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What influences foreign direct investment into Africa

Insights into African Capital Markets

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"Many strategies that have worked elsewhere have failed dismally in Africa because investors have failed to recognise that Africa has a very different landscape and frame of reference to the rest of the world"

Wandile Qokweni,
Development director for Sub Saharan Africa, Carat

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Sources of Information

UNCTAD Global Investment Trend Monitor ("UNCTAD")

World Bank Ease of Doing Business Survey, 2015 and 2014 ("Ease of Doing Business Survey")

Transparency International Corruption Perception Index, 2015 and 2014 ("CPI")

World Investment Report, 2015

The ResourceStocks Magazine 2015 ("World Risk Survey 2015")

2015/2016 RMB Global Markets Research Where to invest in Africa Report ("Where to invest in Africa Report")

2014 Fraser Institute Annual Survey of Mining Companies ("Fraser Institute Survey")

Fraser Institute Survey Investment Attractiveness Index ("IAI")

Policy Perception Index ("PPI")

African Economic Outlook website ("African Economic Outlook")

African Markets Barclays Guide, 2015

KPMG and NKC Country Snapshots, Quarter 1 2015

Business Report (various articles)

Best Practices Mineral Potential Index ("Best Practices Index")

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South African Development Community site ("South African Development Community")

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Dealmakers Gold Medal Issue 2014

Introduction

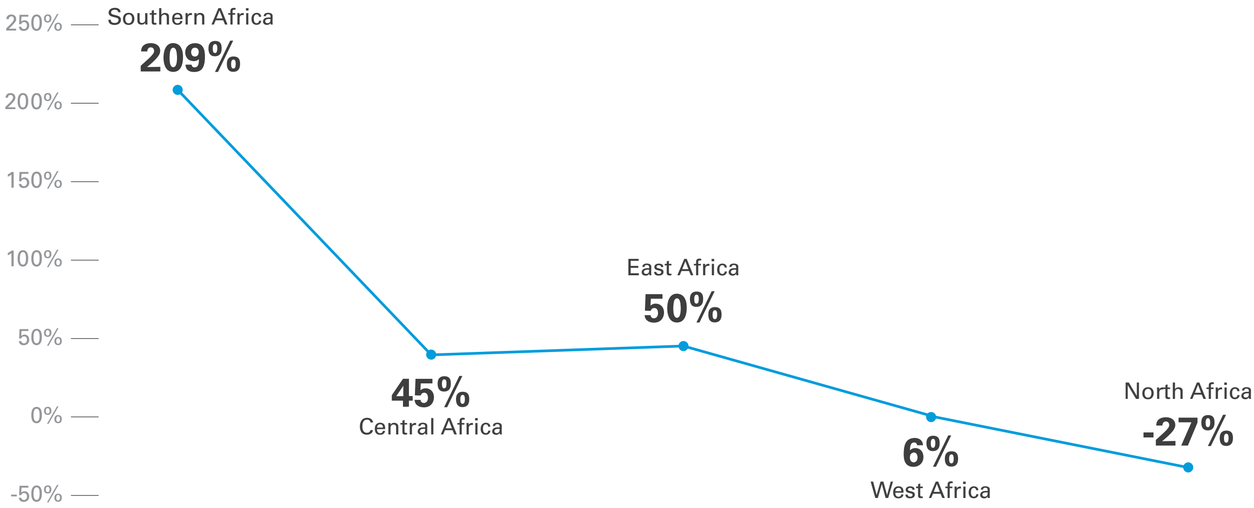
The rise of foreign direct investment inflows into Africa

Barring certain exceptions, armed conflict and terrorism, policy uncertainty, macroeconomic instability and inadequate and corrupt legal systems in specific African countries, and regions, have historically tainted foreign investors' perceptions of Africa as an investment destination.
Subsequent to the 2008 financial crisis, however, Africa, with its high growth rates, burgeoning population, growing middle class, perceived improved political and macroeconomic stability and vast tracts of arable land and attractive geology, became increasingly attractive to foreign investors with FDI inflows to the continent increasing by 22% between 2010 and 2014. The end of the commodities "super-cycle" has, however, impacted heavily on resources seeking FDI and FDI inflows to Africa plunged by 31% during 2015.

So, what do we do now?

In the five year period from 2010 to 2014, foreign direct investment ("FDI") inflows to Africa have increased, in total, by 22%. The changes to FDI inflows into Africa, by region, are summarised as follows:

Increase/decrease in FDI inflows by region between 2010 and 2014



The distribution of the FDI inflows to the different regions has changed significantly over this five year period with Southern Africa's share increasing from 7.9% in 2010 to 20% in 2014. Other FDI inflow gainers are Central Africa, whose share of total FDI inflows to Africa grew from 18.9% during 2010 to 22.4% during 2014, and East Africa, whose share increased from 10.3% in 2010 to 12.6% in 2014. FDI inflow losers are North Africa, whose share of total FDI inflows has declined from 35.7% during 2010 to 21.4% during 2014 and West Africa, whose share has declined from 27.2% in 2010 to 23.7% during 2014.

According to UNCTAD this trend changed during 2015. FDI Inflows to Sub-Saharan Africa, declined significantly during 2015. FDI inflows to North Africa increased, led by Egypt which experienced an increase in FDI inflows during 2015 to US$6.7 billion (2014: US$4.8 billion).

The question as to what influences FDI inflows into Africa can be split into two separate factors, namely, Africa's significant natural resources and, secondly, the political and business environment which is impacted by security factors, infrastructure and government policies.

What are the current and future roles of natural resources in attracting FDI inflows to Africa?

Many of the large gains in FDI inflows to Africa during the five year period to 2014 have been into the extractive industries, in particular, Zambia and Mozambique in Southern Africa; Uganda and Tanzania in East Africa and the Republic of Congo and Chad in Central Africa.

The reliance of many African economies on the extractive industries, which have been heavily impacted by the low commodity and oil prices linked, *inter alia*, to the slowdown of the Chinese economy, has negatively impacted on FDI inflows to the continent during the past few years. This is reflected in the fact that FDI inflows to developing economies increased by 2%, to US$681.0 billion, during 2014, however, FDI inflows to Africa remained unchanged at US$53.9 billion during this period and declined by 4% during 2013 in comparison to the prior year.

FDI inflow figures for 2015, published by UNCTAD, further illustrates this decline as FDI inflows to Africa during 2015 dropped from US$53.9 billion during 2014 to an estimated US$38.0 billion in 2015. FDI inflows to each of Nigeria and Mozambique during 2015 amounted to an estimated US$3.8 billion and US$3.4 billion, respectively. While the FDI inflows to these two countries declined by 21% and 27%, respectively, during 2015, their FDI inflows were still notable.

It is interesting to note that while a large portion of the US$88.0 billion value of announced greenfield FDI projects to Africa during 2014 were in the extractive industries, the most notable being a greenfield investment in the oil and gas industry in Angola amounting to US$16.0 billion, a significant portion of the announced greenfield investment was into the manufacturing and services sectors. This is an important trend, as many African countries are seeking to diversify their economies away from an over-reliance on the extractive industries.

While FDI inflows to African countries with exceptional mineral or oil and gas resources continued in 2014 and 2015, albeit at a continuously reducing level, there has been a shift in investment into other sectors such as services and manufacturing in recent years. The African countries that are weathering the reducing FDI inflow storm the best, are those that have a focus on manufacturing or services. Examples of this trend are:

- Morocco in North Africa, which experienced increased FDI inflows of 9% during 2014 and whose economy is quite diverse with exports comprising of electrical and electronic equipment (16%), textile related items (10%), fertilisers (8%) and phosphates (4%);
- Rwanda in Central Africa, which experienced increases in FDI inflows during 2014 of 4%, and whose economy is largely agricultural with a particular focus on tea (9%) and coffee (10%);
- Kenya in East Africa which achieved increased FDI inflows of 96% during 2014 and whose major exports comprise tea (18%), horticulture (14%), manufactured goods (11%) and coffee (4%);
- Ethiopia in East Africa which experienced increased FDI inflows of 26% and whose main exports comprise of coffee, tea, mate and spices (22%); oil seed (18%); edible vegetables (15%) and live trees and plants (5%); and
- Egypt in North Africa which experienced increased FDI inflows of approximately 40% during 2015. Egypt's economy prior to the uprising, was well diversified.

What else is important?

The other important consideration for potential investors are the political landscape and business environment. The political situation incorporates political stability and security factors. The business environment includes factors such as infrastructure, corruption, onerous regulations, taxation regime and the conduciveness of the regulatory environment to the starting and operating of a business in that jurisdiction.

As can be seen from the reduced FDI inflows to North and West Africa, armed conflict, political uncertainty and security threats are the biggest deterrents to FDI inflows to Africa, regardless of the quality of a country's geological base.

Countries that are politically stable and that have better infrastructure, lower levels of corruption and business environments that are more conducive to investment as well as a more diversified economy, do attract higher levels of FDI.

This view agrees with the emphasis by the Southern African Development Community that economic liberalisation and regional integration will help to attract FDI inflows into Africa.

Consider the following:

- South Africa, with its more diversified economy and reputation as an investor friendly business environment, achieved the highest FDI inflows in Africa during 2014 and 2013, although it should be noted that FDI inflows to South Africa declined by 33% during 2014 from US$8.3 billion during 2013 to US$5.7 billion during 2014. During the past few years, South Africa has experienced low projected GDP growth rates and issues with protracted industrial action, policy uncertainty relating to the mining industry and power shortages, which issues are reflected in South Africa's lower ranking in the World Bank Ease of Doing Business Survey 2015 of 61%, down from 77% in 2014, and have collectively translated into a significant reduction in South Africa's attractiveness as a destination for foreign investment. FDI inflows to South Africa during 2015 declined to US$1.5 billion, an effective reduction of 74%;
- Nigeria, with a largely oil based economy, and Mozambique, which is heavily resources dependent and has huge gas potential, scored low rankings in the Ease of Doing Business Survey, 2015 of 11% and 30%, respectively, and the CPI 2014, of 22% and 32%, respectively. Despite these low rankings, Nigeria and Mozambique achieved FDI inflows during 2015 of US$3.4 billion (2014 – US$4.7 billion) and US$3.8 billion (2014 – US$4.9 million), which although 27% and 21% lower than FDI inflows to these two countries in the prior year, were still notable;
- Egypt, which had a well-diversified economy prior to the uprising and which is gradually addressing its security issues, achieved FDI inflows of an estimated US$6.7 billion during 2015, up significantly from US$4.8 billion during 2014. Egypt achieved moderate effective rankings of 31% in the Ease of Doing Business Survey, 2015 and 46% in the CPI; and
- Congo, which is hugely dependent on its oil resources, achieved extremely low effective rankings of 7% in the Ease of Doing Business Survey, 2015 and 13% in the CPI achieved FDI inflows during 2014 of US$5.5 billion (figures for Congo for 2015 are not currently available).

Countries that are politically stable and that have better infrastructure, lower levels of corruption and business environments that are more conducive to investment as well as a more diversified economy, do attract higher levels of FDI.

Other notable African recipients of FDI inflows during 2014 and 2015 are as follows:

Country	Industry dependency	Ease of Doing Business Survey, 2015	CPI, 2015
Southern Africa			
Angola	Oil and gas	4%	3%
Zambia	Copper	48%	5%
Central Africa			
Democratic Republic of Congo ("DRC")	Resources	3%	1%
Equatorial Guinea	Oil and gas	5%	-17%
East Africa			
Tanzania	Gas opportunities	26%	30%
Uganda	Oil	35%	17%
Ethiopia	Agricultural	23%	39%
West Africa			
Ghana	Extractive industries	40%	67%
North Africa			
Morocco	Well diversified	60%	4%

Source: Ease of Doing Business Survey, 2015; Corruption Perception Index, 2015 and KPMG calculations and analysis

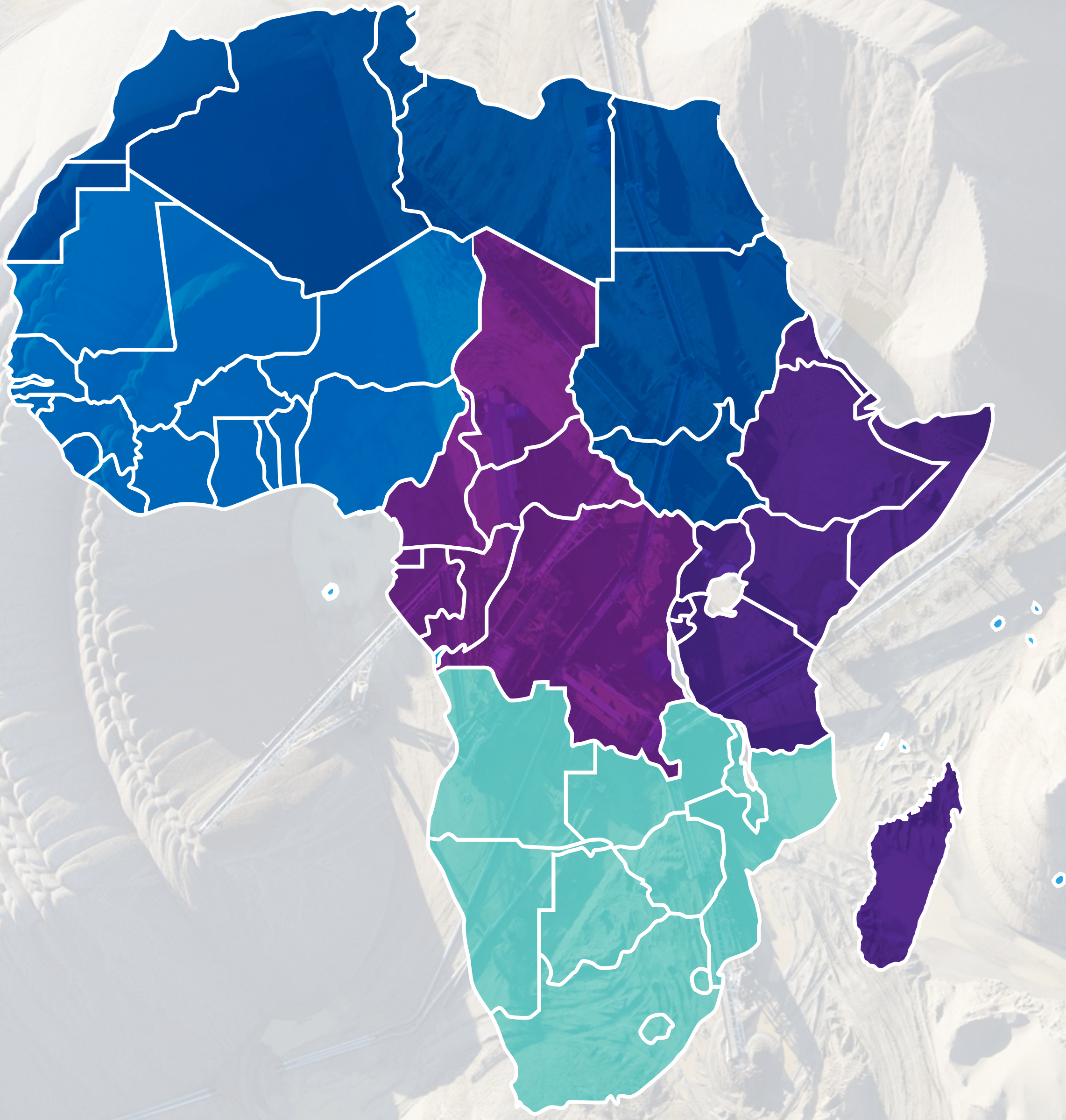
Summary

The above facts and figures clearly indicate that while corruption, poor infrastructure and onerous business conditions are considerations for potential investors into Africa, these are certainly not overriding factors. If the geological attractiveness and/or gas and oil resources are sufficiently attractive, investors will still invest in the country and will find ways of overcoming obstacles.

Political instability, including terrorism and security issues, as well as policy uncertainty of the sort being experienced by investors into the extractive industries in Zimbabwe, are two of the biggest deterrents for investors into a jurisdiction. North Africa has paid a high price with regards to investor confidence due to the regional conflict that has occurred over the past few years, as has Zimbabwe with its continuously changing government policies. South Africa is also paying a price for its issues with industrial action, power shortages and onerous labour laws despite its reputation of having a more investor friendly business environment.

FDI inflows into Africa have been significantly impacted by the resources cycle which is currently in a downturn. This downturn is expected to continue in the short to medium term and those African countries which are successfully diversifying their economies into other sectors such as services and manufacturing, are expected to experience higher gross domestic product ("GDP") growth and attract higher FDI inflows during this period. African countries are competing with the world at large in the areas of services and manufacturing and, therefore, it is expected that those African countries that are able to "up their game" with regards to an improved business environment, will be at the forefront in these potential growth areas. Specific countries that are potential rising stars are, *inter alia*, Ethiopia, Egypt, Kenya, Rwanda and Morocco, all of which have better rankings in the Ease of Doing Business Survey, 2015 and the CPI. The rankings of African countries in the Ease of Doing Business Survey, 2015, nearly all reduced between 2014 and 2015 so the rankings of the above mentioned four countries, although low by world standards, are higher than many of their peers.

If Africa, as a continent, wants to continue to lure investors, during this negative resources cycle, it needs to continue to focus on improving infrastructure, the business environment and most importantly, reduce internal and regional conflicts and political and/or policy uncertainty.


North Africa
West Africa
Central Africa
East Africa
Southern Africa

What influences investment into Africa?

Analysis of FDI into Africa

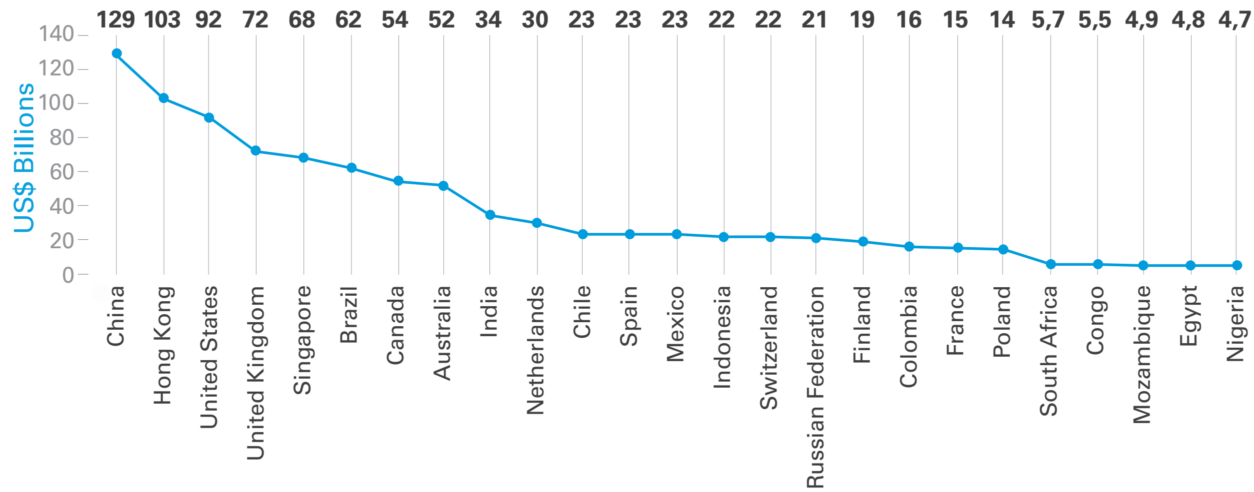
According to the latest figures published by UNCTAD during January 2016, FDI inflows into Africa during 2015 amounted to an estimated US$38 billion. This is a decline of 31% in comparison to the US$53.9 billion for 2014 published in the World Investment Report, 2015. FDI inflows into Africa by region, during 2014, and to the extent this information is available for 2015, can be summarised as follows:

- FDI inflows to North Africa during 2014 declined by 15% to US$11.5 billion mainly due to ongoing unrest in Libya, which has negatively impacted investors' perception of North Africa as an investment destination, and a significant reduction in announced greenfield FDI projects, particularly in Algeria. FDI inflows to North Africa recovered somewhat during 2015, with FDI inflows to Egypt increasing to US$6.7 billion due to gradually improving security in that country;
- FDI inflows to West Africa during 2014 declined by 10% to US$12.8 billion largely due to the effects of Ebola, regional conflicts and falling commodity and oil prices. Nigeria experienced a decline in FDI inflows during 2015 to US$3.4 billion, mainly due to the drop in the oil prices;
- FDI inflows to Central Africa increased by 33% to US$12.1 billion mainly due to continuing investment into the oil refinery in the Republic of Congo ("Congo") and investment into the Democratic Republic of Congo ("DRC");
- FDI inflows to Southern African declined by 2% to US$10.8 billion mainly due to reduced FDI inflows into South Africa, resulting from protracted industrial action, weak GDP growth rates and electricity shortages, and Mozambique, due to the weak commodity and oil price environment. and
- FDI into East Africa increased by 11% to US$6.8 billion due to increased FDI inflows into the gas sector in Tanzania and the growing textile industry in Ethiopia.

