and prioritizing markets in Africa. While we are strong advocates for investment into Africa, we are acutely aware that, once one makes the decision to invest in the continent, the process of selecting the best markets in which to invest, can be far from straightforward.

What we offer in this report is an approach to developing a fact-based framework to support a broader strategic process of prioritizing and selecting markets. We have found that clients often overinvest in this part of the process, looking for definitive answers in spreadsheets, rather than using the facts to narrow options rapidly and move into execution mode.

The report is delivered in two sections. In the first, we describe a process of objective and comparative analysis across a balanced set of indicators, focusing, first, on risk, and, second, on opportunity. We then bring these two dimensions together, positioning different African markets on a combined "risk and reward" matrix.

In the second section, we provide more detailed country profiles for each of 17 African markets that are most frequently referenced in our conversations with clients, providing a high level country overview and insights into FDI trends and outlook for each market.

While there is clearly no template for doing business in and across Africa, we hope that this report provides a useful reference for categorizing and understanding how risk and growth opportunities vary across this diverse continent, and for supporting the more rapid conversion from strategy to execution.

> "We are excited and very positive about Africa. We are optimists, but we are realistic optimists – our perspective is deliberately a glass half full rather than half empty one. This is mainly because we believe that it takes a positive mindset to succeed in Africa. If you set out expecting difficulty and risk, you will find it. However, ours is not a point of view informed by anecdotes and wishful thinking – the numbers speak for themselves."
>
> *Ajen Sita, CEO, Ernst & Young Africa*

Building bridges

Ernst & Young Africa attractiveness survey 2012

Key highlights of the survey

1. The number of foreign direct investment (FDI) projects in Africa grew 27% from 2010 to 2011, and have grown at a compound rate of close to 20% since 2007.

2. Despite this growth, there remain lingering negative perceptions of the continent – but only among those who are not yet doing business in Africa.

3. The story of Africa's progress, not just in economic but also in socio-political terms, needs to be told more confidently and consistently.

4. This broad-based progress is underscored by a substantial shift in mindset and activities among Africans themselves, with increasing self-confidence and continued strong growth in intra-African FDI (which has expanded by 42% since 2007).

5. Regional integration is critical to accelerated and sustainable growth. Creating larger markets with greater critical mass will not only enhance the African investment proposition, it is also the only way for Africa to compete effectively in the global economy.

6. Bridging the infrastructure gap will be a key enabler of regional integration, growth and development. It also remains a key challenge and opportunity for investors.

Africa by numbers

54 sovereign states

1 billion people

US$2 trillion Africa's collective GDP (more than India, less than Brazil)

20% compound growth in FDI projects 2007 – 11

7 African countries among the 10 fastest growing economies in the world 2010 – 15

5.5% Africa's share of global FDI projects

26 states form the Tripartite Free Trade Agreement

3 of the top 5 fastest growing investors into new projects in Africa are African

US$400 billion South Africa's infrastructure program

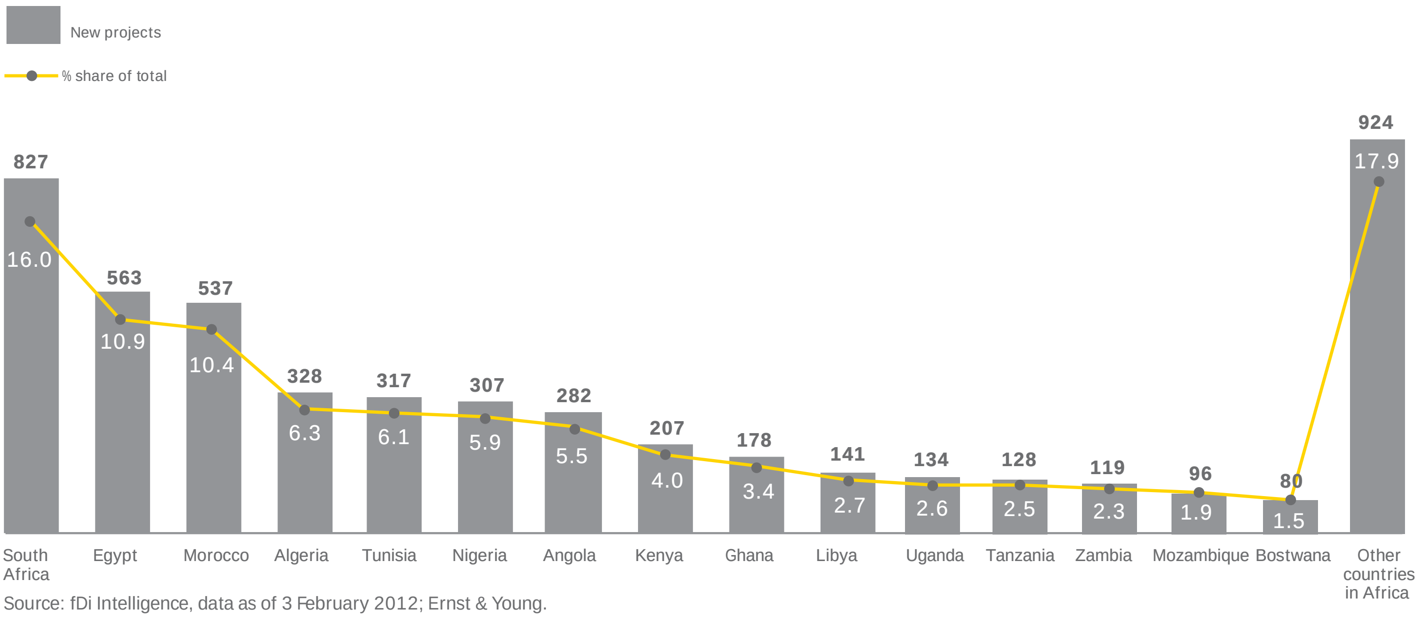
US$85 billion funding for African infrastructure in 2010

35 African countries ahead of China on the EIU's democracy index

35 African countries ahead of Russia on Transparency International's corruption perception index

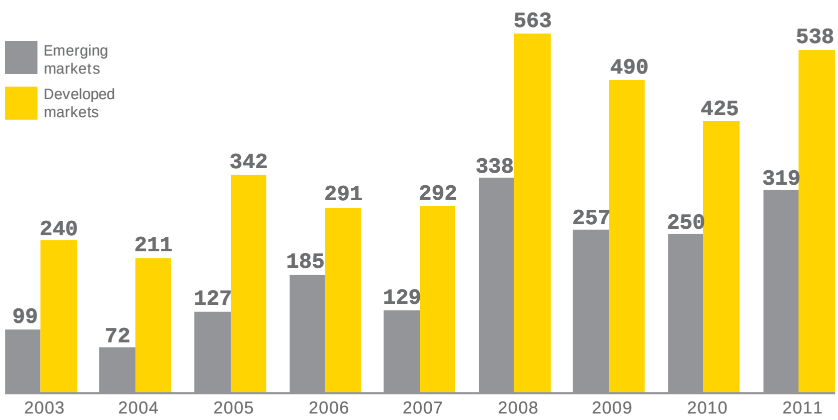
17 African countries ahead of India on the World Bank's doing business index

Top 15 African country destinations attract 82% of new FDI projects since 2003



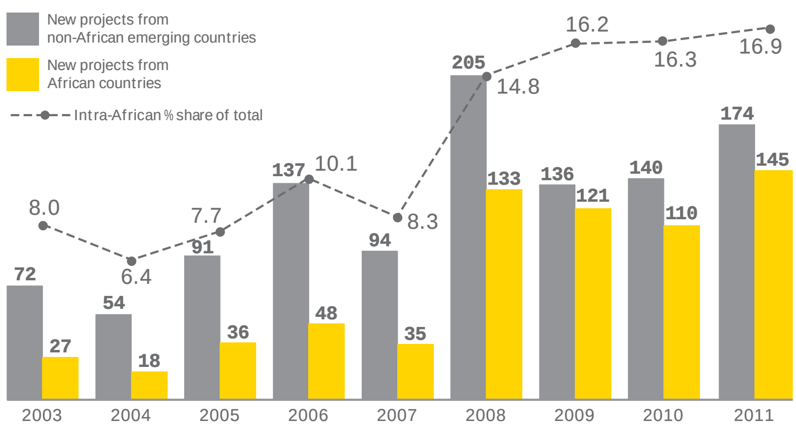
Source: fDi Intelligence, data as of 3 February 2012; Ernst & Young.

Project investments from developed and emerging markets have grown strongly



Source: fDi Intelligence, data as of 3 February 2012; Ernst & Young.

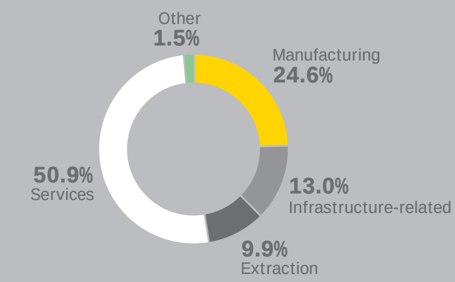
Intra-African FDI has grown at a compound rate of 42% since 2007



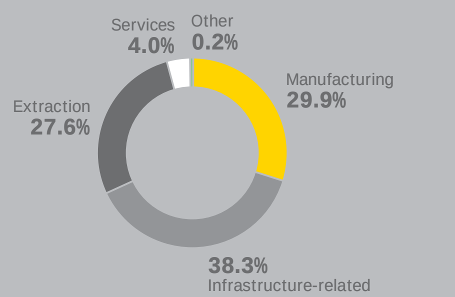
Source: fDi Intelligence, data as of 3 February 2012; Ernst & Young.

FDI is flowing into a diverse range of sectors – manufacturing and infrastructure-related activity account for a significant proportion of FDI

New projects (proportion, 2003 – 11)

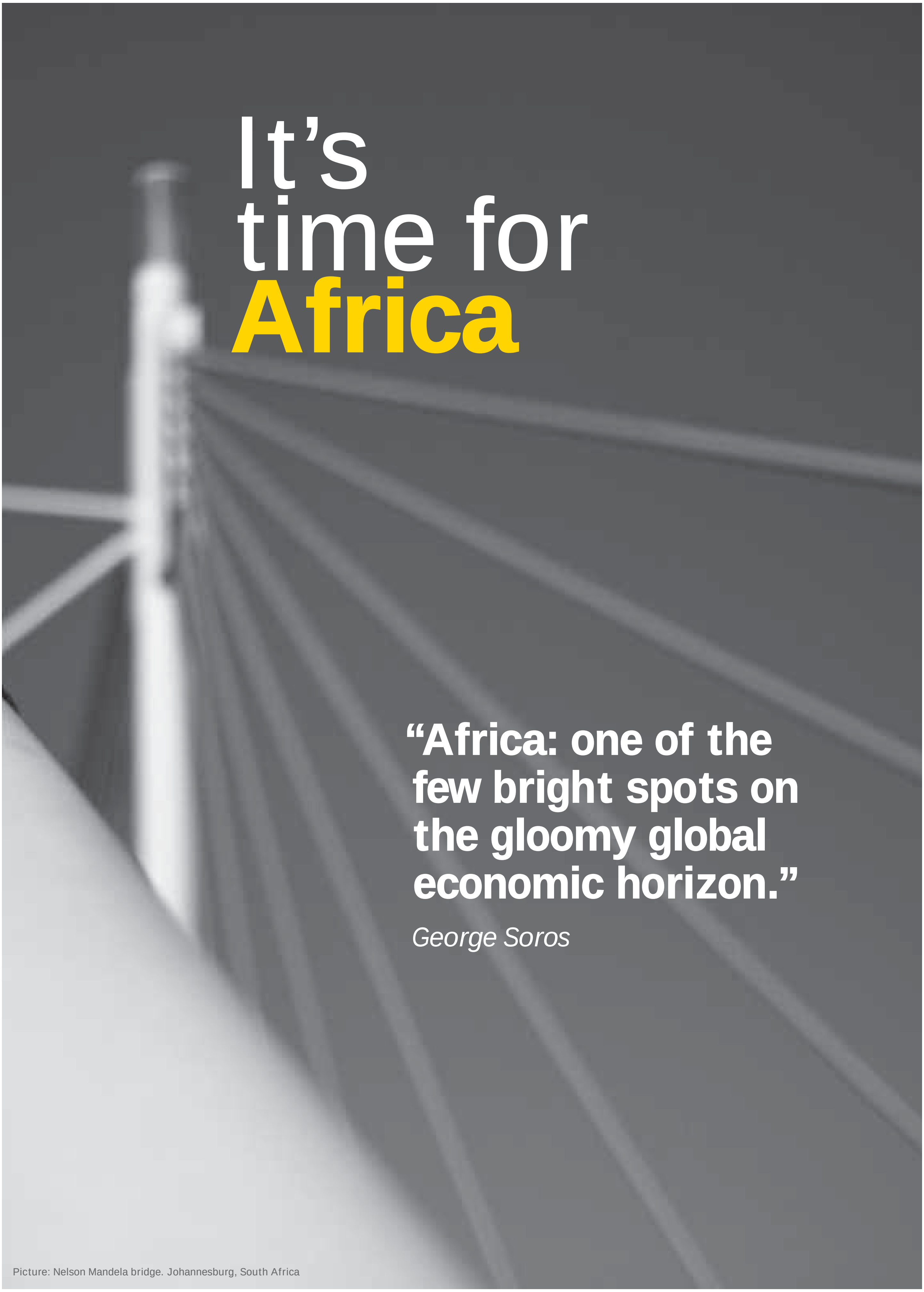


Capital (proportion, 2003 – 11)



Source: fDi Intelligence, data as of 3 February 2012; Ernst & Young.

Source: Ernst & Young's 2012 Africa attractiveness survey.



It's time for Africa

"Africa: one of the few bright spots on the gloomy global economic horizon."

George Soros

Picture: Nelson Mandela bridge. Johannesburg, South Africa

In 2011, Ernst & Young's inaugural *Africa attractiveness survey* declared "It's time for Africa!" In our second Africa attractiveness survey in 2012, we again expressed confidence that Africa's time has arrived.

This confidence is, in part, derived from the impressive and sustained economic growth patterns that are being experienced across many parts of the continent. Over the past decade, Africa's economic output has tripled, and a number of individual African economies are consistently among the fastest growing in the world. This economic growth story is underpinned, too, by widespread political and social progress across many parts of the continent.

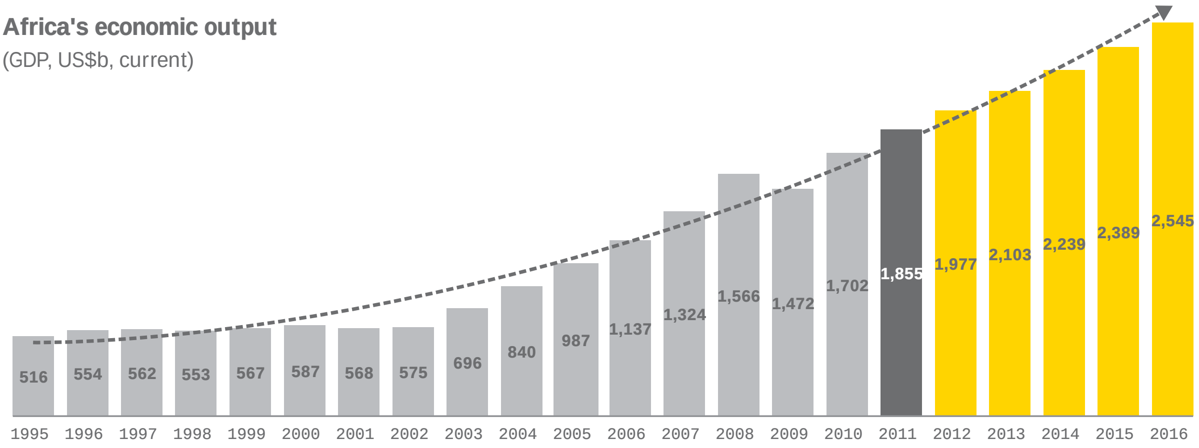
For companies seeking to grow and investors seeking higher returns, the African growth story should therefore stand out. While most developed economies continue to struggle, Africa offers an exciting opportunity for investment and growth, and an alternative to the ultra-competitive Asian and other rapid-growth markets (RGMs).[1]

While perceptions of higher risks in Africa still linger, our research and experience suggests that investment into Africa, while still relatively low in global terms, is picking up, with strong growth from emerging economies in Asia and the Middle East, a resurgence in investment over the last few years from developed markets such as the US and UK, and remarkably strong growth in intra-African investment, led by South Africa, Nigeria and Kenya.

Our 2012 *Africa attractiveness report* shows that FDI projects in Africa have grown at a compound rate of almost 20% between 2007 and 2011, and that they were up 27% year on year between 2010 and 2011.

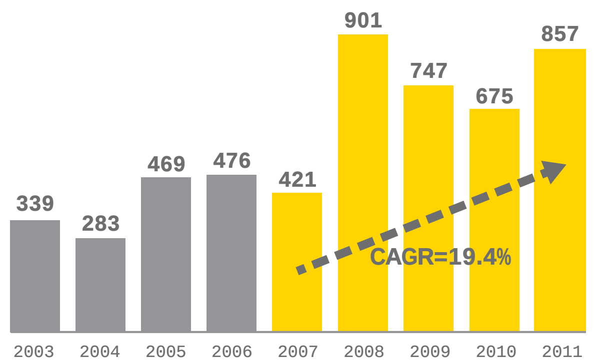
Africa's economic output

(GDP, US$b, current)



Source: IMF, WEO Database; expected 2011; forecasts 2012 – 2016.

Africa's total FDI by projects

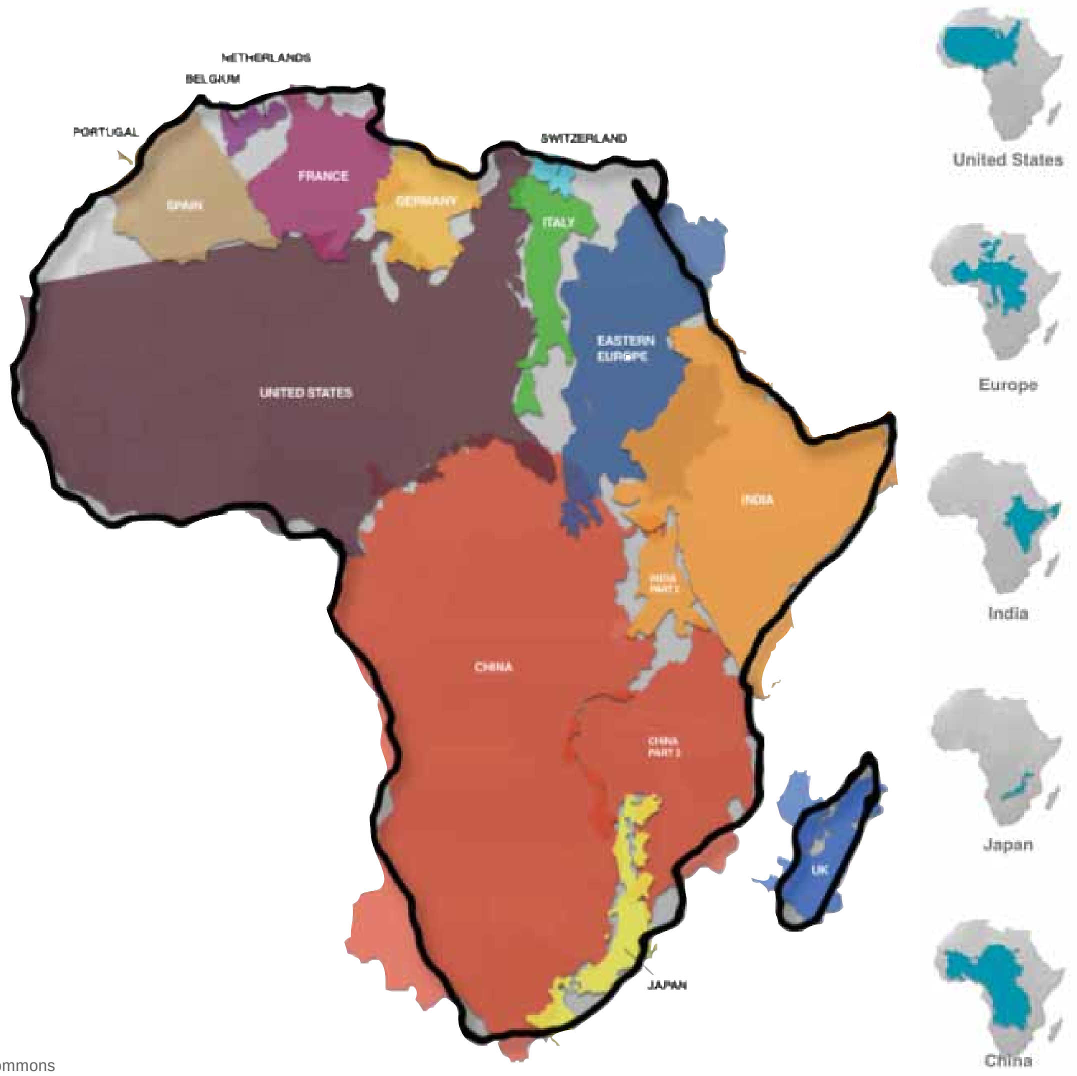


Source: fDi Intelligence, data as of 3 February 2012; Ernst & Young.

1 Rapid-growth market – or RGM – is a term we use as an alternative to the more conventional "emerging market." We believe that the term rapid-growth market is both more descriptive and less patronizing.

But which markets in Africa?

Country	Area x 1,000km2
US	9.629
China	9.573
India	3.287
Mexico	1.964
Peru	1.285
France	633
Spain	506
Papua New Guinea	462
Sweden	441
Japan	378
Germany	357
Norway	324
Italy	301
New Zealand	270
United Kingdom	243
Nepal	147
Bangladesh	144
Greece	132
Total	**30.102**
Africa	**30.221**
Just for reference: the surface of the MOON	37.930



Source: Kai Krause, Public Domain/Creative Commons

Despite the growing sense of optimism and opportunity, we should not lose grip on reality. Over the past few years, there has been a feverish tone to the media coverage of RGMs generally, sometimes redolent of the 19th century gold rush era. Just like then, it takes more than luck and resourcefulness to sustain success. Despite the progress made by RGMs generally, and the positive developments across most parts of Africa specifically, one should not lose sight of the very real challenges of identifying viable markets and of doing business across the continent.

Perhaps the most obvious initial point to make is that although Africa is often lumped together in comparisons with RGMs such as India and China, it is, of course, not a country but a continent. In terms of geography, Africa's sheer size is in itself daunting; its land mass is greater than that of the US, Europe, China, and India combined.

Besides the practical and logistical implications of operating across such a vast geography, the continent also comprises 54 different countries – more than in any other continent in the world – meaning 54 different (and often fragmented) sets of rules, regulations, stakeholders and market dynamics. The language and cultural dynamics are also as diverse as anywhere else in the world, with French, Arab, English, Portuguese, German, Spanish, Dutch and Italian influences mixed with numerous indigenous languages and cultures (there are over 2,000 languages spoken in Africa).

The complexity of growing and operating in Africa is compounded by the fact that for many companies very few of these individual markets are likely to provide the kind scale, in the shorter term at least, that makes them economically viable. Both growth and risk management are therefore framed by the challenge of effectively 'connecting the dots' across multiple operations and territories. Besides the issue of scale, underdevelopment also means that one needs to find solutions for challenges that one may not even consider in other regions, the infrastructure gap – in logistics, communications, transport and energy – being among the most significant.

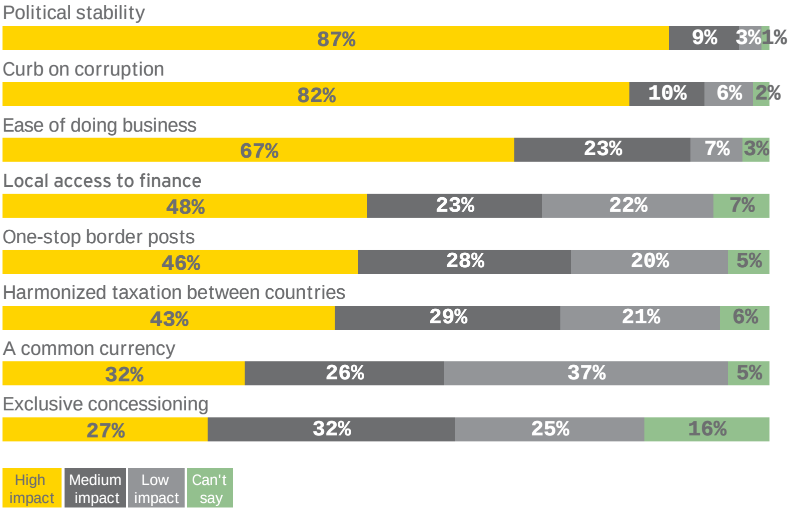
Making well informed choices about which markets to enter when, and via which mode, is therefore crucial. As a starting point, we believe that it is important to have fact-based conversations about Africa. Too often we have found that thinking on Africa generally and on specific markets is based on ill-informed opinion and is often stuck in a time and space in the 90s (or even before that). As a result, perceptions of places like Ethiopia, Mozambique and Rwanda, all of which have been among the most rapidly growing economies in the world over the past decade, are often completely divorced from current realities.

While the facts tell a story of reform, progress and growth, both the results of our *Africa attractiveness survey* and anecdotal evidence from the numerous interactions we have with business people and investors around the world, demonstrate that perceptions of Africa as a high risk, difficult, and sometimes dangerous place to do business are still very real. These perceptions generally relate to a deep-seated view that Africa is more politically unstable, more corrupt, and a more challenging place to do business than anywhere else in the world.

The rate of progress that has been made across Africa does, of course, vary considerably. While countries such as Botswana, Mauritius, Namibia, Ghana and South Africa consistently outperform many other emerging markets on global risk-, corruption- and governance-related indices, there are others that remain among the worst performing in the world, and where negative perception is indeed the reality.

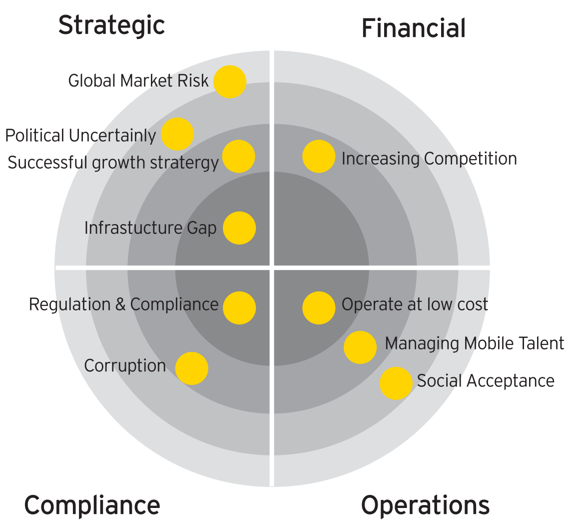
Whether entering into or expanding across Africa, it is therefore critical to develop a structured framework for selecting and sequencing markets into which to expand and for assessing different strategic options. It is important, too, that this exercise is conducted on the basis of rational, fact-based analysis rather than anecdotes and conjecture.

What impact would the following changes have on Africa attractiveness?



Source: *Ernst & Young's 2012 Africa attractiveness survey.* Total respondents: 505.

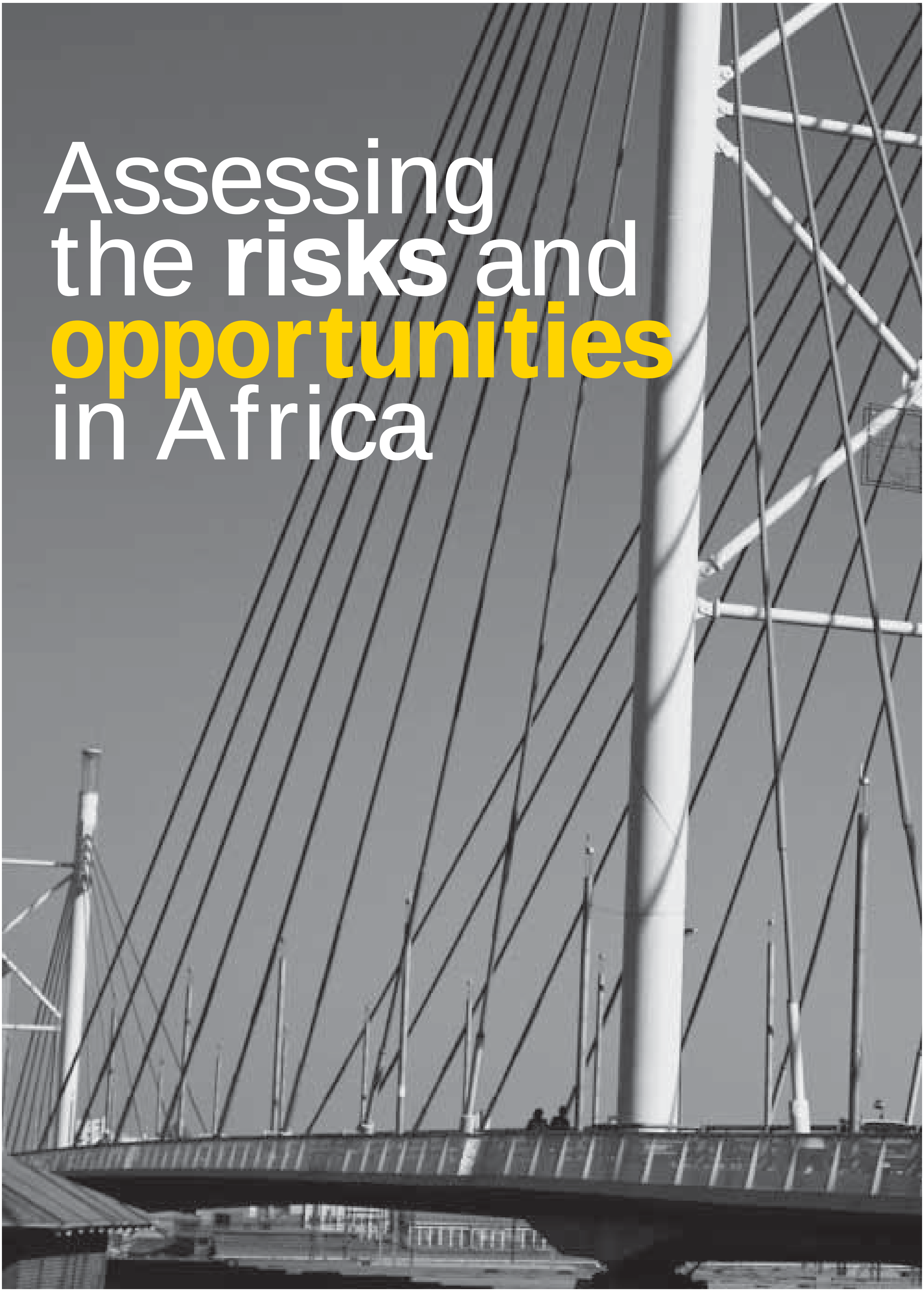
Leading risks for organizations investing in growth in Africa



The Ernst & Young risk radar presents a snapshot of the leading risks that affect these businesses doing business across Africa. The risks at the center of the radar are those that pose the greatest challenge to the organization. The radar is divided into four sections:

- Strategic threats are related to customers, competitors and investors.
- Financial threats stem from volatility in markets and the real economy.
- Operational threats affect the processes, systems, people and overall value chain of a business.
- Compliance threats originate in politics, law, regulations or corporate governance.

Assessing the **risks** and **opportunities** in Africa

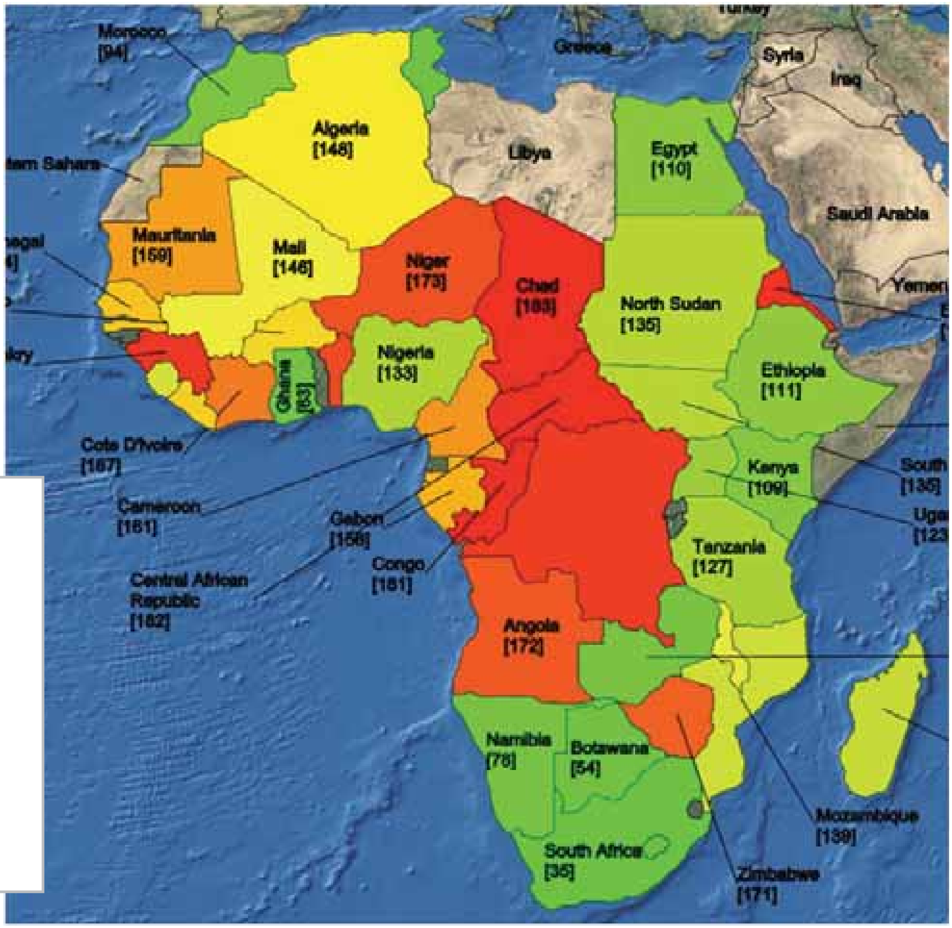


As an integral part of the decision-making process, we recommend conducting some form of objective and comparative analysis across a balanced set of indicators.

This should initially not be too exhaustive a process; the point should be to create a common framework for key influencers and decision-makers to have a structured conversation about relative risk and opportunity in different markets and regions, to agree on decision-making criteria, and to make some initial choices that can be followed up with a more comprehensive "due diligence" process.

Growing Beyond Borders™

In identifying and prioritizing markets for investment, there should be a thorough process of fact-based due diligence, including sector-specific tax, legal and regulatory factors (which are often material enabling or constraining factors in the African context). A key challenge in such a process is the apparent scarcity of information. However, once one starts digging a bit, there is actually a large quantity of Africa-related data available. The challenge more often is that data is fragmented across various sources, and so can be difficult to collate and present in a coherent and meaningful way. We therefore developed Growing Beyond Borders™, a map-based interactive software tool, with a twofold capability to help our clients address this challenge. First, it provides an information portal, aggregating a range of indicators, indices and other data from various sources together for easy access. Second, we have found that the visual presentation of the information via the map-based interface is intuitive for most people, and provides a commonly understood reference point for strategic discussion on investment decisions.



A heat map from Growing Beyond Borders™ depicting the relative ease of doing business across countries in Africa (on a scale from green being relatively easier to red being the most difficult) Data source: World Bank.

Source: Ernst & Young, Africa Business Center™

Comparing country risk profiles

Given that perceptions of Africa as a high risk, difficult, and sometimes dangerous place to do business are still very real, it makes sense to begin with a relative country risk comparison. In doing such an exercise, we recommend that some other RGM benchmarks are used as well; it often surprises people just how well some African countries compare to other RGMs on some of the key risk-related factors.

There are a range of different data points that can be used in conducting a country risk analysis, but, to illustrate the process and as a starting point we suggest assessing the following factors:

- The quality of governance
- Levels of democracy
- The strength of the institutional environment
- Corruption
- The ease of doing business
- The strength of the financial and capital market systems

By creating a composite index using some regularly used sources, we can quite easily build up an objective comparative view of the risk profiles of different countries.[2]

Mauritius heads the pack on this risk index, underlining its potential as an investment gateway into the rest of the continent. South Africa provides a stable platform, with strong democratic institutions, a world-class financial and capital markets system, and an environment relatively conducive to doing business.

Botswana and Namibia stand out too, with Ghana, Rwanda and Zambia among Africa's emerging stars, notable not only for their economic growth performance, but also for the progress that is being made in creating a favorable environment in which to invest and do business. Kenya is also among the top 10 ranked countries, underlining its increasing prominence as a trade and investment gateway to East Africa and beyond. Similarly, Tunisia provides a logical entry point for some of the North African markets, particularly from a European perspective.

Lower risk

1. Mauritius
2. Botswana
3. South Africa
4. Rwanda
5. Namibia
6. Ghana
7. Tunisia
8. Zambia
9. Kenya
10. Cape Verde

Moderate risk

11. Morocco
12. Malawi
13. Lesotho
14. Egypt
15. Tanzania
16. Uganda
17. Ethiopia
18. Senegal
19. Mozambique
20. Gambia
21. Mali
22. Swaziland
23. Nigeria
24. Benin
25. Burkina Faso
26. Madagascar
27. Algeria
28. Cameroon
29. Zimbabwe
30. Seychelles

Higher risk

31. Mauritania
32. Côte d'Ivoire
33. Burundi
34. Angola
35. Sierra Leone
36. Chad
37. Liberia
38. Gabon
39. Comoros
40. Djibouti
41. São Tomé and Príncipe
42. Guinea-Bissau
43. Togo
44. Niger
45. South Sudan
46. Sudan
47. Equatorial Guinea
48. Congo (DRC)
49. Central African Republic
50. Congo Republic
51. Eritrea
52. Libya
53. Guinea
54. Somalia

2 In creating this risk index, we have drawn on data from the World Bank's Doing Business and World Governance indicators, Transparency International's Corruption Perceptions Index, the Polity IV project, and the World Economic Forum's Global Competitiveness Report. We have used our judgment to give relative weightings to data based on our experience of what is important to international investors in considering country risk.

In the moderate risk category are countries such as Nigeria and Egypt, the two largest economies in Africa after South Africa. In the case of Nigeria, governance and corruption remain challenges and the regulatory burden of doing business is relatively high, although tremendous progress has been made over the past decade in institutionalizing democracy and, more recently, in revamping the financial system. Countries such as Tanzania, Ethiopia, Mozambique, Cameroon and Senegal also fit into this moderate risk category.

Thereafter there is a fairly long tail, which includes the likes of Angola and the DRC. On any widely used measure or element of country risk, be it governance, corruption, democracy or relative ease of doing business, these countries will tend to be among the bottom ranked in the world. This is not to imply that they should be avoided. After all, many of these countries have abundant resources, and can offer rich rewards to early movers. However, one must enter into these markets with one's eyes open, be very clear on what is non-negotiable in terms of your corporate ethics and values, and have a robust system of governance, risk and controls.

Interestingly, the group of top ranked African countries on the risk index benchmark well against other RGMs, with eight of them ranked above Brazil and India, the next highest ranked of the BRICS after South Africa.

On the same risk index, 9 African countries rank ahead of China, and 20 ahead of Russia.

African countries risk index ranking compared with selected RGMs

1.	Chile
2.	Mauritius
3.	Malaysia
4.	Botswana
5.	Qatar
6.	South Africa
7.	South Korea
8.	Poland
9.	United Arab Emirates
10.	Saudi Arabia
11.	Czech Republic
12.	Rwanda
13.	Thailand
14.	Namibia
15.	Ghana
16.	Turkey
17.	Colombia
18.	Mexico
19.	Tunisia
20.	Zambia
21.	Brazil
22.	India
25.	China
39.	Russia

Assessing market opportunity

The relative risk profile of different markets needs to be balanced against the potential rewards on offer in these markets. Indicators and drivers of opportunity will be very different across different sectors. However, as a start, we can select some broad pointers toward growth potential and opportunity:

- Population size
- Population size in largest city
- The size of the economy (current GDP)
- GDP growth trends (historical and forward-looking)
- Gross capital formation trends (as an indicator of investment in physical assets in the economy)

Although these indicators will probably be less directly relevant to companies focused on resources and infrastructure projects, for example, they do provide an indication of the overall health and potential of an economy.

Nigeria heads up the opportunity index ranking. With the largest population in Africa (at over 160m it also has the seventh-largest population in the world), a sizable economy, and sustained high single digit growth rates, it is an exciting RGM by any standards. Notwithstanding recent political turmoil, Egypt offers a high potential market with positive longer-term prospects.

Ethiopia and Mozambique have consistently been among the fastest growing economies in the world for over a decade, while countries such as Angola and the DRC benefit from extremely rich resource bases. It is worth noting that the three largest members of the East African Community (EAC), Kenya, Uganda and Tanzania, are all in this top list – within the next five years the population and economic output of the EAC is forecast to exceed that of both Bangladesh and Vietnam's today.

Notable too are South Africa, Zambia, Kenya and Ghana, which are the only countries that are in the top category on both the risk and opportunity indices.

Higher opportunity		Moderate opportunity		Lower opportunity	
1.	Nigeria	21.	Rwanda	38.	Mauritius
2.	South Africa	22.	Senegal	39.	Benin
3.	Egypt	23.	Cape Verde	40.	Lesotho
4.	Algeria	24.	Burkina Faso	41.	Mauritania
5.	Angola	25.	Malawi	42.	Gabon
6.	Ethiopia	26.	Libya	43.	Togo
7.	Morocco	27.	Mali	44.	Burundi
8.	Sudan	28.	Congo Republic	45.	Liberia
9.	Congo (DRC)	29.	Madagascar	46.	Somalia
10.	Tanzania	30.	Sierra Leone	47.	Seychelles
11.	Ghana	31.	Namibia	48.	Djibouti
12.	Equatorial Guinea	32.	Côte d'Ivoire	49.	Central African Republic
13.	Uganda	33.	Cameroon	50.	Swaziland
14.	Mozambique	34.	Botswana	51.	Comoros
15.	Kenya	35.	Niger	52.	Guinea-Bissau
16.	South Sudan	36.	Gambia	53.	Eritrea
17.	Chad	37.	Guinea	54.	Zimbabwe
18.	Tunisia				
19.	Zambia				
20.	São Tomé and Príncipe				

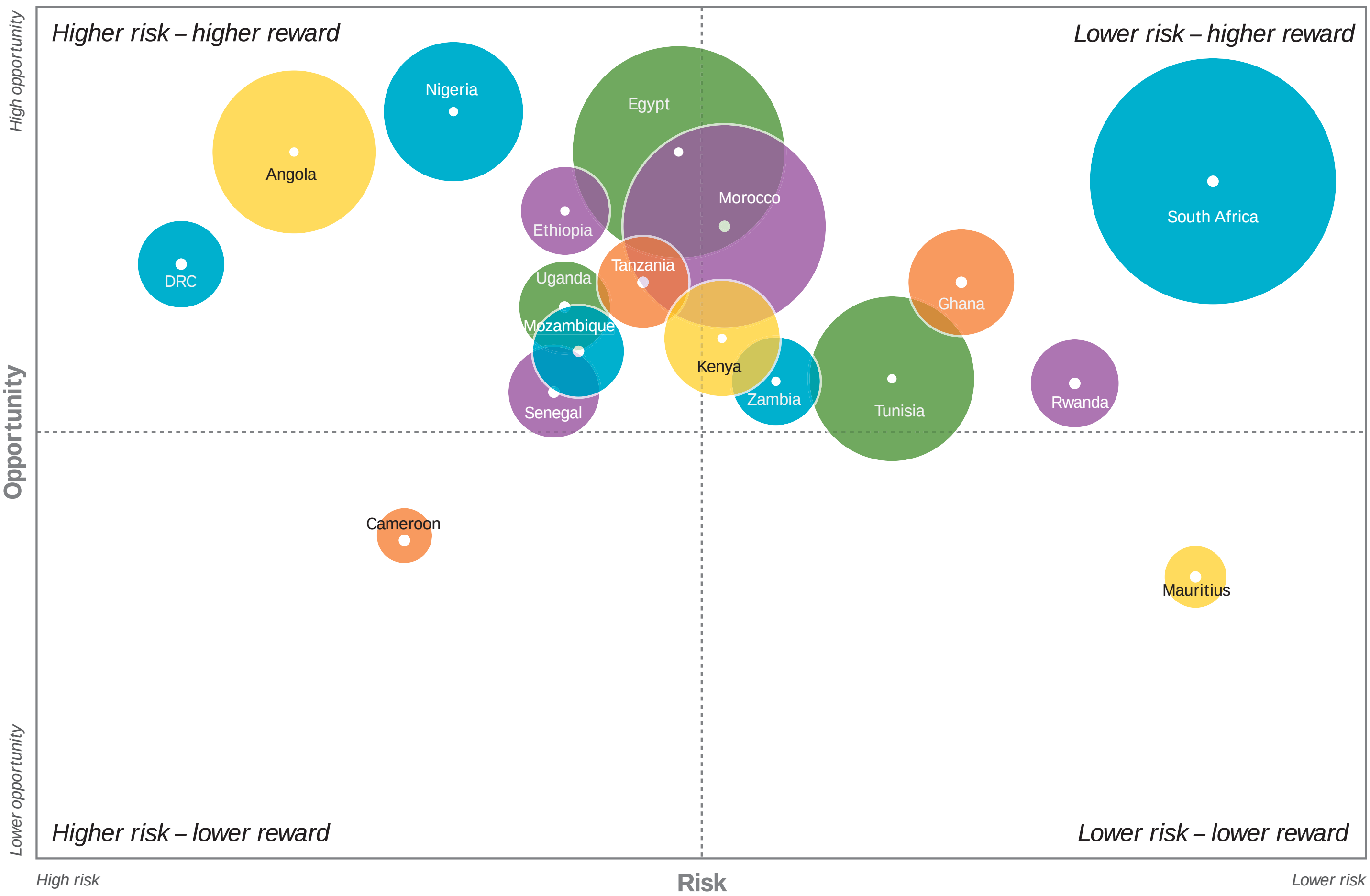
Sources: African Development Bank, World Bank, United Nations Statistical Division

Putting it together in a risk and opportunity matrix

By combining the risk and opportunity indices, we can create a simple but effective framework for key stakeholders to rationally assess the pros and cons of different African markets. On the horizontal axis, we plot where the country sits on the risk index, while, on the vertical axis, the opportunity index is plotted. We also add a third dimension (indicated by the size of the bubble) from our Africa attractiveness research, which is the number of FDI projects invested into in that country between 2007 and 2011 (a key period, which demonstrates recent performance and resilience through the global economic crisis).

To illustrate the process, we have selected 17 African markets that are among the more popular FDI destinations, and are frequently referenced in our conversations with clients. When classified in this way, we can roughly categorize African markets into four broad groups:

African market assessment



1.	Lower risk, higher reward:	This is clearly the most attractive quadrant, offering a stable business environment (certainly by RGM standards) and high potential for growth. South Africa stands out here, not only for its positive risk rating, but also because of the relative size of the economy and overall market, as well as ongoing investments being made in fixed capital assets. Ghana also stands out in this category, with its high economic growth rates (boosted recently by oil production), political stability and an environment that is generally conducive to doing business. Despite recent political instability, the North African countries, and particularly Tunisia and Morocco, perform relatively well and continue to attract FDI projects. Zambia is also emerging as an increasingly attractive market in this category, while the entire East African region (including the East African Community countries of Kenya, Uganda and Tanzania, but also bordering countries of Ethiopia and Mozambique) is moving rapidly into this quadrant.
2.	Higher risk, higher reward:	There are a number of countries that are on the cusp, growing at consistently high rates, making steady political and social progress and generally creating environments that are increasingly conducive to doing business. These include Nigeria and several of the East African economies. Others, perhaps most notably Angola and the DRC, are markets with strong growth characteristics, often driven by resources, but where the business environment remains challenging and where risk factors such as corruption and political uncertainty need to be taken into consideration.
3.	Lower risk, lower reward:	Countries such as Mauritius, Botswana and Namibia all (certainly in an RGM context) provide stable and relatively developed markets to invest in and do business from. However, economic growth rates are on the lower side (although still higher than most developed markets), market sizes are small and levels of competition will often be quite high.
4.	Higher risk, lower reward:	There is also a group of countries that are relatively high risk environments and which do not exhibit particularly exciting growth characteristics. This is another illustration of the sheer diversity of markets on the continent. Logically, these are the obvious markets to say no to, although some may still be worth a closer look or at least keeping on a "watch list." Cameroon and Zimbabwe are good cases in point.

There is no template for doing business in and across Africa. One can also clearly not base one's investment decisions on data from a spreadsheet. Nevertheless, this framework does provide a useful starting point for categorizing and understanding how risk and growth opportunities vary across this diverse continent.

As part of this conversation and process, and before you move too far along the path toward shaping a concrete strategy we would recommend that key decision-makers seek to develop and really test with one another answers to the following initial clarifying questions (select as relevant):

Q&A to categorize and understand growth and risk

1. Do we really believe in the African growth opportunity?
2. What is our appetite for risk (and what is our ability to manage risk)?
3. What are our non-negotiable business principles for operating in and across Africa?
4. What are the key criteria that will govern our choice of new markets and sequencing of market entry?
5. What is our preferred mode of entry into new markets?
6. What options do we have in terms of route to market?
7. Are we clear on what will differentiate us in our chosen markets?
8. What rates of return do we expect and over what time horizon?
9. What is the optimal operating model for our Africa businesses?
10. Do we have the necessary capabilities and resources to execute a growth strategy in Africa (as a starting point, consider capital requirements and management time)?

Conclusion

While such a process will not provide a "paint by numbers" guide to developing and stress testing a growth strategy for Africa, it will help to ensure a common language and a structured, fact-based approach to making choices. Ultimately, there is no substitute for spending time on the ground, in-market, experiencing the people and culture, reading newspapers, buying things in local shops, visiting a bank or post office, meeting and talking to potential customers, suppliers, business advisors, partners, government officials and so on to get a feel for how things look and work behind the scenes.

Africa is increasingly being taken more seriously as an investment and business destination, but in many sectors, a window of opportunity does still remain open for establishing an early mover advantage. However, competition is intensifying and that window is closing.

For companies and investors looking for long-term sustainable growth, we are in no doubt that the time to act on the Africa opportunity is now. Now is the time to invest in understanding markets, identifying partners, developing opportunities, configuring industries, building brands and establishing local credibility.

Recommendations for investors

For companies beginning or in the early stages of their African growth journey, we would suggest the following are among the critical success factors:

1. Choose your perspective on Africa – glass half full or half empty?	Decades of stagnation, political turmoil, war and economic mismanagement led to deeply engrained prior beliefs about Africa – this mindset is compounded in the Western world by a humanitarian sensibility that can be both patronizing and a deterrent to serious business and investment interest.[3] This cannot be the frame of reference, otherwise it will infect every decision that has to be made. There has to be a strong belief in the African growth story; that Africa is good for business and investment; and that business and investment is good for Africa.
2. Build up a portfolio of investments.	While one needs to be positive about the growth potential, one should also be realistic about relative immaturity and risk, as well as the current lack of scale in many individual markets. A sizable African portfolio should provide three critical advantages: 1. It will spread the political risk of instability in any one country materially impacting overall earnings, as well as currency risk; 2. Early mover advantage in many markets that are still at an early stage of development; and 3. Sufficient critical mass to make the overall African portfolio material enough to matter.
3. Invest to get the best quality human resources.	Many companies feel constrained in rapidly building up an African business portfolio by the shortage of human resource and capacity to do so. Although Africa has a combined working age population of over half a billion people, in some countries finding the right skills can be a challenge because of underinvestment in education and training. Securing a supply of the best local people, recruiting in the diaspora, transferring skills from other parts of your company and working hard to retain key staff will be an essential element of success.
4. Expand from strategic economic hubs and think about non-conventional market groupings.	Some African countries are significantly more advanced than others in terms of financial services, transportation infrastructure and labor markets. These countries can provide a useful local base from which to expand further into the continent. Expansion plans should also look at non-conventional regional market groupings such as urban corridors, cultural affinities and regional economic communities in order to build critical mass and drive higher returns more quickly.
5. Make your broader socioeconomic impact a cornerstone of your Africa growth strategy.	Across both government and civil society in Africa there is an increasing demand for business to make a sustainable contribution to socio-economic development. This is fundamentally about doing "good business" – creating jobs, paying taxes, developing people, making a positive social impact and operating ethically. This implies a long-term commitment to the continent and individual countries, and working with African governments to align as closely as possible with their socio-economic growth and developmental objectives. It is also an area where effective strategic stakeholder management can be turned into a source of longer-term competitive advantage.

3 For an interesting discussion on this theme, see Tom Cargill's paper "Our common strategic interests: Africa's role in a post G8 world," A Chatham House Report, June 2010

Recommendations for African governments

While much more could be done to market the progress and improvements that have been made in many parts of Africa over the course of the past decade effectively, there are concrete issues and challenges that should be addressed, not only to increase the overall investment attractiveness of African economies, but also to ensure that host African countries derive maximum benefit from these investments.

1. Prioritizing regional integration	With the shifting dynamics in the global economy, we believe that Africans have a unique opportunity to break the structural constraints that have long marginalized the continent. This will, however, only be achieved by fashioning greater regional coherence from the current patchwork quilt of 54 sovereign states. Regional integration is key to promoting greater levels of regional investment and trade, because it will make it much easier and more efficient to conduct cross-border business, and will create markets with greater critical mass, coherence and density of economic activity. While progress is being made on the regional integration agenda, simply put, if this process does not intensify, Africa will remain structurally marginalized in the global economy and African countries will struggle to attract a greater share of foreign investment.
2. Bridging the infrastructure deficit	Poor infrastructure is currently a major contributor to Africa's underdevelopment. Ultimately, regional integration and its benefits will only be realized by sufficient investment in infrastructure, both to connect markets and to generate enough electricity to support the development of manufacturing and other industrial sectors.
3. Improving governance	In our surveys and ongoing conversations with our clients, political risk factors remain the single biggest impediment to investing in African countries. Perceptions of political instability and corruption are the dominant themes. While many countries are making good progress, we need to be pushing faster and further. From an investment attractiveness perspective, the importance of broader-based, visible and proactive measures to institutionalize democracy, implement robust governance, improve financial management and tackle corruption head on cannot be overstated. Such measures will positively impact the brands of countries (and regions, when tackled more collaboratively) and enhance market attractiveness for both private sector and donor investors.
4. Productive partnering with business	While African governments will have to be at the heart of long-term growth and development, the private sector has an increasingly important role to play. The relationship between government and business across many parts of the continent is not always as engaging and productive as it could and should be. Too often business is viewed as part of the problem. In contrast, business, both local and international, needs to be viewed as a key partner in developing solutions to Africa's critical challenges. A vibrant private sector, with firms investing, creating jobs, paying taxes, developing new skills and transferring new technologies, is crucial to promoting sustainable growth and opening up opportunities for all members of society. Although many African governments are making good progress toward creating more business-friendly environments, there remains significant scope to build on and accelerate the process of developing business-friendly policies and removing regulatory and other bureaucratic obstacles to trade, investment and private enterprise.
5. Raising and smoothing revenues	Private capital and donor aid will remain important sources of funding, but the investment needed in critical areas such as infrastructure, education and health care require sustainably raising the tax revenues of African governments. This is not a simple task, but effective steps need to be taken to diversify and broaden the tax base in many countries, through, for example, formalizing the large informal sector that thrives in many African economies and strengthening tax administration. At the same time though, the tax environment should be transparent, provide a level playing field for investors, and ensure adequate incentives for firms to invest. Another key dimension, particularly for economies that are relatively resource dependent, is to build up a revenue "buffer." Nigeria's Excess Crude Account provides an example; when oil prices collapsed in 2009, it helped ensure that the negative impact on the economy was not significant. In contrast, Angola, where public spending had increased sharply with rising oil prices, kept very little of its oil revenues in reserve. As a result, the sharp drop in oil revenues in 2009 had a markedly negative impact on the Angolan economy.

Country profiles

Source All investors profiles in this section are sourced from publicly available sources including online, media reports and company specific websites

Angola

Luis Marques
Country Leader

Tel: +244 222 371 390
Email: luis.marques@pt.ey.com

"Nowadays Angola is facing multiple challenges and at the same time a fast-growing economy. We should expect exciting times as apart from the current relevant investments made in the oil and gas and resources sectors, other significant investments will also occur, namely in infrastructures, telecom, industry, transportation, banking and insurance companies."

Luis Marques

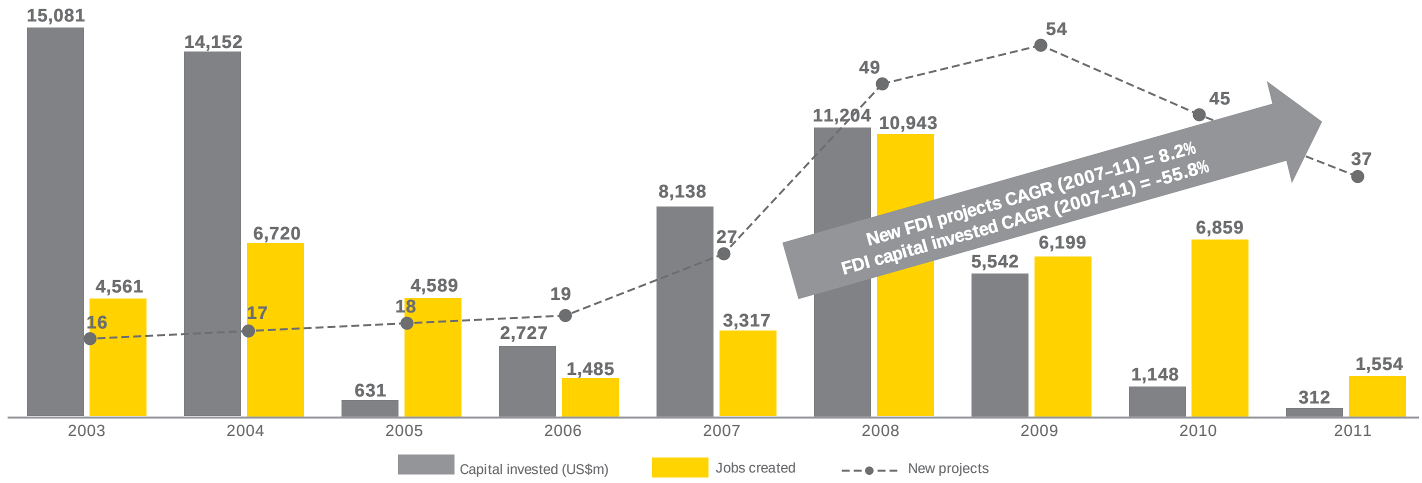
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 4,451 (2010) • GDP growth (annual %) – 5.9 (2010) • Natural resources – petroleum, diamonds, iron ore, phosphates, copper, feldspar, gold, bauxite, aluminium, gypsum and uranium • Types of industry – Petroleum, diamonds, iron ore, phosphates, feldspar, bauxite, uranium, gold, cement, basic metal products, fish processing, food processing, brewing, tobacco products, sugar, textiles and ship repair • Major trading partners – China (35.7%), US (26.0%), France (8.8%) and South Africa (4.1%) • Ease of doing business – 42nd in Africa (172 overall) • Global competitiveness index – 32nd in Africa (139 overall)	• Population – 19,082,000 (2010) • Youth – as a % of total population – 19.3 (2005) • Area – 1,246,700Km² • Capital – Luanda • Other cities – Huambo	• Type – republic, multiparty presidential regime • Independence – 11 November 1975 • Major political parties – Popular Movement for the Liberation of Angola, National Union for the Total Independence of Angola, Social Renewal Party, New Democracy Electoral Union and National Front for the Liberation of Angola • Corruption perception index – 47th in Africa; (168 Overall)	• Languages – Portuguese (official), Bantu and other African languages • Religion – indigenous beliefs (47%), Roman Catholic (38%) and Protestant (15%) • Ethnic diversity – Ovimbundu 37%, Kimbundu 25%, Bakongo 13%, mestico (mixed European and native African) 2%, European 1%, other 22% • Education (public expenditure as a % of GDP) – 2.6 • Pupil-teacher ratio (primary schools) – 46:1 (2010) • Literacy (adults) – 70% (2009) • Life expectancy – 51 years (2010)

Angola FDI trends

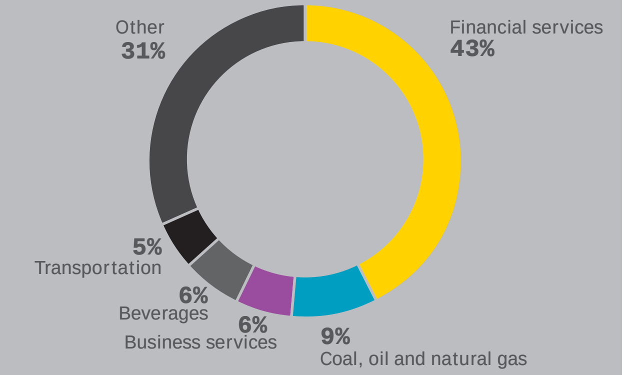
Inward FDI

Angola has seen stable project engagement, yet a significant decline in capital investment points to a need for ease of business reforms.

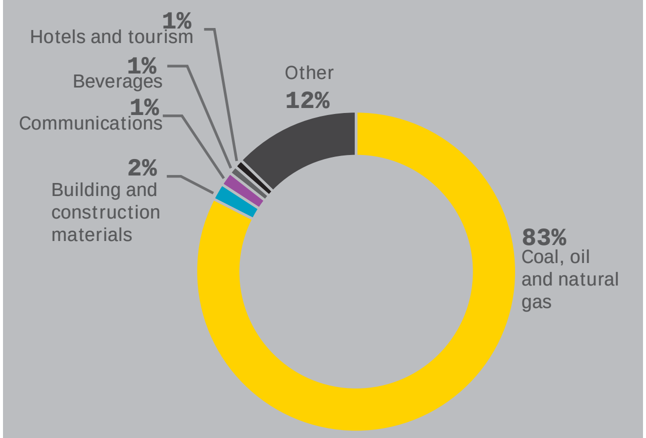


Top 5 economic activities invested into, (2003–11)

New projects inward FDI by sectors

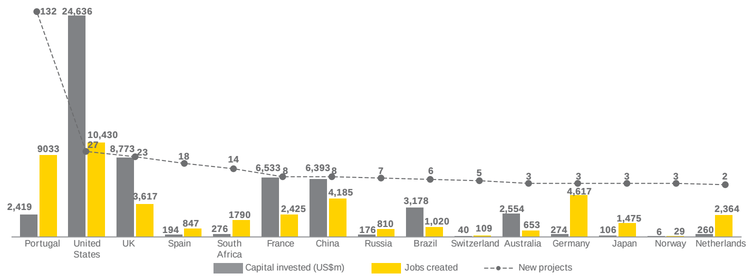


Capital invested inward FDI by sectors



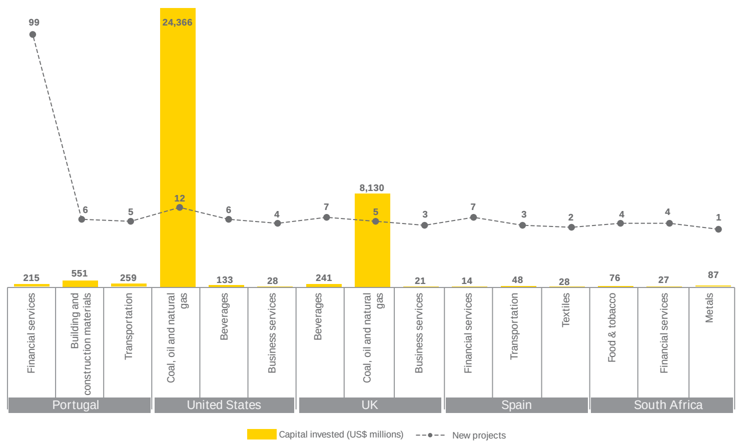
Top investors (2003–11)

Portugal remains heavily embedded in Angola, followed by investment from US and UK.



Top 5 investors and their top sector engagement

Financial services are an important attractor of project investment, while manufacturing capacity in beverages and construction sectors are key FDI areas for Angola's top investors.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Angola FDI outlook

Angola is one of the leading destinations for FDI capital in Africa, attracting more than US$58b between 2003 and 2011. Over 80% of this FDI has been in oil, and Angola's substantial oil and mineral reserves will continue to be the main attraction for investors over the next five years.