Analysis of FDI inflows into Africa compared to other investment destinations

Table 1 below illustrates total FDI inflows, in US$ billions, into Africa in comparison to the top twenty recipients of FDI inflows in the world.

Table 1: FDI inflows in 2014 - World top 20 and Africa top 5



Source: World Investment Report, 2015

The table above clearly shows that FDI inflows into the top recipients in Africa are significantly below those received by the top 20 host economies in the world. This trend has become even more noticeable during 2015 with FDI inflows to developing Asia increasing by 15%, led by Hong Kong which received FDI inflows of US$163 billion. The United States made a return as the highest recipient of FDI inflows in the world during 2015 with FDI inflows amounting to US$384 billion, however, it should be noted that, according to UNCTAD, the increased FDI inflows to both Hong Kong and the USA involved transactions that did not result in material movements in actual resources. FDI inflows to Africa during 2015 were heavily impacted by the negative resources cycle.

A summary of the FDI inflows per region/economy for 2015 and 2014 is set out below:

FDI inflows			
Region/economy	2014	2015	% change
World	**1 245**	**1 699**	**36.5**
Developed economies	493	936	89.9
Europe Union	254	426	67.6
North America	146	429	193.5
Other developed countries	93	81	(14.8)
Developing economies	703	741	5.3
Africa	55	38	(31.4)
Latin America and the Caribbean	170	151	(11.2)
Developing Asia	478	552	15.5
Transition economies	49	22	(54.1)

Source: UNCTAD Global Investment Trends Monitor, January 2016

Note: World FDI inflows are projected on the basis of 150 economies for which data are available for part of 2015 or full year estimate, as of 15 January 2016. Annual figures are estimated based on available partial-year data, in most cases up to the third quarter of 2015. The proportion of inflows from these economies in total inflows to their respective region or subregion in 2014 is used to extrapolate 2015 regional data. Data exclude the financial centres in the Caribbean.

General attractiveness of Africa as an investment destination

Africa has attracted increased interest as an investment destination over the past five years due, *inter alia*, to the following primary factors:

- Lower growth expectations for the developed economies;
- A perception that Africa has become more politically mature and easier to access with improved judiciary systems;
- Africa's increasing population and rise in consumption; and
- Africa's vast tracts of unutilised land and significant mineral and other resources.

FDI inflows to developing economies increased by 2%, to US$681.0 billion, during 2014, however, FDI inflows to Africa remained unchanged at US$53.9 billion during this period. Global FDI inflows increased by 36% to US$1.7 trillion during 2015 comprising of increased FDI flows to developed economies amounting to US$936 billion and developing economies amounting to US$741 billion. Africa's share of the FDI inflows to developing economies dropped to US$38 million with Latin America and the Caribbean dropping to US$151 billion and developing Asia increasing to US$548 billion. Africa's reducing FDI inflows are largely due to the fact that many African economies are still heavily reliant on mineral and other resources and, therefore, have been heavily impacted by the low commodity and oil prices linked to, inter alia, the slowdown of the Chinese economy.

Reliance on mineral and other resources by African countries

The reliance on mineral and other resources is particularly evident in the following African economies:

- Angola – heavily dependent on oil which constituted over 90% of Angola's export's during 2014;
- Botswana – overexposed to the diamond sector with diamond exports comprising approximately 91% of total exports during 2014;
- Cote d' Ivoire – petroleum products are a key export product, however, cocoa is a bigger export product and contributed nearly 35% to total exports during 2014;
- Gabon – oil is a major contributor to the economy and comprised over 80% of Gabon's total exports during 2014;
- DRC – copper, cobalt, crude petroleum oils and rough diamonds constitute approximately 90% of export products;
- Egypt – oil and gas made up approximately 41% of Egypt's exports during 2014;
- Ghana – gold and crude oil are the major export items and contributed approximately 32% and 26%, respectively to Ghana's total exports during 2014. Cocoa beans and affiliated products made up nearly 20% of Ghana's total exports during 2014;
- Mozambique – aluminium and coal are important export products which contributed approximately 26% and 11%, respectively, to Mozambique total exports during 2014;
- Namibia – diamonds, copper and uranium contributed approximately 29%, 12% and 9% respectively, to Namibia's total exports during 2014;

- Nigeria – oil and natural gas constituted approximately 82% and 12%, respectively, of total exports during 2014;
- Rwanda – coltan and tin contributed approximately 17% and 12%, respectively, to Rwanda's total exports during 2014. However, tea and coffee are also important export items, jointly comprising approximately 20% of Rwanda's total exports during 2014;
- South Africa – mineral products, precious metals, stones and jewellery and base metals are significant export products and collectively constituted approximately 40% of South Africa's total exports during 2014. Vehicles and automotive parts contributed nearly 8% of South Africa's total export products during that year;
- Tanzania – gold is a significant contributor to export products and comprised 26% of Tanzania's total exports during 2014. Tobacco, fish and coffee jointly contributed 11% to total exports during this period; and
- Zambia – copper is Zambia's main export item and constituted nearly 80% of Zambia's total exports during 2014.

Effect of dependency on resources on FDI inflows into Africa

Africa's reliance on the resources sector has impacted on FDI inflows to the region and, in many instances, growth prospects of individual countries. This is in line with the marked fall in FDI inflows to other regions with significant extractive industries resources, such as Australia (-33%), Chile (-38%), Colombia (-15%), the Russian Federation (-92%) and Kazakhstan (-66%). World Risk Survey 2015 highlights the fact that mining and exploration investment over the past three years has been directed towards "old world" destinations with stable democracies, predictable policies and legal settings. Six African countries feature in the top 20 investment destinations cited in the World Risk Survey 2015 as follows: Botswana in 6th place, Namibia in 10th place, Zambia in 12th place, Ghana in 13th place, Tanzania in 15th place and Morocco in 18th place. Four of the six African countries that featured in the top 20 investment destinations in the World Risk Survey 2015 received higher FDI inflows during 2014, namely, Zambia (increased by 37%), Ghana (increased by 4%), Tanzania (increased by 1%) and Morocco (increased by 9%). This is against a backdrop of reduced FDI inflows to 20 African countries out of 53 during 2014. FDI inflows to Botswana remained fairly static, reducing by 1%, however, FDI inflows to Namibia declined by 48% during 2014. The reasons for the reduction in FDI inflows to Namibia during 2014 are detailed in the Insights into FDI inflows and growth in Southern Africa section below.

It is notable, however, that the services sector accounted for 48% of Africa's stock of FDI in 2014, followed by manufacturing at 31% and mining, quarrying and petroleum at 21%. Services FDI into Africa is concentrated in a few regions, in particular, North Africa, where the services sector accounts for approximately 60% of total FDI stock and Southern Africa, where the services sector contributes 51% of South Africa's inward FDI stock. The strong FDI inflows to South Africa's services sector can be attributed largely to growth in the rest of Africa with investors looking to use South Africa as a "springboard" to expand regionally.

The potential for the services sector, which comprises of electricity, gas and water; construction; transport, storage and communications and business services, to develop Africa's economy is considered to be significant according to the World Investment Report, 2015.

Sources of FDI inflows into Africa

Chinese and Indian companies continued to be significant investors into Africa during 2014. In addition, investment by United Arab Emirates has been on the increase in recent years and accounted for 6% of total capital expenditure related to greenfield FDI projects into Africa in 2014. Private equity drove many of the largest investments into Africa during this period, predominantly from the United States. Among the largest recorded private equity investors during this period were The Abraaj Group (United Arab Emirates), Actis (United Kingdom), Helios Investment Partners (United Kingdom), Kohlberg Kravis Roberts & Co. (United States), The Carlyle Group (United States), and 8 Miles (United States).*

**Source: Dealmakers Gold Medal Issue 2014*

In considering the impact of the current low commodities price on investment into Africa, it is important to note that the value of announced greenfield FDI projects in mining, quarrying and petroleum to Africa, increased by a massive 260% from US$6.1 billion in 2013 to US$22.0 billion in 2014.

FDI inflows into Southern Africa have increased by 209% over the last five calendar years, from US$3.5 billion during 2010 to US$10.8 billion in 2014.

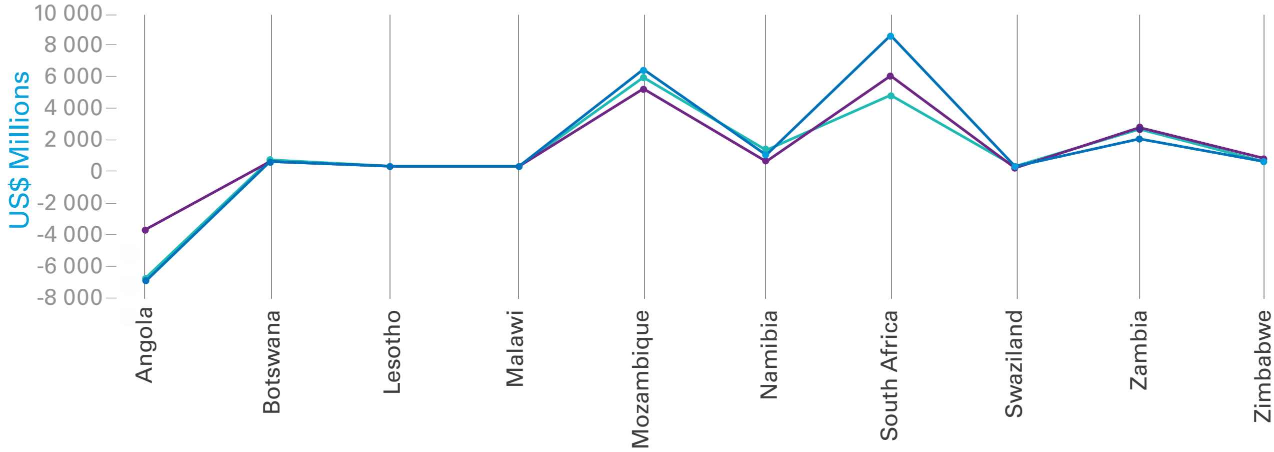
Insights into FDI inflows and growth in Southern Africa

FDI inflows into Southern Africa

Table 2 below sets out the FDI inflows, in US$ millions, into Southern Africa for the calendar years ended 2014, 2013 and 2012.

Table 2: Southern Africa FDI inflows

	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2014	-3 881	393	46	130	4 902	414	5 712	13	2 484	545
2013	-7 120	398	50	120	6 175	801	8 300	84	1 810	400
2012	-6 898	487	57	129	5 629	1 133	4 559	32	2 433	400



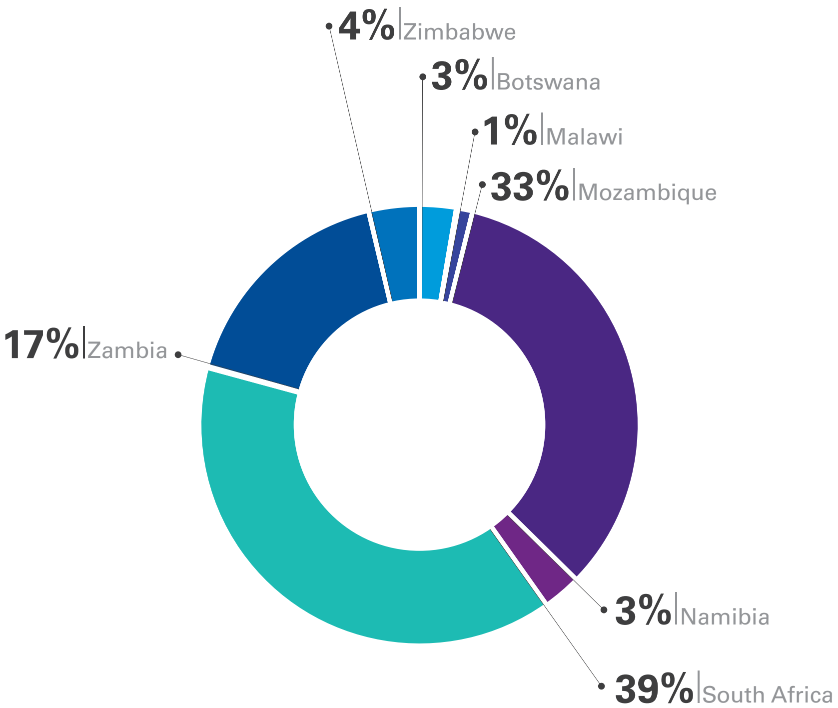
Source: World Investment Report, 2015 and KPMG calculations and analysis

The total FDI inflows into Southern Africa during 2014 amounted to US$14.6 billion with an FDI outflow, amounting to US$3.9 billion, from Angola during the same period. The net FDI inflows into Southern Africa during the 2014 calendar year, therefore, amounted to US$10.8 billion, approximately 20% of the total FDI inflows into Africa during 2014 of US$53.9 billion. Southern Africa's share of FDI inflows into Africa during 2014 remained stable in comparison to the prior year's figure of 20.4% (US$11.0 billion). FDI inflows into Southern Africa have increased by 209% over the last five calendar years, from US$3.5 billion during 2010 to US$10.8 billion in 2014.

FDI inflows by Southern African country

Table 3 below sets out the contribution by each Southern African country to total FDI inflows to the region, amounting to US$14.6 billion, during 2014. The FDI outflow from Angola during 2014 has not been included in Table 2 below.

Table 3: FDI inflows by Southern African country



Source: World Investment Report, 2015 and KPMG calculations and analysis

South Africa retained its position as the largest recipient of FDI in Southern Africa during 2014 despite a 31% decline in FDI inflows from US$8.3 billion in 2013 to US$5.7 billion in 2014. This changed during 2015, with FDI inflows to South Africa dropping by 74% to US$1.5 billion year-on-year and by 59% during the six year period from 2010 to 2015.

Mozambique saw a significant decline of 21% in FDI inflows during 2014 from US$6.2 billion in 2013 to US$4.9 billion in 2014 followed by a further decline of approximately 21% to US$3.8 during 2015. Mozambique has, however, experienced an increase in FDI inflows of 382% from US$1.0 in 2010 to US$4.9 billion in 2014 and of 273% to US$3.8 billion during 2015.

Zambia experienced the highest increase in FDI inflows during 2014 from US$1.8 billion in 2013 to US$2.5 billion in 2014, an increase of 36%. Zimbabwe also experienced a 37% increase in FDI inflows from US$0.4 billion in 2013 to US$0.6 billion in 2014.

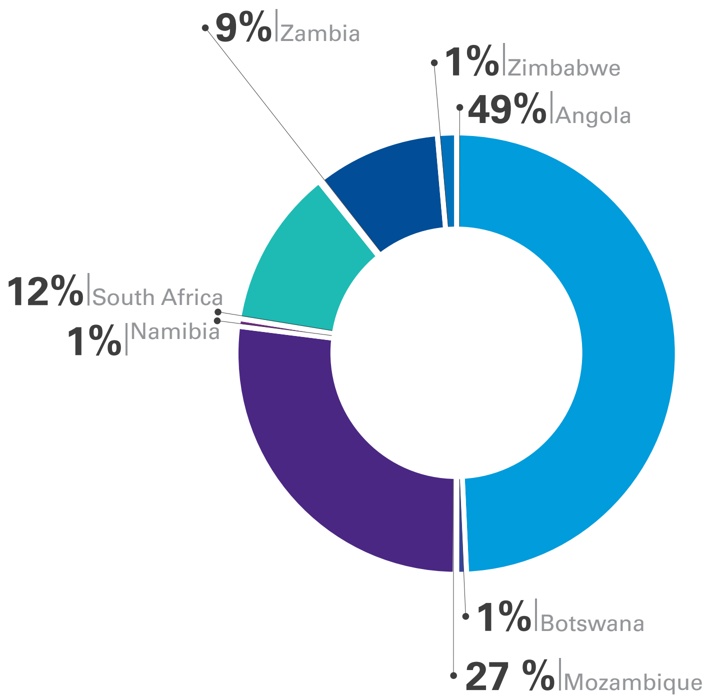
Namibia and Botswana both experienced declines in FDI inflows during 2014 of 48% and 1%, respectively.

Angola continued to experience divestment during 2014, with an FDI outflow amounting to US$3.9 billion. This was, however, a decrease of 45% from the FDI outflows of US$7.1 billion experienced during 2013. FDI outflows from Angola have declined by 20% during the five calendar years ended 2014. The divestment has largely been due to a general reduction in FDI to fuel-exporting least developed countries in recent years.

Value of announced greenfield FDI projects by Southern African country

Table 4 below sets out the value of announced greenfield FDI projects attributable to each Southern African country during 2014. In considering the figures below, it should be noted that the total value of announced greenfield FDI projects figures for Africa for 2015 was US$71.1 billion (2014 – US$88.0 billion), a decline of 19.2% year-on-year.

Table 4: Value of announced greenfield FDI projevcts by Southern African country



Source: World Investment Report, 2015 and KPMG calculations and analysis

Angola, Mozambique and South Africa were the destinations for the highest value of announced greenfield FDI projects in Southern Africa during 2014 amounting to US$16.1 billion, US$8.8 billion and US$3.8 billion, respectively.

Angola, despite divestment out of the country over the past few years, is the destination for a significant announced greenfield investment in the oil and gas industry, amounting to US$16.1 billion.

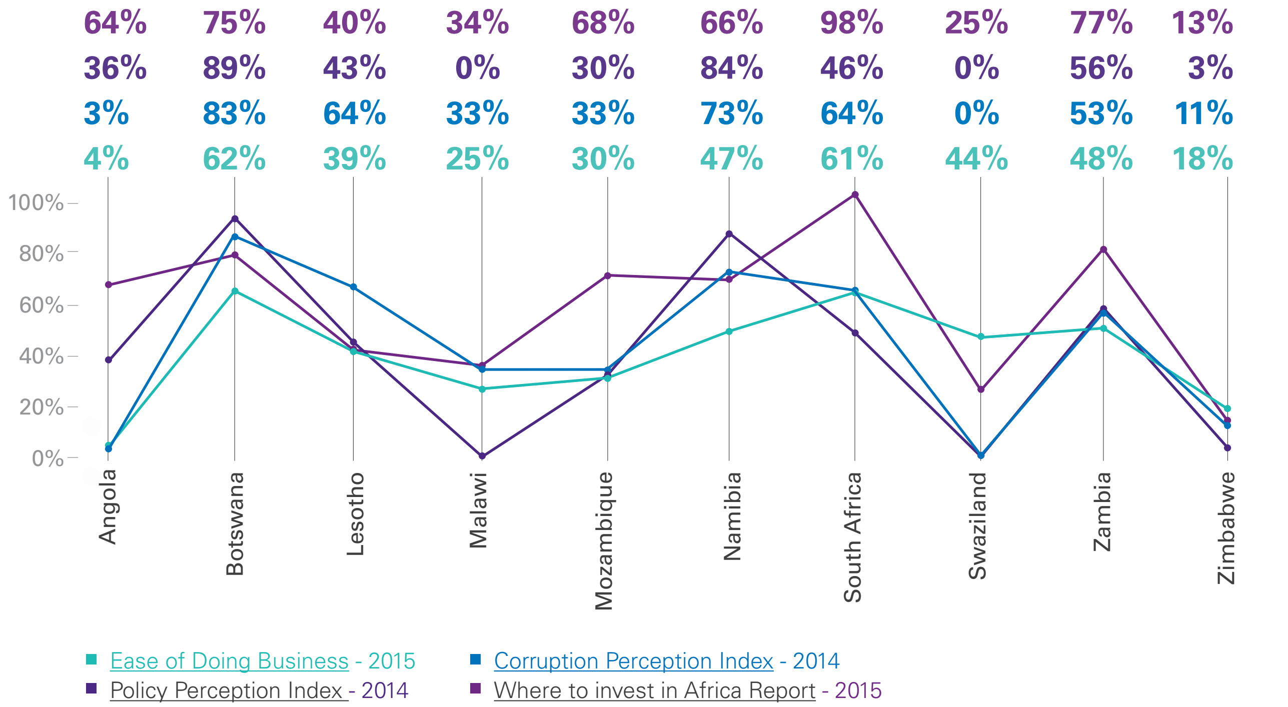
Governance and fiscal policies by Southern African country

Table 5 illustrates the following data:

- Each Southern African country's ranking (expressed as a percentage of the 53 countries included in the survey) in terms of the Where to invest in Africa Report;
- Each Southern African country's ranking (expressed as a percentage of the 122 participants in the survey) in terms of the Fraser Institute Survey and the PPI;
- Each Southern African country's ranking (expressed as a percentage of the 189 countries included in the survey) in terms of the Ease of Doing Business Survey, 2015; and
- Each Southern African country's ranking (expressed as a percentage of the 175 countries included in the survey) in terms of the CPI.