However, the country's growing middle class will also be attractive to investors looking for new markets, and investment into sectors such as communications, construction and real estate are likely to grow too.

Key challenges remain weak infrastructure and high perceived levels of corruption, and these will hinder efforts to increase FDI to a wider range of sectors.

As a result, most FDI in Angola will be focused on the natural resource sectors for the foreseeable future.

FDI inflows to Angola are forecast to average US$7.6b p.a. over the next five years, with approximately 30,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources				Natural resources are abundant, with oil in particular attracting high levels of FDI capital.
Labor				A medium sized population with low levels of education and training.
Market size				A medium sized, but rapidly growing economy, with a large wealth divide.
Infrastructure				Civil war destroyed much of the country's infrastructure, but recent investment is slowly improving the situation.
Bureaucracy				Though the situation has improved in recent years, levels of bureaucracy remains an obstacle.
Corruption and political environment				Although nominally a multiparty democracy, the real power remains in the hands of a small political elite. Corruption is a real challenge.
Overall outlook for FDI				Significant natural resources, particularly oil, and robust economic growth are strong pull factors for FDI. However, corruption and the general difficulty and cost of doing business need to be addressed to attract substantially higher levels of FDI.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Shoprite

"We have taken a firm decision that Africa is where our future lies and whence a substantial part of our growth will come from," Christo Wiese, Shoprite Chair.

Shoprite has evolved from an eight-store, provincial operation in South Africa in 1979 into what is today the largest food retailer on the African continent. It operates over 180 corporate and 43 franchise stores in 16 African countries outside of SA, most recently opening its first store in the Democratic Republic of Congo, and employs approximately 95,000 people across the continent. What is quite interesting about Shoprite's approach into the rest of Africa is the relatively wide geographical diversification. The strategy has generally been to test the trading environment initially with a small presence. This has allowed management to assess the viability of further investment in each market. In keeping with this approach, Shoprite was a relatively early mover into the Angolan market, opening their first store in Luanda in 2003. The Shoprite presence in Angola has subsequently grown to include 18 corporate stores under different group brands.

Cameroon

Joseph Pagop
Country Leader

Tel: +237 33 42 5109
Email: joseph.pagop.noupoue@ey-avocats.com

"We are seeing strong growth in investment into Cameroon. Although resources remain the biggest attraction for investors, there is increasing interest in the opportunities available in other sectors such as consumer products, telecommunications and financial services. Cameroon also offers an ideal entry point into French-speaking Central African growth economies such as Gabon, Congo, Chad, Equatorial Guinea and the Central African Republic. Within the next five years these six markets will constitute a combined economy of US\$112b and population of 50m people."

Joseph Pagop

Country overview

Economy

- GDP per capita (US\$) – 1,147 (2010)
- GDP growth (annual %) – 3.2 (2010)
- Natural resources – petroleum, diamonds, cobalt, aluminium, bauxite, iron ore, timber and hydropower
- Types of industry – N/A
- Major trading partners – Netherlands (14%), Spain (12.3%), Italy (11.8%), China (9.1%) and US (6.2%)
- Ease of doing business – 35th in Africa (61 overall)
- Global competitiveness index – 17th in Africa (116 overall)

Geography

- Population – 19,599,000 (2010)
- Youth – as a % of total population – N/A
- Area – 475,440Km^2
- Capital – Yaounde
- Other cities – Douala

Government

- Type – republic, multiparty presidential regime
- Independence – 01 January 1960
- Major political parties – Cameroon People's Democratic Movement, Social Democratic Front, Alliance for Democracy and Development, Cameroonian Democratic Union and Peoples Action Party
- Corruption perception index – 31st in Africa (134 overall)

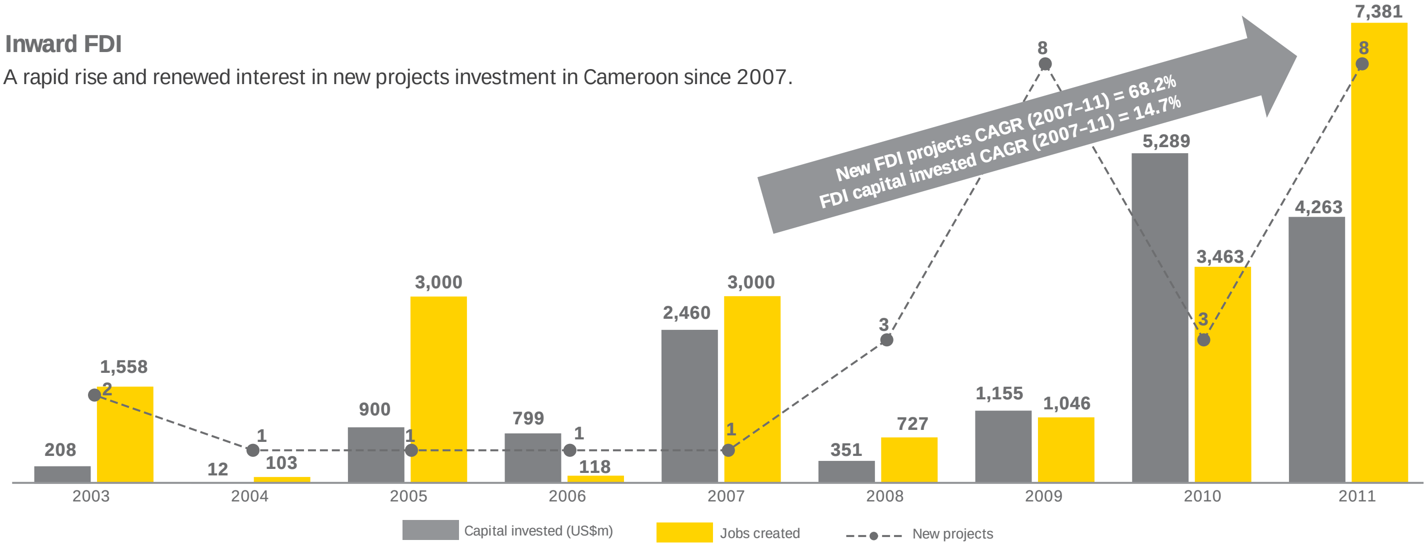
People

- Languages – 24 major African language groups, English (official), French (official)
- Religion – indigenous beliefs (40%), Christian (40%), Muslim (20%)
- Ethnic diversity – Cameroon Highlanders (31%), Equatorial Bantu (19%), Kirdi (11%) and Fulani (10%)
- Education (public expenditure as a % of GDP) – 3.1
- Pupil-teacher ratio (primary schools) – 46:1 (2010)
- Literacy (adults) – 71% (2007)
- Life expectancy – 51 years (2010)

Cameroon FDI trends

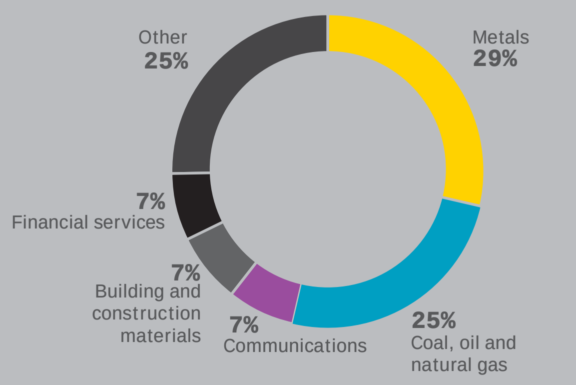
Inward FDI

A rapid rise and renewed interest in new projects investment in Cameroon since 2007.

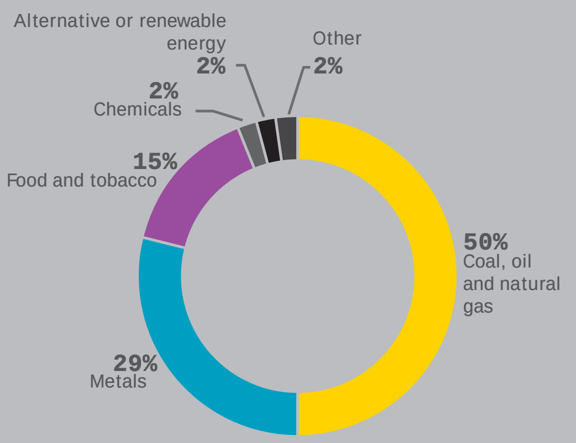


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

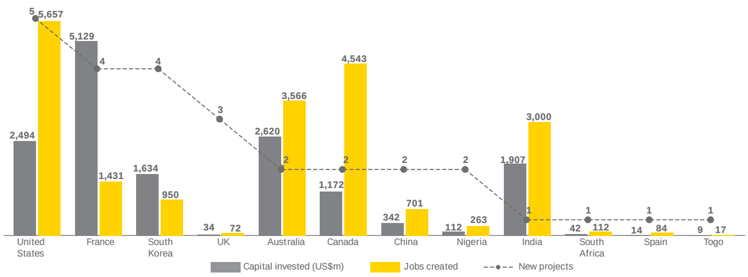


Capital invested inward FDI by sectors



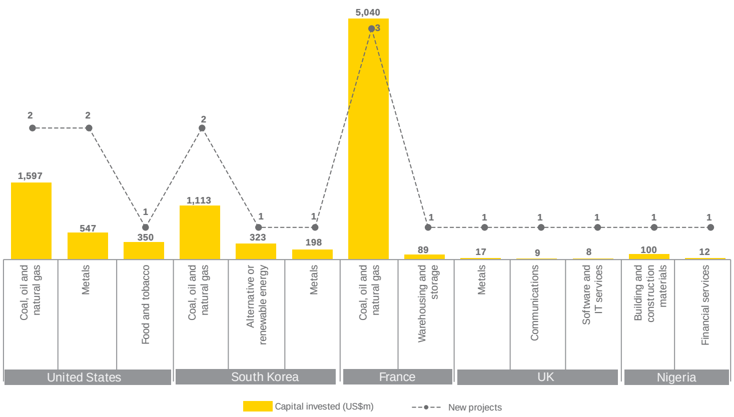
Top investors (2003–11)

A diverse group of investors are strongly supporting growth in Cameroon.



Top 5 investors and their top sector engagement

Metals and oil and gas sectors are the preferred investment activity for Cameroon's top investors.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Cameroon FDI outlook

FDI capital from 2003–11 has amounted to US$15.5b, with the main focus on resources (about 50% on fossil fuels and about 30% metals).

Cameroon's oil reserves will continue to attract investors over the next five years, although maturing oil fields may limit investments in the sector beyond that (barring new discoveries).

The country's relatively high levels of human capital and cheap labor force should also draw investors. In fact, in 2011, a large project worth almost US$2b was announced in the food and tobacco sector. This investment, which should create 3,000 new jobs, is the first significant investment in this sector, and could mark a shift toward more diversified investment activity.

Overall though, Cameroon is expected to receive a relatively small amount of FDI over the next five years, averaging about US$1b p.a., with approximately 8,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Attractive	Attractive	Attractive	Reasonably large reserves of oil, gas, and minerals.
Labor	Average	Average	Average	The workforce is relatively small, but is also fairly well-educated.
Market size	Unattractive	Unattractive	Unattractive	A small-medium sized economy with moderate growth rates.
Infrastructure	Unattractive	Unattractive	Average	Infrastructure is poor, but improving, while IMF funding and increasing oil revenues may lead to further improvements.
Bureaucracy	Unattractive	Unattractive	Unattractive	Bureaucracy is considered an obstacle to business in Cameroon.
Corruption and political environment	Unattractive	Very unattractive	Very unattractive	Political reform has been slow and corruption is a challenge that needs to be addressed.
Overall outlook for FDI	Average	Unattractive	Unattractive	A wealth of natural resources are a strong pull for investment, but a difficult business environment may deter investment.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Tiger Brands

"A strong growth vector remains the group's strategy to expand its footprint into the rest of Africa ... The group's long-term objective is that the international businesses will contribute 20% of the group's total revenues," Peter Matlare, CEO, Tiger Brands.

Tiger Brands is a branded fast-moving consumer packaged goods company listed on the Johannesburg Stock Exchange. It is South Africa's largest food manufacturer and employs 14,000 people. Tiger is growing its presence in other parts of Africa through a series of strategic acquisitions and joint ventures, and has now expanded its footprint to Kenya, Ethiopia, Cameroon and Nigeria (including a recent announcement that it has agreed in principle to buy a majority stake in Dangote Flour Mills). Tiger acquired a 74.7% stake in the confectionary business "Chococam" in Cameroon in 2008, with the remainder of the shareholding locally held (enabling local buy-in and long-term viability). There has been a strong focus since acquisition on improving the overall performance of the business, including enhancing efficiencies, improving site health and safety standards, upgrading manufacturing facilities, implementing an ERP system and brand renovation and reactivation initiatives. The business has shown good progress over the past few years, with consistent growth in sales.

Democratic Republic of Congo (DRC)

Lindsey Domingo
Country Leader

Tel: +243 970 008 464
Email: lindsey.domingo@cd.ey.com

"The DRC has a wealth of under-tapped natural resources. This, together with the fourth-largest population in Africa, makes it one of the markets with the highest potential in Africa. Although the business environment can be challenging, there are also high rewards on offer for those who are prepared to invest and stay the course."

Lindsey Domingo

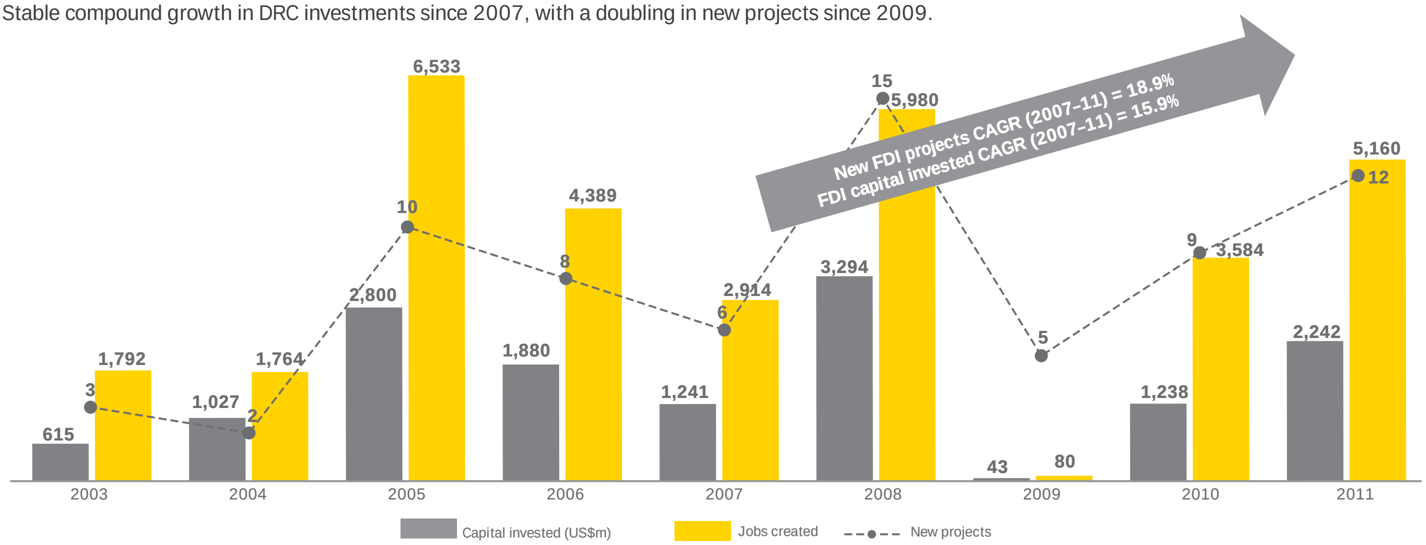
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 199 (2010) • GDP growth (annual %) – 7.2 (2010) • Natural resources – cobalt, copper, niobium, tantalum, petroleum, industrial and gem diamonds, gold, silver, zinc, manganese, tin, uranium, coal, hydropower and timber • Types of industry – N/A • Major trading partners – China (46.8%), US (15.4%), Belgium (10.7%), Zambia (5.8%) and Finland (4.4%) • Ease of doing business – 46th in Africa (178 overall) • Global competitiveness index – N/A	• Population – 65,965,000 (2010) • Youth – as a % of total population – N/A • Area – 2,344,858Km^2 • Capital – Kinshasa • Other cities – Lubumbashi, Mbuji-Mayi, Kananga, Kisangani	• Type – republic • Independence – 30 June 1960 • Major political parties – Movement for the Liberation of the Congo, Unified Lumumbist Party, Union of Mobutuist Democrats, Union for Congo's Reconstruction and Congolese Rally for Democracy • Corruption perception index – 49th in Africa (168 overall)	• Languages – French (official), Lingala (a lingua franca trade language), Kingwana (a dialect of Kiswahili or Swahili), Kikongo, Tshiluba • Religion – Roman Catholic (50%), Protestant (20%), Kimbanguist (10%), Muslim (10%), other (includes syncretic sects and indigenous beliefs) (10%) • Ethnic diversity – Mongo, Luba, Kongo and the Mangbetu-Azande (Hamitic) make up 45% of the population • Education (public expenditure as a % of GDP) – N/A • Pupil-teacher ratio (primary schools) – 37:1 (2010) • Literacy (adults) – 67% (2009) • Life expectancy – 57 years (2010)

DRC FDI trends

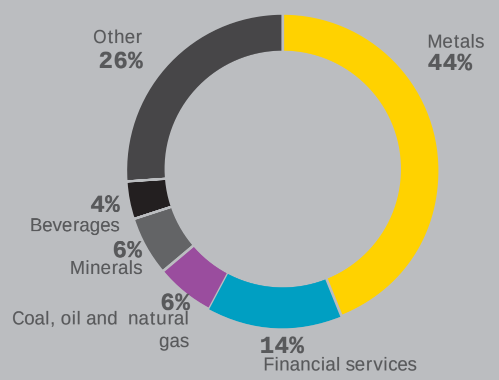
Inward FDI

Stable compound growth in DRC investments since 2007, with a doubling in new projects since 2009.

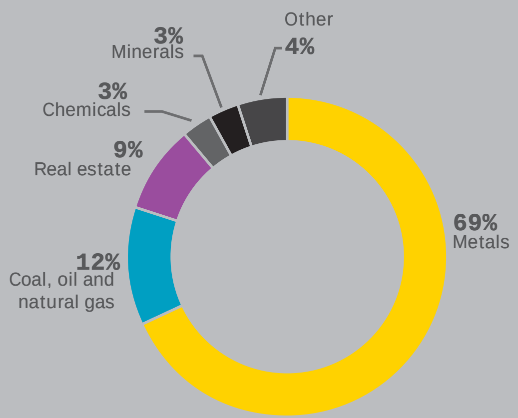


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

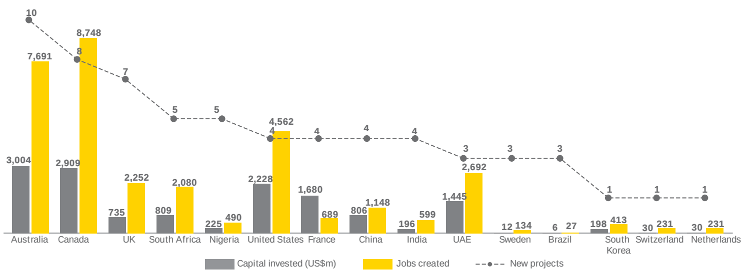


Capital invested inward FDI by sectors



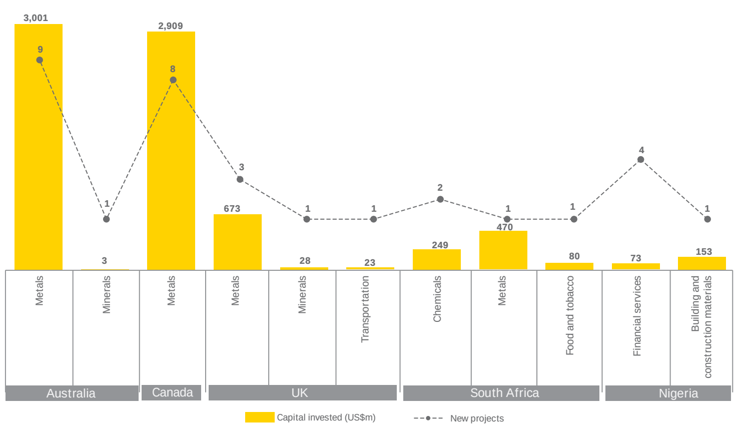
Top investors (2003–11)

Australia and Canada stand out as key investors in the DRC, especially in contributing to job creation.



Top 5 investors and their top sector engagement

The DRC's top four investors are fully focused on mining activity.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

DRC FDI outlook

The DRC's oil and mineral reserves will continue to be the main attraction for foreign investors, as demand in the developed world rises and capacity constraints are met by other producers.

However, low human capital, high bureaucracy and an unstable political situation, with the possibility of renewed conflict in the eastern provinces, is likely to limit FDI to non-resource sectors of the economy.

FDI inflows to the DRC are forecast to average US$1.1b p.a. over the next five years, with approximately 13,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Very attractive for FDI	Very attractive for FDI	Very attractive for FDI	Abundant and under-tapped natural resources provide a strong pull factor for FDI.
Labor	Unattractive	Unattractive	Average	Rapidly growing working population, but low levels of education a hindrance.
Market size	Very unattractive	Very unattractive	Unattractive	Despite large population, the economy is small and GDP per capita especially very low.
Infrastructure	Very unattractive	Very unattractive	Very unattractive	Infrastructure is generally weak, and there is insufficient investment being undertaken at present to improve the situation. Hydro potential is massive, but risky, and requires significant infrastructure spend and commitment from multilateral and foreign investors.
Bureaucracy	Very unattractive	Very unattractive	Very unattractive	Significant amounts still remain, which hinder businesses.
Corruption and political environment	Very unattractive	Very unattractive	Very unattractive	The political situation remains uncertain and volatile, and security is a concern in the east. Corruption is a significant issue.
Overall outlook for FDI	Very unattractive	Unattractive	Unattractive	Natural resources will attract growing levels of FDI, although a challenging business environment will remain a deterrent.

Very unattractive · Unattractive · Average · Attractive · Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Sinohydro

"In cooperation with Africa, Sinohydro aims to combine economic assistance with cooperation, or in other words, to integrate 'blood transfusion' with 'blood forming,' to help African countries build up their own ability to develop independently and become self-sufficient." Sinohydro Corporation Limited.

Sinohydro Corporation Limited, founded in 1950, is a comprehensive transnational enterprise under the administration of the Chinese Central Government. It is China's largest and most competitive hydro construction enterprise, with 130,000 employees and an annual turnover of roughly 100 billion Yuan. Being one of China's first and flagship state-owned enterprises to carry out the "going abroad" strategy, it has become an important force in China's outbound footprint.

Sinohydro has undergone projects and economic and technical cooperation in over 50 countries and regions in Asia, Africa, Oceania and South America. More than 200 projects are under construction, with a total contract value of about US$17b, accounting for 50% of the global market share of hydro construction. Africa is a key market contributing 44% of Sinohydro's overseas revenue. One of Sinohydro's recent ambitions is to build the world's largest hydropower project: the Grand Inga Dam in the DRC. At an estimated construction cost of US$80b, the massive dam is part of a greater vision to develop a power grid across Africa that will spur the continent's industrial economic development.

Egypt

Emad Ragheb
Country Leader

Tel: +202 27 260 260
Email: emad.ragheb@eg.ey.com

"Egypt is the right place for investment and this isn't only today, this has always been the case, and will remain so for ages if not forever. The location, man power, natural resources and a lot more make Egypt the focal point of success. I have been in the profession for more than 40 years and witnessed a lot of swings in the region, some heavy clouds, but in the end of each wave, the sun rises more brighter on the Egyptian sky, giving more hope and new opportunities to those who believe in the beauty of their dreams."

Emad Ragheb

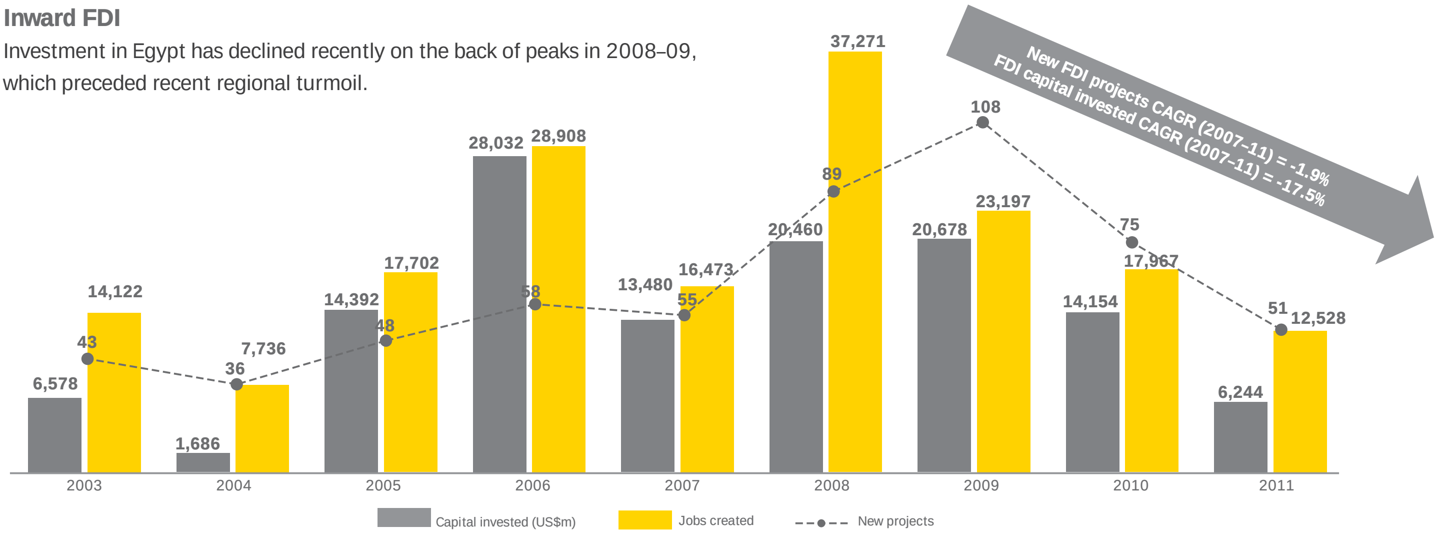
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 2,698 (2010) • GDP growth (annual %) – 5.1 (2010) • Natural resources – petroleum, natural gas, iron ore, phosphates, manganese, limestone, gypsum, talc, asbestos, lead, rare earth elements and zinc • Types of industry – textiles, food processing, tourism, chemicals, pharmaceuticals, hydrocarbons, construction, cement, metals, light manufactures • Major trading partners – US (8.0%), Italy (7.3%), Spain (6.8%), India (6.7%) and Saudi Arabia (5.5%) • Ease of doing business – 13th in Africa (110 overall) • Global competitiveness index – 9th in Africa (94 overall)	• Population – 81,121,000 (2010) • Youth – as a % of total population – 20.2 (2000) • Area – 1,001,450Km^2 • Capital – Cairo • Other cities – Alexandria	• Type – republic • Independence – 28 February 1922 • Major political parties – Democratic Alliance for Egypt, Islamic Bloc, New Wafd Part, Egyptian Bloc and Al-Wasat • Corruption perception index – 26th in Africa (112 overall)	• Languages – Arabic (official), English and French widely understood by educated classes • Religion – Muslim (mostly Sunni) (90%), Coptic (9%), other Christian (1%) • Ethnic diversity – Egyptian (99.6%) • Education (public expenditure as a % of GDP) – 4.3 • Pupil-teacher ratio (primary schools) – 27:1 (2009) • Literacy (adults) – N/A • Life expectancy – 73 years (2010)

Egypt FDI trends

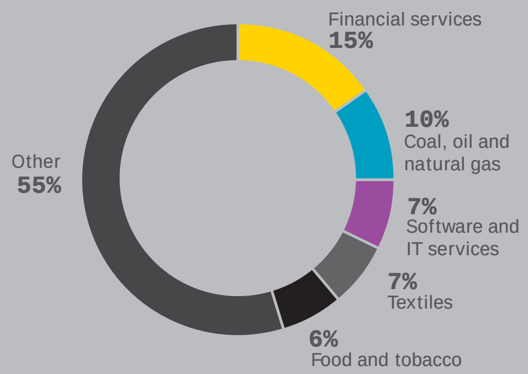
Inward FDI

Investment in Egypt has declined recently on the back of peaks in 2008–09, which preceded recent regional turmoil.

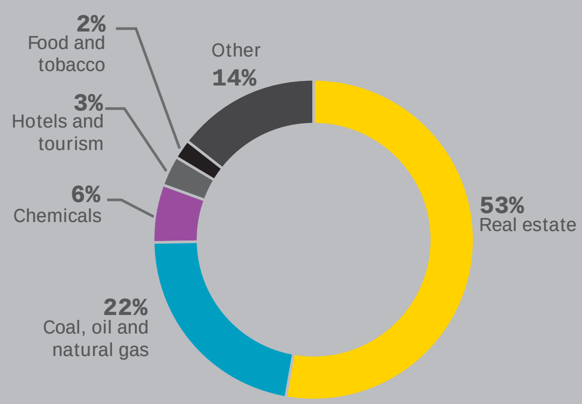


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

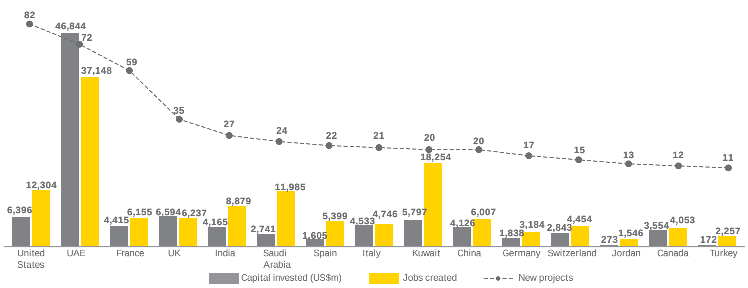


Capital invested inward FDI by sectors



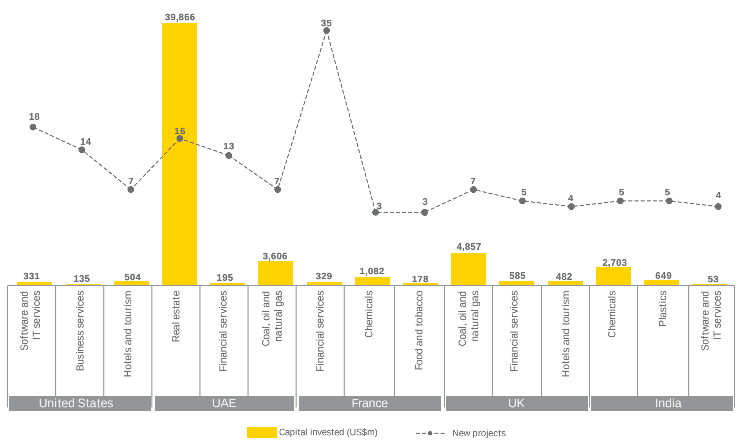
Top investors (2003–11)

Inter-Arab community investment (especially from UAE) has significant presence in Egypt.



Top 5 investors and their top sector engagement

France is Egypt's most notable investor in financial services, with UAE focused on wider construction activity.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Egypt FDI outlook

Political tensions have lowered the outlook for FDI in the short term but once this uncertainty is resolved, the potential for structural reforms to improve the economy should provide a boost to growth and pay dividends in terms of higher FDI.

Recent government reforms to bureaucracy have improved the institutional environment but these reforms have faltered amid the political uncertainty.

Although oil output is expected to fall as reserves mature and run dry, the fossil fuels sector is still expected to attract investors over the next five years.

Positive factors for investors are Egypt's large, relatively well-educated population, sizeable domestic market and proximity to Europe.

FDI inflows to Egypt are forecast to average about US$4.6b p.a. over the next five years, with approximately 40,000 new jobs created as a result. However, the downside risks to this forecast will remain high in the near term until there is greater political resolution.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources				Oil production is expected to fall, but will still attract investors, together with natural gas and renewables.
Labor				Large, well-educated workforce will continue to attract investors.
Market size				In absolute size the economy is large and attractive, but it will take a few more years before the middle class has significant spending power.
Infrastructure				Infrastructure is relatively well developed across the country.
Bureaucracy				Significant amount remains, which hinders business.
Corruption and political environment				The political situation remains uncertain, and there is a risk that the economic reforms of recent years could be reversed. Coupled with this, little has been done so far to tackle corruption seriously.
Overall outlook for FDI				Assuming the political situation stabilizes and reforms are continued, Egypt will remain an attractive destination for investment.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

SEGAS

"Natural gas is Egypt's big challenge for the new millennium, being an invaluable resource for the economic development of the country and for exports." Eni in Egypt Report, June 2006.

The Spanish Egyptian Gas Company (SEGAS) is located in Giza, Egypt and is controlled by Union Fenosa Gas in conjunction with Eni of Italy and two state-owned Egyptian companies: Egyptian Natural Gas Holding Company and Egyptian General Petroleum Corporation. The SEGAS liquefied natural gas (LNG) complex in Damietta, Egypt, is situated on the Mediterranean Coast 60km west of Port Said. SEGAS exports LNG to the Spanish market via a receiving terminal at Sagunto in Spain. The majority of the gas exported is used to supply the new "cleaner" gas-fired power stations in Spain. This LNG project was the first facility of its type in Egypt and is one of the world's largest capacity single train facilities. The investment cost of the project is estimated at US$1.3b. Eni has also signed a new exploration agreement with Egypt for the El-Bougaz block in the Mediterranean and outlined an agreement for the expansion of the Damietta LNG plant. It is thought that this will induce future gas exploration and development in Egypt.

Ethiopia

Zemedeneh Negatu
Country Leader

Tel: +251-11-550-4933
Email: zemedeneh.negatu@et.ey.com

"We expect Ethiopia to sustain high GDP growth and achieve middle income status by 2025 with a per capita GDP of just over US$4,000 (PPP). The primary growth drivers will be the continuing investments in infrastructure, agriculture and manufacturing. Mining, oil and gas and other natural resources should start contributing significantly."

Zemedeneh Negatu

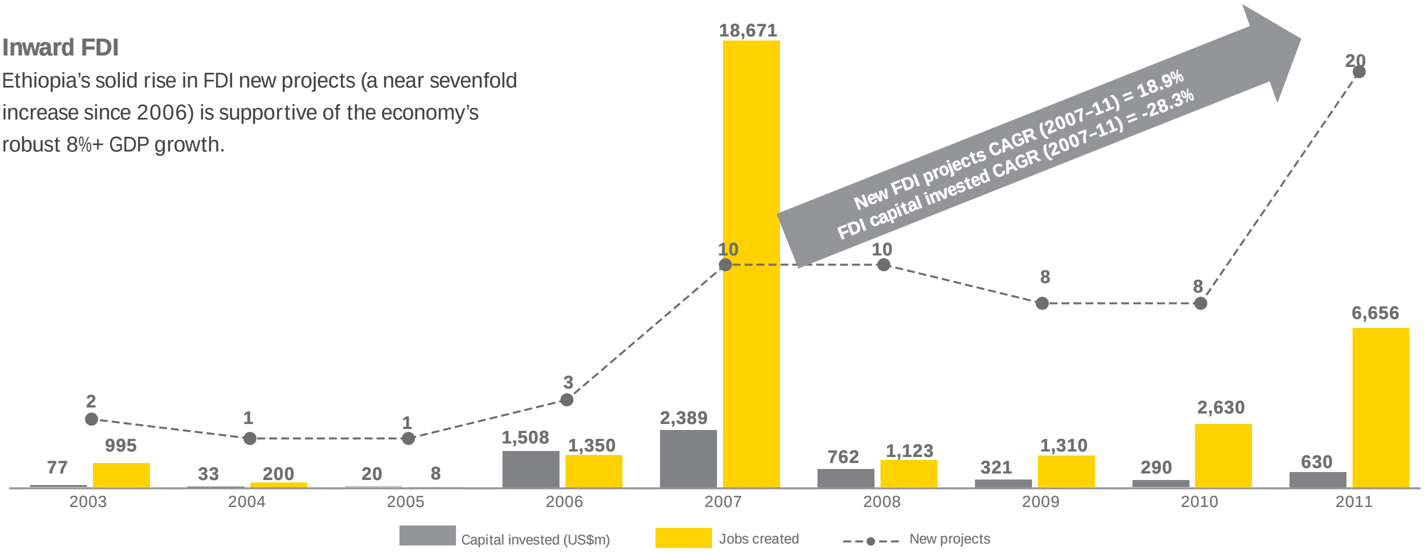
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 358 (2010) • GDP growth (annual %) – 10.1 (2010) • Natural resources – small reserves of gold, platinum, copper, potash, natural gas, hydropower • Types of industry – food processing, beverages, textiles, leather, chemicals, metals processing, cement • Major trading partners – China (10.9%), Germany (9.8%), Saudi Arabia (7.4%), US (7.2%) and Netherlands (6.4%) • Ease of doing business – 14th in Africa (111 overall) • Global competitiveness index – 13th in Africa (106 overall)	• Population – 82,950,000 (2010) • Youth – as a % of total population – 20.4 (2004) • Area – 1,104,300Km^2 • Capital – Addis Ababa • Other cities – N/A	• Type – federal republic • Independence – N/A • Major political parties – Ethiopian Peoples' Revolutionary Democratic Front, Coalition for Unity and Democracy, United Ethiopian Democratic Forces, Somali People's Democratic Party and Oromo Federal Democratic Party • Corruption perception index – 29th in Africa (120 overall)	• Languages – Amarigna, Oromigna, Tigrigna, Somaligna, Guaragigna, Sidamigna, Hadiyigna, English and Amharic (official) • Religion – Orthodox (43.5%), Muslim (33.9%), Protestant (18.6%), traditional (2.6%) and Catholic (0.7%) • Ethnic diversity – Oromo (34.5%), Amara (26.9%), Somalie (6.2%), Tigraway (6.1%) and Sidama (4%) • Education (public expenditure as a % of GDP) – 4.9 • Pupil-teacher ratio (primary schools) – 57:1 (2010) • Literacy (adults) – 59% (2010) • Life expectancy – Information not available

Ethiopia FDI trends

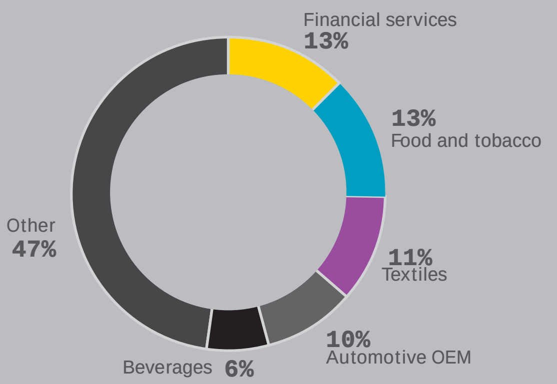
Inward FDI

Ethiopia's solid rise in FDI new projects (a near sevenfold increase since 2006) is supportive of the economy's robust 8%+ GDP growth.

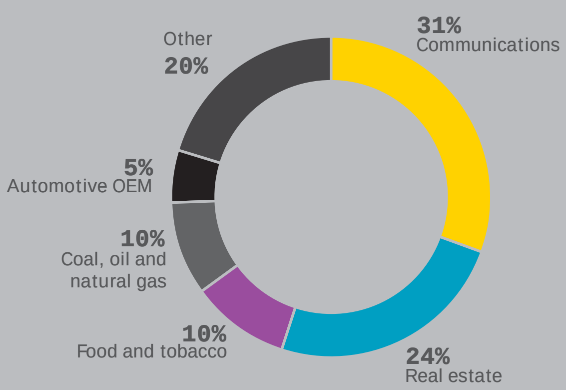


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

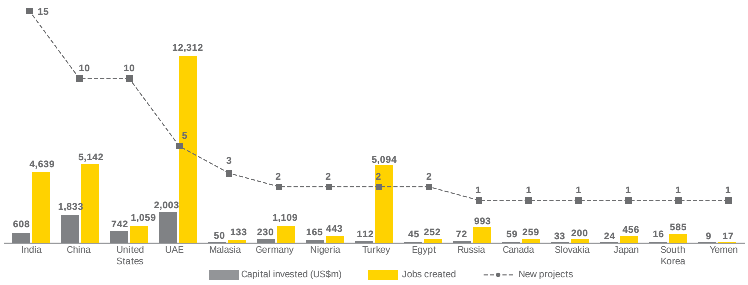


Capital invested inward FDI by sectors



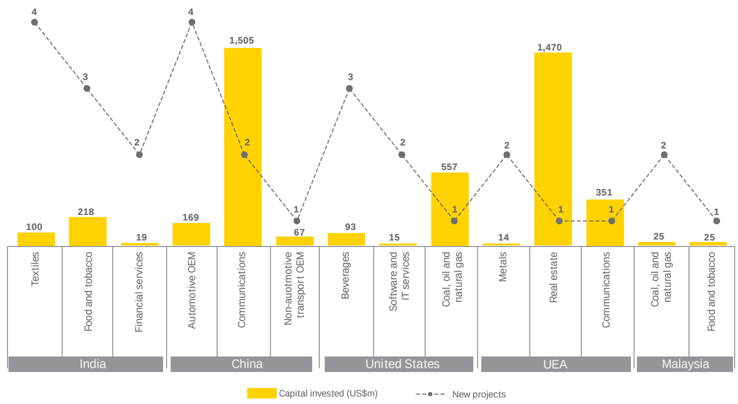
Top investors (2003–11)

Emerging market countries, led by India and China, are Ethiopia's most notable new project investors.



Top 5 investors and their top sector engagement

The diversity of sector engagement by Ethiopia's top investors reinforces the positive growth in the economy.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Ethiopia FDI outlook

Ethiopia has the 2nd-largest population in Africa (and the 14th largest in the world), and has consistently been one of the fastest growing economies in the world for over a decade. Although the large majority of the population remain poor, the potential that exists in the market is attracting investor interest.

However, in the medium term, it is gold, recently found natural gas reserves, and the possibility of oil in the Rift basin that will attract the bulk of investment.

FDI inflows to Ethiopia are forecast to average about US$1.2b p.a. over the next five years, with approximately 11,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Average	Average	Attractive	Gold reserves and the potential for commercial development in natural gas, iron ore and oil reserves provides some pull for investors.
Labor	Average	Average	Average	Working population is growing rapidly, but literacy rate remains poor.
Market size	Very unattractive	Unattractive	Average	A still small economy, but rapid growth coupled with a large population, makes this a market with significant potential.
Infrastructure	Very unattractive	Very unattractive	Average	Infrastructure levels are generally weak, but substantial investments are being made.
Bureaucracy	Unattractive	Unattractive	Average	Bureaucracy is a challenge to business, although improvements are being made.
Corruption and political environment	Very unattractive	Unattractive	Unattractive	Government is stable, although the centralized autocratic tendencies may be a concern. Corruption is a challenge.
Overall outlook for FDI	Unattractive	Average	Attractive	Natural resources, a large population and a rapidly growing economy will attract increasing levels of FDI.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Dangote

"We are motivated to create an African success story because we believe that entrepreneurship, especially our own homegrown African entrepreneurship, holds the key to the future economic growth of the continent." Aliko Dangote, President and CEO of Dangote.

The Dangote Group, founded in 1981, is the largest industrial conglomerate in West Africa and one of the largest and most diversified in Africa. One of its subsidiaries, Dangote Cement, is also the largest cement production company in Africa and the largest company traded on the Nigerian Stock Exchange, with a market capitalization of around US$14b. The Dangote Group aims to produce 50 million tonnes of cement in Africa by 2015, as part of its ambition to be an internationally significant competitor in global cement production. The CEO of Dangote, Aliko Dangote, believes too that investment in the real sector of the economy is the only way Africa can achieve accelerated growth and development. Dangote's operational headquarters are located in Lagos, Nigeria and it operates in several other countries in Africa, including Benin, Cameroon, Ghana, South Africa, Zambia and now Ethiopia. The group signed an agreement to build a US$400m cement factory in Ethiopia in 2011. The plant, which is expected to produce two million tonnes of cement a year, is scheduled to be completed in 2014. This should partially alleviate the severe cement shortage in Ethiopia arising as a result of substantial investment in infrastructure development.

Ghana

Ferdinand Gunn
Country Leader

Tel: +233 302 784259
Email: ferdinand.gunn@gh.ey.com

"Ghana's economy has attained a lower middle income status and we recorded a GDP growth of 14.4% in 2011 as a result of massive investment in infrastructure and substantial infusion of FDI propelled mainly by the emerging oil and gas sector. While we expect to continue to record double-digit growth rates for years to come, we need to put in place policy measures to strengthen the domestic capital market, make the tax system more efficient, contain inflation, pay attention to agriculture and respond to the renewed instability in the global economy."

Ferdinand Gunn

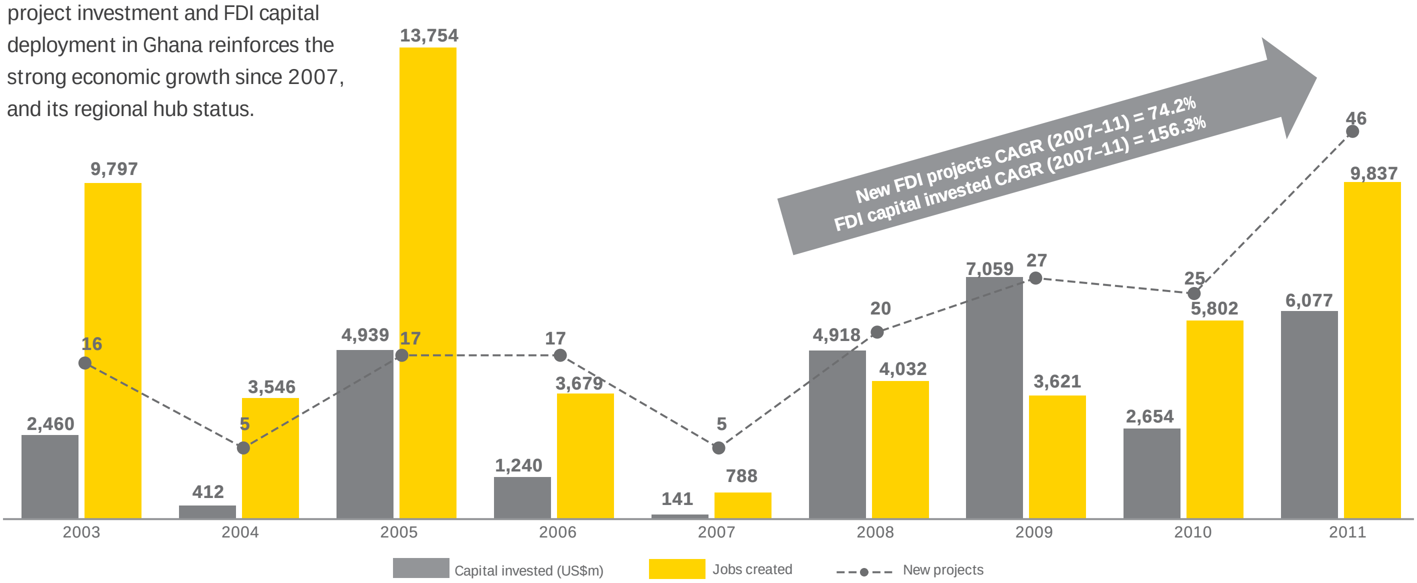
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 1,325 (2010), 1,570 (2011) • GDP growth (annual %) – 7.7 (2010), 13.6% (2011) • Natural resources – gold, timber, oil, industrial diamonds, bauxite, manganese, fish, rubber, hydropower, petroleum, silver, salt, limestone • Types of industry – mining, lumbering, light manufacturing, aluminium smelting, food processing, cement, small commercial ship building • Major trading partners – 2010: Netherlands (13.5%), UK (7.9%), France (5.9%), Ukraine (5.8%) and Malaysia (4%) 2011: US (13.8%), China (13.3%), Russia (9.5%), Norway (4.4%), Switzerland (0.6%) Ease of doing business – 7th in Africa (63 overall) Global competitiveness index – 16th in Africa (114 overall)	• Population – 24,392,000 (2010) • 24,658,823 (2012 Census) • Youth – as a % of total population – 18.4 (2000) • Area – 238,533km² • Capital – Accra • Other cities – Kumasi (1.773)	• Type – constitutional democracy • Independence – 06 March 1957 • Major political parties – New Patriotic Party (NPP), National Democratic Congress (NDC) , Convention People's Party (CPP), Progressive People's Party (PPP) • Corruption perception index – ninth in Africa (69 overall) • 2011 – eighth in Africa (69 overall)	• Languages – Asante, Ewe, Fante, Boron (Brong), Dagomba, Dangme, Dagarte (Dagaba), Akyem, Ga, Akuapem, other (includes English – official) • Religion – Christian (68.8%) (Pentecostal or Charismatic 24.1%, Protestant 18.6%, Catholic 15.1%, other 11%), Muslim (15.9%), traditional (8.5%), other (0.7%) and none (6.1%) • Ethnic diversity – Akan (45.3%), Mole-Dagbon (15.2%), Ewe (11.7%), Ga-Dangme (7.3%) and Guan (4%) • Education (public expenditure as a % of GDP) – 5.4 • Pupil-teacher ratio (primary schools) – 31:1 (2011) • Literacy (adults) – 67% (2009) • Life expectancy – 64 years (2010)

Ghana FDI trends

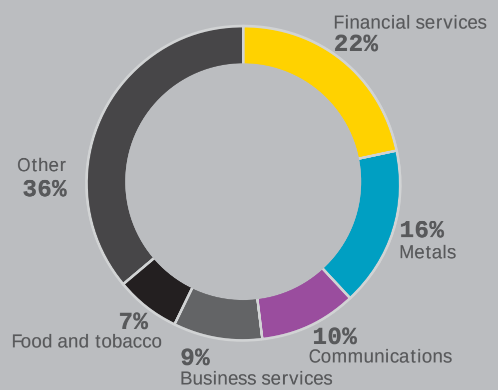
Inward FDI

Robust and outstanding growth in new project investment and FDI capital deployment in Ghana reinforces the strong economic growth since 2007, and its regional hub status.

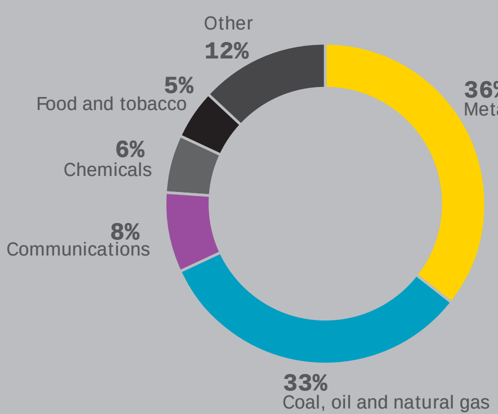


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

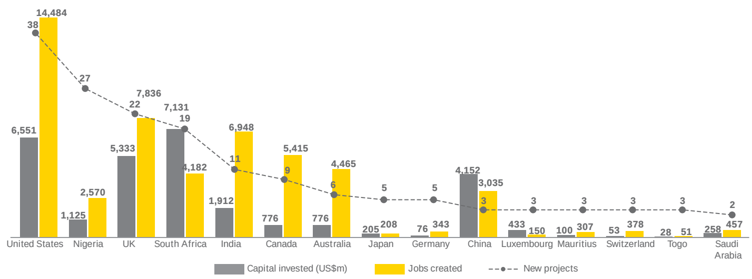


Capital invested inward FDI by sectors



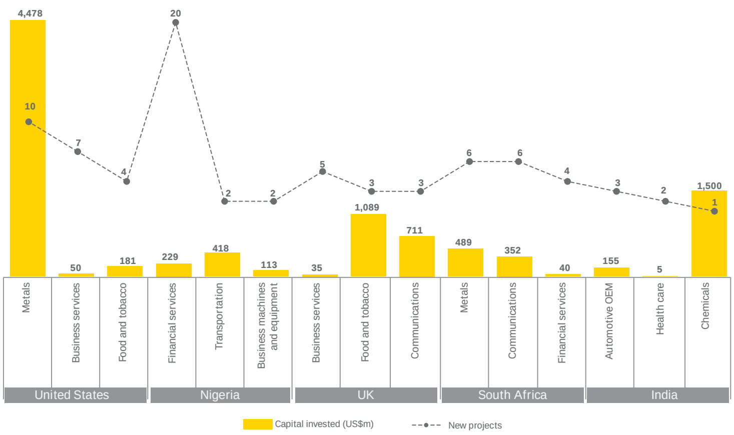
Top investors (2003–11)

Neighboring Nigeria and South Africa strongly support investment into Ghana, with US and UK the other most notable sources of FDI.



Top 5 investors and their top sector engagement

Nigeria is Ghana's most active investor of FDI new projects, while the US remains a stalwart capital contributor into the resource space.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Ghana FDI outlook

Relative to its African counterparts, Ghana has a sizable resource endowment; the country has plenty of mineral, gas and oil reserves. We expect continued investment in the oil and gas industries, contributing to the majority of FDI flows.

Increasing oil revenues should indirectly boost other sectors. This is particularly true of infrastructure, although if managed correctly, it could also help fund improvements in sectors such as health care and education.

Ghana benefits from a stable political environment, with democracy well established and adhered to. However, Ghana needs to continue to invest in infrastructure, human capital and health care to attract more diversified FDI projects.

FDI inflows to Ghana are forecast to average about US$5b p.a. over the next five years, with approximately 45,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Unattractive	Attractive	Very attractive for FDI	Gold and cocoa have historically been Ghana's major exports, but oil reserves and domestic production will enhance investment attractiveness.
Labor	Attractive	Attractive	Attractive	Rapidly growing working population with improving levels of education.
Market size	Unattractive	Average	Attractive	A medium sized, but rapidly growing economy, with relatively low but improving levels of GDP per capita.
Infrastructure	Very unattractive	Unattractive	Average	Some improvements have been made over the past decade, but substantial investment still required.
Bureaucracy	Unattractive	Very attractive for FDI	Very attractive for FDI	Levels of bureaucracy are low, and the business environment is supportive.
Corruption and political environment	Unattractive	Attractive	Attractive	Ghana has been one of the most stable democracies in Africa, and corruption levels are relatively low.
Overall outlook for FDI	Unattractive	Attractive	Very attractive for FDI	A stable and rapidly expanding economy, boosted by oil production, will be a strong pull factor as FDI levels continue to grow.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Standard Chartered

"At Standard Chartered, we see enormous potential for growth through financing a new class of consumers, agriculture and infrastructure. The bottom line is that Africa's investment landscape has fundamentally changed for the better." V. Shankar, CEO for Europe, the Middle East, Africa and the Americas, Standard Chartered plc

Standard Chartered has deep roots in Africa. The company was formed in 1969 through a merger of two banks, one of which, The Standard Bank of British South Africa, was founded in South Africa in 1862, and by the 1960s had extended its footprint across Southern, Central, East and West Africa. Today, Standard Chartered is present in 14 sub-Saharan African countries, with Nigeria being the largest market, but with strong growth across a number of markets, including Kenya, Zambia and Ghana.

The company has played a key role in the Ghana economy. A study by Insead professor, Ethan Kapstein, showed that in 2009 it provided Ghanaian businesses, consumers and government agencies with nearly US$900m of financing, more than any other private commercial bank operating in the country. That lending generated US$400m of value added in the nation's economy, equivalent to 2.6% of GDP. Meanwhile, the bank's activities helped support 156,000 jobs in Ghana, equal to about 1.5% of the active workforce.

Kenya

Gitahi Gachahi
East Africa Regional Leader

Tel: +254 20 271 5300
Email: gitahi.gachahi@ke.ey.com

"Investment into Kenya has grown considerably over the past few years, with a strong focus on the potential offered by an expanding consumer market. Kenya also offers investors a natural gateway to the rest of the East Africa region, one of the most exciting and rapidly growing regions in the world. The five countries of the East African Community alone form a common market of 130m people, while Kenya also offers access to South Sudan and Ethiopia, both of which have the potential to be substantial markets in the next few years."

Gitahi Gachahi

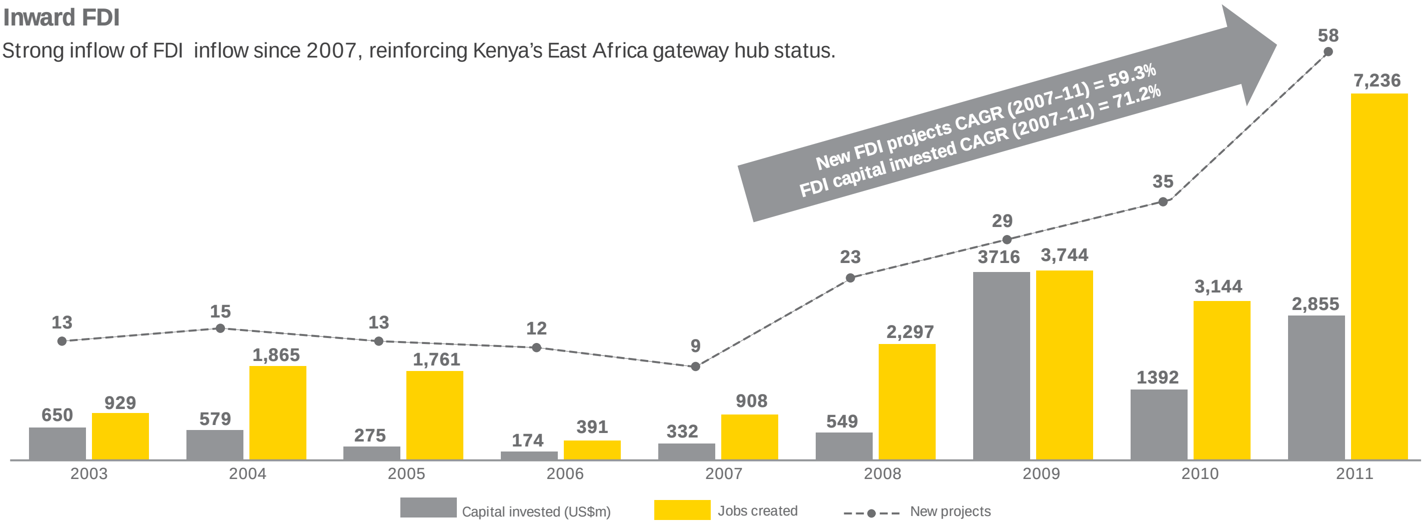
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 795 (2010) • GDP growth (annual %) – 5.6 (2010) • Natural resources – limestone, soda ash, salt, gemstones, fluorspar, zinc, diatomite, gypsum, wildlife, hydropower • Types of industry – small-scale consumer goods (plastic, furniture, batteries, textiles, clothing, soap, cigarettes, flour), agricultural products, horticulture, oil refining; aluminium, steel, lead; cement, commercial ship repair, tourism • Major trading partners – UK (11.3%), Netherlands (9.8%), Uganda (9.1%), Tanzania (8.8%) and US (5.9%) • Ease of doing business – 12th in Africa (109 overall) • Global competitiveness index – 11th in Africa (102 overall)	• Population – 40,513,000 (2010) • Youth – as a % of total population – 21.9 (2005) • Area – 580,367Km^2 • Capital – Nairobi • Other cities – Mombasa	• Type – republic • Independence – 12 December 1963 • Major political parties – Party of National Unity (PNU), Orange Democratic Movement (ODM), Kenya Patriotic Trust (KPT), Kenya People's Party (KPP) and Workers Congress Party of Kenya (WCPK) • Corruption perception index – 44th in Africa (154 overall)	• Languages – English (official), Kiswahili (N13), numerous indigenous languages • Religion – Protestant (45%), Roman Catholic (33%), Muslim (10%), indigenous beliefs (10%) and other (2%) • Ethnic diversity – Kikuyu (22%), Luhya (14%), Luo (13%), Kalenjin (12%) • Education (public expenditure as a % of GDP) – 6.8 • Pupil-teacher ratio (primary schools) – 47:1 (2009) • Literacy (adults) – 87% (2009) • Life expectancy – 56 years (2010)

Kenya FDI trends

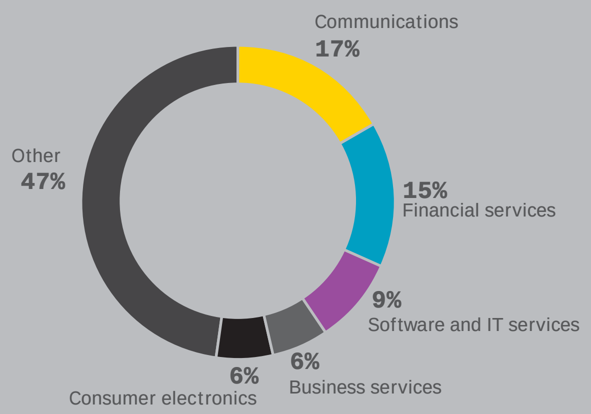
Inward FDI

Strong inflow of FDI inflow since 2007, reinforcing Kenya's East Africa gateway hub status.

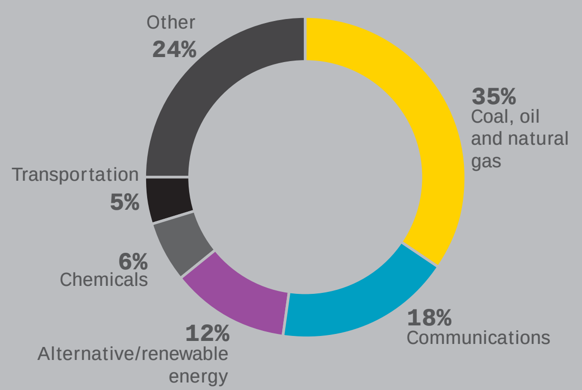


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

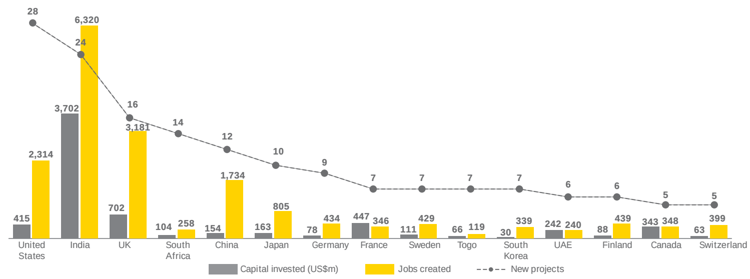


Capital invested inward FDI by sectors



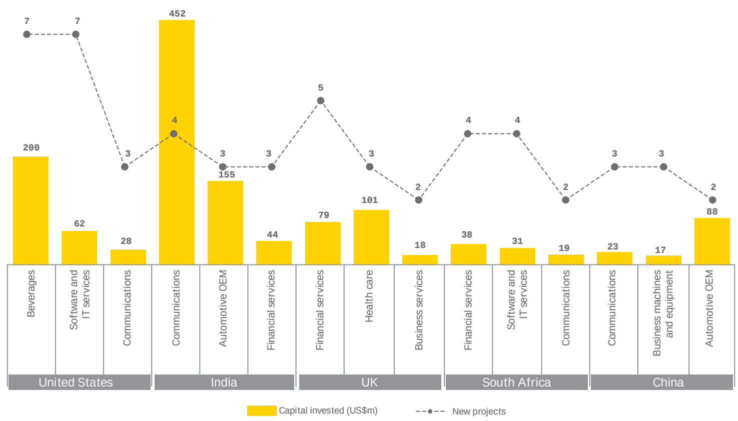
Top investors (2003–11)

India, the US and UK have been the most important investors into Kenya since 2003.



Top 5 investors and their top sector engagement

Communications stands out across the board, with financial services and automotive notable.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Kenya FDI outlook

Historically, Kenya lacks the natural resource base that makes many other African economies attractive, but the recent discovery of oil in the north-western Turkana region by Tullow may change that. Kenya does have a relatively well-educated labor market, a rapidly growing consumer base, and is a strategic trading hub in East Africa.

The diverse population of over 40 different tribes has resulted in a relatively unstable political system, although recent changes to the constitution should reduce the potential for civil unrest.

Although FDI flows into Kenya have been relatively low, much of the investment that is made has gone into labor-intensive industries such as the communications sector.