Angola, despite divestment out of the country over the past few years, is the destination for a significant announced greenfield investment in the oil and gas industry, amounting to US$16.1 billion.

Table 5: Governance and fiscal policies by Southern African country



Source: 2015, Where to invest in Africa Report, 2014, Policy Perception Index; 2015, Ease of Doing Business Survey; 2015, Corruption Perception Index and KPMG calculations and analysis

The Where to invest in Africa Report analyses the most attractive investment destinations in Africa. South Africa still ranks as the most attractive investment destination in Southern Africa, and Africa as a whole. Other high ranking investment destinations in Southern Africa, in terms of the Where to invest in Africa Report, are Zambia, which achieved an attractiveness score of 77%; Botswana, which achieved an attractiveness score of 75%; Mozambique which achieved 68% and Namibia which achieved 66%.

The three Southern African countries which achieved the lowest ranking as investment destinations were Malawi at 34%, Swaziland at 25% and Zimbabwe at 13%.

The PPI ranks the attractiveness of 122 jurisdictions for exploration investment based on government policies including, *inter alia*, onerous regulations, taxation levels and quality of infrastructure, in each jurisdiction. The Southern African countries with the highest PPI rankings were Botswana at 89%, Namibia at 84% and Zambia at 56%. South Africa's ranking was 46% for 2014. However, it should be noted that the PPI is not a stand-alone measure for the attractiveness of a jurisdiction for exploration investment. The quality of each country's geological base is also a significant contributor to investment decisions.

The Ease of Doing Business Survey, 2015 ranks 189 economies based on the conduciveness of each economy's regulatory environment to the starting and operation of a local business. The Southern African countries with the highest scores in the Ease of Doing Business Survey, 2015 were Botswana at 62% (2014 - 61%), South Africa at 61% (2014 - 77%) and Namibia at 47% (2014 – 53%). Angola had the lowest score at 4% (remained unchanged from 2014), followed by Zimbabwe at 18% (2014 - 10%) and Malawi at 25% (2014 - 13%).

The CPI ranks 175 countries by their perceived levels of corruption. Botswana is seen to be the least corrupt country in Southern Africa with a ranking of 82%, followed by Namibia and Lesotho at 69% each and South Africa at 62%. The Southern African countries with the lowest CPI ranking and, therefore, the highest perceived levels of corruption, are Angola at 8% and Zimbabwe at 11%.

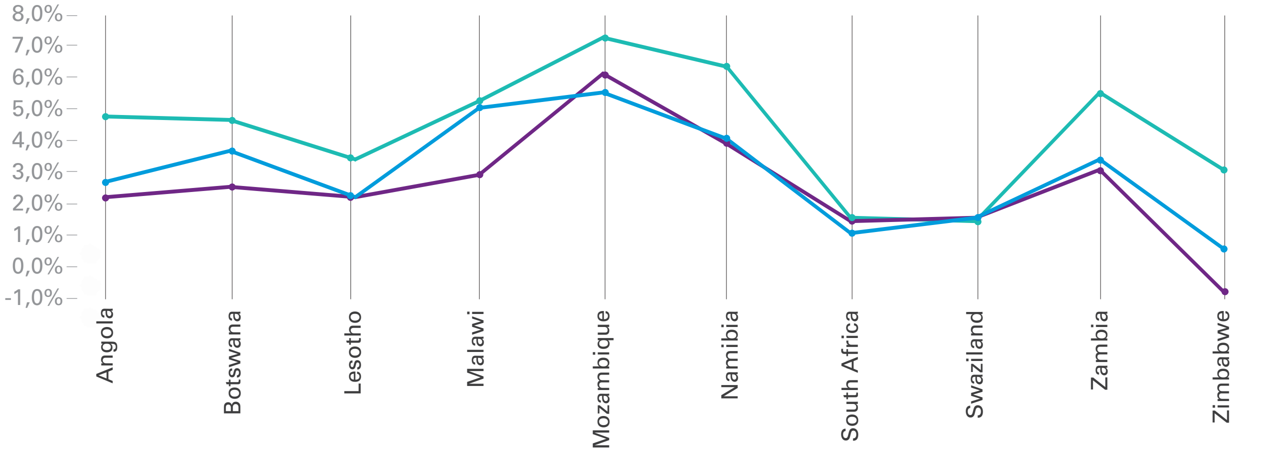
The graph above indicates that there is no correlation between a Southern African country's ranking as an attractive investment destination and such country's perceived levels of corruption, conduciveness to starting and operating a business and government policies in respect of regulations, taxation and infrastructure whilst it is likely to be a consideration. Low scores in respect of the PPI, Ease of Doing Business Survey, 2015 and the CPI do not necessarily deter from a country's attractiveness, or lack of attractiveness, as an investment destination.

GDP growth rate by Southern African country

Table 5 below sets out the gross domestic growth product ("GDP") growth attributable to the various Southern African countries for the years ended 2014, 2015 (forecast) and 2016 (forecast).

Table 6: Southern African - GDP growth

	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2016	4,8%	4,7%	3,4%	5,3%	7,4%	6,4%	1,5%	1,4%	5,6%	3,1%
2015	2,2%	2,5%	2,2%	2,9%	6,2%	3,9%	1,4%	1,5%	3,1%	-0,9%
2014	4,8%	4,7%	3,4%	5,3%	7,4%	6,4%	1,5%	1,4%	5,6%	3,1%



Source: African Economic Outlook and KPMG calculations and analysis

**The World Bank has revised the estimated GDP growth for South Africa for 2016 to 0.81% and for 2017 to 1.1%*

The Southern African countries with the highest forecast GDP growth rates are Mozambique (2014 – 7.6%; 2015 – 7.5% and 2016 – 8.1%); Zambia (2014 – 5.7%; 2015 – 6.5% and 2016 – 6.5%) and Namibia (2014 – 5.3%; 2015 – 5.6% and 2016 – 6.4%). To a certain extent there is a correlation between higher GDP growth rates and higher FDI inflows into a jurisdiction.

Conclusion

Angola

Angola has experienced divestment over the three years to 2014 although the divestment has reduced by 45% between 2013 and 2014. The divestment out of Angola is partially attributed to the fact that foreign investors in Angola are asked to team with local partners which are in short supply. The lack of local partners is impacting on projects into the country even though there is strong demand. Angola reduced its mine tax to 25% in 2013 which has added to the country's attractiveness as an investment destination. Unfortunately, it would appear that the benefit of the reduced tax rate is being restricted by the government's inclusion policy mentioned above. The value of announced greenfield FDI projects into Angola during 2014 has increased by 2 502% during 2014, to US$16.1 billion, due to an investment into the oil and gas extractive industry by Total.

Angola is considered to be a reasonably attractive investment destination in terms of the Where to invest in Africa Report with a ranking of 64%. Angola's rankings in the PPI, Ease of Doing Business Survey, 2015 and CPI are relatively poor at 36%, 4% and 8%, respectively. The cost of doing business in Angola is significantly increased by the poor state of its transport infrastructure.

The divestment out of Angola is partially attributed to the fact that foreign investors in Angola are asked to team with local partners which are in short supply.

Angola has good economic growth and FDI prospects due to the existing opportunities in the hydrocarbons sector and significant potential in the minerals sector. There are also opportunities in the hydropower sector.

Angola's mineral potential achieved a ranking of 93 out of 122 jurisdictions, an effective ranking of 23.8%, in the IAI, which is constructed by combining the Best Practices Index, which rates regions based on their geologic attractiveness, and the PPI.
The Frasier Institute Survey clearly states that a countries ranking in the PPI only contributes approximately 40% to a decision to invest into a particular country. The mineral potential of a jurisdiction is the overriding decision making factor and contributes approximately 60% to investment decisions. Angola's ranking in the Best Practices Index was 80 out of 122 jurisdictions, which is an effective ranking of 28.6%. Angola's political situation is currently stable and this stability is expected to continue.

In summary, the divestment out of Angola during the past few years to 2014 is not attributable to its poor rankings in the PPI, Ease of Doing Business Survey, 2015 and CPI surveys or the current pressure on oil prices. The divestment is a result of the government's inclusion policies that are inhibiting foreign investment into the country. The opportunities in Angola's significant hydrocarbon and mineral sectors are sufficiently attractive to investors for them to tolerate the corruption and difficulties experienced in conducting business in the country.

Botswana

Botswana's share of FDI inflows to Southern Africa during 2014, is 3% and the country's FDI inflows have remained fairly stable between 2013 and 2014, declining marginally by 1% year on year. The value of announced greenfield FDI projects in Botswana during 2014 increased by 129% during 2014 to US$236 million.

Botswana achieved very good ratings in each of the Where to invest in Africa Report, PPI, Ease of Doing Business Survey, 2015 and CPI with scores of 75%, 89%, 62% and 82%, respectively.

Botswana is forecast to achieve economic growth of 4.5% in 2015, dropping slightly to 4.3% in 2016. Botswana's diamond production is expected to near its end within the next 20 to 30 years and, therefore, diversification of the economy away from diamonds is essential. Diamonds currently comprise 79% of Botswana's export items. Botswana achieved a score of 78.7% in the IAI (26th out of 122 jurisdictions) and a score of 73.2% in the Best Practices Index.

Botswana is considered to be a stable democracy and that is not expected to change going forward.

In summary, Botswana is one of the smaller recipients of FDI inflows to Africa despite its high rankings in each of the IAI, Where to invest in Africa Report, PPI, Ease of Doing Business Survey, 2015 and CPI. Botswana's dependency on the diamond industry and the proximity of its diamond resources to the end of their life, are considered deterrents to investment into the country.

Mozambique

Mozambique attracted the second highest FDI inflows in Southern Africa and the third highest in Africa during 2014 of US$4.9 billion. FDI inflows to Mozambique during 2015 declined by 21% to US$3.8 billion, however, this was still notable in the context of the total FDI inflows to Africa of US$38 billion during 2015. The value of announced greenfield FDI projects into Mozambique increased by 40% during 2014 to US$8.8 billion and comprise of a US$5.2 billion investment by Belgium company, Pylos, into the commercial and institutional building construction sector and US$2.6 billion investment by South African company, Atterbury Property Developments into the real estate sector.

Mozambique ranked 17th out of 53 countries in the Where to invest in Africa Report which equates to a ranking of 68%. Mozambique's rankings in the PPI, Ease of Doing Business Survey, 2015 and CPI are 30%, 30% and 32%, respectively, which, while not high rankings, are better than the rankings achieved by Angola and Zimbabwe. Malawi also achieved a lower ranking of 25% in respect of the Ease of Doing Business Survey, 2015.

Mozambique has the highest GDP growth rates in Southern Africa although the current weak commodity prices poses some downside risk to GDP growth rates going forward.

Mozambique's biggest export commodity is aluminium with coal continuing to grow as a contributor to exports. Significant gas exports are considered to be possible in the medium term. Mozambique ranked 79th out of 122 jurisdictions in the IAI, an effective ranking of 35.2%. The quality of Mozambique's mineral resources ranked at 6.3% in terms of the Best Practices Index.

The ruling Frente de Libertação de Moçambique ("Frelimo") party, which has been in power since Mozambique gained independence in 1975, dominates the political scene. The 2014 elections proceeded smoothly despite continuing political rivalry between the ruling Frelimo party and the opposition Renamo parties.

In summary, Mozambique's significant mineral resources and potential in the gas sector, both of which contribute to the country's estimated GDP growth rates for 2015 and 2016, continue to attract FDI inflows into the country despite the high level of corruption, difficulties in conducting business and political uncertainty. There is significant investment into the construction and real estate industries which indicates that investors are seeing opportunities in Mozambique outside of the traditional commodities sector.

Namibia

Namibia achieved FDI inflows of US$414 million during 2014, a 48% decrease in FDI inflows from the prior year. The value of announced greenfield FDI projects into Namibia has also declined by 83% during 2014 to US$184 million.

In the World Risk Survey 2015, Namibia dropped from 3rd place in 2014 to 10th place in 2015. This movement, however, is contrary to the findings of the Frasier Institute Survey which stated that Namibia's policy factors had improved considerably with the result that Namibia moved up on the PPI to a ranking of 20th in 2014 from 34th in 2013. According to the Frasier Institute Survey, Namibia is currently Africa's most attractive jurisdiction, ranking as the 25th most attractive jurisdiction out of the 188 jurisdictions surveyed. Namibia's ranking the Where to invest in Africa Report increased to 18 in 2014 from 23 in 2013. The discrepancy is due to the fact that Namibia's reputation as a business friendly country has deteriorated in recent years, with its ranking in the Ease of Doing Business Survey, 2015 dropping from 53% in 2014 to 47% in 2015. The Namibian government has scrapped a planned increase in the tax rate to 44%, however, according to a respondent in the Fraser Institue Survey. Namibian taxation has increased and has become more complex and the mining sector is still a key target for government revenue.

Namibia's reputation as a business friendly environment has deteriorated in recent years.

Namibia's economy is heavily reliant on diamond and uranium mining. Namibia ranked 25th out of 122 jurisdictions in the IAI, an effective ranking of 79.5%, the highest in Africa. The quality of Namibia's mining resources is ranked at 58% in terms of the Best Practices Index. Namibia is a stable democracy with low political risk and stable trend lines.

In conclusion, Namibia experienced the second highest decline, of 48%, in FDI inflows to Southern Africa during 2014 despite its higher GDP growth projections, high geological attractiveness and excellent rankings in the PPI and CPI. The uncertainty with regards to the tax environment has had a detrimental effect on FDI inflows to Namibia. Namibia has also been affected by changes in intra-African FDI flows, with FDI outflows from South Africa declining by 34% year on year.

South Africa

South Africa squeaked in with the highest FDI inflows in Africa at US$5.7 billion compared to Congo, which achieved the second highest FDI inflows in Africa amounting to US$5.5 billion. This changed during 2015, with FDI inflows to South Africa dropping by a massive 74% to US$1.5 billion.The value of announced greenfield FDI projects into South Africa during 2014 has declined by 34% to US$3.8 billion.

South Africa is ranked the best investment destination in Africa, in accordance with the Where to invest in Africa Report. South Africa has historically achieved the best ranking in Southern Africa in terms of the Ease of Doing Business Survey, however, South Africa's ranking dropped significantly in 2015 to 61% from 77% in 2014. This drop has resulted in South Africa forfeiting its position as the best ranked Southern African country in terms of the Ease of Doing Business Survey, 2015 to Botswana. The large drop in South Africa's ranking in the Ease of Doing Business Survey, 2015 relates mainly to the following areas, where South Africa's scores deteriorated notably: starting a business; dealing with construction permits; getting electricity; trading across borders and enforcing contracts. South Africa continues to rank reasonably well with regards to the CPI (62%). South Africa's ranking in the PPI was 46% largely due to protracted strikes, power shortages and perceived inadequate labour laws with regards to the mineral sector strikes.

South Africa ranked 64th out of 122 jurisdictions in the IAI, an effective ranking of 47.5%. The quality of South Africa's mineral resources ranked at 67% in terms of the Best Practices Index.

Unless the policy indicators and ability to conduct business in South Africa start to improve, South Africa will continue to lose ground as the most attractive investment destination in Africa and FDI inflows are not likely to increase significantly.

South Africa's macro-economic policies have not changed subsequent to the African National Congress winning the national elections in May 2014.

In summary, South Africa received the highest FDI inflows in Africa during 2014, despite a 33% decline in FDI inflows year on year in 2014. These FDI inflows were attributable to the country's investor friendly business environment which was considered to encourage investment despite the low projected GDP growth rates and issues with strikes, power shortages and the labour laws. This position changed markedly during 2015 and FDI inflows to South Africa dropped by 74% to US$1.5 billion, significantly below the US$6.7 billion, US$3.8 billion and US$3.4 billion FDI inflows during 2015 achieved by Egypt, Mozambique and Nigeria, respectively. South Africa's number one ranking in the Where to invest in Africa Report was attributable to the perception that South Africa has the best business environment in Africa and robust physical infrastructure. In addition, the quality of South Africa's mineral resources in the Best Practices Index is good at 67%. However, South Africa's big drop in the Ease of Doing Business Survey, 2015, coupled with the reduced FDI inflows to South Africa during 2015, are indicators that unless the policies and the ability to conduct business in South Africa start to improve, South Africa will continue to lose ground as the most attractive investment destination in Africa and FDI inflows are not likely to increase significantly.

Zambia

Zambia experienced the highest increase in FDI inflows to a Southern African country during 2014 from US$1.8 billion to US$2.5 billion. The value of greenfield FDI projects into Zambia in 2014 increased by 178% to US$2.9 billion due to an investment by American company, Enviro Board Corporation, in the building materials, garden equipment and supplies dealers sector.

Zambia has reasonable rankings in the PPI, CPI and Ease of Doing Business Survey, 2015 of 56%, 51% and 48%, respectively. Zambia also achieved a ranking of 77% in the Where to invest in Africa Report. Improving accountability and the fight against corruption continue to receive attention from the Zambian government.

The Zambian Kwatcha has become the worst performing currency during 2015 and has lost 80% of its value.

The lower than expected GDP growth rates for 2014 were primarily a result of operational challenges and technical shutdowns in the mining sector.

Copper is Zambia's single largest export commodity and diversifying the economy away from its overdependence on this resource is an important goal of the Zambian government. Zambia ranked 64th out of 122 jurisdictions in the IAI, an effective ranking of 47.5%. The quality of Zambia's mineral resources is ranked at 75%, the second highest in Africa, in terms of the Best Practices Index.

Zambia is considered to be a stable democracy, a perception that has been reinforced by the recent presidential by-elections.

It would appear, based on 2014 figures, that Zambia is starting to reap the rewards of strong GDP growth rates, a stable political environment and an improving business environment and is becoming an attractive destination for foreign investment. It should be borne in mind, however, when considering Zambia's attractiveness as a future investment destination that the Zambian Kwatcha has become the worst performing currency during 2015 and has lost 80% of its value. Zambia's problems are due to the slowdown in the Chinese economy, lower commodity prices, high sovereign debt and less appetite for emerging market country risk by international investors. These problems are expected to increase as a result of the announced closure by Glencore of all of its copper production in Zambia for eighteen months. Zambia's external issues are compounded by internal problems, namely, fiscal pressure and a power crisis which may increase if there is a further lack of fiscal discipline in the run up to the elections in November 2016. The proposed amendments to the 2015 mining fiscal regime by the Zambian government has caused instability in the mining sector despite the announced revision of the planned mining fiscal regime in April 2015. The factors described above are expected to negatively impact on Zambia's attractiveness as an investment destination in the short to medium term, however, Zambia is one of the few Africa countries that experienced an improvement in its ranking in the Ease of Doing Business Survey, 2015 – increase to 48% from 41% in 2014. The areas in which Zambia improved in the Ease of Doing Business Survey, 2015 were trading across borders; paying taxes and getting electricity (small improvement). The 178% increase in the value of announced greenfield FDI projects into Zambia indicates that investors are continuing to invest into Zambia despite the negative factors detailed above and that investors are seeing investment opportunities outside of the traditional copper sector and potentially also seeing the benefits of the improving business environment in Zambia.


NO SMOKING
NO SMOKING

Central Africa's share of FDI inflows into Africa during 2014 increased by 33% to US$12.1 billion, in comparison to the prior year's figure of 17% (US$9.0 billion).

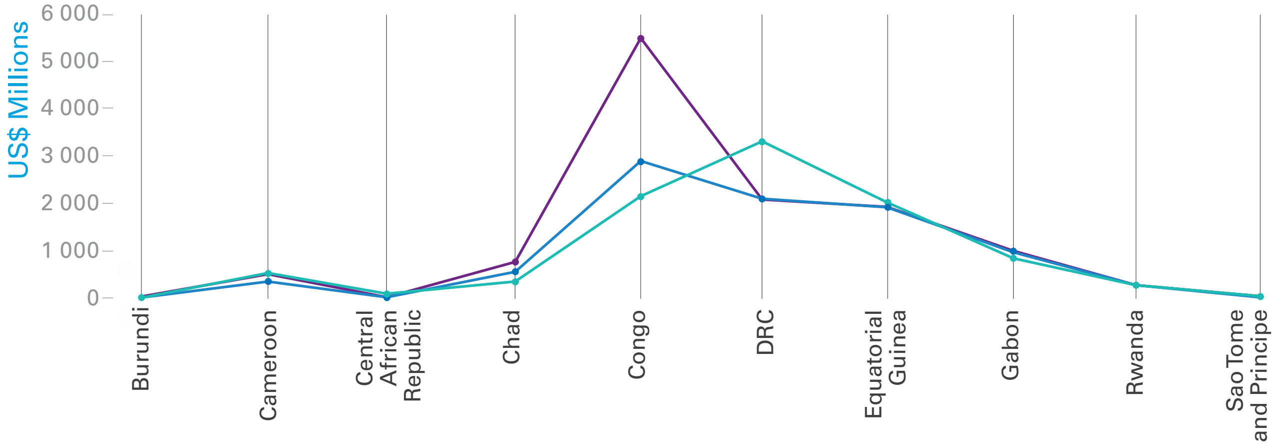
Insights into FDI inflows and growth in Central Africa

FDI inflows into Central Africa

Table 7 below sets out the FDI inflows, in US$ millions, into Central Africa for the calendar years ended 2014, 2013 and 2012.

Table 7: Central Africa - FDI inflows

	Burundi	Cameroon	Central African Republic	Chad	Congo	DRC	Equatorial Guinea	Gabon	Rwanda	Sao Tome and Principe
2014	32	501	3	761	5 502	2 063	1 933	973	268	20
2013	7	326	2	538	2 914	2 098	1 914	968	258	11
2012	1	526	70	343	2 152	3 312	2 015	832	255	23



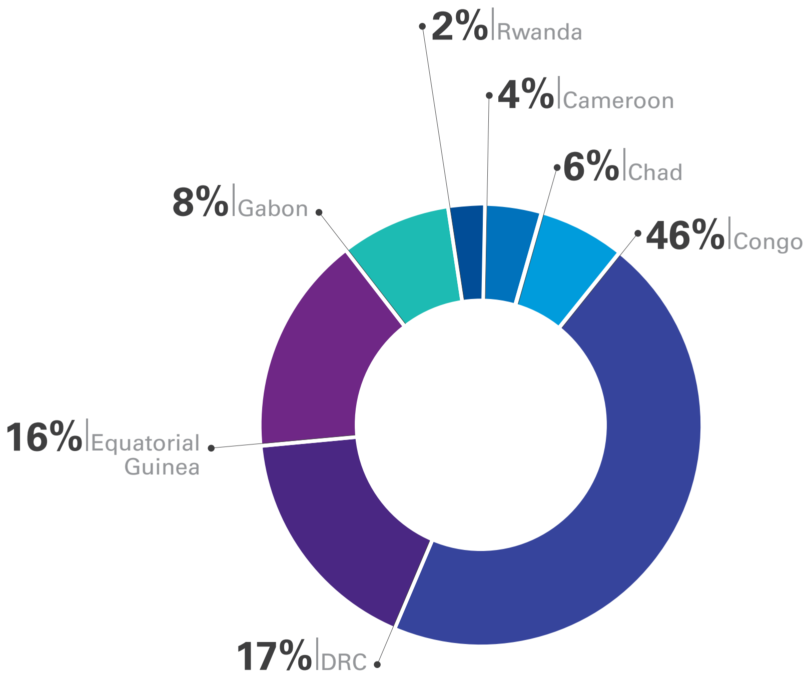
Source: World Investment Report, 2015 and KPMG calculations and analysis

The total FDI inflows into Central Africa during 2014 amounted to US$12.1 billion, approximately 22% of the total FDI inflows into Africa during 2014 of US$53.9 billion. Central Africa's share of FDI inflows into Africa during 2014 increased by 33% in comparison to the prior year's figure of 17% (US$9.0 billion). FDI inflows into Central Africa have increased by 45% over the last five calendar years, from US$8.3 billion during 2010 to US$12.1 billion in 2014.

FDI inflows by Central African country

Table 8 below sets out the contribution by each Central African country to total FDI inflows to the region, amounting to US$12.1 billion, during 2014.

Table 8: Contribution of each Central African country to total FDI inflows during 2014



Source: World Investment Report, 2015 and KPMG calculations and analysis

Congo, the DRC and Equatorial Guinea were the biggest recipients of FDI inflows into Central Africa during 2014 at 46%, 17% and 16% of total FDI inflows, respectively.

FDI inflows to Congo increased by 89% during 2014 from US$2.9 billion in 2013 to US$5.5 billion in 2014. FDI inflows to Congo have increased by 493% during the last five calendar years. This increase is attributable to continued investment into the oil refineries despite the decline in commodity prices.

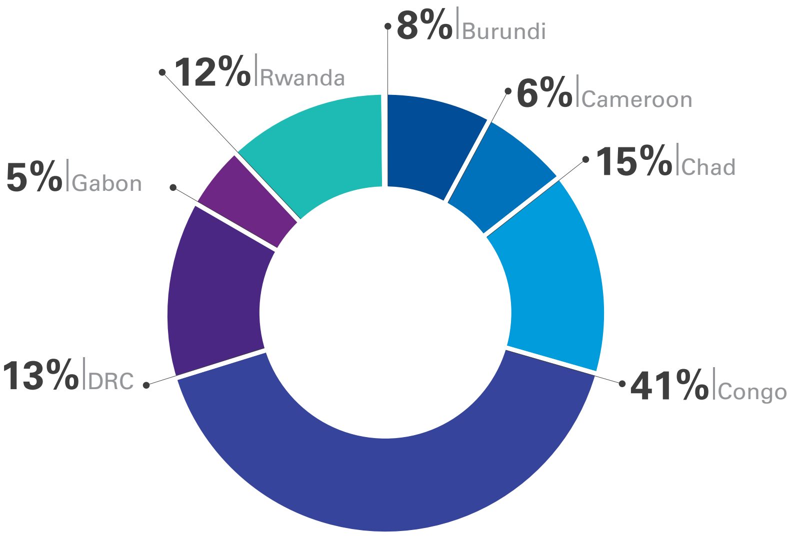
The DRC was the recipient of the second highest FDI inflows into Central Africa during 2014 amounting to US$2.0 billion. FDI inflows to the DRC during 2014 were only slightly lower (2%) than FDI inflows to this country during 2013 of US$2.1 billion, despite lower copper prices. Glencore significantly upgraded the main hydroelectric plant in the DRC as part of an attempt by the mining companies to improve infrastructure and remove delays due to congestion. FDI inflows to the DRC declined by 30% over the past five years from 2010 to 2014 mainly due to the persistent armed conflict in this country over this period which resulted in a significant decline in FDI inflows of 58% between 2012 and 2013. Recent army operations backed by the United Nations peace and stabilisation mission have assisted in restoring security in the DRC. FDI inflows to the DRC should remain stable in the short to medium term provided the domestic political and security situation remains calm.

FDI inflows to Equatorial Guinea increased by 1% during 2014 from US$1.91 billion in 2013 to US$1.93 billion in 2014. FDI inflows to Equatorial Guinea declined by 29% during the 5 year period from 2010 to 2014. Equatorial Guinea is one of the five least developed countries (Mozambique, Sudan, Mayanmar and Tanzania being the other four) that has been receiving the highest FDI inflows. The World Investment Report, 2015, attributes the FDI inflows to these countries to their mineral exporting specialisation.

Value of announced greenfield FDI projects by Central African country

Table 9 below sets out the value of announced greenfield FDI projects attributable to each Central African country during 2014. In considering the figures below, it should be noted that the total value of announced greenfield FDI projects figures for Africa for 2015 was US$71.1 billion (2014 – US$88.0 billion), a decline of 19.2% year-on-year.

Table 9: Value of announced greenfield FDI projects by Central African country



Source: World Investment Report, 2015 and KPMG calculations and analysis

The value of announced greenfield FDI projects to the Congo are currently the highest in Central Africa at US$1.7 billion (41%). This is followed by Chad at 15% and the DRC at 13%.

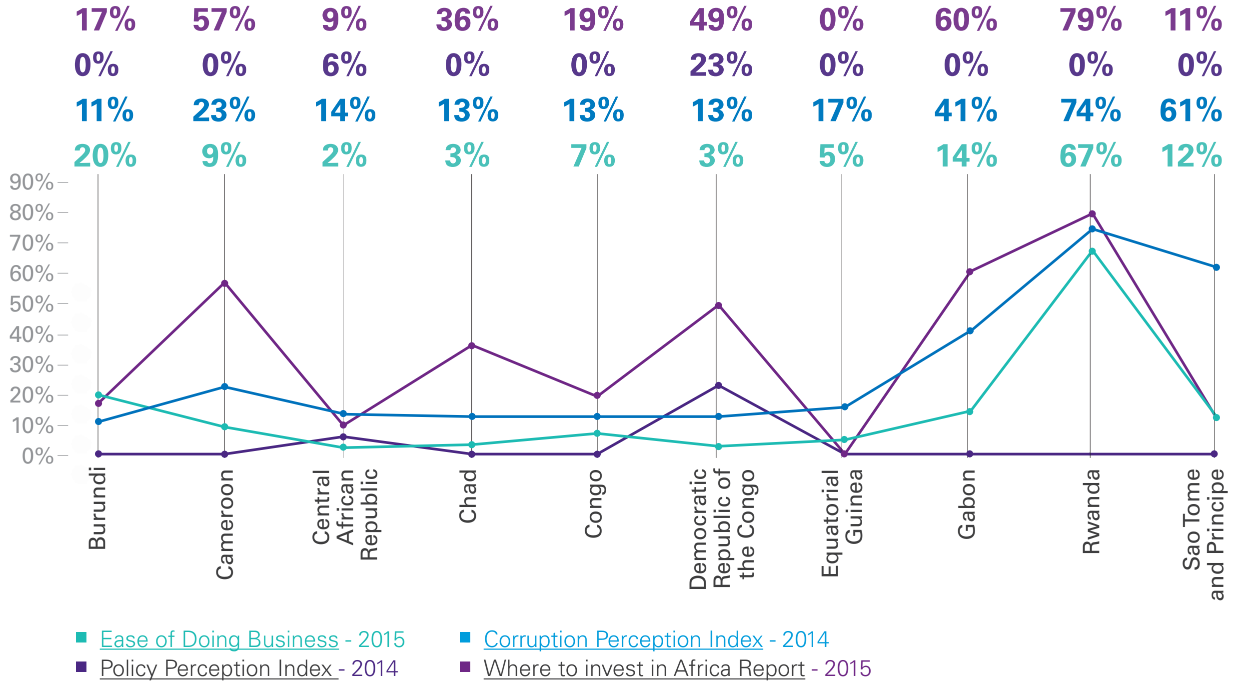
The DRC was the recipient of the second highest FDI inflows into Central Africa during 2014 amounting to US$2.0 billion.

Governance and fiscal policies by Central African country

Table 10 illustrates the following data:

- Each Central African country's ranking in terms of the Where to invest in Africa Report;
- Each Central African country's ranking in terms of the PPI;
- Each Central African country's ranking in terms of the Ease of Doing Business Survey, 2015; and
- Each Central African country's ranking in terms of the CPI.

Table 10: Governance and fiscal policies by Central African country



Source: 2015, Where to invest in Africa Report, 2014, Policy Perception Index; 2015, Ease of Doing Business Survey; 2015, Corruption Perception Index and KPMG calculations

Rwanda, at 79%, ranks as the most attractive investment destination in Central Africa in terms of the Where to invest in Africa Report. Other high ranking investment destinations in Central Africa, in terms of the Where to invest in Africa Report, are Gabon, which achieved an attractiveness score of 60% and Cameroon, which achieved an attractiveness score of 57%.

The three Central African countries which achieved the lowest ranking as investment destinations, in terms of the Where to invest in Africa Report, were Equatorial Guinea at 0%, the Central Africa Republic at 9% and Sao Tome and Principe at 11%.

Only two Central African countries are included in the PPI, namely, the Central African Republic which scored 6% and the DRC which scored 23%.

The only Central African country that scored above 50% in the Ease of Doing Business Survey, 2015 was Rwanda at 67%. It is notable, however, that Rwanda's ranking in the Ease of Doing Business Survey, 2015, declined from 76% in 2014 to 67% in 2015. The decline in Rwanda's ranking was largely due to a significant decrease in the country's ability of provide electricity and the enforcement of contracts. The second highest score was Burundi at 20%.

Rwanda, at 69%, and Sao Tome and Principe, at 57%, were the highest ranking Central African countries in the CPI survey. The 3rd highest ranking was achieved by Gabon at 46%.

The graph above indicates that there is no particular correlation between a Central African countries ranking as an attractive investment destination and such country's perceived levels of corruption, conduciveness to starting and operating a business and government policies in respect of regulations, taxation and infrastructure. Both Cameroon and the DRC achieved relatively higher rankings in the Where to invest in Africa Report despite very low rankings in the CPI and Ease of Doing Business Survey, 2015. Rwanda, on the other hand, achieved good rankings in each of the Where to invest in Africa Report, CPI and Ease of Doing Business Survey, 2015.

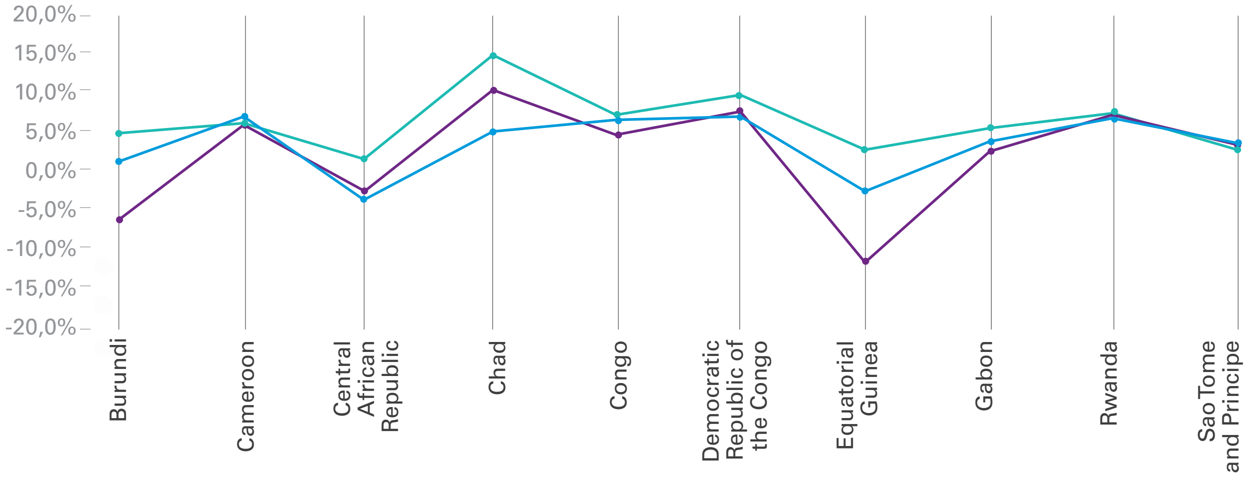
There is also no particular correlation between FDI inflows to a Central African country and its rankings in the Where to invest in Africa Report and the CPI, PPI and Ease of Doing Business Survey, 2015. Rwanda only received 2% (US$268 million) of the total FDI inflows to Central Africa which is out of kilter with its higher ranking in the Where to invest in Africa Report and higher scores in the CPI and Ease of Doing Business Survey, 2015 (despite the decline in its ranking in 2015 compared to 2014).

GDP growth rate by Central African country

Table 11 below sets out the GDP growth attributable to the various Central African countries for the years ended 2014, 2015 (forecast) and 2016 (forecast).

Table 11: Central African - GDP growth

	Burundi	Cameroon	Central African Republic	Chad	Congo	Democratic Republic of the Congo	Equatorial Guinea	Gabon	Rwanda	Sao Tome and Principe
2016	0,7%	6,6%	-4,6%	4,7%	6,2%	6,6%	-3,3%	3,3%	6,4%	3,0%
2015	-7,0%	5,6%	-3,5%	10,1%	4,3%	7,3%	-12,6%	2,0%	6,9%	2,9%
2014	4,5%	5,8%	1,0%	14,7%	6,8%	9,5%	2,3%	5,0%	7,0%	2,3%



Source: African Economic Outlook and KPMG calculations and analysis

The DRC, Rwanda and Congo are forecast to achieve the highest GDP growth rates out of the Central African countries with Chad also forecast to achieve record GDP growth of 9% during 2015.

Conclusion

Chad

Chad has achieved increased FDI inflows between 2013 and 2014 of 41% and an increase in FDI inflows between 2010 and 2014 of 143%. The value of announced greenfield FDI projects into Chad also increased by 319% during 2014.

Chad's ranking in the Where to invest in Africa Report dropped from 33 in 2014 to 34 in 2015 due to a deteriorating operating environment. Chad's rankings in the Ease of Doing Business Survey, 2015 and CPI are poor at 3% and 12%, respectively.

The forecast GDP growth in Chad is largely due to the start of production at new oil fields, however, Chad and the economic growth of the country is very sensitive to oil price fluctuations.

In summary, FDI inflows to Chad are increasing despite its low rankings in the Ease of Doing Business Survey, 2015 and CPI. Chad's robust forecast GDP growth and oil resources are sufficiently attractive to investors for them to tolerate the corruption and difficulties experienced in conducting business in the country.

The forecast GDP growth in Chad is largely due to the start of production at new oil fields, however, Chad and the economic growth of the country is very sensitive to oil price fluctuations.

Congo

Congo has achieved increased FDI inflows between 2013 and 2014 of 89% and an increase in FDI inflows between 2010 and 2014 of 493%. FDI inflows to Congo during 2014 were the second highest in Africa at US$5.5 billion. The value of announced greenfield FDI projects into Congo also increased by 294% during 2014 to US$1.7 billion.

Congo ranked 43rd out of 53 jurisdictions in the Where to invest in Africa Report, an effective ranking of 19%. Congo's rankings in the Ease of Doing Business Survey, 2015 and CPI are poor at 7% and 13%, respectively.

Congo achieved the highest FDI inflows in Central Africa during 2014, of US$5.5 billion, which was also the second highest FDI inflows in Africa.

In summary, Congo is forecast to achieve healthy GDP growth rates for 2015 and 2016. Despite its low rankings in the CPI and Ease of Doing Business Survey, 2015, Congo achieved the highest FDI inflows in Central Africa during 2014, of US$5.5 billion, which was the second highest FDI inflows in Africa. The FDI inflows to Congo are due to investment into the country's main oil refinery.

The DRC

FDI inflows to the DRC in 2014 were the second highest in Central Africa during 2014 at 17% of total FDI inflows to the region.

The DRC achieved extremely low scores in the PPI (23%), CPI (12%) and Ease of Doing Business Survey, 2015 (3%), which are among the lowest scores in the region.