FDI inflows to Kenya are forecast to average about US$1.3b p.a. over the next five years (although significant oil discoveries will change this dramatically), with approximately 16,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources				Kenya has historically lacked the natural resources that makes many other African economies attractive, but the recent oil discovery may change that.
Labor				Rapidly growing working population and high literacy levels remain attractive.
Market size				The economy is relatively small, but a large population and rising GDP per capita levels offer potential.
Infrastructure				Lack of investment funds has limited spending on infrastructure to date, but investment levels should rise over the next decade.
Bureaucracy				Significant level still remains, which hinders business, although Kenya is one of the more competitive nations in Africa.
Corruption and political environment				Progress has been made in embedding democratic institutions and processes. However, corruption is a significant challenge.
Overall outlook for FDI				Kenya is already established as a gateway to the East Africa region, and this status will be reinforced as the region continues to grow and as levels of infrastructure and the institutional environment continue to improve. Oil discoveries in Kenya and the region as a whole will provide an accelerator for growth.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Bharti Airtel

"Africa is a huge continent and will remain a very important new market. My focus for the next one to two years is to execute the business model and strategy in these 16 countries and maybe look at other markets after that. As a continent, this will have bigger potential than even India," Manoj Kohli, Head of Bharti Airtel's International Operations

Bharti Airtel is one of a new generation of emerging market investors into Africa. The Indian telecommunications company, with over 150 million mobile subscribers in India, bought Zain's African assets last year for US$10.7b. Airtel has chosen to establish its African headquarters in Nairobi, Kenya. From this base in Kenya, Airtel manages its significant presence in a diverse group of16 African countries (Burkina Faso, Chad, Congo Brazzaville, Democratic Republic of Congo, Gabon, Ghana, Kenya, Madagascar, Malawi, Niger, Nigeria, Seychelles, Sierra Leone, Tanzania, Uganda and Zambia. In 2011 alone, Airtel invested more than US$500m into its African operations, and its revenues from Africa crossed the US$1b per quarter mark in September 2011.

Mauritius

Gerald Lincoln
Country Leader

Tel: +230 403 4710
Email: gerald.lincoln@mu.ey.com

"We are seeing increasingly high levels of interest from international investors who wish to use Mauritius as a platform from which to invest in Africa. There are already a number of funds who have set up in the global business sector and are channelling funds and deals from Mauritius. The Taxation Treaty network that Mauritius has with many African states is an attraction, as well as the Investment Promotion and Protection Agreements (IPPAs). We are also seeing many Mauritian companies venturing into East Africa in a whole array of sectors from finance to agriculture."

Gerald Lincoln

Country overview

Economy

- GDP per capita (US$) – 7,591 (2010)
- GDP growth (annual %) – 4.2 (2010)
- Natural resources – arable land, fish
- Types of industry – food processing (largely sugar milling), textiles, clothing, mining, chemicals, metal products, transport equipment, non-electrical machinery, tourism
- Major trading partners – UK (25.6%), France (16.9%), US (9.5%), Italy (5.7%) and UAE (5.5%)
- Ease of doing business – first in Africa (23 overall)
- Global competitiveness index – third in Africa (54 overall)

Geography

- Population – 1,281,000 (2010)
- Youth – as a % of total population – 15.9 (2006)
- Area – 2,040Km^2
- Capital – Port Louis
- Other cities – N/A

Government

- Type – parliamentary democracy
- Independence – 12 March 1968
- Major political parties – Alliance of the Future, Alliance of the Heart, Mauritian Solidarity Front, Movement Republican, Rodrigues Movement and Rodrigues People's Organisation
- Corruption perception index – third in Africa (overall 46)

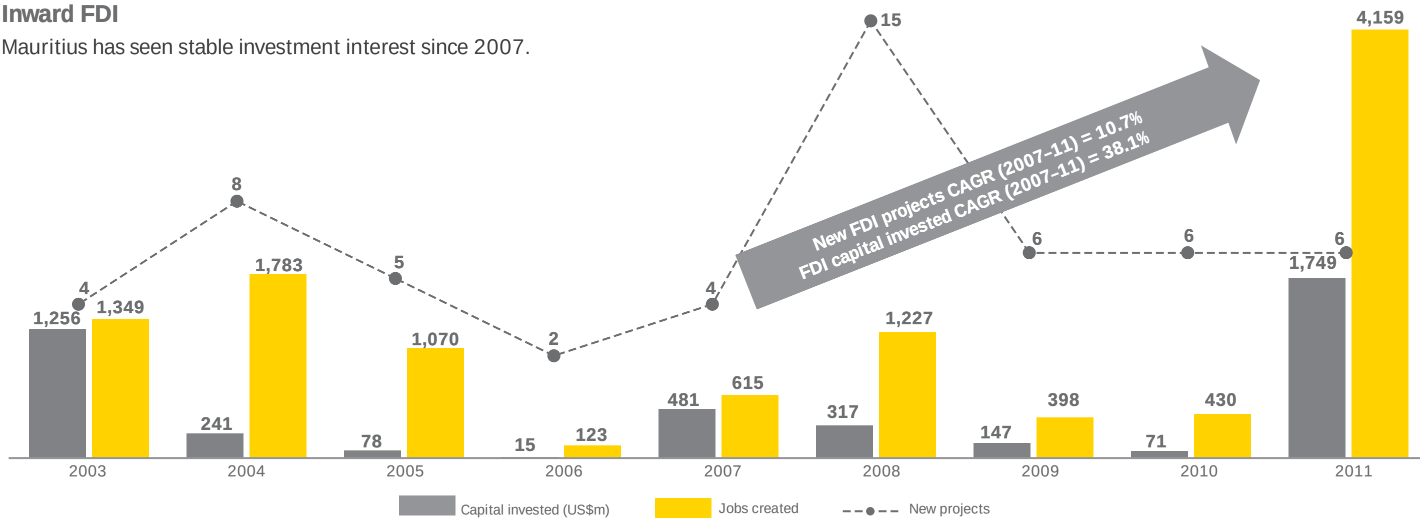
People

- Languages – Creole, Bhojpuri, French, English, other, unspecified
- Religion – Hindu (48%), Roman Catholic (23.6%), Muslim (16.6%), other Christian (8.6%), other (2.5%), unspecified (0.3%) and none (0.4%)
- Ethnic diversity – Indo-Mauritian (68%), Creole (27%), Sino-Mauritian (3%) and Franco-Mauritian (2%)
- Education (public expenditure as a % of GDP) – 3.8
- Pupil-teacher ratio (primary schools) – 21:1 (2010)
- Literacy (adults) – 88% (2009)
- Life expectancy – 73 years (2010)

Mauritius FDI trends

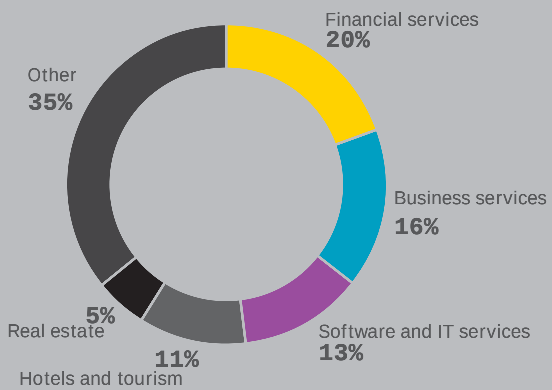
Inward FDI

Mauritius has seen stable investment interest since 2007.

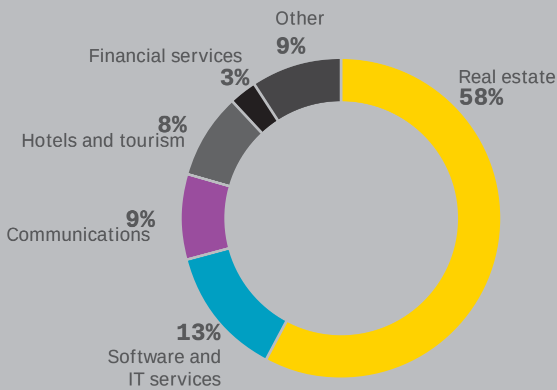


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

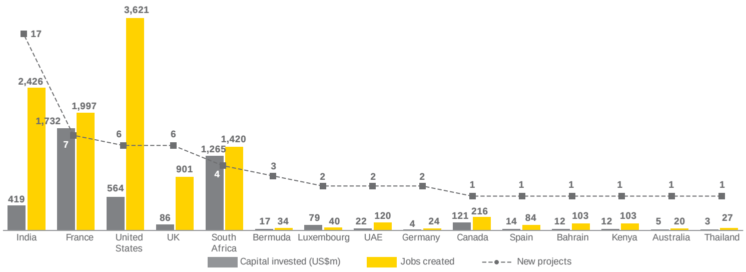


Capital invested inward FDI by sectors



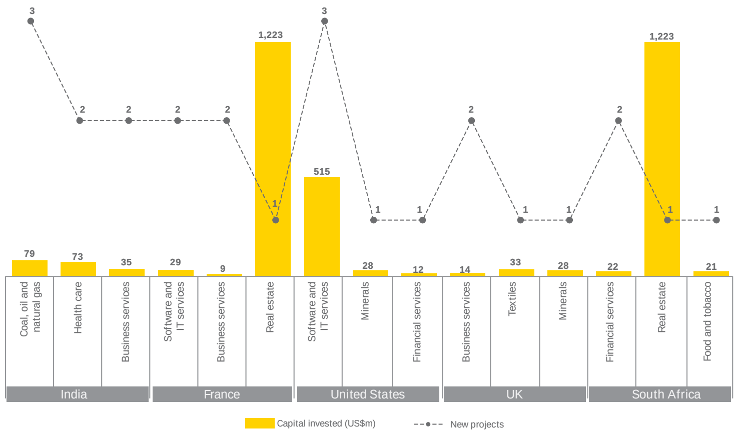
Top investors (2003–11)

India has surpassed France as Mauritius' most notable investor of new projects, with the US, UK and South Africa also showing strong support.



Top 5 investors and their top sector engagement

India is investing into new petroleum refining capacity, with France and South Africa focused on real estate construction spend.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Mauritius FDI outlook

Mauritius is politically stable, has a well-developed infrastructure network, a highly educated workforce, a comparatively high level of income, tax friendly policies and low levels of bureaucracy, all of which are attractive to investors. Mauritius is also not only the highest ranked African country on the World Bank's Doing Business rankings, but is also ahead of the likes of Switzerland, Belgium, France, the Netherlands and Austria.

On the downside, Mauritius is an island nation, with limited natural resources and a small population of about 1.3 million. FDI during the 2003–11 period has therefore only amounted to US$4.4b; not insignificant, particularly given the market size, but not one of the major players in this sense in Africa.

Looking forward over the next five years, Mauritius is expected to receive only modest amounts of FDI. Larger opportunities elsewhere, in particular in countries with high natural resource endowments, will be more attractive to investors.

FDI inflows to Mauritius are forecast to average about US$290m p.a. over the next five years, with approximately 4,300 new jobs created as a result (the relatively high proportion of new jobs being because of the focus on the service sector).

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Unattractive	Unattractive	Unattractive	Natural resources remain relatively scarce, although agriculture and fisheries provide opportunity.
Labor	Average	Attractive	Attractive	High level of education, although labor market rigidities exist.
Market size	Unattractive	Unattractive	Unattractive	A small market, although income levels are relatively high.
Infrastructure	Average	Attractive	Very attractive for FDI	Continued investment has resulted in a well-developed infrastructure.
Bureaucracy	Very attractive for FDI	Very attractive for FDI	Very attractive for FDI	Levels of bureaucracy are low, and the business environment is supportive.
Corruption and political environment	Very attractive for FDI	Very attractive for FDI	Very attractive for FDI	A stable democracy with a strong record of governance. Corruption levels among the lowest in Africa.
Overall outlook for FDI	Attractive	Attractive	Attractive	A generally attractive business environment is a strong pull factor for FDI. This, and a favorable tax legislation and treaties with other Africa nations, makes Mauritius a popular hub for investment into other parts of Africa.

Very unattractive   Unattractive   Average   Attractive   Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Jinfei Economic and Trade Cooperation Zone

"The prevailing business conditions in Mauritius are ideal to help Chinese producers to serve the African market better." Hang Zong, President of Tianli Group.

The Chinese-developed Jinfei Economic and Trade Cooperation Zone in Mauritius is part of a government effort to attract foreign investment and take advantage of the country's position as a gateway between Asia and Africa. The zone agreement specifies that if the developer cannot meet performance indicators, including attracting about US$700m of FDI within eight years, it will have to return the land to the Government. The Jinfei project comprises three partners – the Taiyuan Iron and Steel Co. Ltd (TISCO), the Shanxi Coking Coal and the Tianli Group with the China Africa Development Fund (CADFund) as equity partner. The zone's first development phase will cost approximately US$220m and upon completion is expected to provide a manufacturing and service base for Chinese enterprises doing business in Africa. A second phase, targeted for 2016, aims to focus on solar energy, pharmaceuticals, medical equipment, and processing of seafood and steel products, as well as housing, hotels and real estate. If fully implemented, the total project is estimated to cost US$940m and hopes to create between 30,000 and 42,000 jobs.

Mozambique

Ismael Faquir
Country Leader

Tel: +258 21 353 300
Email: ismael.faquir@mz.ey.com

"In my view, now is the time to take advantage of the opportunities that are opening for investment as a result of the boom in the natural resources sector in Mozambique and to capitalize on this by establishing the right partnerships and obtaining the adequate advice and support from the beginning. The political, economic and social environments are stable and the country and its people are open to receive investors. Notwithstanding, one must keep in mind that the expectancy is that such investment results not only in the growth of the economy but also contributes directly for the improvement of the living conditions of the population at large."

Ismael Faquir

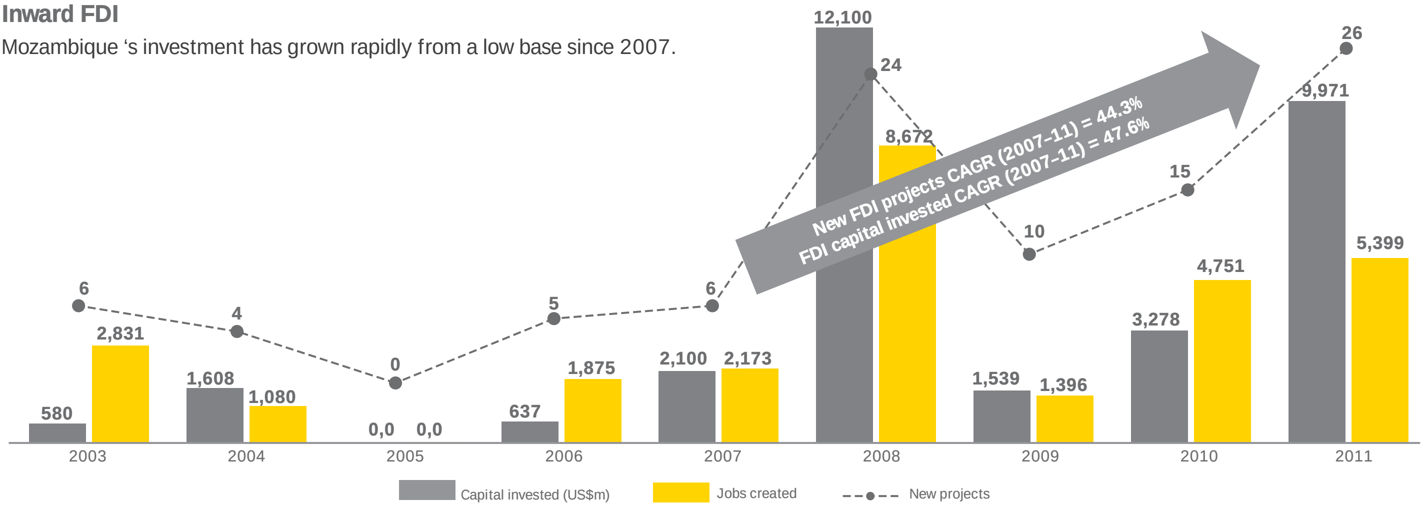
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 595 (2010) • GDP growth (annual %) – 9.0 (2010) • Natural resources – coal, titanium, natural gas, hydropower, tantalum, graphite • Types of industry – food, beverages, chemicals (fertilizer, soap, and paints), aluminium, petroleum products, textiles, cement, glass, asbestos, tobacco • Major trading partners – Netherlands (47.6%) and South Africa (11.6%) • Ease of doing business – 22nd in Africa (139 overall) • Global competitiveness index – 27th in Africa (133 overall)	• Population – 23,390,000 (2010) • Youth – as a % of total population – 32.3 (2000) • Area – 799, 380Km² • Capital – Maputo • Other cities – Matola	• Type – republic • Independence – 25 June1975 • Major political parties – Liberation Front of Mozambican (FRELIMO), Mozambique National Resistance (RENAMO) and Democratic Movement of Mozambique • Corruption perception index – 30th in Africa (120 overall)	• Languages – Emakhuwa, Portuguese (official), Xichangana, Cisena, Elomwe, Echuwabo • Religion – Catholic (28.4%), Protestant (27.7%) (Zionist Christian (15.5%), Evangelical Pentecostal (10.9%), Anglican (1.3%)), Muslim (17.9%), other (7.2%) and none (18.7%) • Ethnic diversity – African (99.7%) • Education (public expenditure as a % of GDP) – 4.9 • Pupil-teacher ratio (primary schools) – 58:1 (2010) • Literacy (adults) – 55% (2009) • Life expectancy – 50 years (2009)

Mozambique FDI trends

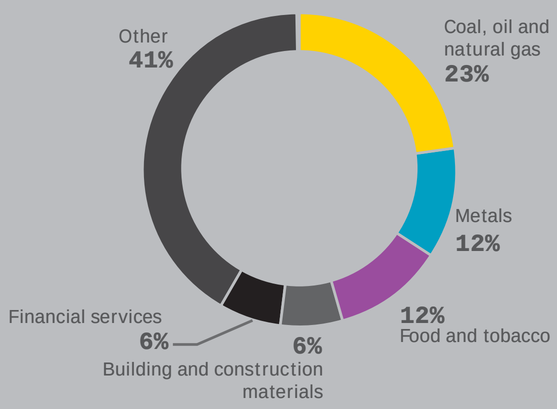
Inward FDI

Mozambique ‘s investment has grown rapidly from a low base since 2007.

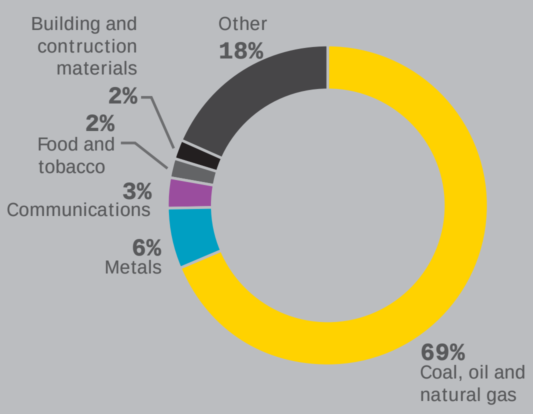


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

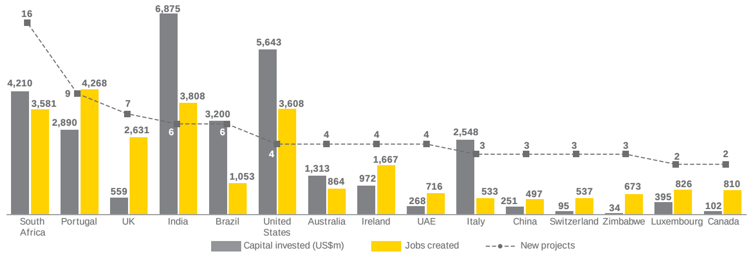


Capital invested inward FDI by sectors



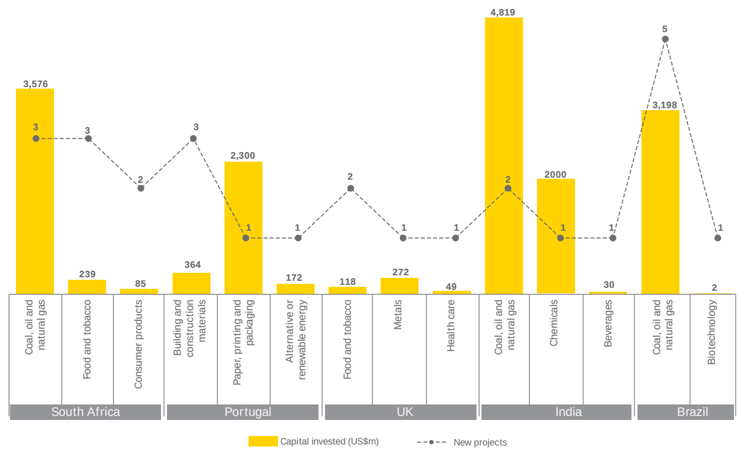
Top investors (2003–11)

Neighboring South Africa is the most active project investor, while the other top country investors such as Portugal, India, Brazil and the US all have notable interests.



Top 5 investors and their top sector engagement

South Africa, India and Brazil are the key investors in Mozambique’s booming coal sector.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Mozambique FDI outlook

After emerging from two decades of civil war, Mozambique has consistently been one of the fastest growing economies in the world for longer than ten years. Significant improvements are being made to the education system and the country's infrastructure, albeit from a low base.

Mozambique's key attraction for investors is resources such as coal, iron ore, and, in particular, natural gas, reserves of which already stand at over 127b cubic meters. From 2003 to 2011, more than two-thirds of FDI went into extractive activities.

FDI inflows to Mozambique are forecast to average about US$1.4b p.a. over the next five years, with approximately 8,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Average	Attractive	Very attractive for FDI	Abundance of natural resources, still relatively untapped, provides bright prospects for FDI.
Labor	Unattractive	Average	Average	Relatively small working population. Literacy levels are low but expected to rise.
Market size	Very unattractive	Unattractive	Average	A still small economy, but one experiencing sustained and rapid growth.
Infrastructure	Unattractive	Unattractive	Average	The outlook for infrastructure is improving, with transport, power and communications infrastructure expected to expand significantly.
Bureaucracy	Unattractive	Unattractive	Average	Bureaucratic procedures still hinder business, but this trend is rapidly changing.
Corruption and political environment	Unattractive	Average	Average	Political situation is relatively calm and stable, although succession is an issue. Corruption is a challenge.
Overall outlook for FDI	Unattractive	Average	Attractive	Natural resources will attract increasing levels of FDI, and the overall environment for doing business will continue to improve.

Very unattractive — Unattractive — Average — Attractive — Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Vale

"I am falling in love with Africa"; "[The] discovery of new world-class deposits is increasingly dependent on Africa. Africa will be very big in 10 to 15 years." Roger Agnelli, former CEO, Vale (October 2011).

Vale is a Brazilian multinational diversified metal and mining corporation, present in 37 countries on 5 continents, and employing over 187,000 people. Among its activities, Vale holds a concession to explore the rich coal deposits in the Tete region in Mozambique, and started mining operations there in 2010 (which involved an initial investment of over US$1.5b). A US$6b expansion of Vale's Moatize coal project in Mozambique was approved in late 2011. Besides increased production capacity, this expansion will also include about US$4.4b dedicated to the building of a new coal terminal at the northern port of Nacala and a 912km rail line connecting the coal mine with the port. Vale is also planning to build a 600MW thermal power plant at Moatize, and may develop a coal-to-liquids project at the site. Acting in partnership with the Mozambican Government and local civil society, Vale has so far invested more than US$90m in projects in the fields of health, agriculture, infrastructure, sports and education.

Nigeria

Henry Egbiki
West Africa Regional Leader

Tel: +234 1 46 304 80
Email: henry.egbiki@ng.ey.com

"Nigeria is considered by many people to be one of the most exciting emerging markets in the world today. Oil remains a major drawcard for investment and remains integral to the economy. However, consistently high growth rates, together with the largest population in Africa, is attracting investment into a number of other sectors, notably telecommunications, financial services and consumer products. We are very positive that these trends will continue."

Henry Egbiki

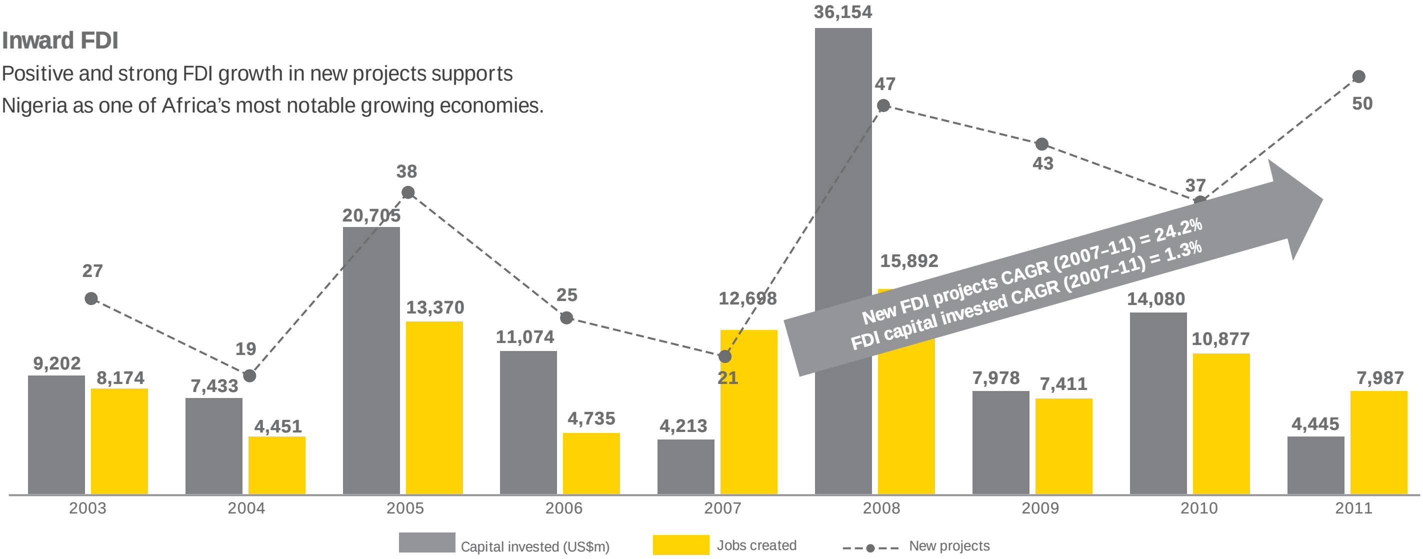
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 1,278 (2010) • GDP growth (annual %) – 8.7 (2010) • Natural resources – natural gas, petroleum, tin, iron ore, coal, limestone, niobium, lead, zinc, arable land • Types of industry – crude oil, coal, tin, columbite; rubber products, wood; hides and skins, textiles, cement and other construction materials, food products, footwear, chemicals, fertilizer, printing, ceramics, steel, telecoms, financial services • Major trading partners – US (35.1%), India (10.4%), Brazil (9.3%), Spain (7.2%) and France (4.7%) • Ease of doing business – 19th in Africa (133 overall) • Global competitiveness index – 22nd in Africa (127 overall)	• Population – 158,423,000 (2010) • Age – 0 – 14yrs: 40.9%, 15 – 64 yrs: 55.9%, 65 yrs and above: 3.1% (2011) • Area – 923,768Km^2 • Capital – Abuja • Other cities – Lagos, Kano, Ibadan, Kaduna, Port Harcourt	• Type – Federal Republic • Independence – 01 October 1960 • Major political parties – Peoples Democratic Party (PDP), All Nigeria Peoples Party (ANPP), Action Congress of Nigeria (ACN), Progressive Peoples Alliance and Democratic Peoples Party (DPP) • Corruption perception index – 37th in Africa (143 overall)	• Languages – English (official), Hausa, Yoruba, Igbo (Ibo), Fulani, over 500 additional indigenous languages • Religion – Muslim (50%), Christian (40%) and indigenous beliefs (10%) • Ethnic diversity – Hausa and Fulani (29%), Yoruba (21%), Igbo (18%) and Ijaw (10%) • Education (public expenditure as a % of GDP) – N/A • Pupil-teacher ratio (primary schools) – 36:1 (2010) • Literacy (adults) – 61% (2009) • Life expectancy – 51 years (2010)

Nigeria FDI trends

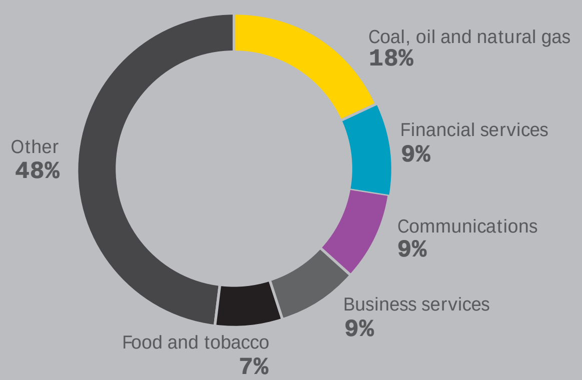
Inward FDI

Positive and strong FDI growth in new projects supports Nigeria as one of Africa's most notable growing economies.

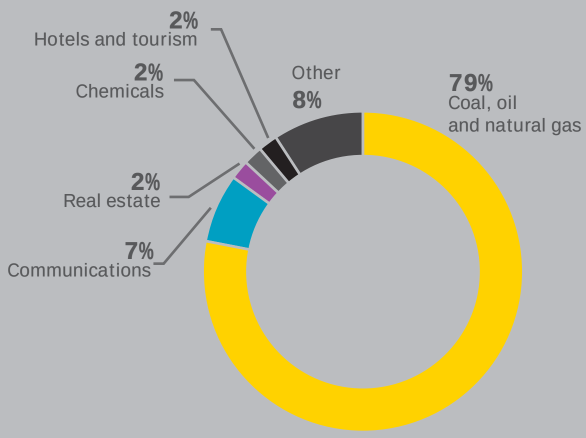


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

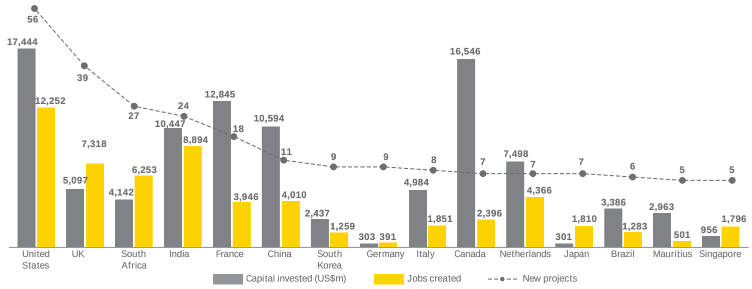


Capital invested inward FDI by sectors



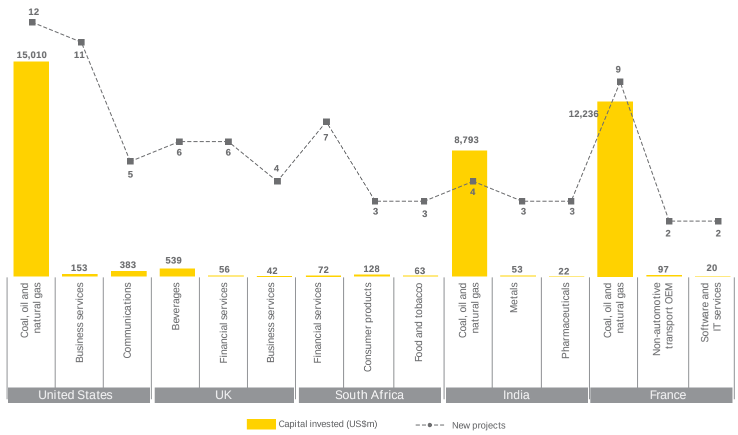
Top investors (2003–11)

A diverse group of investors support growth in Nigeria, with greatest investments activity coming from the US, the UK and France, yet influences from the other emerging market investors such as South Africa, India and China is growing.



Top 5 investors and their top sector engagement

The UK and South Africa have shown most diverse interest by investing into manufacturing capacity and consumer goods, while the US, India and France are focused on resource extraction activity.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Nigeria FDI outlook

Nigeria has been the largest recipient of FDI in Africa over the last decade, with announcements totaling almost US$116b in 2003–11 (around 9.0% of GDP). Eighty percent of that FDI has been in the oil and gas sector. Nigeria's substantial oil reserves will continue to attract funds over the medium term, and we expect the bulk of FDI to be concentrated here.

However, the large domestic market and diversifying economy is creating opportunities for FDI in other sectors such as communications, financial services, real estate and tourism. There is also a large and relatively cheap labor force to draw on.

Nigeria has made significant improvements to its secondary school enrolment but there is still potential to do more. Weak infrastructure and relatively high corruption will limit some of its growth potential.