In summary, the high economic growth in the DRC is being driven by the extractive and manufacturing industries as well as agriculture, commerce and construction. The DRC achieved FDI inflows amounting to US$2.0 billion during 2014 despite the extremely low scores achieved by the DRC in the PPI, CPI and Ease of Doing Business Survey, 2015. The DRC ranks 63rd out of 122 countries in terms of the IAI, which is an effective ranking of 48%. The DRC ranks 26th out of the 122 countries surveyed, in the Best Practices Index which equates to an attractiveness score of 77% which is the highest of all the African countries. As a result, investors are prepared to invest into the DRC despite the political and corruption factors and the difficulties in doing business in the country.

The high economic growth in the DRC is being driven by the extractive and manufacturing industries as well as agriculture, commerce and construction.

Equatorial Guinea

FDI inflows to Equatorial Guinea were the third highest in Central Africa at US$1.9 billion.

Equatorial Guinea achieved a ranking of 5% in the Ease of Doing Business Survey, 2015. It was not covered in the CPI or PPI.

Equatorial Guinea achieved negative GDP growth of (2.1%) in 2014 and this is forecast to continue in 2015 with GDP growth projected to be negative at (8.7%). These negative growth rates are attributes to the fact that several of Equatorial Guinea's oil and gas fields matured in 2013 which resulted in lower production and pushed the country into a recession. Continuing declining oil prices compounded with reduced production are the reasons behind the forecast decline in GDP growth to (8.7%) in 2015.

In summary, despite Equatorial Guinea's production problems, low forecast GDP growth and difficult business environment, the country's oil and gas resources are sufficiently attractive to attract foreign investment.

Rwanda

Rwanda received some of the lowest FDI inflows into Central Africa, however, it should be noted that FDI inflows to Rwanda have been increasing slowly but steadily over the five years during 2014 from US$251 million in 2010 to US$268 million in 2014, a 7% increase. The value of announced greenfield FDI projects into Rwanda increased by 14% during 2014 to US$496 million.

Rwanda achieved the highest scores in the CPI and Ease of Doing Business Survey, 2015 in Central Africa and amended a law during 2014, thereby providing for a broader variety in the duration of mining licenses. In addition, the government has prioritised a public investment programme into transport and energy infrastructure with the aim of reducing congestion in the transport and energy sectors and bolstering economic growth.

Rwanda has become a stable democracy since the end of the civil war in 1994 with the ruling Rwandan Patriotic Front continuing to dominate the political landscape.

Rwanda achieved the highest scores in the CPI and Ease of Doing Business Survey, 2015 in Central Africa and amended a law during 2014, thereby providing for a broader variety in the duration of mining licenses.

In summary, with its stable political environment, improving governance and facilitation of business and strong growth, Rwanda is a rising star in Central Africa.

"We tend to continuously refer to the opportunity out there as "Africa", but there are over 50 countries in Africa. You can't just consolidate the entire continent and say that is the opportunity. You have to realise that one size does not fit all across this diverse continent and there in itself lies the challenge."

Thushen Govender, Head of business development, Tiger Brands

FDI inflows into East Africa have increased by 50% over the last five calendar years, from US$4.5 billion during 2010 to US$6.8 billion in 2014.

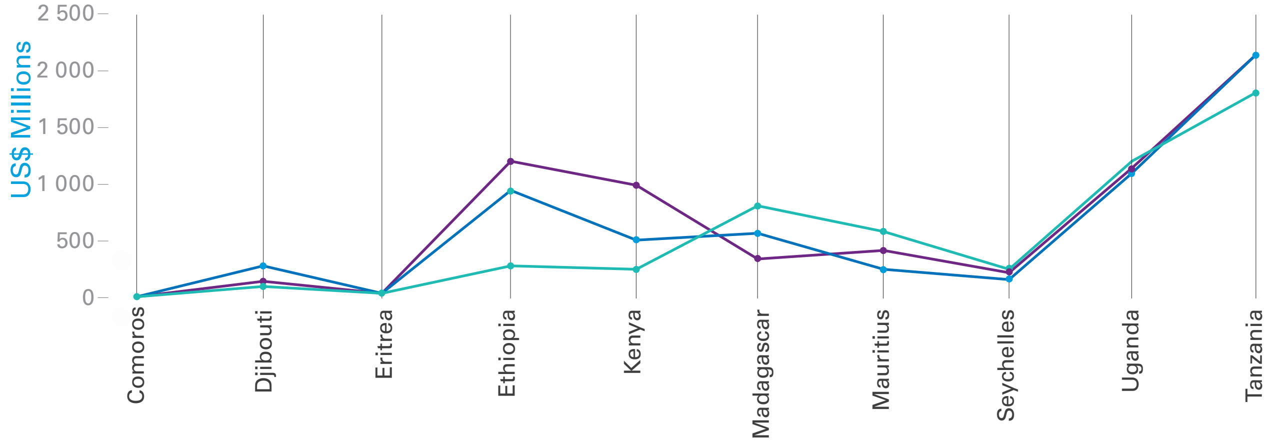
Insights into FDI inflows and growth in East Africa

FDI inflows into East Africa

Table 12 below sets out the FDI inflows, in US$ millions, into East Africa for the calendar years ended 2014, 2013 and 2012.

Table 12: East Africa - FDI inflows

	Comoros	Djibouti	Eritrea	Ethiopia	Kenya	Madagascar	Mauritius	Seychelles	Uganda	Tanzania
2014	14	153	47	1 200	989	351	418	229	1 147	2 142
2013	9	286	44	953	505	567	259	170	1 096	2 131
2012	10	110	41	279	259	812	589	260	1 205	1 800

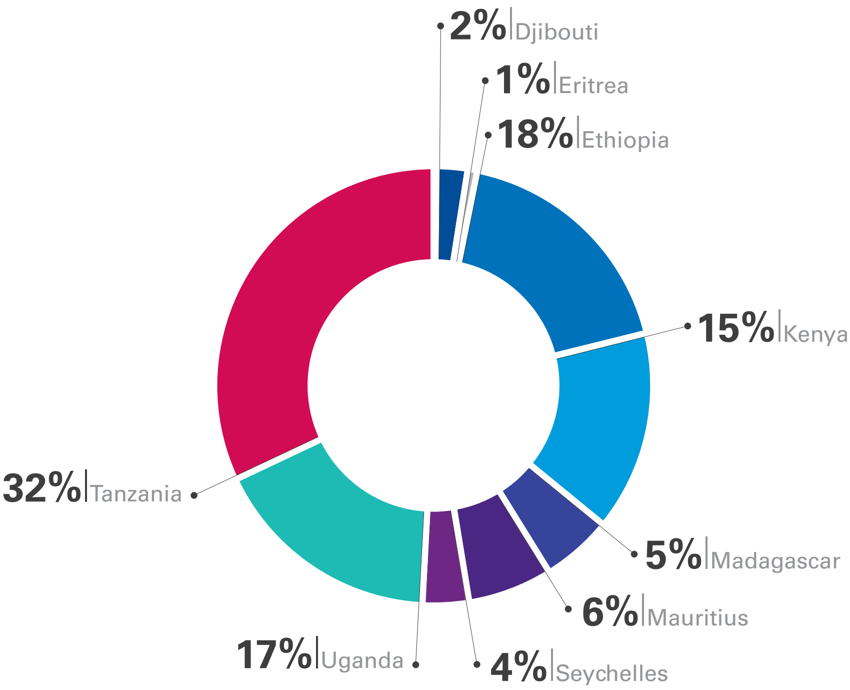


The total FDI inflows into East Africa during 2014 amounted to US$6.8 billion, approximately 12.6% of the total FDI inflows into Africa. East Africa's share of FDI inflows into Africa during 2014 increased by 11% in comparison to the prior year's figure of US$6.1 billion. FDI inflows into East Africa have increased by 50% over the last five calendar years, from US$4.5 billion during 2010 to US$6.8 billion in 2014.

FDI inflows by East African country

Table 13 below sets out the contribution by each East African country to total FDI inflows to the region, amounting to US$6.8 billion, during 2014.

Table 13: Contribution of each East African country to total FDI inflows during 2014



Source: World Investment Report, 2015 and KPMG calculations and analysis

Tanzania, Ethiopia and Uganda are the biggest recipients of FDI inflows in East Africa during; 2014 closely followed by Kenya at 15%.

FDI inflows to Tanzania only increased by 1% during 2014 to US$2.1 billion. FDI inflows to Tanzania have increased by 18% during the last five calendar years. This increase in FDI inflows to Tanzania is due to the attractiveness of the country's gas sector despite uncertainty by international gas companies as to whether to build multi-billion dollar gas facilities in Tanzania or to undertake more moderate investments. This investment conundrum has occurred as a result of the current lower energy prices.

Ethiopia received FDI inflows amounting to US$1.2 billion during 2014, an increase of 26% year on year. FDI inflows to Ethiopia have increased by 317% over the past five calendar years. The increase in FDI inflows to Ethiopia are attributed to the expansion of the textile industry in that country. It should be noted, however, that Ethiopia has a repressive economic policy towards investors and foreign investors are prohibited from investing into the banking, insurance and media sectors. The country has, however, introduced various kinds of incentives for investment into industrial development zones and in manufacturing and agriculture during 2014. KKR, a North American private equity group, invested US$200 million into Afriflora, an Ethiopian rose producer, during 2014.

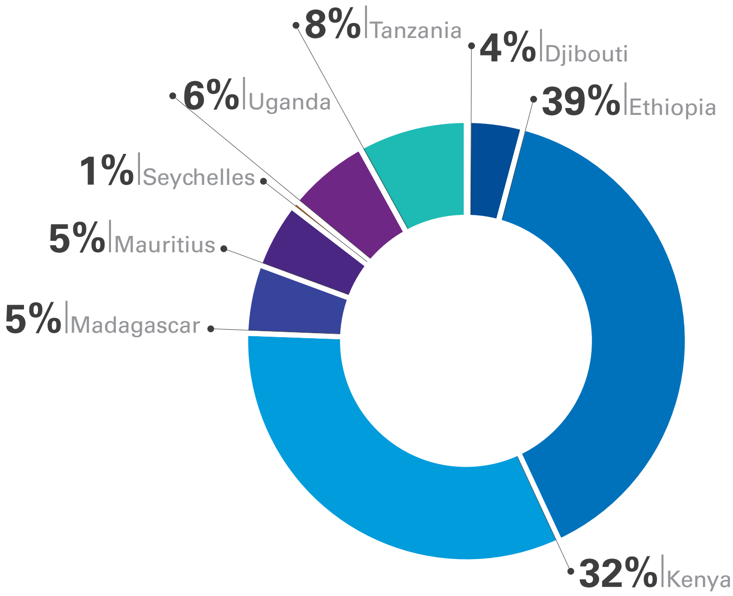
FDI inflows to Uganda during 2014 increased by 5% to US$1.1 billion and by 111% over the five years from 2010 to 2014.

Kenya experienced increased FDI inflows during 2014 of approximately 96% to just under US$1.0 billion. FDI inflows between 2010 and 2014 to Kenya have increased by 456%.

Value of announced greenfield FDI projects by East African country

Table 14 below sets out the value of announced greenfield FDI projects attributable to each East African country during 2014. In considering the figures below, it should be noted that the total value of announced greenfield FDI projects figures for Africa for 2015 was US$71.1 billion (2014 – US$88.0 billion), a decline of 19.2% year-on-year.

Table 14: Value of announced greenfield FDI projects by East African country



Source: World Investment Report, 2015 and KPMG calculations and analysis

The value of announced greenfield FDI projects to Ethiopia during 2014 was significant with 11 projects, amounting to US$1.8 billion, out of a 20 project investment into the textiles, clothing and leather industry in the least developed countries, amounting to US$2 billion, being undertaking in Ethiopia. In addition, an Indian and a Chinese company both announced greenfield FDI projects into Ethiopia, valued at US$500 million each, in the textile sector. As a result, the total value of announced greenfield FDI projects to Ethiopia in 2014 was 39% of the total value of announced greenfield FDI projects to East Africa.

The value of announced greenfield FDI projects to Kenya during 2014 amounted to US$2.3 billion, 32% of the total value to East Africa.

Announced greenfield FDI projects, with Kenya and Mauritius as investors, decrease by 28% and 46%, respectively, while announced greenfield FDI projects with Tanzania as investor, increased by 115%.

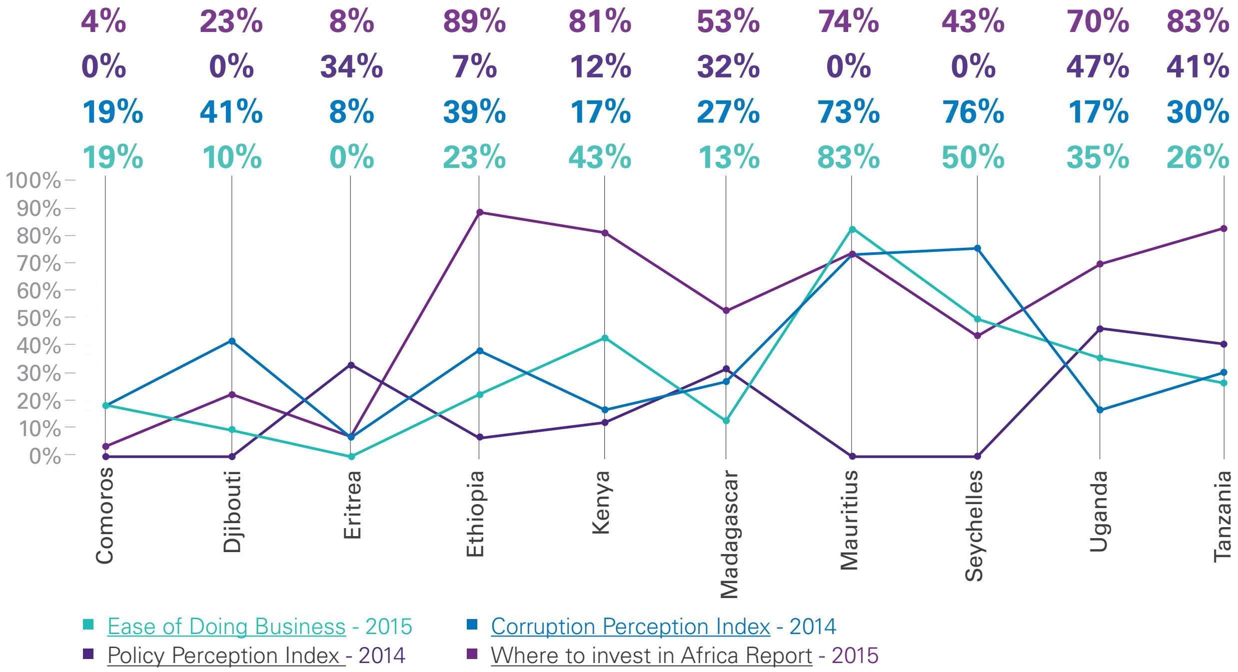
Governance and fiscal policies by East African country

Table 15 illustrates the following data:

- Each East African country's ranking in terms of the Where to invest in Africa Report;
- Each East African country's ranking in terms of the PPI;
- Each East African country's ranking in terms of the Ease of Doing Business Survey, 2015; and
- Each East African country's ranking in terms of the CPI.

FDI inflows to Uganda during 2014 increased by 5% to US$1.1 billion and by 111% over the five years from 2010 to 2014.

Table 15: Governance and fiscal policies by East African country



Source: 2015, Where to invest in Africa Report, 2014, Policy Perception Index; 2015, Ease of Doing Business Survey; 2015, Corruption Perception Index and KPMG calculations and analysis

Ethiopia, at 89%, ranks as the most attractive investment destination in East Africa in terms of the Where to invest in Africa Report. Other high ranking investment destinations in East Africa, in terms of the Where to invest in Africa Report, are Tanzania, which achieved an attractiveness score of 83% and Kenya, which achieved an attractiveness score of 81%. Mauritius also achieved a good ranking at 74%.

The three East African countries which achieved the lowest ranking as investment destinations, in terms of the Where to invest in Africa Report, were Comoros at 4%, Eritrea at 8% and Djibouti at 23%.

East Africa is less mining orientated than some of the other regions in Africa and only six jurisdictions out of ten are included in the PPI. Of those jurisdictions that are included, Uganda and Tanzania have the highest rankings at 47% and 41%, respectively. Tanzania ranks 15th in the World Risk Survey 2015 and Uganda ranks 29th out of the 70 jurisdictions included in the survey.

Mauritius and Seychelles are the only two East African countries that achieved a ranking of over 50% in the Ease of Doing Business Survey, 2015, with rankings of 83% and 50%, respectively. Tanzania, Ethiopia, Kenya and Uganda all ranked in the bottom 50% with rankings of 26%, 23%, 43% and 35%, respectively.

Seychelles was the highest ranking East African country in terms of the CPI, with a ranking of 75%. Mauritius achieved the second highest ranking of the East African countries in the CPI with a ranking of 73%. The East African countries then take a big dive in the CPI, with Djibouti at 39% followed by Ethiopia ranking at 37%.

The East African graphs support the hypothesis that there is no particular correlation between an East African country's ranking as an attractive investment destination and such country's perceived levels of corruption, conduciveness to starting and operating a business and government policies in respect of regulations, taxation and infrastructure. Ethiopia, Tanzania and Kenya all achieved rankings of over 80% in the Where to invest in Africa Report despite very low rankings in the CPI and Ease of Doing Business Survey, 2015.

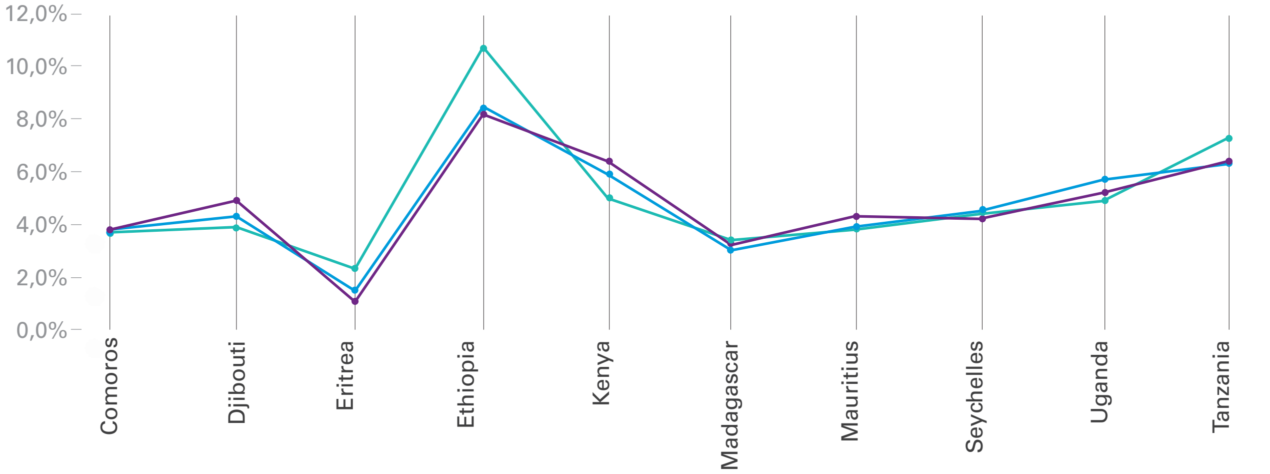
There does seem to be more of a correlation between FDI inflows to an East African country and its rankings in the Where to invest in Africa Report, although not between FDI inflows to an East African country and its rankings in the CPI, PPI and Ease of Doing Business Survey, 2015. Tanzania received 32% of the total FDI inflows to East Africa during 2014 (US$2.1 billion) which is in line with its higher ranking of 83% in the Where to invest in Africa Report. Ethiopia received 18% of the total FDI inflows to East Africa during 2014 (US$1.2 billion) and achieved a ranking of 89% in the Where to invest in Africa Report. This correlation is less clear with Uganda and Kenya which achieved FDI inflows of 17% and 15% of total FDI inflows to East Africa, respectively, during 2014 and achieved rankings of 70% and 81%, respectively in the Where to invest in Africa Report.