In addition, political risk factors relating to recent terrorist activity and the potential for civil unrest between the Muslim north and Christian south, will serve as an impediment to some investors.

However, Nigeria is making great strides in many areas, with notable reform initiatives undertaken, in the financial sector for example, and tight fiscal and monetary management of the economy.

FDI inflows to Nigeria are forecast to average about US$23b p.a. over the next five years, with approximately 95,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources				Oil reserves will continue to attract substantial FDI capital.
Labor				Rapidly growing working population, but low levels of education is a hindrance.
Market size				Largest population and second-largest economy in the region, with rising GDP per capita levels.
Infrastructure				Some improvements over previous decade, but remains a challenge and higher levels of investment required.
Bureaucracy				Significant levels still remain, which hinders economic activity.
Corruption and political environment				Democratic institutions and processes have improved substantially, but corruption and social tensions remain a concern.
Overall outlook for FDI				Natural resources are a strong pull factor for FDI. Investment in infrastructure and improvements in the overall business environment would significantly boost FDI levels.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

MTN

"It is fair to say that MTN has played a fundamental role in the economic and social development in the countries in which it operates. It, too, has benefited from its investments ... MTN is the largest primary listed company on the JSE, a key indicator of its success." Cyril Ramaphosa, Chairman, MTN.

In the space of 15 years, MTN grew from start-up to being the largest primary listing on the Johannesburg Stock Exchange. From its South African roots, it today operates in 21 countries in Africa and the Middle East. In 2009 (its 15th year of existence), MTN passed the 100m subscriber market. MTN is a significant investor across the continent, having invested in the 10th most FDI projects in Africa since 2008. Nigeria has been a particularly big success story for MTN. From acquiring one of four licenses in 2001, they have grown their subscriber base to over 40m (over 50% of the current market). In 2011, the Nigerian market generated over R35b (over US$4b) in revenue for MTN, and it was the single biggest contributor to group earnings (substantially larger than SA's contribution).

Rwanda

Allan Gichuhi
Country Leader

Tel: +250 78 830 9977
Email: allan.gichuhi@rw.ey.com

"Rwanda has consistently surprised its watchers by posting impressive economic growth rates over the last 10 years and has earned accolades for its raft of reforms geared toward attracting FDI by offering attractive tax and administrative incentives; hitherto un-exploited investment opportunities across a range of sectors, a relatively large regional market and an efficient and corrupt-free government. We are seeing FDI grow significantly as the international and regional investors take advantage of these incentives and strategic location and we believe the trend will continue."

Allan Gichuhi

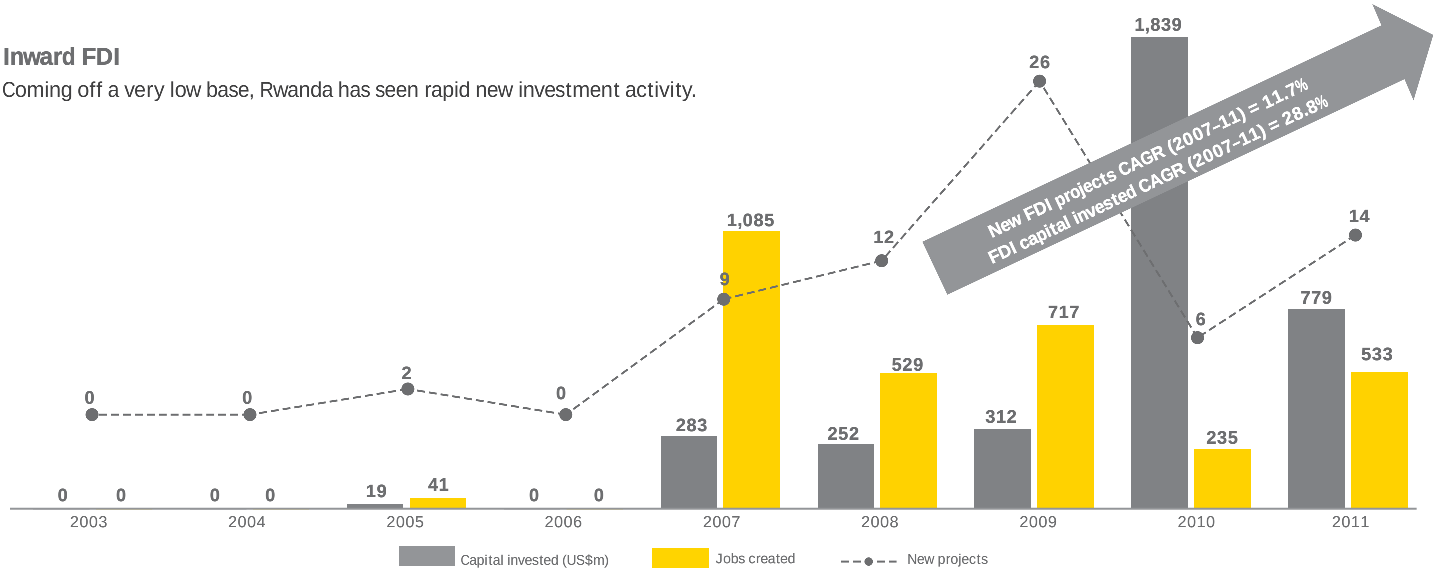
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 530 (2010) • GDP growth (annual %) – 7.5 (2010) • Natural resources – gold, cassiterite (tin ore), wolframite (tungsten ore), methane, hydropower, arable land • Types of industry – cement, agricultural products, small-scale beverages, soap, furniture, shoes, plastic goods, textiles, cigarettes • Major trading partners – Kenya (33.9%), Congo (DRC) (13.6%), Thailand (6.2%), China (5.5%) and US (5.5%) • Ease of doing business – fourth in Africa (45 overall) • Global competitiveness index – fourth in Africa (70 overall)	• Population – 10,624,000 (2010) • Youth – as a % of total population – 23.2 (2002) • Area – 26,338Km^2 • Capital – Kigali • Other cities – N/A	• Type – republic; presidential, multiparty system • Independence – 01 July 1962 • Major political parties – Rwandan Patriotic Front (RPF), Social Democratic Party (PSD), Liberal Party (PL) and Party for Progress and Concord (PPC) • Corruption perception index – fourth in Africa (49 overall)	• Languages – Kinyarwanda (official, universal Bantu vernacular), French (official), English (official), Kiswahili (Swahili, used in commercial centers) • Religion – Roman Catholic (56.5%), Protestant (26%), Adventist (11.1%), Muslim (4.6%), indigenous beliefs (0.1%) and none (1.7%) • Ethnic diversity – Hutu (Bantu) (84%), Tutsi (Hamitic) (15%) and Twa (Pygmy) (1%) • Education (public expenditure as a % of GDP) – 4.1 • Pupil-teacher ratio (primary schools) – 65:1 (2010) • Literacy (adults) – 71% (2009) • Life expectancy – 55 years (2010)

Rwanda FDI trends

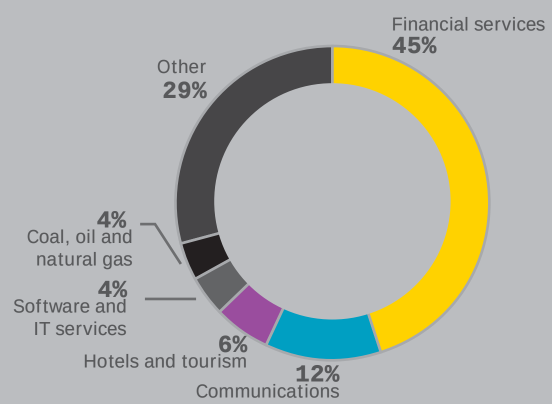
Inward FDI

Coming off a very low base, Rwanda has seen rapid new investment activity.

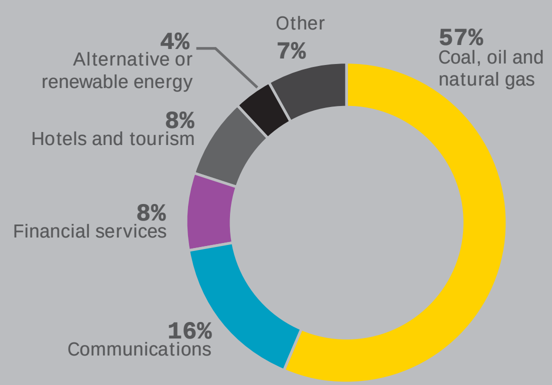


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

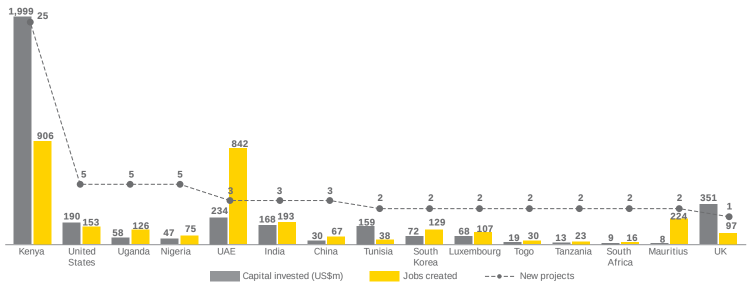


Capital invested inward FDI by sectors



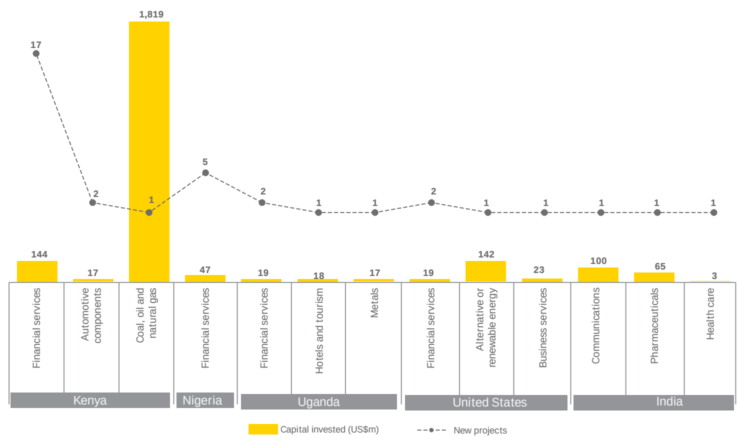
Top investors (2003–11)

Neighboring big brother Kenya is the most notable investor, followed by the US and fellow African markets Uganda and Nigeria.



Top 5 investors and their top sector engagement

Financial service is the most attractive sector for FDI overall for the top investors.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Rwanda FDI outlook

Relative to many of its African counterparts, Rwanda has no significant natural resource endowment.

However, offsetting these negatives is Rwanda's institutional environment. The Government has actively tackled corruption in recent years, and the business environment is extremely friendly. Rwanda has been among the fastest reforming countries in the world, and is not only the third-highest ranked African country on the World Bank Doing Business rankings, but is also in the top quartile of countries globally.

FDI inflows to Rwanda are forecast to average about US$450m p.a. over the next five years, with approximately 1,300 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Very unattractive	Unattractive	Unattractive	Natural resources remain scarce, although there is potential for oil reserve discoveries.
Labor	Average	Average	Average	Rapidly growing, albeit small, working population with rising literacy levels.
Market size	Very unattractive	Unattractive	Unattractive	The economy and population is small, but economic growth rates have been high and sustained.
Infrastructure	Very unattractive	Unattractive	Attractive	Rwanda has made investment in infrastructure a number one priority and we see notable improvements in energy, ICT and physical infrastructure consistently. This should progressively lead to green as we move to 2017.
Bureaucracy	Unattractive	Very attractive for FDI	Very attractive for FDI	Levels of bureaucracy are low, and the business environment is supportive.
Corruption and political environment	Unattractive	Unattractive	Average	Although this area is subjective, the low levels of corruption and government efficiency should work in the country's favor.
Overall outlook for FDI	Unattractive	Average	Average	Ease of doing business is a strong pull factor for FDI but lack of natural resources and an inherently small market may deter investment.

Very unattractive · Unattractive · Average · Attractive · Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Starbucks

"East Africa has a special place in the specialty coffee industry. It is the birthplace of coffee." Ben Packard, Vice President of Starbucks Global Responsibility.

Starbucks Corporation (Starbucks) is a globally recognized brand and a roaster, marketer and retailer of specialty coffee, operating in more than 50 countries. Starbucks has been buying coffee in Rwanda since 2004, and later helped create the Rwandan Farmer Support Center (FSC) and opened offices in Kigali in 2009. The facility helps farmers improve both yields and the quality of crops. Since introducing the center, farmers have boosted production by 20% and reduced pesticide use by 80%. Starbucks has also made upward of US$15m in low-interest loans to East African coffee farmers and funded infrastructure improvements exceeding US$4m. Starbucks acknowledges that their long-term success is inextricably linked to the success of the thousands of farmers who grow their coffee and hence invest in loan programs for coffee-growing communities and work with local farmers to help improve coffee quality. Their stated intention is to offer fair prices and return 10% per pound sold to the coffee farmers as a way of helping them overcome poverty. By helping to sustain coffee farmers and strengthen farming communities, Starbucks believes that they will secure a healthy supply of high-quality coffee going forward.

Senegal

Makha Sy
Country Leader

Tel: +221 338 49 22 02
Email: makha.sy@sn.ey.com

"Senegal is a model democracy in Africa and has one of the region's most stable economies. Agriculture and tourism are key drivers of the economy, although the growing service sector is making Senegal an attractive option as a hub for doing business more widely across French-speaking West Africa and beyond. Mineral resources also offer abundant potential, and could be an accelerator of growth and investment going forward."

Makha Sy

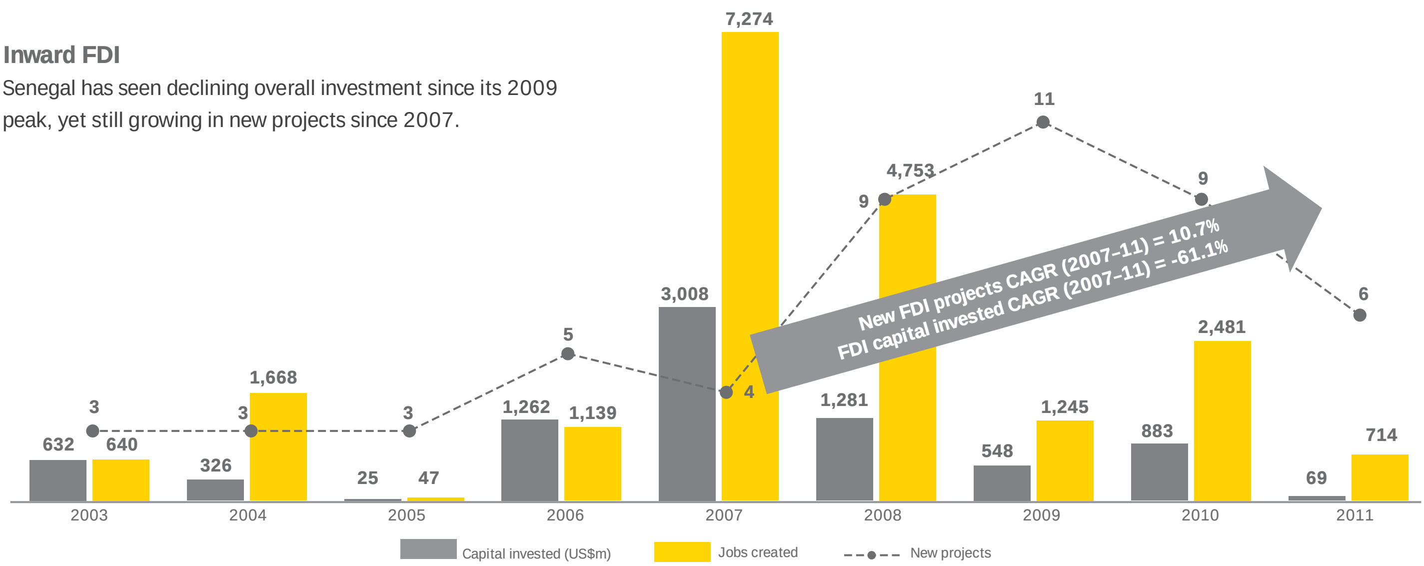
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 1,034 (2010) • GDP growth (annual %) – 4.1 (2010) • Natural resources – fish, phosphates, iron ore • Types of industry – agricultural and fish processing, phosphate mining, fertilizer production, petroleum refining; iron ore, zircon, and gold mining, construction materials, ship construction and repair • Major trading partners – Mali (20.1%), India (9.8%), Gambia (5.6%), France (5%) and Italy (4.2%) • Ease of doing business – 31st in Africa (154 overall) • Global competitiveness index – 14th in Africa (111 overall)	• Population – 12,434,000 (2010) • Youth – as a % of total population – 21.6 (2002) • Area – 196,722Km² • Capital – Dakar • Other cities – N/A	• Type – republic • Independence – 4 April 1960 • Major political parties – Senegalese Democratic Party (PDS), Rewmi Party, Socialist Party (PS) and Alliance of Forces of Progress (AFP) • Corruption perception index – 27th in Africa (112 overall)	• Languages – French (official), Wolof, Pulaar, Jola, Mandinka • Religion – Muslim (94%), Christian (5%) (mostly Roman Catholic) and indigenous beliefs (1%) • Ethnic diversity – Wolof (43.3%), Pular (23.8%) and Serer (14.7%) • Education (public expenditure as a % of GDP) – 4.3 • Pupil-teacher ratio (primary schools) – 34:1 (2010) • Literacy (adults) – 50% (2009) • Life expectancy – 59 years (2009)

Senegal FDI trends

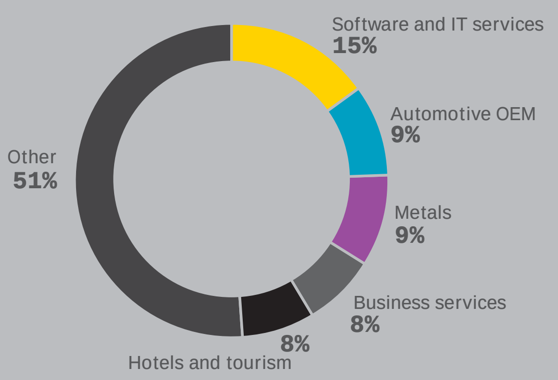
Inward FDI

Senegal has seen declining overall investment since its 2009 peak, yet still growing in new projects since 2007.

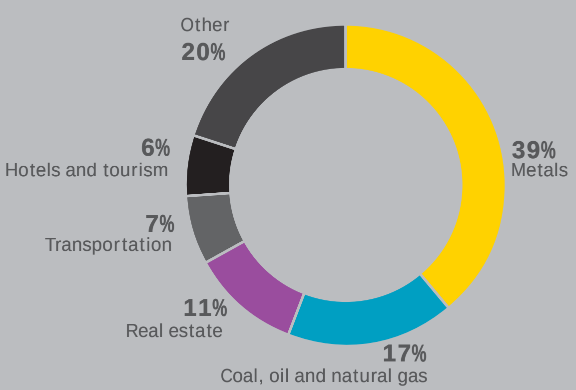


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

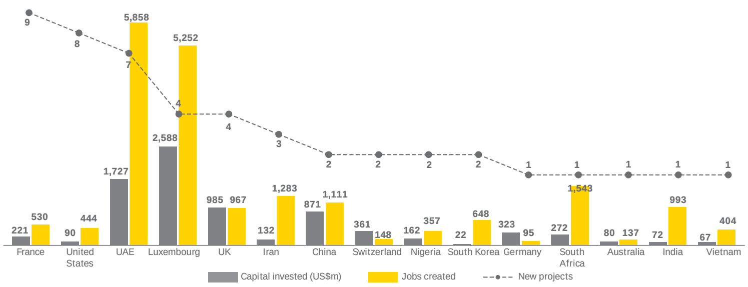


Capital invested inward FDI by sectors



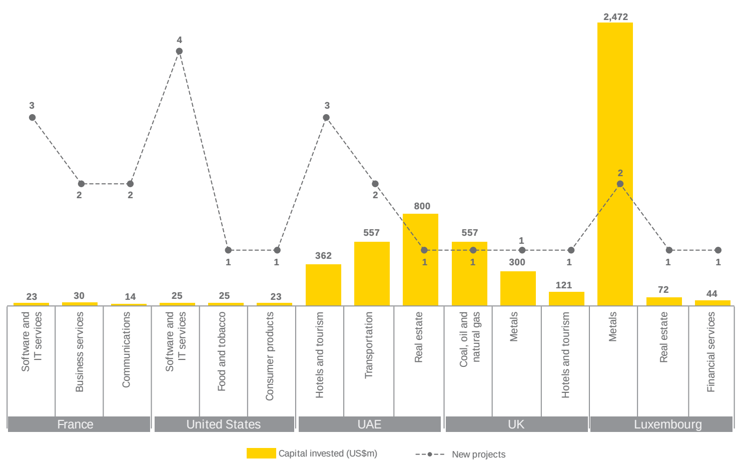
Top investors (2003–11)

At a low level, France and US are top project investors, while Luxembourg, UAE, UK and China have deployed the most FDI capital.



Top 5 investors and their top sector engagement

France and US have focused on ICT, while investment from other top investors saw greater capital interest in the construction sector.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Senegal FDI outlook

Relative to many of its African counterparts, Senegal has a sizable resource endowment. We expect continued investment in mineral extraction to form the bulk of Senegal's FDI flows.

Senegal also benefits from a robust democratic system of government, as witnessed in the recent peaceful transfer of presidential power. A range of economic reforms have also fostered a stable macroeconomic climate.

Further improvements could be made in terms of health care, education and the business environment.

FDI inflows to Senegal are forecast to average about US$1.4b p.a. over the next five years, with approximately 15,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Attractive	Attractive	Very attractive for FDI	Mineral resources are abundant, and there is plenty of scope for further investment.
Labor	Unattractive	Unattractive	Unattractive	Relatively small size working population, and low levels of education a hindrance.
Market size	Unattractive	Unattractive	Average	Small-medium sized economy in the region, but low level of GDP per capita.
Infrastructure	Very unattractive	Unattractive	Average	Improvements over previous decade, but still poor.
Bureaucracy	Very unattractive	Very unattractive	Unattractive	Levels of bureaucracy are high, and the business environment is unsupportive.
Corruption and political environment	Unattractive	Average	Attractive	A stable political and macroeconomic environment are a strong pull for investors, although corruption may be a deterrent .
Overall outlook for FDI	Unattractive	Unattractive	Average	A stable political and macroeconomic environment should result in improving overall conditions for doing business over the next few years.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Orange

"The new information and communication technologies provide business firms in Senegal with opportunities for growth and integration into international markets and they should see the internet as a lever for developing internal and external trade." UN Research Institute for Social Development.

Orange is the key brand of France Télécom. It is one of the world's leading telecommunications operators, with 224m customers in 33 countries around the world. Orange has been active in Africa for over 20 years, and today operates in 17 markets and has 70m customers on the continent. Its investments include mobile and fixed line telephony, internet service provision and mobile money, among others. Senegal is among Orange's bigger markets in Africa. France Telecom originally invested into Sonatel, then a state-owned entity, in 1997, and now has a 42.3% shareholding (with the Senegalese Government the next biggest shareholder). In addition to rebranding as Orange, the group has expanded from Senegal into Mali, Guinea and Guinea-Bissau. In Senegal, Orange now has over 6m mobile customers, as well as 93,000 internet subscribers as of last year. Looking forward, France Télécom has invested about US$500m into the 17,000km long Africa Coast to Europe (ACE) fiber optic cable system, which is due to go live this year, and will serve 23 countries, including Senegal.

South Africa

Ajen Sita
Country Leader and Africa
Chief Executive Officer

Tel: +27 11 772 3003
Email: ajen.sita@za.ey.com

"There has been a radical shift in mindset and positioning over the last decade, with Africans themselves increasingly leading from the front by providing African solutions to Africa's challenges.

Clearly work still remains to be done, but pushing ahead with key initiatives such as regional integration and investment in infrastructure will ensure that Africa remains on a sustainable growth curve."

Ajen Sita

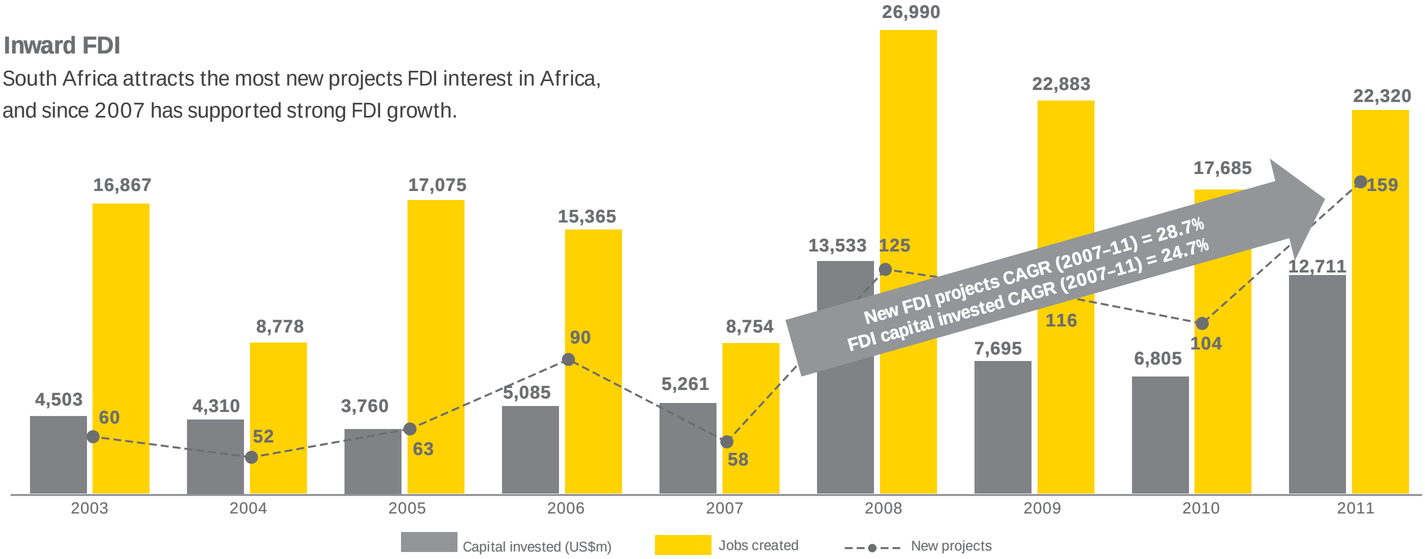
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 7,279 (2010) • GDP growth (annual %) – 2.8% (2010) • Natural resources – gold, chromium, antimony, coal, iron ore, manganese, nickel, phosphates, tin, rare earth elements, uranium, gem diamonds, platinum, copper, vanadium, salt, natural gas • Types of industry – mining (world's largest producer of platinum, gold, chromium), automobile assembly, metalworking, machinery, textiles, iron and steel, chemicals, fertilizer, foodstuffs, commercial ship repair • Major trading partners – China (10.3%), US (9.2%), Japan (7.6%), Germany (7%), UK (5.5%) and Switzerland (4.7%) • Ease of doing business – second in Africa (35 overall) • Global competitiveness index – second in Africa (50 overall)	• Population – 49,991,000 (2010) • Youth – as a % of total population – 20.2 (2006) • Area – 1,219,090Km^2 • Capital – Pretoria • Other cities – Johannesburg, Cape Town, Ekurhuleni (East Rand), Durban, Pretoria	• Type – republic • Independence – 31 May 1910 (Union of South Africa formed from four British colonies: Cape Colony, Natal, Transvaal, and Orange Free State); 31 May 1961 (republic declared); 27 April 1994 (majority rule) • Major political parties – African National Congress (ANC), Democratic Alliance (DA), Congress of the People (COPE), Inkatha Freedom Party (IFP), Freedom Front Plus (FF+) and Independent Democrats (ID) • Corruption perception index – eighth in Africa (64 overall)	• Languages – IsiZulu (official), IsiXhosa (official), Afrikaans (official), Sepedi (official), English (official), Setswana (official), Sesotho (official), Xitsonga (official), siSwati (official), Tshivenda (official), isiNdebele (official) • Religion – Protestant (36.6%) (Zionist Christian (11.1%), Pentecostal/Charismatic (8.2%), Methodist (6.8%), Dutch Reformed (6.7%), Anglican (3.8%), Catholic (7.1%), Muslim (1.5%), other Christian (36%), other (2.3%), unspecified (1.4%) and none (15.1%) • Ethnic diversity – African (79%), White (9.6%), Colored (8.9%), Indian/Asian (2.5%) • Education (public expenditure as a % of GDP) – 5.2 • Pupil-teacher ratio (primary schools) – 31:1 (2009) • Literacy (adults) – 89% (2007) • Life expectancy – 52 years (2010)

South Africa FDI trends

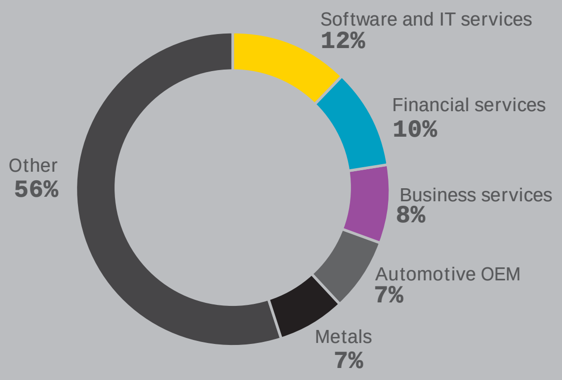
Inward FDI

South Africa attracts the most new projects FDI interest in Africa, and since 2007 has supported strong FDI growth.

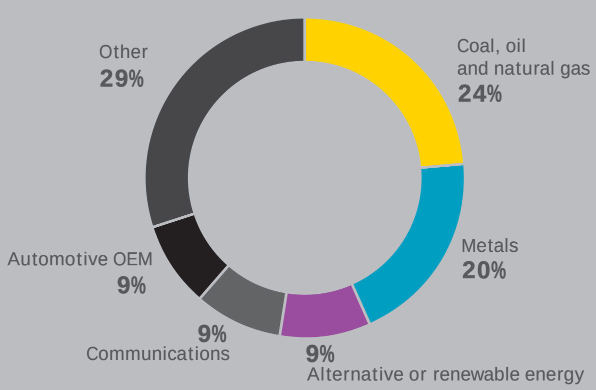


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

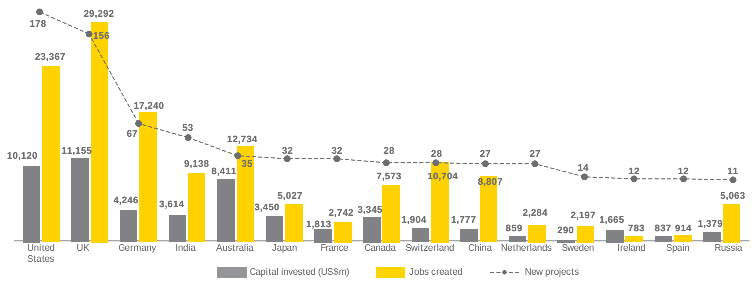


Capital invested inward FDI by sectors



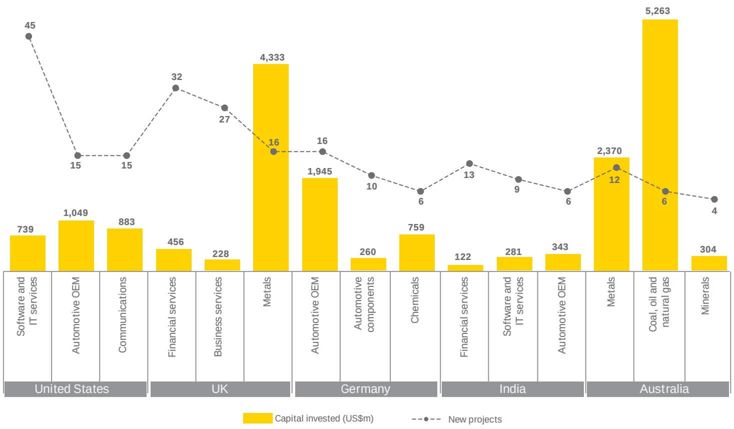
Top investors (2003–11)

The US and UK are the most notable investors, with Germany, India and Australia making up the next top spots.



Top 5 investors and their top sector engagement

Manufacturing activity and consumer-facing services are the notable sectors invested into by South Africa's top investors.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

South Africa FDI outlook

South Africa (SA) is Africa's largest economy, it has a sizable domestic market with growing levels of disposable income, a comparatively well-educated labor force, and an institutional environment conducive toward business.

SA's substantial resource endowment has meant that it has been a popular destination for FDI for a number of decades. This trend has continued over the period 2003–11, although FDI capital inflows have been lower than those going into oil-rich countries such as Nigeria and Angola. This trend partly reflects SA's own wealth and capital investing capacity, but also the changing and increasingly diversified nature of the SA economy, with the service sectors now contributing more than 65% to GDP.

This diversification is reflected in the makeup of FDI flows, much of which is now directed toward (generally less capital intensive) manufacturing and services. As a result, SA is the leading FDI destination in Africa in terms of project numbers.

FDI inflows to SA are forecast to average about US$10b p.a. over the next five years, with approximately 125,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources				Minerals and fossil fuel reserves will continue to attract investors.
Labor				High education and skills levels make the SA market attractive, but the rigidity of the labor market is a deterrent.
Market size				The largest economy in the region with a relatively large population that has comparatively high spending power.
Infrastructure				Investment made for the 2010 World Cup resulted in significant improvements, but challenges still remain.
Bureaucracy				The business environment is generally attractive, although reforming the labor market (in particular the trade unions) would raise the country's attractiveness.
Corruption and political environment				The political situation is stable and corruption levels relatively low. There is a risk of growing social unrest if the rate of unemployment is not tackled more successfully.
Overall outlook for FDI				SA's natural resources, market size and stability will continue to attract FDI. Outward FDI flows into the rest of the region will also continue to grow, helping stimulate development beyond SA.

Very unattractive Unattractive Average Attractive Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

WalMart

"We will encourage others to invest in Africa's vibrant economy, because the more we learn about South Africa and the surrounding countries, the more we're convinced this is an important region with attractive growth characteristics. It's a combination that fits with our strategy to enter high-growth markets where we can apply our global expertise and generate strong returns for our shareholders," Doug McMillon, President and CEO, Walmart International.

US-based Walmart is, according to Fortune, the world's second-largest company, with revenues last year of US$447b, over 10,000 retail units and 2.2m employees. Walmart began its international expansion process in 1991 via a joint venture (JV) in Mexico, entered the Brazilian market in 1994, China in 1996, and its first wholesale store opened in India in 2009. In late 2010, it was announced that Walmart had made an offer to acquire 51% of Massmart, the South Africa-based wholesaler and retailer with a footprint of 290 stores across 13 African countries. The US$2.4b value of this acquisition is Walmart's largest foreign acquisition since its 1999 acquisition of Asda in the UK and one of the largest investments by a US corporation into Africa to date. South Africa is viewed as providing Walmart with a platform for expansion into the rest of Africa, and, interestingly, Massmart's existing African operations almost doubles Walmart's geographical footprint (from 14 to 27 countries outside of the US). Although fears of job losses and the impact on local suppliers led to opposition from some quarters in the South African Government and trade union movement, the merger has been approved.

Tanzania

Joseph Sheffu
Country Leader

Tel: +255 22 2667227
Email: joseph.sheffu@tz.ey.com

"The remarkable economic growth recorded in Tanzania in the last two decades reflects sound social economic policies, able leadership, increased private sector participation and investment climate as well as maintenance of peace and improved democracy. The Government sees improved infrastructure and policies as catalysts for further economic growth hence ongoing major reforms."

Joseph Sheffu

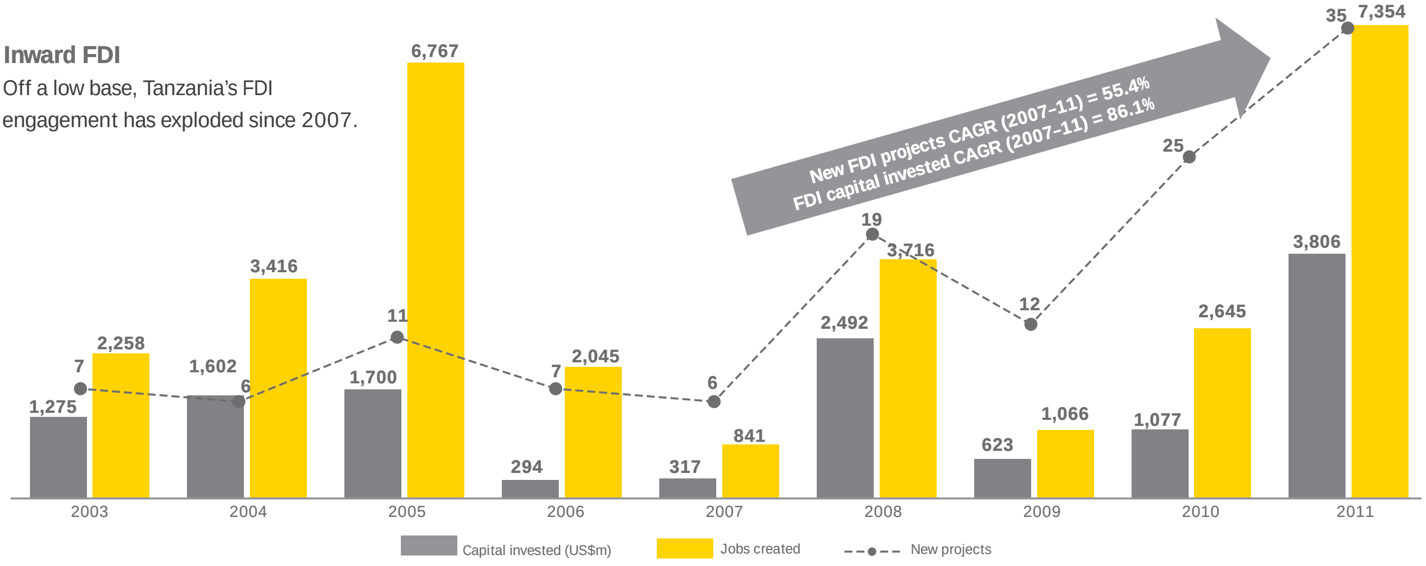
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 524 (2010) • GDP growth (annual %) – 7.0 (2010) • Natural resources – hydropower, tin, phosphates, iron ore, coal, diamonds, gemstones, gold, natural gas, nickel • Types of industry – agricultural processing (sugar, beer, cigarettes, sisal twine); mining (diamonds, gold, and iron), salt, soda ash; cement, oil refining, shoes, apparel, wood products, fertilizer • Major trading partners – India (8.5%), China (7.6%), Japan (7.1%), Netherlands (6.2%), UAE (5.7%) and Germany (5.2%) • Ease of doing business – 18th in Africa (127 overall) • Global competitiveness index – 20th in Africa (120 overall)	• Population – 44,841,000 (2010) • Youth – as a % of total population – 19.6 (2002) • Area – 947,300Km^2 • Capital – Dar es Salaam • Other cities – N/A	• Type – republic • Independence – 26 April 1964; Tanganyika became independent on 9 December 1961 (from UK-administered UN trusteeship); Zanzibar became independent on 19 December 1963 (from UK); Tanganyika united with Zanzibar on 26 April 1964 to form the United Republic of Tanganyika and Zanzibar; renamed United Republic of Tanzania on 29 October 1964 • Major political parties – Chama Cha Demokrasia na Maendeleo/Party of Democracy and Development (CHADEMA), Civic United Front (CUF) and Chama Cha Mapinduzi/Revolutionary Party (CCM) • Corruption perception index – 24th in Africa (100 overall)	• Languages – Kiswahili or Swahili (official), Kiunguja (name for Swahili in Zanzibar), English (official, primary language of commerce, administration, and higher education), Arabic (widely spoken in Zanzibar), many local languages • Religion – mainland – Christian (30%), Muslim (35%), indigenous beliefs (35%), Zanzibar – more than 99% Muslim • Ethnic diversity – African (99%) • Education (public expenditure as a % of GDP) – 6.8 • Pupil-teacher ratio (primary schools) – 51:1 (2010) • Literacy (adults) – 73% (2009) • Life expectancy – 57 years (2009)

Tanzania FDI trends

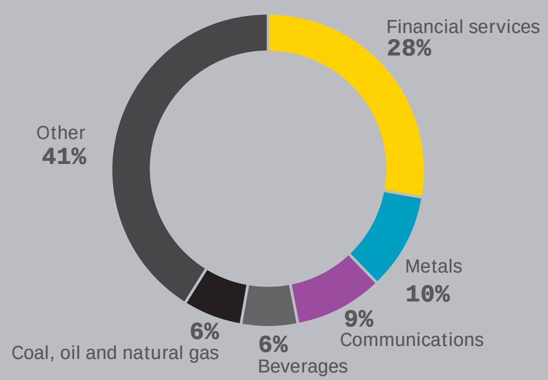
Inward FDI

Off a low base, Tanzania's FDI engagement has exploded since 2007.

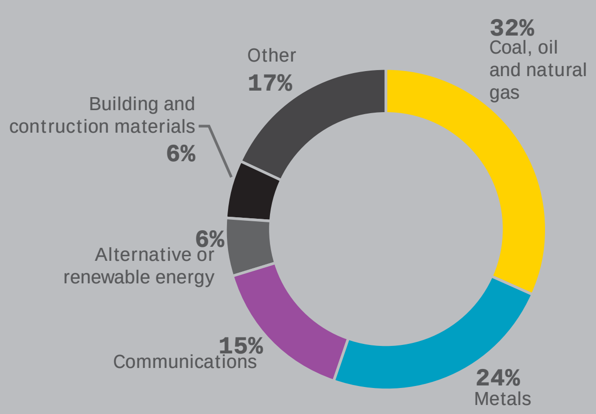


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

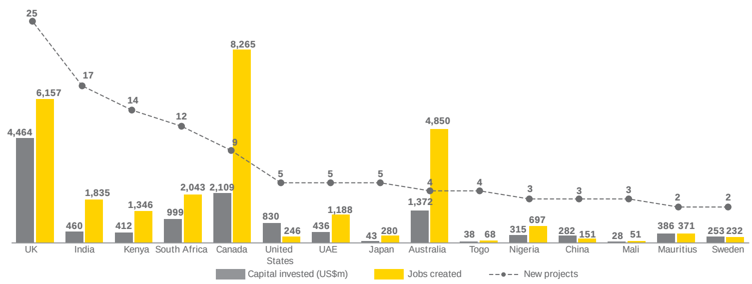


Capital invested inward FDI by sectors



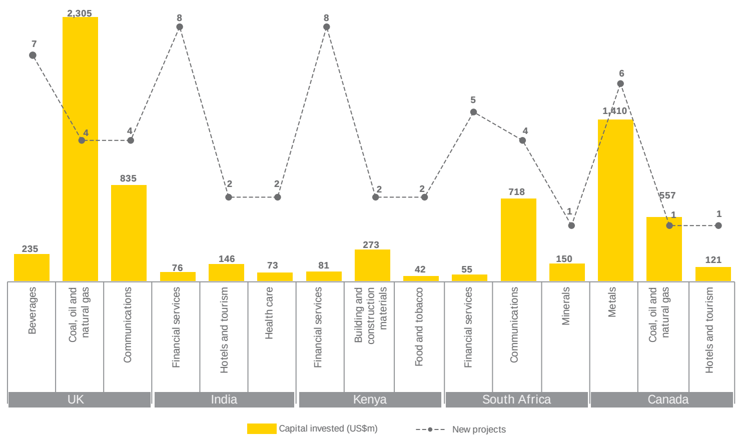
Top investors (2003–11)

Following the UK as Tanzania's most important FDI partner, the emerging markets of India and fellow African countries Kenya and South Africa are key investors. Canadian new investment has made substantial gains in job creation in the mining sector.



Top 5 investors and their top sector engagement

Tanzania's top investors share a impressively diverse FDI sector footprint.



Source: *Graphs on this page - fDi Markets / fDi Intelligence and EY analysis*

Tanzania FDI outlook

Tanzania is forecast to be one of the fastest growing economies in the world over the next five years, has a relatively well-educated labor force, and is politically stable. As a result, it is attracting increasing investor attention.

Over the period 2003–2011, Tanzania has attracted US$13.2b of FDI, with the bulk going into resources (Tanzania has fairly sizable gold reserves), but with communications and alternative or renewable energy also attracting substantial FDI.

FDI inflows to Tanzania over the next five years are forecast to average about US$2.2b p.a., with approximately 28,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Unattractive	Average	Average	Some gold reserves and growing levels of optimism about offshore gas fields.
Labor	Average	Average	Attractive	Rapidly growing working population and rising literacy levels remain attractive.
Market size	Very unattractive	Average	Average	Among the fastest growing economies in the world with a sizable population, although GDP per capita levels remain low.
Infrastructure	Very unattractive	Unattractive	Average	Lack of investment funds has limited spending on infrastructure to date, but the new IMF–backed plan should see improvements over the next five years.
Bureaucracy	Unattractive	Unattractive	Unattractive	Significant amounts remain, which hinders business.
Corruption and political environment	Unattractive	Average	Average	The political situation is relatively stable and corruption is being actively tackled.
Overall outlook for FDI	Average	Attractive	Attractive	An increasingly attractive outlook , with rapid growth, attractive natural resource base, and improving governance.

Very unattractive — Unattractive — Average — Attractive — Very attractive for FDI

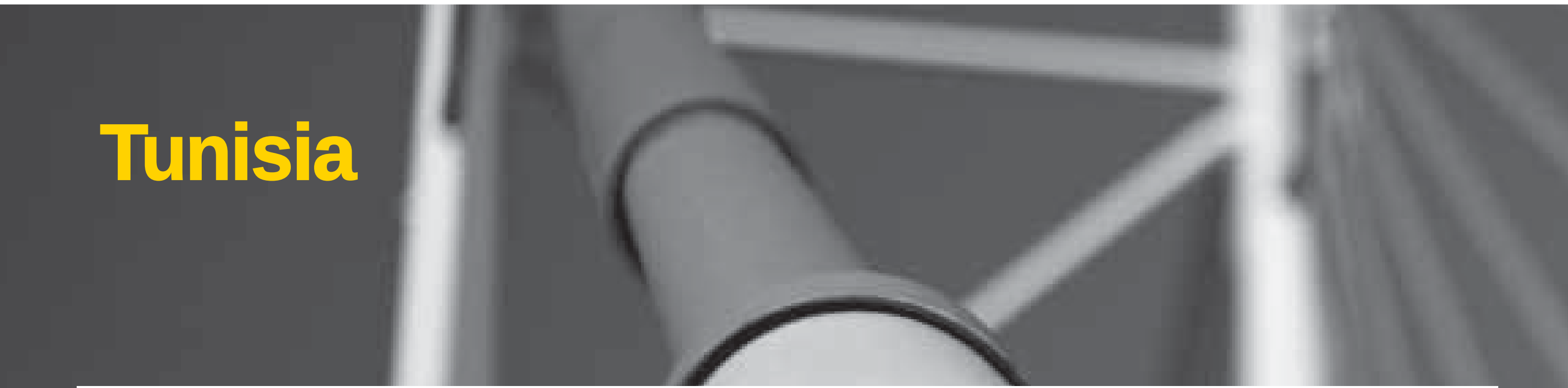
Source: *Oxford Economics and EY analysis*

Investor profile

Nakumatt

"Our next landing will be in West and South Africa where we want to conquer and create more wealth not only for Kenya but for Africa as a whole." Atul Shah, Nakumatt retail chain's managing director.

Investment by Kenyan-based companies into other parts of Africa grew at a compound rate of almost 78% between 2007 and 2011. Nakumatt, the largest retailer in Kenya, is among the companies leading this growth in intra-Africa investment. Established in 1987 as a small mattress shop, the family-owned business now generates US$500m turnover. Nakumatt is expanding rapidly across East Africa, having entered Rwanda in 2008, Uganda in 2009, and opening its first store in Tanzania at the end of 2011. The ultramodern US$1.3m Nakumatt Moshi supermarket is situated at the foot of Mount Kilimanjaro, and four other branches are currently under consideration in the key urban centers of Arusha and Dar es Salaam. The latest store opening in Tanzania brings Nakumatt's current total store number to 36. However, this number is likely to increase rapidly, given that the company has embarked on a feasibility study to facilitate its entry into other markets in East, Southern and West Africa.



Tunisia

Noureddine Hajji
Country Leader

Tel: +216 70 74 91 11
Email: noureddine.hajji@tn.ey.com

"I am confident Tunisia will be among the top attractive emerging markets once the current political transition to democracy is complete."

Noureddine Hajji

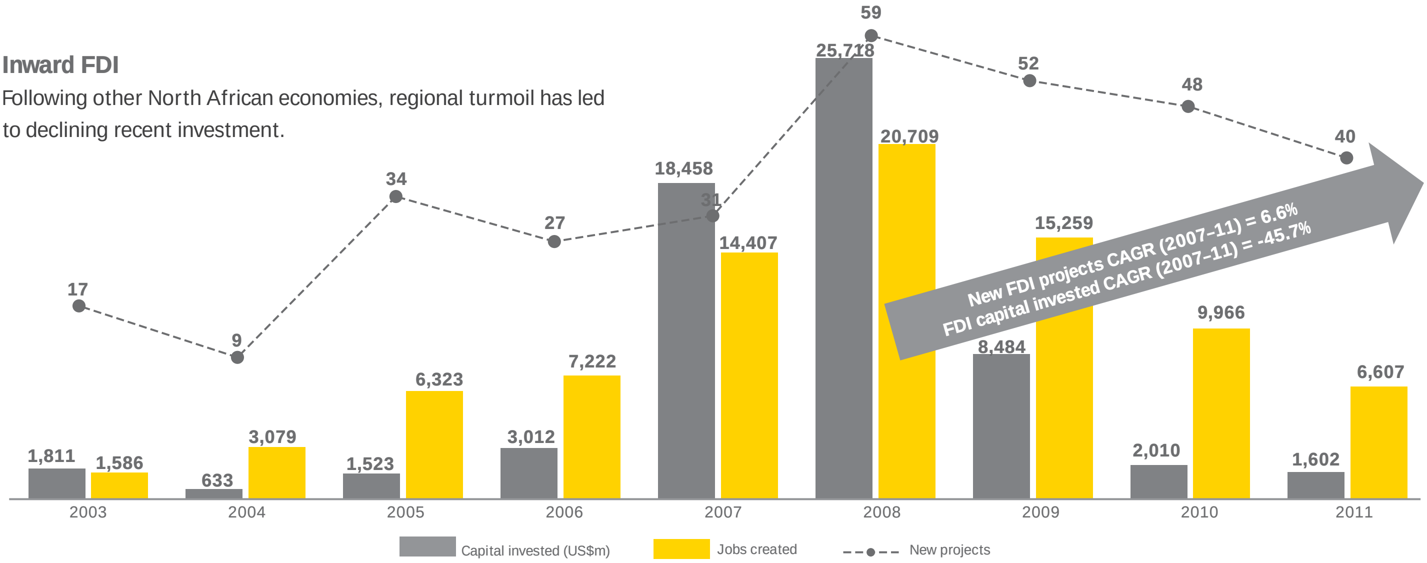
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 4,199 (2010) • GDP growth (annual %) – 3.7% (2010) • Natural resources – petroleum, phosphates, iron ore, lead, zinc, salt • Types of industry – petroleum, mining (particularly phosphate and iron ore), tourism, textiles, footwear, agribusiness, beverages • Major trading partners – France (29.6%), Italy (21%), Germany (8.8%), Libya (5.8%), Spain (5%) and UK (4.8%) • Ease of doing business – fifth in Africa (46 overall) • Global competitiveness index – first in Africa (40 overall)	• Population – 10,549,000 (2010) • Youth – as a % of total population – 20.4 (1998) • Area – 163,610Km^2 • Capital – Tunis • Other cities – N/A	• Type – republic • Independence – 20 March 1956 • Major political parties – Ennahda/The Renaissance, Congress for the Republic (CPR), Democratic Forum for Labor and Liberties or Ettakatol, Popular Petition and Progressive Democratic Party (PDP) • Corruption perception index – 10th in Africa (73 overall)	• Languages – Arabic (official, one of the languages of commerce), French (commerce) • Religion – Muslim (98%), Christian (1%), Jewish and other (1%) • Ethnic diversity – Arab (98%), European (1%) • Education (public expenditure as a % of GDP) – 7.1 • Pupil-teacher ratio (primary schools) – 17:1 (2009) • Literacy (adults) – 78% (2008) • Life expectancy – 75 years (2010)

Tunisia FDI trends

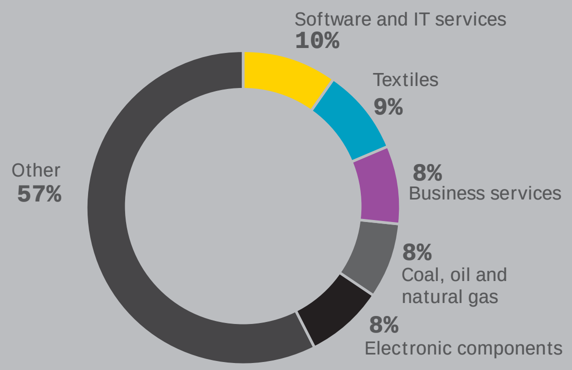
Inward FDI

Following other North African economies, regional turmoil has led to declining recent investment.

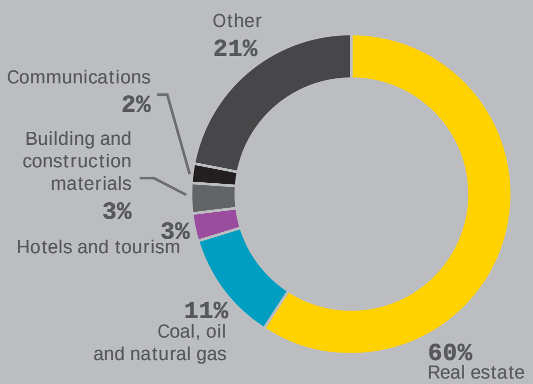


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

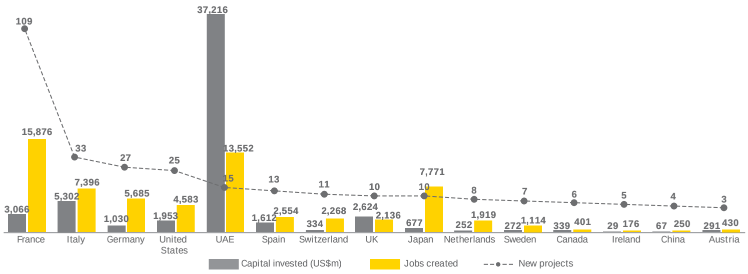


Capital invested inward FDI by sectors



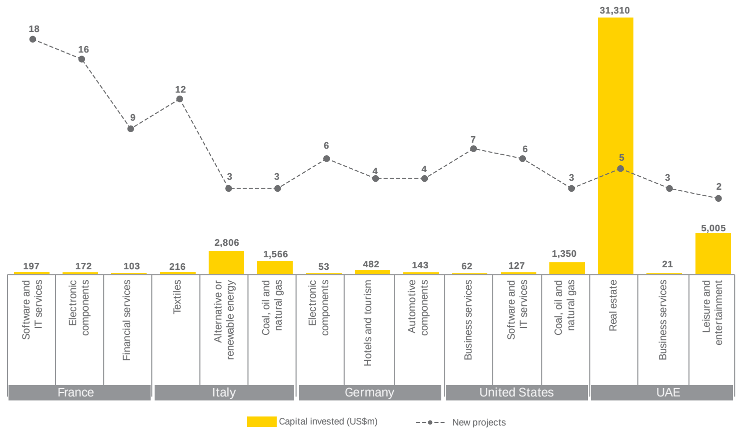
Top investors (2003–11)

Traditional investors, most notably France, and fellow European investors Italy and Germany have the largest share of new project investment; the UAE has a disproportionately large FDI capital deployment.



Top 5 investors and their top sector engagement

Service sectors are most notable attractors of new project investment, with construction commitment from UAE a large capital contributor.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Tunisia FDI outlook

Until the eruption of political instability at the end of 2010, Tunisia had experienced political and economic stability over the past 20 years, building one of the largest middle class populations in the region and successfully diversifying the economy away from over-reliance on agriculture. Foreign investment has been substantial, amounting to US$63.3b between 2003 and 2011.

Although Tunisia's oil reserves are modest (around 308m barrels), global capacity constraints mean they will continue to attract investors. Since 2003, however, the bulk of FDI focus has been in the real estate sector, accounting for almost 60% of total capital investment.

A potentially attractive resource at the country's disposal is its highly skilled labor, especially when it is coupled with Tunisia's proximity to the EU market. And although the domestic market is small, the country's well-established infrastructure network, good economic governance and business environment conducive to business make it an attractive location for multinationals.

The uncertain political situation is likely to dampen inflows in the short term, and it will take time for investment levels to recover. FDI inflows to Tunisia are forecast to average US$1.9b p.a. over the next five years, with approximately 17,000 new jobs being created as a result. This forecast is, however, highly dependent upon a path of continued economic and social reform by the new government.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Average	Average	Average	Reasonably large oil reserves are the main attraction from a resource perspective, although renewables provide an emerging opportunity.
Labor	Attractive	Very attractive for FDI	Very attractive for FDI	The workforce is relatively small, but well educated.
Market size	Unattractive	Average	Average	Small-medium sized economy, with relatively high GDP per capita – over four times Africa's average.
Infrastructure	Average	Attractive	Attractive	Continued investment has resulted in well developed infrastructure.
Bureaucracy	Average	Attractive	Attractive	Levels of bureaucracy are relatively low, with a supportive business environment.
Corruption and political environment	Attractive	Unattractive	Average	Recent political events have created uncertainty about the future of government, but there is a hope for the development of a true democracy.
Overall outlook for FDI	Attractive	Attractive	Attractive	An educated workforce and excellent proximity to EU are strong pull factors for investment, however, it all depends on the founding of a stable democracy.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Gulf Finance House (GFH)

"Tunisia's strategic location means that it is the natural base for a financial services hub to cater for the growing demand for financial products and services created by the growth of not only the Tunisian economy but also African economies and international investment flows into the country." Mr. Esam Janahi, Executive Chairman, Gulf Finance House.

Gulf Finance House (GFH), established in 1999, is a Bahrain-based Islamic investment bank. GFH has raised funding of more than US$5b to invest in Islamic financial institutions and infrastructure projects in the Middle East, The Levant, North Africa and Asia. GFH has established some of the region's leading financial institutions including First Energy Bank, the world's first Islamic investment bank focused exclusively on the energy sector. GFH and the Tunisian Government launched the Tunis Financial Harbour, North Africa's first offshore financial center, in October 2010. With an end development value of over US$3b, this mixed-use waterfront development was designed to provide the physical infrastructure for financial services institutions seeking access to the opportunities Tunisia offers as a strategic gateway between Europe and Africa. It is one of GFH's flagship infrastructure projects. The development is projected to have a permanent population of 110,000 residents across its 500 hectares and to create 16,000 jobs for the Tunisian economy. It has also allotted space for educational institutions, and is planned to become one of the most important tourism regions in the nation.

Uganda

Muhammed Ssempijja
Country Leader

Tel: +256 414 343 520
Email: muhammed.ssempijja@ug.ey.com

"What excites me about the Uganda market are the good returns on investment still offered, abundant natural resources and a fully liberalized economy, which give investors the best platform to make their businesses thrive. This also gives Ernst & Young very good business opportunities as we support our clients, our people and communities to maximize their potential."

Muhammed Ssempijja

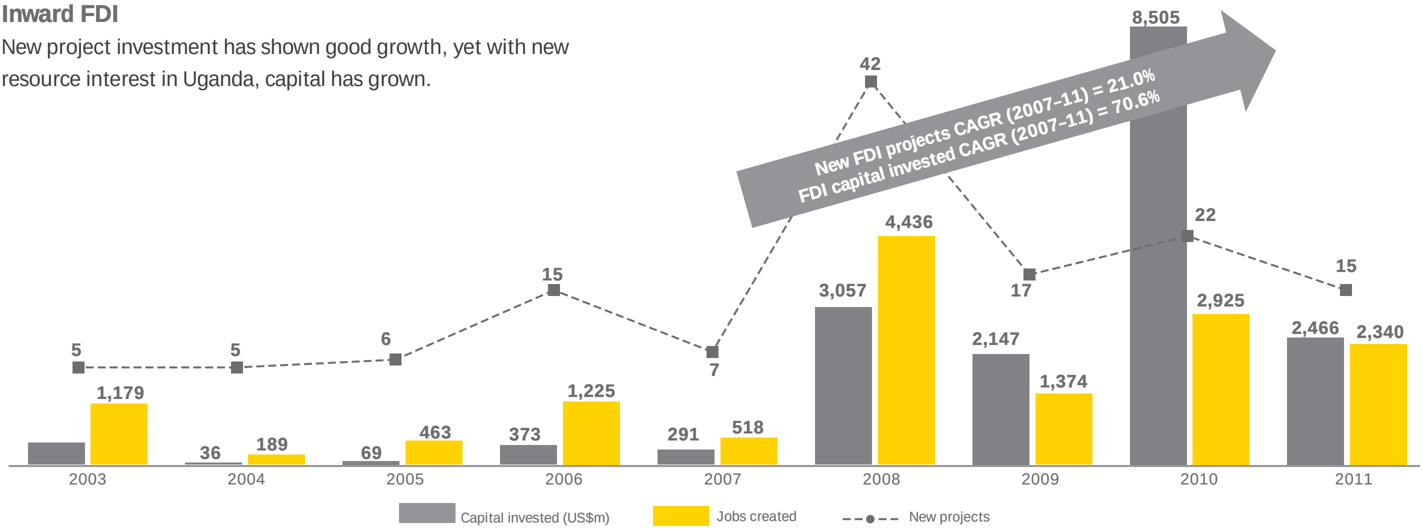
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 509 (2010) • GDP growth (annual %) – 3.2 (2010) • Natural resources – copper, cobalt, hydropower, limestone, salt, arable land, gold, oil • Types of industry – sugar, brewing, tobacco, cotton textiles; cement, steel production • Major trading partners – Sudan (5.4%), Kenya (14.8%), UAE (12.0%), China (17.3%), India (10%) and Japan (3.6%) • Ease of doing business – 16th in Africa (123 overall) • Global competitiveness index – 21st in Africa (121 overall)	• Population – 35,800,000 (2012) • Youth – as a % of total population – 65.0 (2011) • Area – 241,038Km² • Capital – Kampala • Other cities – Jinja	• Type – republic • Independence – 09 October 1962 • Major political parties – National Resistance Movement (NRM), Forum for Democratic Change (FDC), Ugandan People's Congress (UPC), Democratic Party (DP) and Conservative Party (CP) • Corruption perception index – 39th in Africa (143 overall)	• Languages – English (official national language), Ganda or Luganda, Luo, Runyoro, Rutoro, Runyankol, Rukiga, Swahili • Religion – Roman Catholic (41.9%), (Anglican (35.9%), Pentecostal (4.6%), Seventh-day Adventist (1.5%)), Muslim (16%), other (0.1%) • Ethnic diversity – Baganda (17.7%), Banyakole (10.0%), Basoga (8.9%), Bakiga (7.2%), Iteso (6.7%) and other (49.5%) • Education (public expenditure as a % of GDP) – 4.4 • Pupil-teacher ratio (primary schools) – 54:1 (2011) • Literacy (adults) – 73% (2009) • Life expectancy – 54 years (2009)

Uganda FDI trends

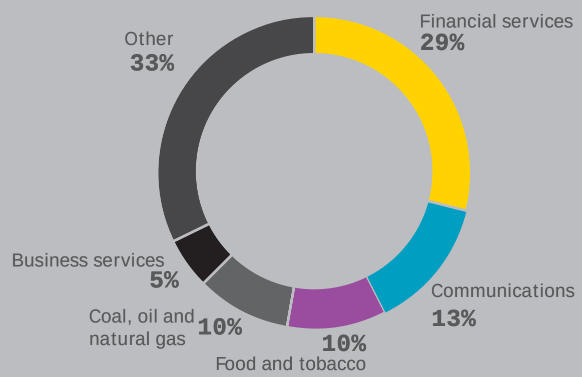
Inward FDI

New project investment has shown good growth, yet with new resource interest in Uganda, capital has grown.