GDP growth rate by East African country

Table 16 below sets out the GDP growth attributable to the various East African countries for the years ended 2014, 2015 (forecast) and 2016 (forecast).

Table 16: East African - GDP growth

	Comoros	Djibouti	Eritrea	Ethiopia	Kenya	Madagascar	Mauritius	Seychelles	Uganda	Tanzania
2016	3,6%	4,7%	1,0%	7,8%	6,1%	3,1%	4,1%	4,0%	5,0%	6,1%
2015	3,6%	4,1%	1,4%	8,1%	5,6%	2,9%	3,7%	4,3%	5,4%	6,0%
2014	3,5%	3,7%	2,2%	10,3%	4,8%	3,3%	3,6%	4,2%	4,7%	7,0%



Source: African Economic Outlook and KPMG calculations and analysis

Ethiopia achieved outstanding GDP growth during 2014 of 10.3%. This is forecast to drop slightly to 8.5% during 2015 and 8.7% during 2016. Tanzania, Uganda, Kenya and Djibouti are all also forecast to achieve growth of 6% or more per annum during 2015 and 2016.

Conclusion

Djibouti

FDI inflows to Djibouti dropped by 47% during 2014 to US$153 million, however, the value of announced greenfield FDI projects to Djibouti during 2014 increased by 59% to US$284 million.

Djibouti ranked 41st out of 53 African destinations in the Where to invest in Africa Report, an effective ranking of 23%. Djibouti's rankings in the Ease of Doing Business Survey, 2015 and CPI are moderately poor at 10% and 39%, respectively.

Djibouti is forecast to achieve GDP growth of 6% in 2015 increasing to 6.2% in 2016.

The forecast GDP growth in Djibouti is attributable to FDI and increased port activity, which mainly comprises of the transport of goods to and from Ethiopia.

In summary, FDI inflows to Djibouti declined during 2014 but the value of announced greenfield FDI projects increased significantly despite the country's low rankings in the Ease of Doing Business Survey, 2015 and CPI. Djibouti's fortunes appear to be linked to those of Ethiopia as merchandise to and from Ethiopia is moved via the port in Djibouti.

Ethiopia

FDI inflows to Ethiopia between 2013 and 2014 increased by 26% to US$1.2 billion. FDI inflows to Ethiopia have increase by 317% during the five years ended 2014. The value of announced greenfield FDI projects into Ethiopia during 2014 was US$2.8 billion. While this is a 38% decline from the value of announced greenfield FDI projects into the country during 2013, it still constitutes 40% of the total value for the region.

Ethiopia ranked 6th out of 53 African countries in the Where to invest in Africa Report, an effective ranking of 89%. Ethiopia's rankings in the PPI, Ease of Doing Business Survey, 2015 and CPI are poor at 7%, 23% and 37%, respectively. When considering Ethiopia's PPI ranking, it should be noted that Ethiopia is not a big extractive industries country – gold constituted 14% of Ethiopia's total exports for 2014. Ethiopia ranks 78th out of the 122 countries surveyed, in the Best Practices Index which equates to an attractiveness score of 30%.

Ethiopia is receiving a sizable portion of the FDI inflows to East Africa due to the opportunities in the textile industry.

Ethiopia has a very active political environment although it has become more stable subsequent to the post-election violence which occurred after the 2005 elections. The 2010 elections - which were won by the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) which has been in power since 1991 – were considered, by international observers, to be generally peaceful.

In summary, Ethiopia's forecast growth rate remains one of the highest in Africa. Ethiopia's main exports comprise of coffee, tea, mate and spices (22%); oil seed (18%); edible vegetables (15%) and live trees and plants (5%). The Ethiopian government has invested significantly into the State run sugar corporation and, as a result, Ethiopia has a lot of potential as a sugar producing country. Ethiopia is receiving a sizable portion of the FDI inflows to East Africa due to the opportunities in the textile industry. Ethiopia has an attractive ranking in the Where to invest in Africa Report which ranking increased by one position in 2014 due to increased economic activity in the country. Ethiopia is attractive to investors due to the high growth rates and perceived opportunities despite the relatively high corruption and challenging business environment. BMI is of the view that coffee and sugar production in Ethiopia will increase by 5% and 100%, respectively, over the medium term.

Kenya

Kenya received 15% of the total FDI inflows to East Africa during 2014, amounting to approximately US$1.0 billion.

Kenya ranked 10th out of 53 African Countries in the Where to invest in Africa Report and achieved a moderately low score in the CPI of 17%. Kenya's ranking in the Ease of Doing Business Survey, 2015, increased to 41% in 2015 from 28% in 2014 due to improvements in the following areas: getting electricity; registering property; getting credit and enforcing contracts. Kenya's ranking in the PPI dropped from 29% in 2013 to 12% in 2014 due to a lack of transparency in the mineral title process and terror threats. Similarly, Kenya's ranking in the Best Practices Index dropped from 36% in 2013 to 2% in 2014.

Kenya is forecast to achieve GDP growth rates of 6.5% and 6.3% for 2015 and 2016, respectively.

Kenya's security environment has been seriously impacted by terrorist attacks in recent years and this has had a significant impact on tourism in the country.

In summary, despite the negative impact of terrorism in the country, Kenya's GDP growth is being supported by stable macroeconomic environment, single digit inflation, improvements in infrastructure and strong performance by the non-tourism sector. Kenya received FDI inflows amounting to US$1.0 billion in 2014, a 96% increase year on year, despite the security risks and low scores achieved in the PPI, CPI and Ease of Doing Business Survey, 2015. Kenya is the biggest economy in East Africa and considered to be a gateway into the region, this fact, combined with the positive factors outlined above, are encouraging investment into Kenya despite the security and corruption factors and the difficulties in doing business in the country.

Mauritius

Although FDI inflows to Mauritius were fairly small during 2014, at US$0.4 billion (6% of total FDI inflows to East Africa), FDI inflows to the country still increased by 61% year on year. In addition, FDI inflows to Mauritius were amongst the top five FDI inflows to small island developing states in the world. The value of announced greenfield FDI projects to Mauritius increased by 569% during 2014, to US$341 million and total cross-border acquisitions in Mauritius - including deals that involved changes of ownership between non-residents - amounted to US$574 million in 2014. Mauritius also invested externally to the tune of US$1.8 billion during 2014.

Mauritius achieved a ranking of 74% in the Where to invest in Africa Report and rankings of 83% and 73%, respectively, in the Ease of Doing Business Survey, 2015 and the CPI. It was not covered in the PPI.

Mauritius achieved GDP growth of 3.2% in 2014 and this is forecast to increase to 3.5% and 3.6%, respectively, during 2015 and 2016. GDP growth was driven by the information and communications technology sector and the financial and insurance sector. The construction industry did not perform well during 2014.

Mauritius is considered to be one of Africa's most stable democracies.

In summary, Mauritius has an accommodative business environment with transparent and market-orientated macroeconomic policies and low tax rates. Mauritius is a useful "springboard" into Africa, with low political risk, a stable financial sector and good infrastructure. Mauritius has relatively high rankings in the Where to invest in Africa Report, Ease of Doing Business Survey, 2015 and CPI which makes it an attractive destination for investors. Mauritius is not dependent on the resources sector and, as a result, its short to medium-term outlook is brighter than for commodity producing countries.

Uganda

Uganda, with FDI inflows of US$1.2 billion, was the third highest recipient of FDI inflows into East Africa. FDI inflows to Uganda increased by a small 5% year on year but have increased by 111% during the five years to 2014. The value of announced greenfields projects to Uganda during 2014 decreased by 48% to US$426 million.

Uganda achieved a low ranking in the CPI of 19% and a moderately low ranking in the Ease of Doing Business Survey, 2015 of 35% (an increase from 21% in 2014), respectively.

A renewed effort to get parliamentary approval of the anti-gay bill may result in a further deterioration in donor relationships during 2015 which poses a fiscal risk.

Uganda's GDP growth for 2014 is estimated to be 5.9%, increasing to 6.3% and 6.5%% during 2015 and 2016, respectively, as a result of the consolidation of macroeconomic stability and a gradual recovery of economic activity.

Uganda remains a stable democracy and this is expected to continue in the medium-term. Donor relationships deteriorated in 2013 and 2014 due to the alleged misappropriation of donor funds and the initial passing of the anti-gay bill in early 2014. A renewed effort to get parliamentary approval of the anti-gay bill may result in a further deterioration in donor relationships during 2015 which poses a fiscal risk.

In summary, Uganda has significant oil resources which will ensure that FDI inflows to the country continue despite the countries lower rankings in the CPI and Ease of Doing Business Survey, 2015. Uganda has severe infrastructure shortfalls which make doing business in the country difficult. Coffee, tea and fish products constitute approximately 25% of Uganda's export products. Uganda dropped from 13th position to 16th position in the Where to invest in Africa Report.

Tanzania

Tanzania received 32% of the FDI inflows to East Africa during 2014, amounting to US$2.1 billion, making Tanzania the highest recipient of FDI inflows to East Africa. FDI inflows to Tanzania increased by only 1% year on year but have increased by 18% during the past five years. The value of announced greenfields projects to Tanzania during 2014 decreased by 27% to US$569 million.

The gas sector in Tanzania has huge potential and is attracting significant FDI inflows to the country despite its moderate rankings in the CPI and Ease of Doing Business Survey, 2015.

Tanzania's GDP growth for 2014 is estimated to be 7.2%, increasing slightly to 7.4% and 7.2% during 2015 and 2016, respectively, due to strong performances in the information and communications, construction, manufacturing and other services.

The political situation in Tanzania and Zanzibar is currently stable.

In summary, the gas sector in Tanzania has huge potential and is attracting significant FDI inflows to the country despite its moderate rankings in the CPI and Ease of Doing Business Survey, 2015. Tanzania has an effective ranking of 83% in the Where to invest in Africa Report and rankings of 41% in the PPI and 48% in the Best Practices Index.

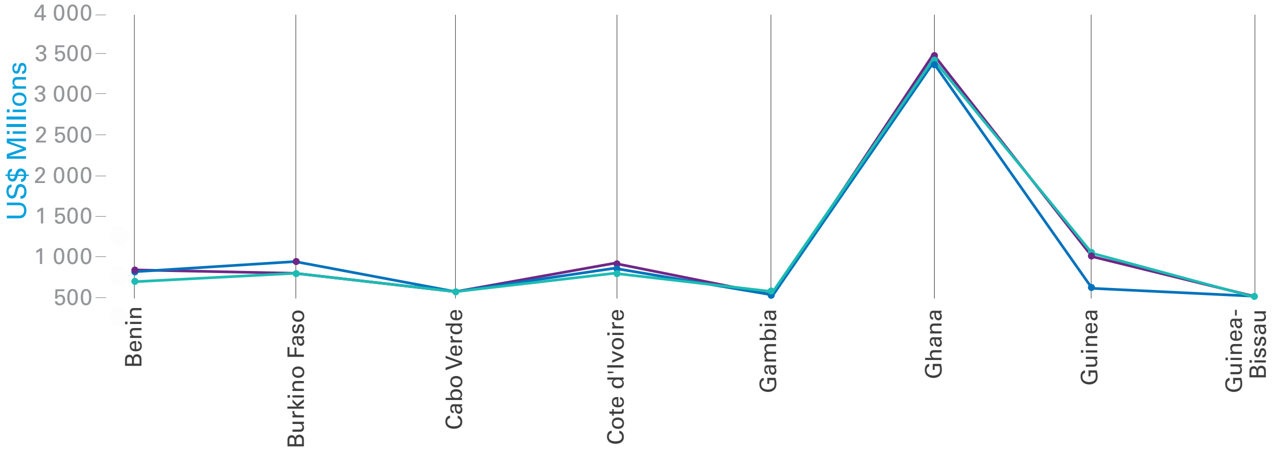
Insights into FDI inflows and growth in West Africa

FDI inflows into West Africa

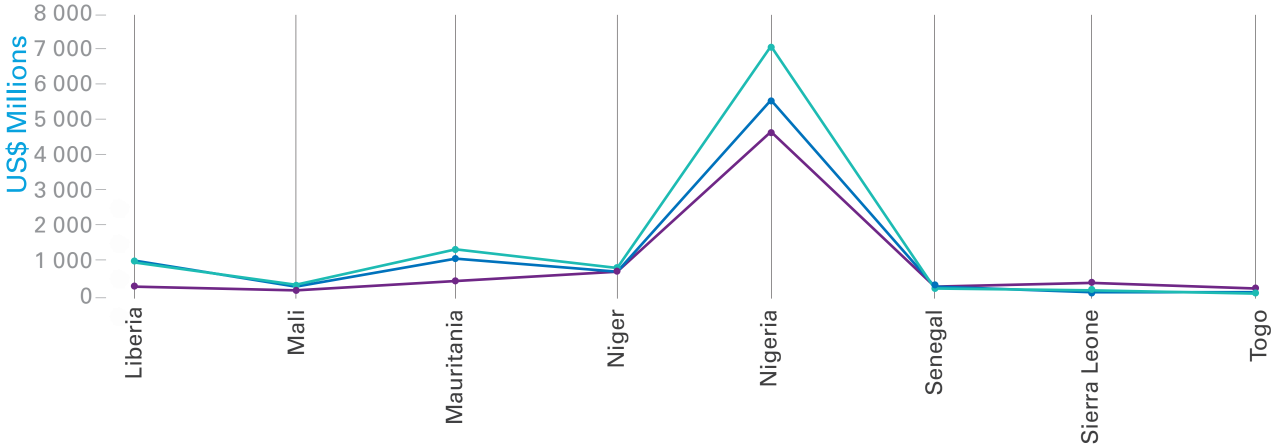
Table 17 Parts 1 and 2 below sets out the FDI inflows, in US$ millions into West Africa for the calendar years ended 2014, 2013 and 2012.

Table 17 Parts 1 and 2: West Africa - FDI inflows

	Benin	Burkino Faso	Cabo Verde	Cote d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau
2014	377	342	78	462	28	3 357	566	21
2013	360	490	70	407	38	3 226	135	20
2012	230	329	70	330	93	3 293	606	7



	Liberia	Mali	Mauritania	Niger	Nigeria	Senegal	Sierra Leone	Togo
2014	302	199	492	769	4 694	343	440	292
2013	1 061	308	1 126	719	5 608	311	144	184
2012	985	398	1 389	841	7 127	276	225	122

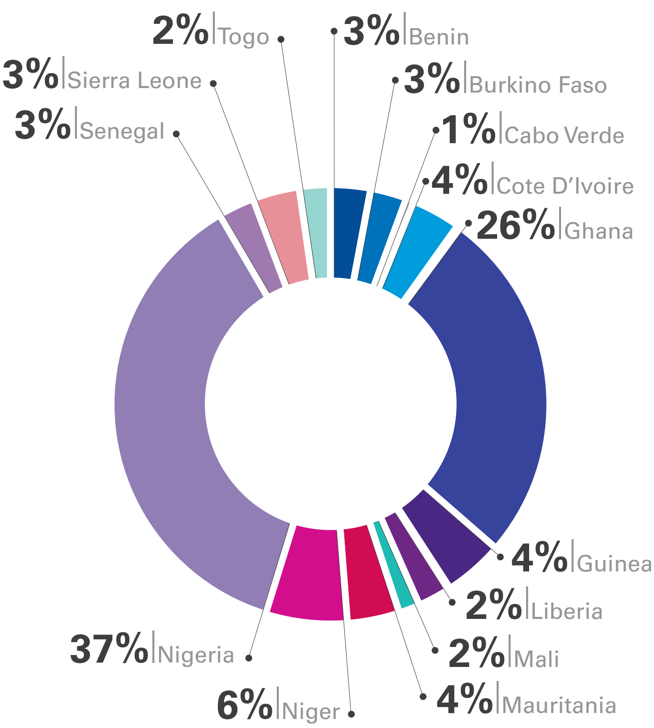


The total FDI inflows into West Africa during 2014 amounted to US$12.8 billion, approximately 23.7% of the total FDI inflows into Africa during 2014. West Africa is the biggest recipient of FDI inflows into Africa despite a 10% decline in FDI inflows to the region during 2014. FDI inflows into West Africa have increased by 6% over the last five calendar years, from US$12.0 billion during 2010 to US$12.8 billion in 2014.

FDI inflows by West African country

Table 18 below sets out the contribution by each West African country to total FDI inflows to the region, amounting to US$12.8 billion, during 2014.

Table 18: Contribution of each West African country to total FDI inflows during 2014



Source: World Investment Report, 2015 and KPMG calculations and analysis

Nigeria and Ghana were the two biggest recipients of FDI inflows in West Africa during 2014, with FDI inflows amounting to 37% and 26% of the total FDI inflows to the region, respectively. Niger was the third largest recipient of FDI inflows during 2014 to West Africa at 6%, amounting to US$769 million.

FDI inflows to Nigeria have declined by a significant 16% year on year and by 23% during the past five years. This declining trend is due to the declining commodity and oil prices and continued in 2015 with FDI inflows to Nigeria declined by 27% to an estimated US$3.4 billion during the year. The services sector in Nigeria is becoming increasingly important in respect of FDI inflows to the region, particularly in the financial sector. Transport, storage, communications and construction are also attracting investors, particularly from private equity. During 2014, The Investment Corporation of Dubai (the country's sovereign wealth fund) invested US$300 million in Dangote Cement in Nigeria and Blackstone entered into a partnership with Aliko Dangote, Nigerian Businessman, to invest across West Africa.

FDI inflows to Ghana during 2014 increased slightly by 4% to US$3.4 billion and by 33% over the five years from 2010 to 2014.

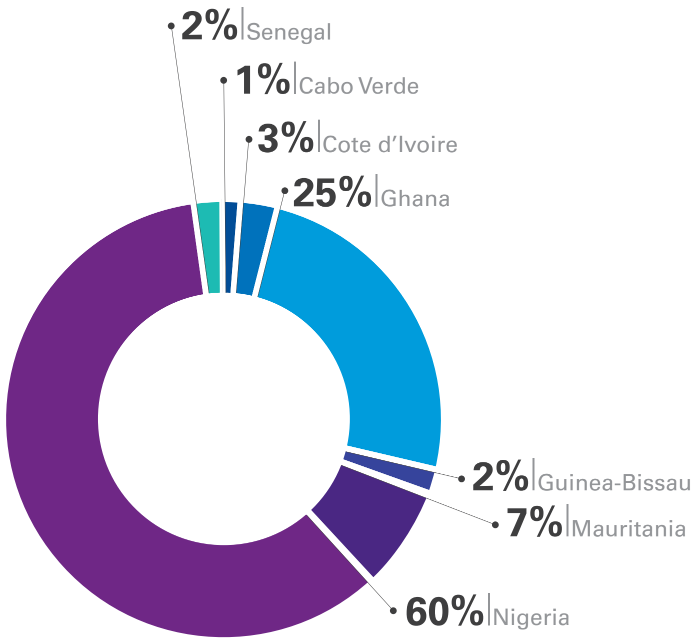
During 2014, FDI inflows to Guinea and Sierra Leona increased by 319% to US$566 million and 206% to US$440 million, respectively, despite the outbreak of Ebola in both of these countries.

Cote d'Ivoire also received increased FDI inflows during 2014 amounting to US$462 million, an increase of 14% year on year. The government is trying to attract oil companies to invest in upstream activities by improving the business environment and transparency in the country.

Value of announced greenfield FDI projects by West African country

Table 19 below sets out the value of announced greenfield FDI projects attributable to each West African country during 2014. In considering the figures below, it should be noted that the total value of announced greenfield FDI projects figures for Africa for 2015 was US$71.1 billion (2014 – US$88.0 billion), a decline of 19.2% year-on-year.

Table 19: Value of announced greenfield FDI projects by West African country



Source: World Investment Report, 2015 and KPMG calculations and analysis

The value of announced greenfield FDI projects to Nigeria during 2014 was substantial, amounting to US$10.8 billion or 60% of the total value of announced greenfield FDI projects in the region.

The value of announced greenfield FDI projects to Ghana during 2014 amounted to US$4.5 billion or 26% of the total value of announced greenfield FDI projects in the region.

Mauritania is also attracting greenfield FDI with the announced value during 2014 equal to US$1.3 billion.