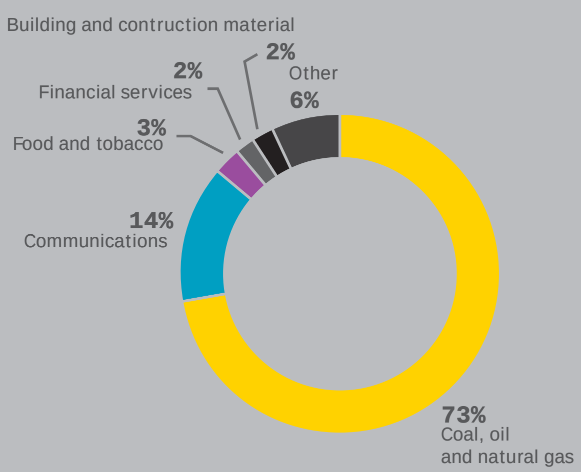


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

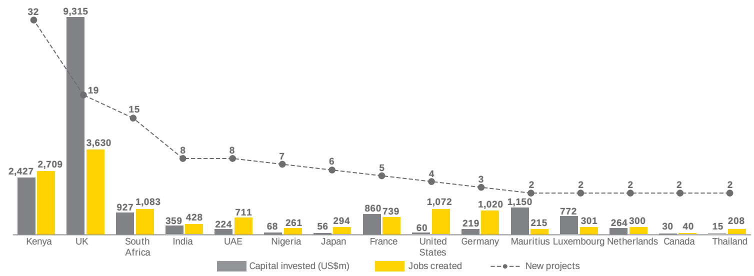


Capital invested inward FDI by sectors



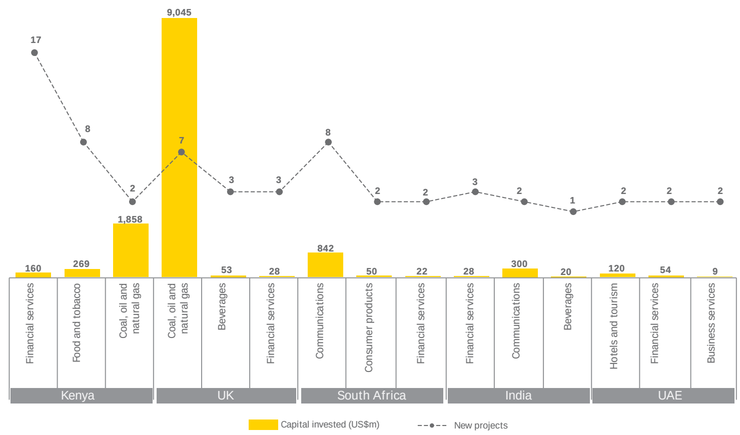
Top investors (2003–11)

Neighboring Kenya is most notable and active FDI partner, yet the UK contributes the bulk of capital investment.



Top 5 investors and their top sector engagement

Overall, the financial and service sectors are key attractors for Uganda's top investors.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Uganda FDI outlook

FDI announcements for Uganda totaled US$17.4b in capital investment between 2003 and 2011.

Looking forward, Uganda's substantial mineral resources and the recent discovery of oil will attract significant amounts of investment over the medium term. And the country's relatively well-educated labor force, low levels of bureaucracy and diversified economy will attract funds into service sectors such as communications and financial services as well.

Some challenges for FDI are the relatively weak infrastructure network, the country's small domestic market and the possibility of rising political tensions.

FDI inflows to Uganda are forecast to average about US$1.7b p.a. over the next five years, with approximately 11,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources	Average	Very attractive for FDI	Very attractive for FDI	There are increasing levels of interest in Uganda's oil reserves, with production expected to come online in 2016.
Labor	Unattractive	Average	Attractive	A relatively well-educated population with improving levels of education.
Market size	Unattractive	Unattractive	Unattractive	The economy is currently small, but high growth rates and a relatively large population offer much potential and is also acting as a hub for other countries like South Sudan.
Infrastructure	Very unattractive	Unattractive	Unattractive	Continued improvement over previous decade, with good level of investment, albeit from a low base.
Bureaucracy	Unattractive	Unattractive	Unattractive	Significant improvements have taken place and more is expected for years to come based on focus on liberalization.
Corruption and political environment	Unattractive	Unattractive	Unattractive	Elective representation and rule of law is strong although change of top leadership through the ballot is still a challenge.
Overall outlook for FDI	Unattractive	Average	Average	Natural resources which are a strong pull factor for FDI and good macroeconomic management are significant benefits.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

Investor profile

Tullow Oil

"We started in Africa, Tullow is an African business, it's where we have made our money, it's where we see our future and in very simple terms, we like it!" Aidan Heavey, Tullow Oil CEO

Tullow, a FTSE 100 company with Irish roots, is the leading independent oil company in Africa. The company began its African foray in 1986 in Senegal, with a venture to rework old gas fields. In 2004, with the acquisition of Energy Africa, Tullow really began to scale up its African operations. This acquisition brought with it five African oil-producing countries and more than doubled Tullow's oil reserves. Since then, Tullow has steadily grown its African presence, investing over US$11b into the continent since 2003. With Tullow's oil production now having come online in Ghana, Tullow is poised for a new phase of growth in East Africa. With its partners, CNOOC and Total, Tullow is in the process of commercializing the significant discoveries it has made in the Lake Albert Rift Basin in the north-western part of Uganda. The first material oil production is expected in 2016. Tullow also recently announced a discovery of oil in the Rift Basin between Kenya and Ethiopia, raising the possibility that the greater East African region may become a significant producer of oil over the next decade.

Zambia

Walter Mupanguri
Country Leader

Tel: +263 772 263 911
Email: walter.mupanguri@zw.ey.com

"Zambia has been one of Africa's success stories over the past few years. Strong economic growth has been supported by business friendly reform, and as a result we are seeing increasing investment not only into the mining sector, but also into a range of other activities in the manufacturing and services sectors. A peaceful democratic election last year, by which power was transferred from the incumbent to a new president, further enhanced Zambia's reputation for political stability and transparent, accountable government."

Walter Mupanguri

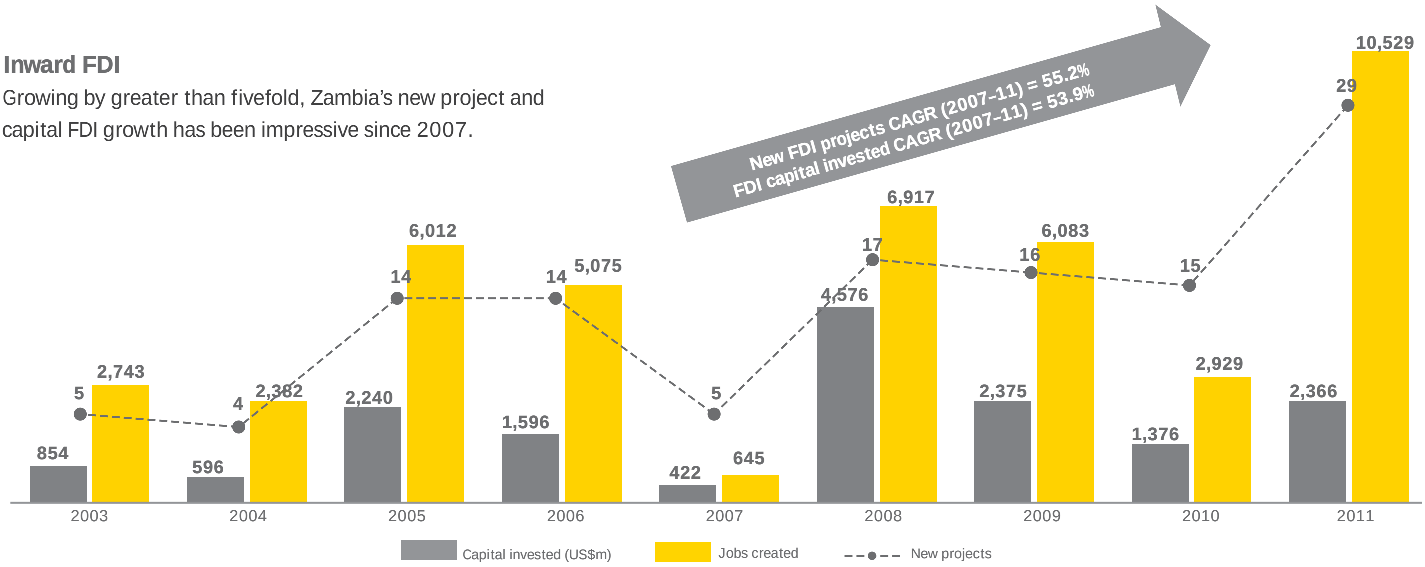
Country overview

Economy	Geography	Government	People
• GDP per capita (US$) – 1,253 (2010) • GDP growth (annual %) – 7.6 (2010) • Natural resources – copper, cobalt, zinc, lead, coal, emeralds, gold, silver, uranium, hydropower • Types of industry – copper mining and processing, construction, foodstuffs, beverages, chemicals, textiles, fertilizer, and horticulture • Major trading partners – China (21.4%), Saudi Arabia (8.9%), Congo (DRC) (8.6%), South Korea (8.3%) and Egypt (8.1%) • Ease of doing business – ninth in Africa (overall 84) • Global competitiveness index – 15th in Africa (113 overall)	• Population – 12,927,000 (2010) • Youth – as a % of total population – 21.2 (2000) • Area – 752,618Km^2 • Capital – Lusaka • Other cities – Ndola	• Type – republic • Independence – 24 October 1964 • Major political parties – Patriotic Front (PF), Movement for Multiparty Democracy (MMD), United Party for National Development (UPND), Alliance for Democracy and Development (ADD) and National Restoration Party (NAREP) • Corruption perception index – 15th in Africa (91 overall)	• Languages – Bemba (official), Nyanja (official), Tonga (official), Lozi (official), Chewa, Nsenga, Tumbuka, Lunda (official), Kaonde (official), Lala, Luvale (official), English (official) • Religion – Christian (50%–75%), Muslim and Hindu (24%–49%) and indigenous beliefs (1%) • Ethnic diversity – African (99.5%) • Education (public expenditure as a % of GDP) • Pupil-teacher ratio (primary schools) – 58:1 (2010) • Literacy (adults) – 71% (2009) • Life expectancy – 48 years (2009)

Zambia FDI trends

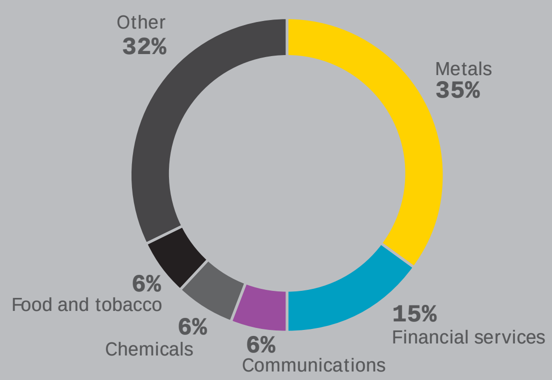
Inward FDI

Growing by greater than fivefold, Zambia's new project and capital FDI growth has been impressive since 2007.

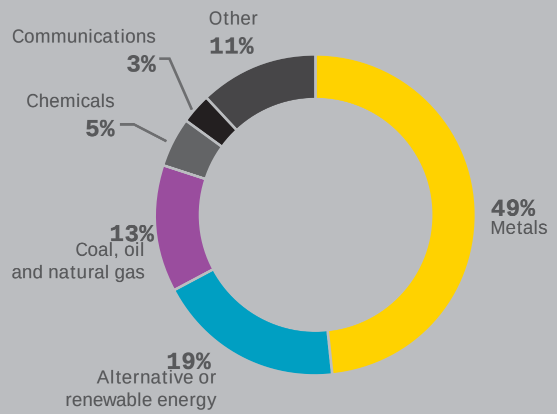


Top 5 economic activities invested into (2003–11)

New projects inward FDI by sectors

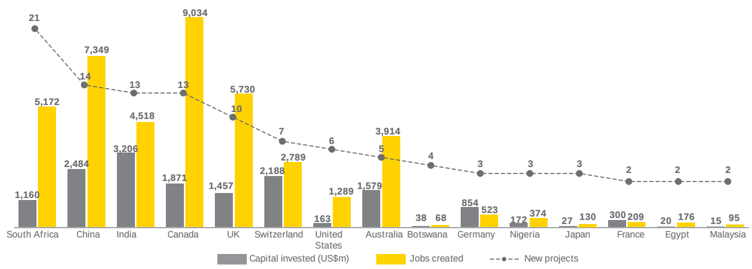


Capital invested inward FDI by sectors



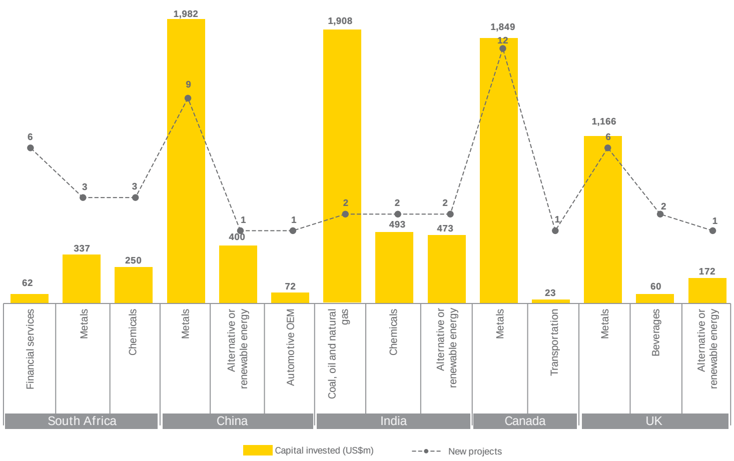
Top investors (2003–11)

Zambia's top five investors all share relative importance, yet the emerging markets led by South Africa, China and India are Zambia's most notable FDI partners.



Top 5 investors and their top sector engagement

Across the board, mining activity is the most notable and key attractor of investment for Zambia's top FDI partners.



Source: *Graphs on this page - fDI Markets / fDI Intelligence and EY analysis*

Zambia FDI outlook

Zambia is another African economy forecast to be one of the fastest growing in the world over the next five years. It has a robust democracy (with a peaceful transfer of power in last year's election) and also offers one of the more business friendly environments in Africa (ranking ahead of all the BRIC economies too on the World Bank's Doing Business rankings).

Investment into Zambia is still dominated by copper, and the copper mines will continue to attract investors over the next five years, with global demand expected to keep prices high for the foreseeable future.

Outside of the minerals sector prospects for FDI are more limited, although given the positives mentioned above, multinationals are already being attracted into other parts of the economy.

FDI inflows to Zambia over the next five years are forecast to average about US$1.9b p.a., with approximately 27,000 new jobs created as a result.

Ernst & Young's 2012 Africa attractiveness survey.

FDI outlook

	2000	2012	2017	Comments
Natural resources				Copper reserves will continue to attract capital from abroad.
Labor				Rapidly growing working population with relatively high human capital and literacy levels.
Market size				Small population, but economy and GDP per capita levels are growing rapidly.
Infrastructure				Currently underdeveloped, but improving.
Bureaucracy				Significant improvements have been made. If they are continued, Zambia will become one of the most attractive countries in Africa in this respect.
Corruption and political environment				A stable democracy. There was a peaceful transfer of power in last year's elections.
Overall outlook for FDI				Natural resources provide a strong pull factor, together with growing attraction of capital into the renewable energy sector, all supported importantly by a good institutional environment. The market remains small, but the economy is growing rapidly.

Very unattractive | Unattractive | Average | Attractive | Very attractive for FDI

Source: *Oxford Economics and EY analysis*

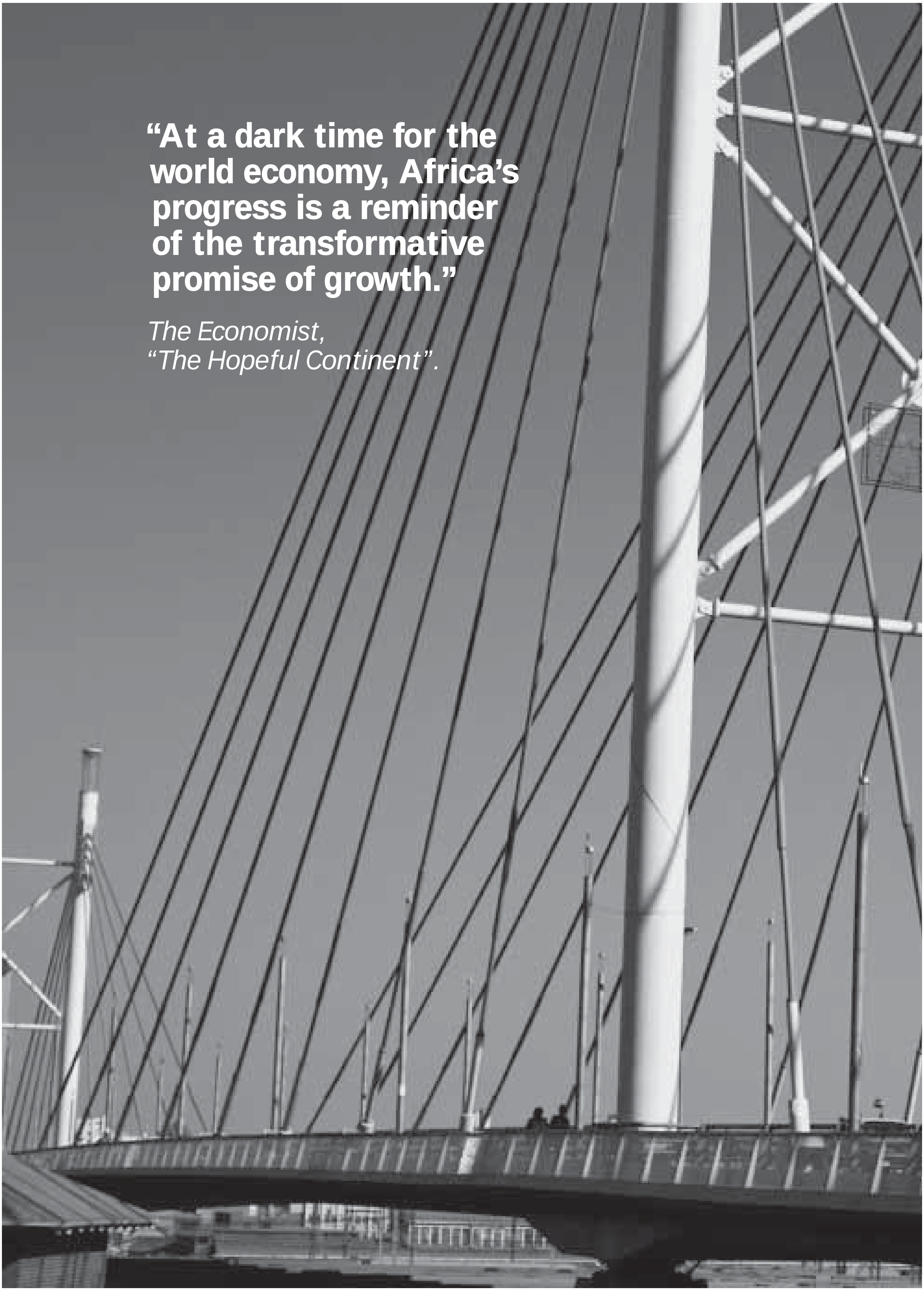
Investor profile

SABMiller

"If there was more of Africa, we'd be investing in it." Graham MacKay, Chairman (Statement made when he was CEO), SABMiller

Over the past two decades, the South African Breweries (SAB) grew from its original South African base, and is today the world's second-largest brewer (now SABMiller) spanning 75 countries across 6 continents, and employing 70,000 people. Growth across sub-Saharan Africa was a cornerstone of this global growth strategy, and today Africa (including SA) still accounts for over a third of SABMiller's earnings. Africa remains a key part of the growth agenda, with over US$1.5b in capital expenditure across the continent over the past five years, and having invested in the fourth-most FDI projects in Africa of any company in the period since 2008.

SABMiller first invested in Zambia in 1994, participating in the privatization of Zambian Breweries, and later acquiring National Breweries (both entities are separately listed on the Lusaka Stock Exchange). Today, SABMIller's operations in Zambia include two breweries, five sorghum breweries and three Coca Cola bottling plants. In addition, SABMIller has been proactive in developing local sources of raw materials. For example, only a few years ago all the barley used in Zambia had to be imported. Today, Zambia is growing enough barley not only to meet its own needs but also to become a net exporter and create employment for over 4,000 rural workers.



“At a dark time for the world economy, Africa’s progress is a reminder of the transformative promise of growth.”

The Economist,
“The Hopeful Continent”.

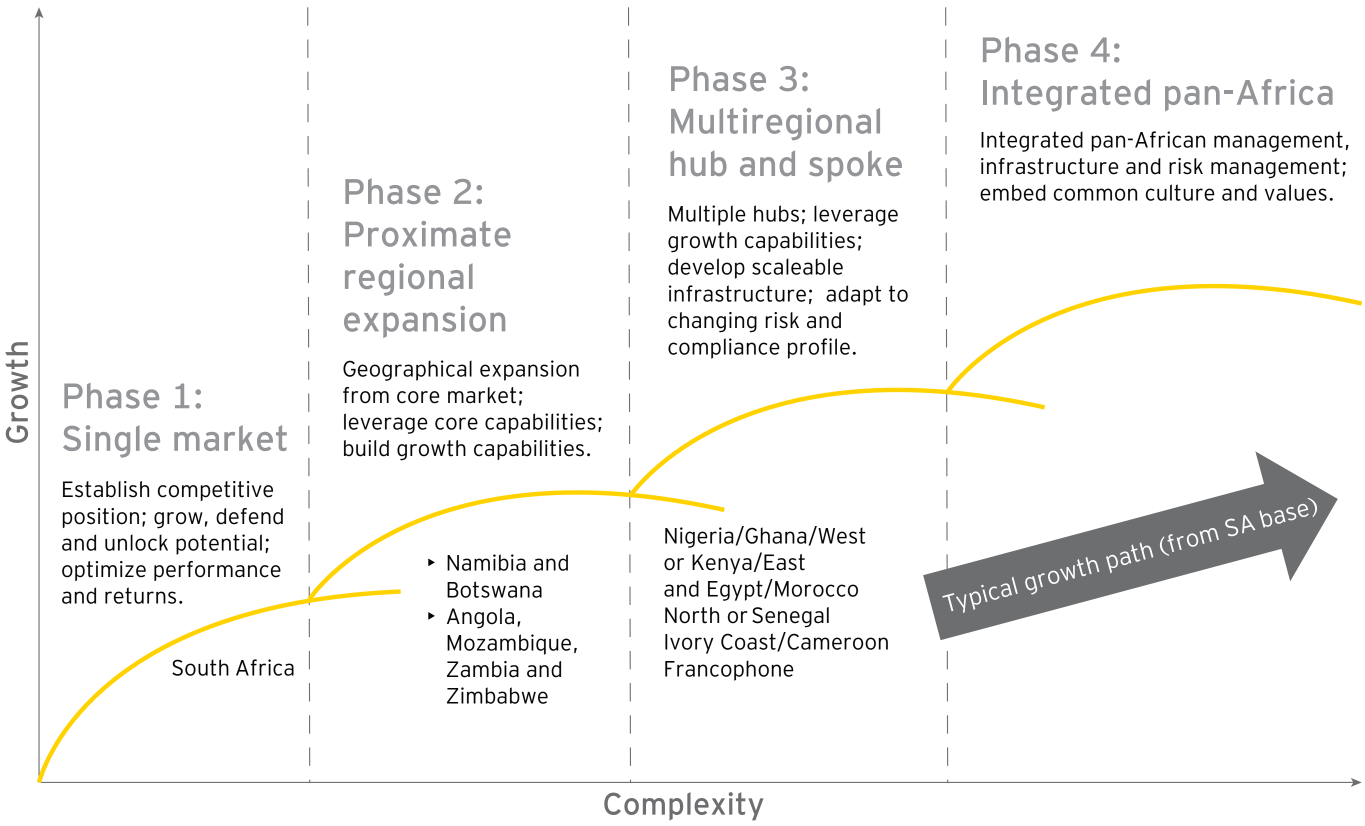
The Africa growth model

1. Africa's sheer size and complexity, combined with the relative underdevelopment of many of its countries, makes it an inherently challenging place to do business. Although Africa is sometimes conceived of as if it is a single country, it is a vast continent, comprising 54 sovereign states. This corresponds to 54 different and often fragmented sets of rules, regulations, stakeholders and markets.

2. The complexity of growing and operating in Africa is compounded by the fact that relatively few of these individual markets are likely to provide the kind of scale that can make them commercially attractive in and of themselves – at least in the short term. Both growth and risk management are therefore framed by the challenge of effectively "connecting the dots" across multiple operations and territories.

3. A key challenge for a firm expanding across Africa is therefore to develop a regional operating model that ensures effective and integrated management of the portfolio of African markets. At any given point, a multinational company may be managing multiple operations in different phases of growth. The challenge is more about the ability to manage across boundaries effectively; management of the entire African network becomes more important than managing individual countries (i.e., the whole must be greater than the sum of the parts).

4. The growth model below depicts the typical path for growth across Africa from a base in South Africa (and can easily be adapted for other country bases). It provides a simple, but effective, framework to assess where a company is on their own Africa growth journey, and what they need to get right to execute their strategy effectively.



Ernst & Young in Africa

"Africa is a huge continent and will remain a very important new market. ... As a continent, this will have bigger potential than even India."

Manoj Kohli, Bharti Airtel International Operations

Our footprint

Although the risks in investing in Africa may appear high, risk can be managed, and the rewards can be great. That is why we are investing in growing our integrated Africa presence and capacity to serve our clients who are also investing in and across the continent. We now enjoy an integrated representation in 32 countries across Africa, described in the media as "one of the biggest changes in the accounting profession in more than 100 years."

Today, we are able to navigate successfully through the complexity that our clients are experiencing across the geographies and the diversity of market sizes and sophistication. We do this through our Africa Business Center™: its sole purpose is to assist clients in making their investment and expansion decisions in Africa.

Our Africa integration benefits our clients through:

- Consistent quality standards everywhere
- A "single point of contact" service
- The best Ernst & Young resource irrespective of country location

Africa Business Center™

Helping companies navigate the opportunities and challenges of doing business across the African continent. Africa is receiving unparalleled attention from large global companies, with the substantial opportunities in oil and gas, mining and agriculture closely followed by consumer-driven demand in the areas of consumer products, telecoms, financial services, information technology and others.

To further support our activity on the continent and in strategy co-development with businesses, the Growing Beyond Borders™ software is an Ernst & Young developed and owned software that visually maps data through the lens of the world's geography, in a highly intuitive manner. It helps to navigate the challenges and opportunities in doing business across the globe. Publicly available data, as well as our own surveys, are depicted in heat maps, competitive footprint views and comparison tables across the map, to help companies make business decisions and grow beyond their current borders.

Ernst & Young Contacts

Country	Name	Email
Algeria	Philippe Mongin	philippe.mongin@fr.ey.com
Angola	Luis Marques	luis.marques@pt.ey.com
Botswana	Bakani Ndwapi	bakani.ndwapi@za.ey.com
Cameroon	Joseph Pagop	joseph.pagop.noupoue@ey-avocats.com
Chad	Joseph Pagop	joseph.pagop.noupoue@ey-avocats.com
Congo	Ludovic Ngatse	ludovic.ngatse@cg.ey.com
Côte d'Ivoire	Jean-Francois Albrecht	jean-francois.albrecht@ci.ey.com
DRC	Lindsey Domingo	lindsey.domingo@cd.ey.com
Egypt	Emad Ragheb	emad.ragheb@eg.ey.com
Equatorial Guinea	Erik Watremez	erik.watremez@ga.ey.com
Ethiopia	Zemedeneh Negatu	zemedeneh.negatu@et.ey.com
Gabon	Erik Watremez	erik.watremez@ga.ey.com
Ghana	Ferdinand Gunn	ferdinand.gunn@gh.ey.com
Guinea Conakry	Rene-Marie Kadouno	rene-marie.kadouno@gn.ey.com
Kenya	Gitahi Gachahi	gitahi.gachahi@ke.ey.com
Libya	Waddah Barkawi	waddah.barkawi@jo.ey.com
Madagascar	Gerald Lincoln	gerald.lincoln@mu.ey.com
Malawi	Shiraz Yusuf	shiraz.yusuf@mw.ey.com
Morocco	El Bachir Tazi	bachir.tazi@ma.ey.com
Mauritius	Gerald Lincoln	gerald.lincoln@mu.ey.com
Mozambique	Ismael Faquir	ismael.faquir@mz.ey.com
Namibia	Gerhard Fourie	gerhard.fourie@za.ey.com
Nigeria	Henry Egbiki	henry.egbiki@ng.ey.com
Rwanda	Allan Gichuhi	allan.gichuhi@rw.ey.com
Senegal	Makha Sy	makha.sy@sn.ey.com
Seychelles	Gerald Lincoln	gerald.lincoln@mu.ey.com
South Africa	Ajen Sita	ajen.sita@za.ey.com
South Sudan	Patrick Kamau	patrick.kamau@ke.ey.com
Tanzania	Joseph Sheffu	joseph.sheffu@tz.ey.com
Tunisia	Noureddine Hajji	noureddine.hajji@tn.ey.com
Uganda	Muhammed Ssempijja	muhammed.ssempijja@ug.ey.com
Zambia	Walter Mupanguri	walter.mupanguri@zw.ey.com
Zimbabwe	Walter Mupanguri	walter.mupanguri@zw.ey.com

Ernst & Young are knowledge partners to *Invest in Africa*

Invest in Africa – A Different Proposition

Invest in Africa is a business initiative bringing together leading companies working in Africa to promote the continent as a credible investment destination that is truly open for business. Invest in Africa believes that the private sector is the real engine of economic growth – the continent's future prosperity is dependent on private-sector investment and the development of African SMEs.

While the main goal of Invest in Africa is to change investor perceptions, Invest in Africa also aims to increase the variety of investors and businesses working in Africa, to grow markets and develop the enterprise that benefits international investors, local business and consumers alike.

The Invest in Africa Mission

Many companies that are not yet operating in Africa remain sceptical about investing in the continent because of misconceptions about the business environment and a lack of first-hand knowledge about how to do business there. However, there is a significant gap between these perceptions and the reality of investing in Africa.

Invest in Africa aims to help bridge this gap by demystifying the investment process and sharing the first-hand experience and knowledge of the Founding Partners. In this way Invest in Africa will enable new investors and businesses to engage with key stakeholders and partner with local African firms, facilitating greater job creation and sustainable growth.

Invest in Africa's Work

With initial Founding Partner Tullow Oil plc, Invest in Africa will work with other firms that are experienced in investing in Africa: creating jobs, transferring knowledge and skills and bringing new products to market to help deliver sustainable growth. Invest in Africa provides a leading platform for businesses to work in partnership with Founding Partners, investors, suppliers, African SMEs and other key stakeholders to demonstrate their commitment to driving sustainable economic growth across Africa.

Invest in Africa will achieve this by giving practical advice and support to investors and companies looking to do business in Africa, as well as to potential African partner SMEs. This advice will be supported by a series of investor/supplier forums, roadshows and initiatives for investors and SMEs, as well as developing 'best-practice' case studies detailing the Founding Partners' approaches to successfully working in Africa. These will help new investors and local African firms better understand how to work together to successfully do business on the continent.

Visit investinafrica.com for details of activities, events and how your business could benefit.

Ernst & Young

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About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

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ED None

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This report has been produced in collaboration with Oxford Economics, one of the world's leading providers of economic analysis, advice and models.

OXFORD ECONOMICS

Africa Business Center™

Michael Lalor
ABC™ Leader
Tel: +27 83 611 5700
Email: michael.lalor@za.ey.com

Sylvester Taku
ABC™ Executive
Tel: +27 83 411 0005
Email: sylvester.taku@za.ey.com

Charlie Pistorius
ABC™ Analyst
Tel: +27 72 355 9253
Email: charlie.pistorius@za.ey.com

Sarah Custers
Marketing
Tel: +27 11 772 3300
Email: sarah.custers@za.ey.com

Fathima Naidoo
Press Relations
Tel: +27 11 772 3151
Email: fathima.naidoo@za.ey.com

@ EY_Africa www.ey.com/za

Emerging Markets Center

For further information on emerging markets, please visit: emergingmarkets.ey.com

Growing Beyond

In these challenging economic times, opportunities still exist for growth. In *Growing Beyond*, we're exploring how companies can best exploit these opportunities – by expanding into new markets, finding new ways to innovate and taking new approaches to talent. You'll gain practical insights into what you need to do to grow. Join the debate at www.ey.com/growingbeyond.