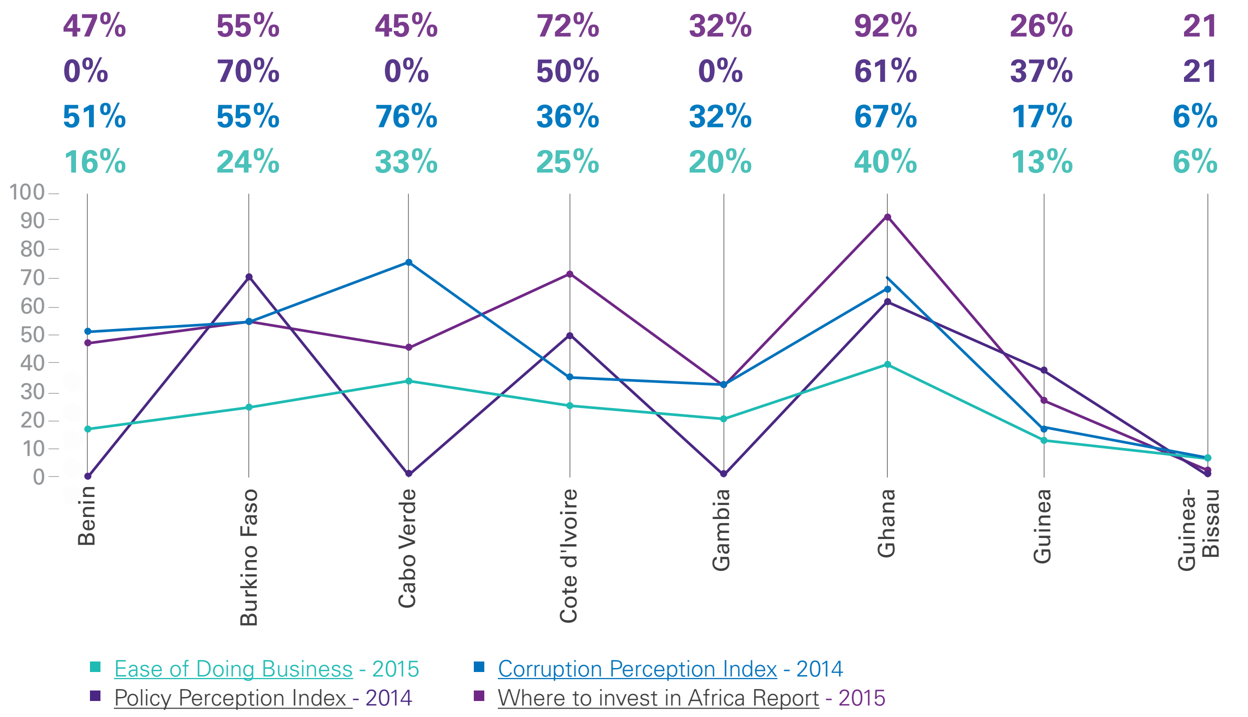
Governance and fiscal policies by West African country

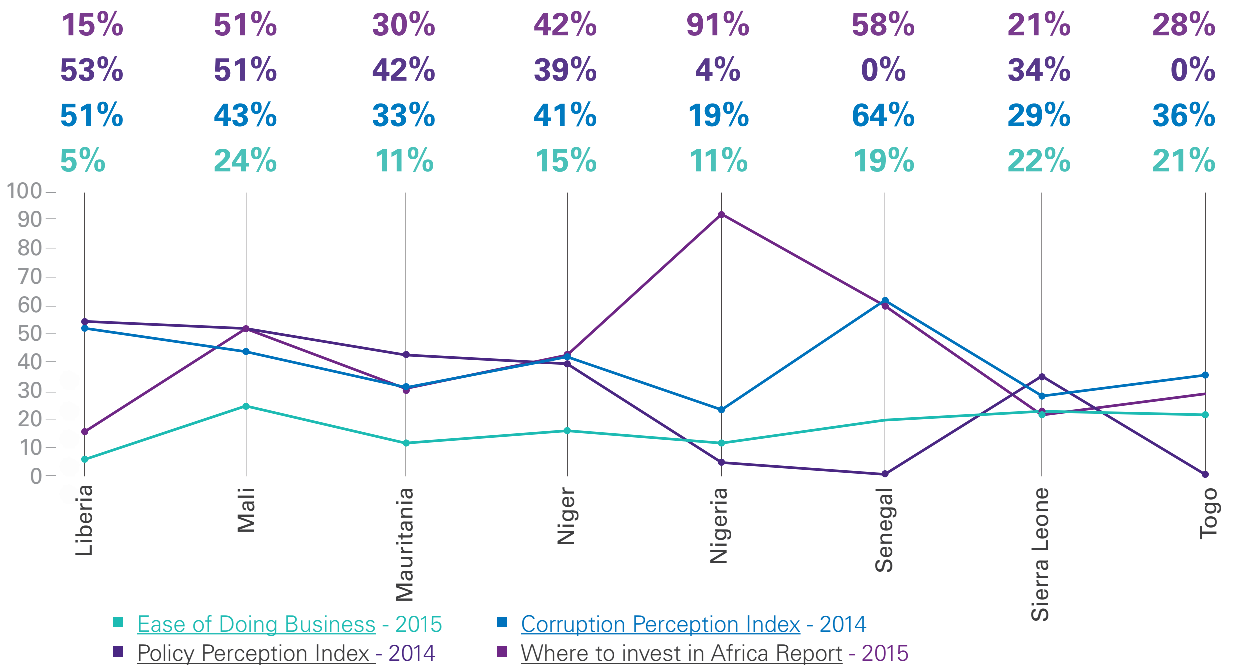
Table 20 Parts 1 and 2 below illustrates the following data:

- Each West African country's ranking in terms of the Where to invest in Africa Report;
- Each West African country's ranking in terms of the PPI;
- Each West African country's ranking in terms of the Ease of Doing Business Survey, 2015; and
- Each West African country's ranking in terms of the CPI.

Nigeria and Ghana are the two biggest recipients of FDI inflows in West Africa, with FDI inflows amounting to 37% and 26% of the total FDI inflows to the region, respectively.

Table 20 Parts 1 and 2: Governance and fiscal policies by West African country





Source: 2015, Where to invest in Africa Report, 2014, Policy Perception Index; 2015, Ease of Doing Business Survey; 2015, Corruption Perception Index and KPMG calculations and analysis

Ghana, at 92%, ranks as the most attractive investment destination in West Africa in terms of the Where to invest in Africa Report, followed closely by Nigeria at 91%. The rankings of both countries, however, dropped in the Where to invest in Africa Report - Nigeria from 2nd out of 53 African countries in 2013 to 6th out of 53 African countries in 2014 and Ghana from 3rd out of 53 African countries in 2013 to 4th out of 53 African countries in 2014. Cote d'Ivoire also achieved a high ranking in the Where to invest in Africa Report of 72%.

The three West African countries which achieved the lowest ranking as investment destinations, in terms of the Where to invest in Africa Report, were Guinea-Bissau at 2%, Liberia at 15% and Sierra Leone at 21%.

Nigeria, Ghana and Cote d'Ivoire achieved rankings of 4%, 61% and 50% in the PPI, with these countries also ranking 13th, 20th and 47th, respectively, in the World Risk Survey 2015 out of the 70 jurisdictions included in the survey. Ghana's ranking in the IAI is 61.5% and its ranking in the Best Practices Index is 56%. Nigeria's ranking in the IAI is only 7% with its ranking in the Best Practices Index at 13%, however, these indexes only measure mineral resources and not oil and gas.

Ghana dropped from its position as the West African country with the highest ranking in the Ease of Doing Business Survey, 2015 of 63% in 2014 to a poor 40% during 2015. The areas where Ghana's ranking declined in the Ease of Doing Business Survey, 2015 where dealing with construction permits; getting electricity; registering property; trading across borders and enforcing contracts. Ghana's ranking in the CPI was 65%. Nigeria and Cote d'Ivoire's rankings in the Ease of Doing Business Survey, 2015 and the CPI were fairly poor, at 11% and 22% and 25% and 34%, respectively.

The West African graphs support the hypothesis that there is no particular correlation between a West African country's ranking as an attractive investment destination and such country's perceived levels of corruption, conduciveness to starting and operating a business and government policies in respect of regulations, taxation and infrastructure. Nigeria and Cote d'Ivoire both achieved rankings of over 70% in the Where to invest in Africa Report despite very low rankings in the CPI and Ease of Doing Business Survey, 2015. Ghana achieved a high ranking in the Where to invest in Africa Report and had moderately good rankings in the CPI and Ease of Doing Business Survey, 2015.

There does seem to be a correlation between FDI inflows to a West African country and its rankings in the Where to invest in Africa Report, although not between FDI inflows to an West African country and its rankings in the CPI, PPI and Ease of Doing Business Survey, 2015. Nigeria and Ghana received the lion's share of the total FDI inflows to West Africa during 2014 (US$4.7 billion and US$3.4 billion, respectively) which is in line with their higher rankings of 91% and 92%, respectively, in the Where to invest in Africa Report. However, Cote d'Ivoire was ranked 15th out of 53 African countries in the Where to invest in Africa Report and it only received FDI inflows amounting to US$462 million during 2014.

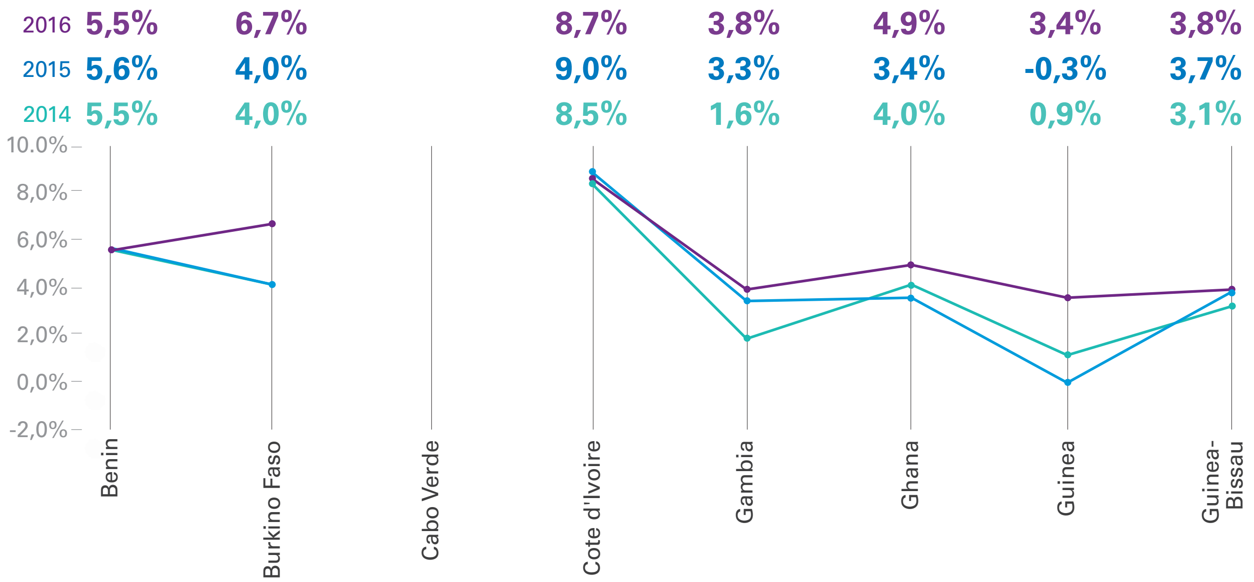
"I would say invest now and invest smart. Think of Africa and let's not just give its treasures away. The world has its eyes on Africa and we have to direct investment in a way that cares for the continent and develops it."

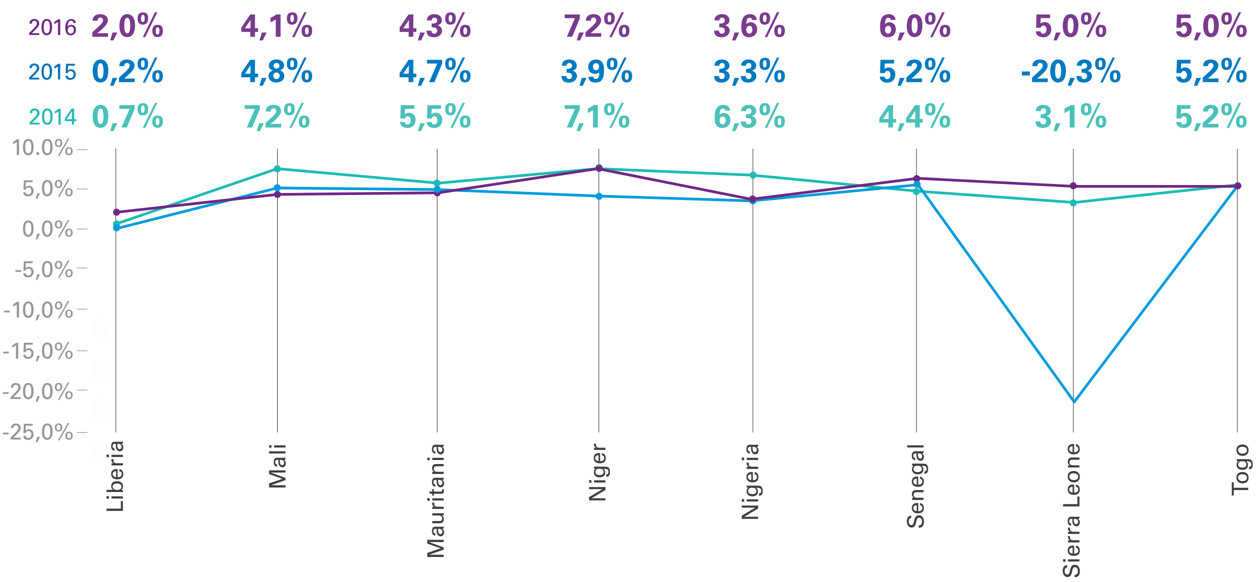
Ashish Thakkar, Founder and managing director, Mara Group

GDP growth rate by West African country

Table 21 below sets out the GDP growth attributable to the various West African countries for the years ended 2014, 2015 (forecast) and 2016 (forecast).

Table 21 Parts 1 and 2: West African - GDP growth





Source: African Economic Outlook and KPMG calculations and analysis

Cote d'Ivoire achieved excellent GDP growth during 2014 of 8.3%. This is forecast to drop slightly to 7.9% during 2015 and bounce back up to 8.5% during 2016. Nigeria and Ghana are forecast to achieve more moderate GDP growth of 5% and 3.9% during 2015 and 6% and 5.9% during 2016, respectively.

Conclusion

Cote d'Ivoire

FDI inflows to Cote d'Ivoire increased by 14% to US$462 million and the value of announced greenfield FDI projects during 2014 amounted to US$495 million.

Cote d'Ivoire ranked 15th out of 53 African destinations in the Where to invest in Africa Report, an effective ranking of 72%. Cote d'Ivoire's rankings in the Ease of Doing Business Survey, 2015 and CPI are moderately poor at 25% and 34%, respectively.

Cote d'Ivoire is forecast to achieve GDP growth of 7.9% in 2015 increasing to 8.5% in 2016, the highest forecast growth rates in West Africa. Cote d'Ivoire's port infrastructure is amongst the best in Africa and is underpinning the strong growth in the country.

President Ouattara, who came to power in 2011, is still struggling to re-unite the country and political tensions remain high. President Ouattara has recently won the 2015 elections with a landslide victory.

In summary, FDI inflows to Cote d'Ivoire have increased with the improved political situation and efforts by the government to improve the business environment and speed up structural reform. Forecast GDP growth in Cote d'Ivoire is the highest in West Africa with opportunities in the cocoa, palm oil and rubber production industries. Cocoa, oil and rubber collectively comprised 74% of the country's exports during 2014.

Ghana

FDI inflows to Ghana between 2013 and 2014 increased by a moderate 4% to US$3.4 billion. FDI inflows to Ghana have increased by 33% during the five years ended 2014. The value of announced greenfield FDI projects into Ghana during 2014 was US$4.5 billion, which constitutes 25% of the value of announced greenfield FDI projects into the region during 2014.

Ghana ranked 4th out of 53 African countries in the Where to invest in Africa Report, down from 3rd in 2013. Ghana's rankings in the PPI and CPI are reasonably good at 61% and 65%, respectively, with its ranking in the Ease of Doing Business Survey, 2015 dropping to 40%.

Ghana is still one of the most attractive countries for investment in Africa, despite weak commodity and oil prices.

Ghana is a stable democracy and has experienced several peaceful and successful transitions in power.

In summary, Ghana is still one of the most attractive countries for investment in Africa, despite weak commodity and oil prices. The economy has also faced other challenges in the form of a depreciating currency, a continuing energy crisis, deteriorating macroeconomic imbalance, and rising inflation and interest rates. Ghana has significant sovereign and domestic debt which is generally considered to be unsustainable but none of these factors deterred FDI inflows to the country during 2014. Ghana has an attractive ranking in the Where to invest in Africa Report, placing 4th out of 53 African countries, and has historically had one of the best business environments in Africa, although its business environment has deteriorated in 2015. Ghana is considered to have significant opportunities in the oil and gas and cocoa industries and is also the second largest producer of gold in Africa. All of these factors have contributed to Ghana continuing to receive high levels of FDI inflows during 2014 and being the subject of announced greenfield FDI projects amounting to US$4.5 billion.

Nigeria

Although Nigeria achieved FDI inflows during 2014 of US$4.7 billion, amounting to 37% of the total FDI inflows to West Africa, FDI inflows to Nigeria have declined by a significant 16% year on year and by 23% during the past five years. This decline is due largely to the declining commodity and oil prices and continued during 2015 with FDI inflows to Nigeria declining by 27% to US$3.4 billion during the year. Nigeria dropped from an effective ranking of 38% in the IAI in 2013 to an effective ranking of 7% in 2014. Similarly, Nigeria's ranking in the Best Practices Index dropped from an effective ranking of 53% in 2013 to 14% in 2014. The significant drop in Nigeria's rankings in both the IAI and the Best Practices Index was due to uncertainty regarding environmental regulation, trade barriers, regulatory duplication and the legal system.

Nigeria ranked 5th out of 53 African countries in the Where to invest in Africa Report, dropping from 2nd in 2013. This is despite Nigeria's very poor scores in the PPI (4%) and Ease of Doing Business Survey, 2015 (11%). Nigeria's ranking in the CPI was an effective 22%.

Addressing security issues remains a key challenge for Nigeria as these have a negative impact on investment into the country.

Nigeria experienced a relatively peaceful transition of power to the main opposition party, All Progressive's Congress, during 2015, despite the insurgency in the north east. Addressing security issues remains a key challenge for Nigeria as these have a negative impact on investment into the country.

In summary, despite the negative impact of the security issues and insurgency in the North East and low scores achieved in the PPI, CPI and Ease of Doing Business Survey, 2015, Nigeria is still one of the top recipients of FDI inflows on the African continent. Continuing FDI inflows to Nigeria are largely due to the country's growing middle class and size of the economy (biggest in Africa). There are opportunities in the manufacturing and services sectors as well as commercial agriculture. Nigerian oil is also of a high quality and is unearthed at a relatively low cost.

The total FDI inflows into North Africa during 2014 amounted to US$12.2 billion, with an FDI outflow, amounting to US$0.7 billion, from South Sudan during the same period.

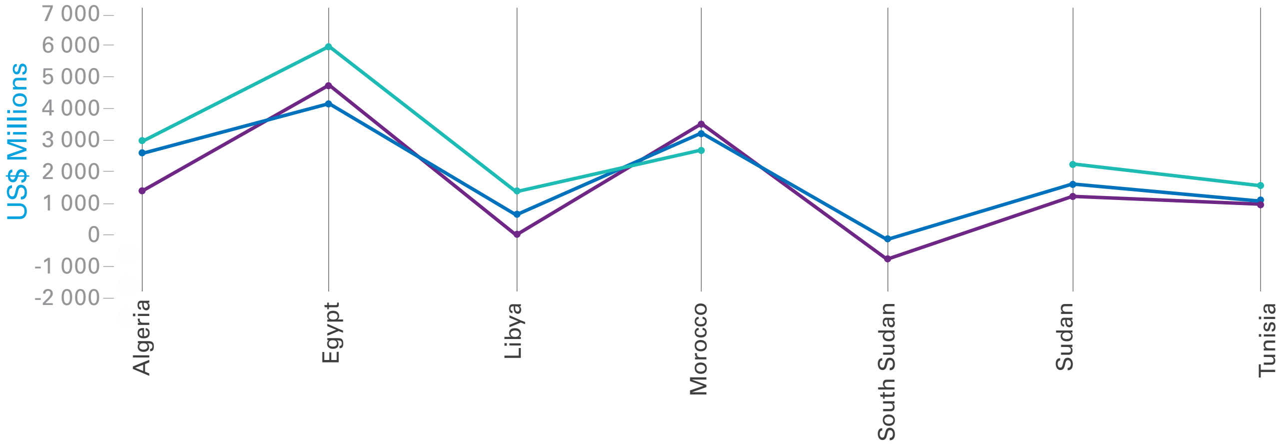
Insights into FDI inflows and growth in North Africa

FDI inflows into North Africa

Table 22 below sets out the FDI inflows, in US$ millions, into North Africa for the calendar years ended 2014, 2013 and 2012.

Table 22: North Africa - FDI inflows

	Algeria	Egypt	Libya	Morocco	South Sudan	Sudan	Tunisia
2014	1 488	4 783	50	3 582	-700	1 277	1 060
2013	2 661	4 192	702	3 298	-78	1 688	1 117
2012	3 052	6 031	1 425	2 728	0	2 311	1 603



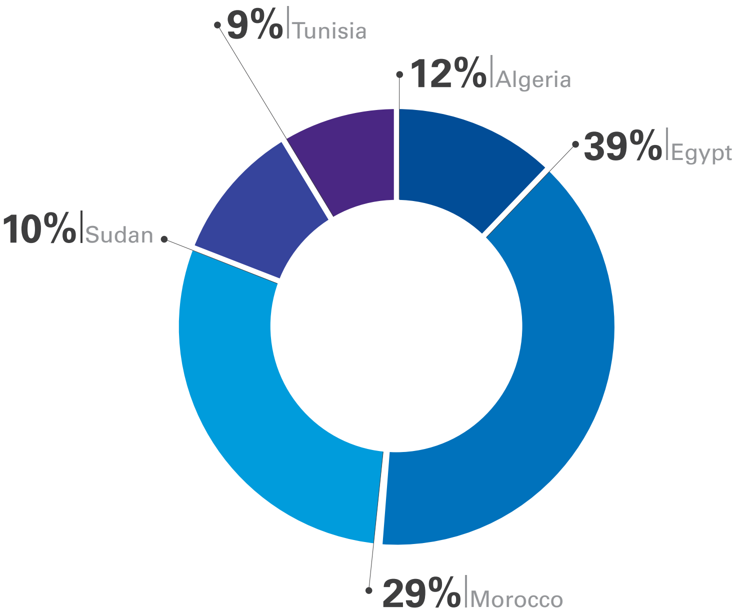
Source: World Investment Report, 2015 and KPMG calculations and analysis

The total FDI inflows into North Africa during 2014 amounted to US$12.2 billion, with an FDI outflow, amounting to US$0.7 billion, from South Sudan during the same period. The net FDI inflows into North Africa during the 2014 calendar year, therefore, amounted to US$11.5 billion. FDI inflows to North Africa during 2014 amounted to approximately 21.4% of the total FDI inflows into Africa during 2014. North Africa's share of FDI inflows into Africa during 2014 decreased by 15% in comparison to the prior year's figure of US$13.6 billion. FDI inflows into North Africa have decreased by 27% over the last five calendar years, from US$15.8 billion during 2010 to US$11.5 billion in 2014.

FDI inflows by North African country

Table 23 below sets out the contribution by each North African country to total FDI inflows to the region, amounting to US$12.2 billion, during 2014. The FDI outflow from South Sudan during 2014 has not been included in Table 23 below.

Table 23: Contribution of each North African country to total FDI inflows during 2014



Source: World Investment Report, 2015 and KPMG calculations and analysis

Egypt, at 39%, and Morocco, at 29%, were the biggest recipients of FDI inflows during 2014 in North Africa; followed by Algeria, at 12%.

FDI inflows to Egypt declined by 25% during the five years ended 2014; with the lowest point being reached in 2011 when the country experienced an FDI outflow amounting to US$0.5 billion. FDI inflows to Egypt are on the rise again with a 14% increase in FDI inflows being experienced during 2014 in comparison to the prior year, and by 40% during 2015, due to investments into oil and construction projects. According to the Where to invest in Africa Report, the introduction of key reforms by the Egyptian government and a renewed focus on infrastructure, together with Egypt's favourable demographic profile, has attracted FDI inflows from companies focusing on real estate, hospitality and construction, particularly from United Arab Emirates.

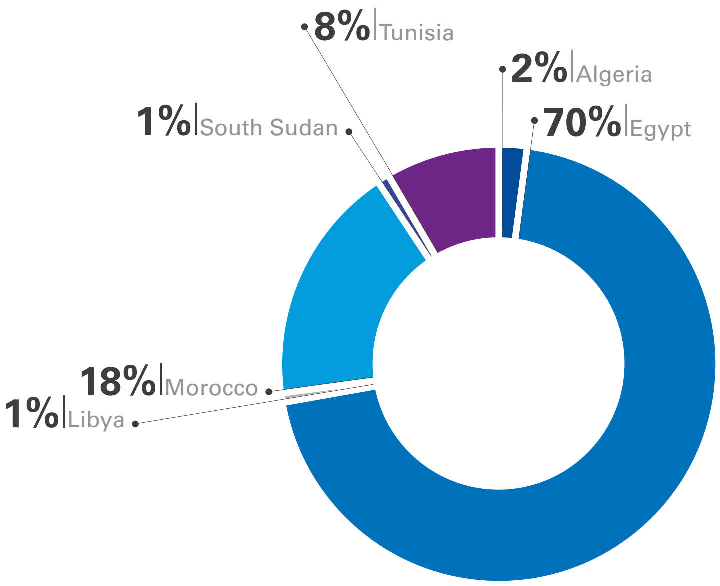
FDI inflows to Morocco increased by 9%, year on year, during 2014, and by 128% over the past five years. Morocco's FDI inflows have been primarily in the services sector over the past five years as the country has grown as a services hub in the region, positioning itself as a gateway to North Africa. Services FDI constituted 61% of Morocco's inward FDI stock in 2014.

FDI inflows to Algeria during 2014 decreased by 44% to US$1.5 billion and by 35% over the five years from 2010 to 2014.

Value of announced greenfield FDI projects by North African country

Table 24 below sets out the value of announced greenfield FDI projects attributable to each North African country during 2014. In considering the figures below, it should be noted that the total value of announced greenfield FDI projects figures for Africa for 2015 was US$71.1 billion (2014 – US$88.0 billion), a decline of 19.2% year-on-year.

Table 24: Value of announced greenfield FDI projects by North African country



Source: World Investment Report, 2015 and KPMG calculations and analysis

The value of announced greenfield FDI projects to Egypt was US$18.1 billion during 2014, an increase of 500% from 2013. After three years of political instability, interest in Egypt as an investment destination has revived due to its large domestic market, relatively low labour costs and rapid uptake of technology.

The value of announced greenfield FDI projects to Morocco during 2014 amounted to US$4.6 billion, 18% of the total value to North Africa and a significant increase from the prior year value of US$2.5 billion.

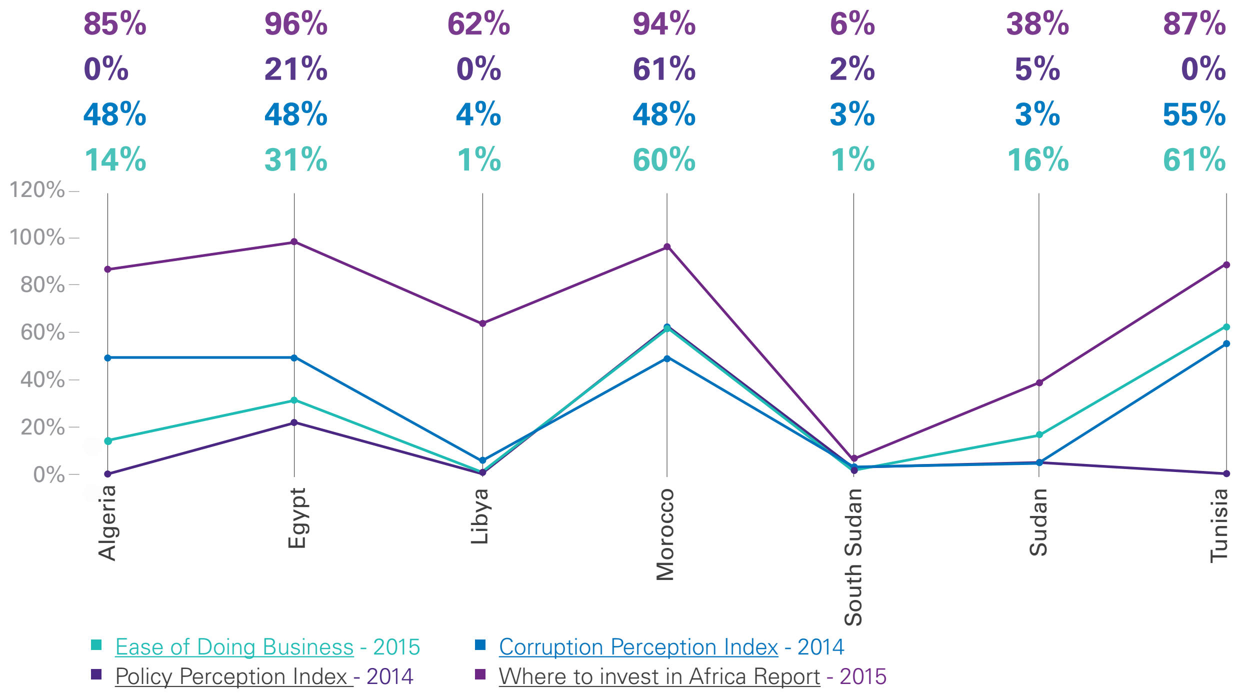
Governance and fiscal policies by North African country

Table 25 below illustrates the following data:

- Each North African country's ranking in terms of the Where to invest in Africa Report;
- Each North African country's ranking in terms of the PPI;
- Each North African country's ranking in terms of the Ease of Doing Business Survey, 2015; and
- Each North African country's ranking in terms of the CPI.

FDI inflows to Egypt have declined by 25% during the five years ended 2014; with the lowest point being reached in 2011 when the country experienced an FDI outflow amounting to US$0.5 billion.

Table 25: Governance and fiscal policies by North African country



Source: 2015, Where to invest in Africa Report, 2014, Policy Perception Index; 2015, Ease of Doing Business Survey; 2015, Corruption Perception Index and KPMG calculations and analysis

Egypt, at 96%, ranks as the most attractive investment destination in North Africa in terms of the Where to invest in Africa Report, and the second most attractive investment destination in Africa as a whole. The improvement in Egypt's ranking in the Where to invest in Africa Report, from sixth place in 2013 to second place in 2014, is due to increased economic activity and an improved operating environment in the country. Other high ranking investment destinations in North Africa, in terms of the Where to invest in Africa Report, are Morocco, which achieved an attractiveness score of 94% (3rd highest in Africa) and Tunisia, which achieved an attractiveness score of 87%. Libya achieved a ranking of 62%.

Egypt and Morocco achieved scores of 21% and 61%, respectively, in the PPI. Egypt's score is particularly interesting in light of its score of 4% in the Best Practices Index which indicates that it is geologically less attractive to investors but that its government policies are reasonable. This is supported by Egypt's scores of 31% in the Ease of Doing Business Survey, 2015 and 46% in the CPI. Morocco achieve a ranking of 70% in the Best Practices Index and 67% in the IAI. Morocco also achieved rankings of 60% and 54%, respectively, in the Ease of Doing Business Survey, 2015 and the CPI.

Sudan and South Sudan achieved the lowest rankings as investment destinations in North Africa, in terms of the Where to invest in Africa Report, at 38% and 6%, respectively.

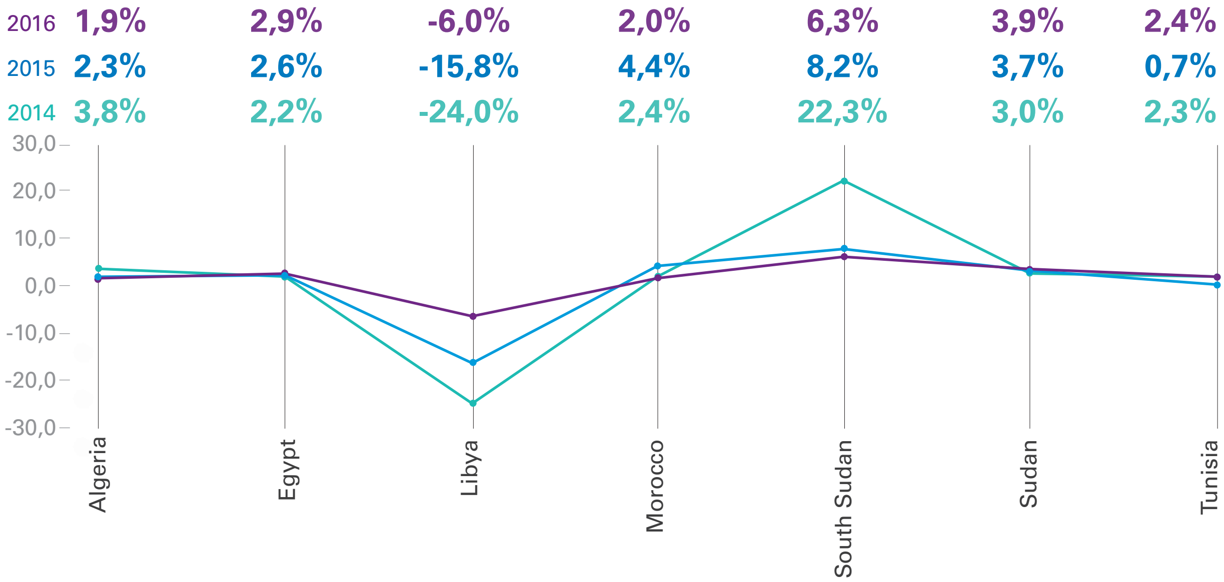
Sudan and South Sudan scored exceptionally low scores in the PPI of 5% and 2%, respectively. Sudan and South Sudan scored rankings of 18% and 27%, respectively, in the Best Practices Index which indicates a low level of geological attractiveness and investor unfriendly government policies in these two countries. According to participants in the PPI, South Sudan, as a new country, is taking a long time to enact mining laws and regulations and has had a moratorium on licencing for a lengthily period.The reduction in FDI inflows into North Africa over the last five years, supports the theory that political instability and conflict are the biggest deterrents to FDI inflows in Africa. Investors are prepared to tolerate poor infrastructure and government policies and even high levels of corruption if the country's growth rates and geological assets are sufficiently attractive but policy uncertainty and conflict (which leads to policy uncertainty) are not acceptable. The continuing unrest in Libya and recent unrest in Egypt has impacted negatively on the attractiveness of North Africa, as a whole, as an investment destination.

There is definitely a correlation between improved political stability in Egypt and its increasing FDI inflows and value of announced greenfield FDI.

GDP growth rate by North African country

Table 26 below sets out theGDP growth attributable to the various North African countries for the years ended 2014, 2015 (forecast) and 2016 (forecast).

Table 26: North African - GDP growth



Source: African Economic Outlook and KPMG calculations and analysis

GDP growth in North Africa has been weak due to the high political risk in Egypt and Libya that have negatively impacted on FDI inflows to the region. On-going conflict in South Sudan has also impact investors' perception of the region.

GDP growth in Algeria has slowed due to the weak gas and oil prices. The country does, however, have low debt and large FDI stocks which are helping to limit the effects of external shocks on the economy.

GDP growth in Egypt is forecast to start improving due to anticipated improved political stability, initiation of the Suez Canal expansion and improved business sentiment resulting from major reforms.

Economic prospects in Libya are dependent on whether the political and security situation in the country improves. The forecast GDP growth is dependent on the expected recovery of oil production materialising.

Tunisia's GDP growth is forecast to increase during 2015 and 2016, as a result of the more peaceful political and social climate post the 2015 elections and the introduction of the new government. The impact of the attack on the Bardo National Museum in Tunis on 17 March 2015 on investor confidence, remains unknown.

Conclusion

Algeria

FDI inflows to Algeria dropped by 44% during 2014 to US$1.5 billion mainly due to the significantly lower value of announced greenfield FDI projects during 2014 of US$0.6 billion (down from US$4.3 billion in 2013).

Algeria ranked 8th out of 53 African destinations in the Where to invest in Africa Report, an effective ranking of 85%. Algeria's rankings in the Ease of Doing Business Survey, 2015 and CPI were 14% and 43%, respectively.

There are opportunities in the retail sector in Algeria due to the relatively high levels of disposable income of Algerians.

In summary, FDI inflows to Algeria and the value of announced greenfield FDI projects have decreased. There are opportunities in the retail sector in Algeria due to the relatively high levels of disposable income of Algerians. However, economic development and investment opportunities are limited, due to restrictive laws. The economy is state-controlled and the private sector is poorly developed. There is limited access to financing for small businesses and individuals and radical groups pose a terror threat. Algeria achieved a ranking of 8th in the Where to invest in Africa Report. This was largely due to an improved economic outlook in Algeria and the achievement of greater levels of competitive.

Egypt

FDI inflows to Egypt are on the rise with FDI inflows increasing by 14% from US$4.2 billion during 2013 to US$4.8 billion during 2014 and to US$6.7 billion during 2015.

Egypt ranked 2nd out of 53 African countries in the Where to invest in Africa Report, an effective ranking of 96%. Egypt's rankings in the Ease of Doing Business Survey, 2015 and CPI are moderately low at 31% and 46%, respectively. When considering Egypt's PPI ranking, it should be noted that Egypt is not a big mining country – gold constituted 4% of Egypt's total exports for 2014. Egypt ranks 117th out of the 122 countries surveyed, in the Best Practices Index which equates to an attractiveness score of 4%.

Egypt is forecast to achieve GDP growth rates of 3.8% in 2015 increasing moderately to 4.3% in 2016.

In summary, FDI inflows to Egypt are recovering and the value off announced greenfield FDI projects in Egypt in 2014 was the highest in Africa at US$18.1 billion. The Egyptian government has the backing of Saudi Arabia and other Arab countries which are providing significant financial support to Egypt. Egypt has an attractive ranking in the Where to invest in Africa Report which ranking increased from 6th position in 2013 to 2nd position in 2014 due to recent increased economic activity and an improved operating environment in the country. Egypt has a well-diversified economy that showed strong growth prior to the uprising. The sharp decline in FDI inflows to Egypt subsequent to the uprising support the view that policy uncertainty and conflict are the biggest deterrents to investment into Africa.

Morocco

Morocco received 29% of the total FDI inflows to North Africa during 2014, amounting to approximately US$3.6 billion.

Morocco ranked 3rd out of 53 African Countries in the Where to invest in Africa Report and achieved moderate scores in the CPI (54%) and Ease of Doing Business Survey, 2015 (60%). Morocco's achieved a ranking of 61% in the PPI.

Morocco is forecast to achieve GDP growth rates of 4.5% and 5.0% for 2015 and 2016, respectively.

Morocco has a relatively stable political environment compared to the rest of North Africa and, as a result, tourism and FDI inflows to the country have better weathered the negative impact of political unrest throughout the rest of the region.

In summary, Morocco is an attractive FDI destination, receiving the second highest FDI inflows in North Africa during 2014 of US$3.6 billion. In addition, Morocco has a high ranking in the Where to invest in Africa Report and moderate to good scores in the CPI (54%) and Ease of Doing Business Survey, 2015 (60%). Morocco's achieved a ranking in the PPI of 61%. Morocco's economy is quite diverse with exports comprising of electrical and electronic equipment (16%), textile related items (10%), fertilisers (8%) and phosphates (4%).

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