THE AFRICA INVESTMENT REPORT 2017

INVESTING FOR INCLUSIVE GROWTH

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Letter from the editor

This year's Africa Investment Report comes at a time of flux, both in Africa and globally. Our findings reflect some of this uncertainty while also demonstrating that investors are finding new, innovative and productive ways to engage with the region.

The year 2017 brought us into the era of the Trump presidency. This shift will continue to have resounding significance for investors around the globe as the world's number one economy looks inwards and its policy, both foreign and domestic, continues to be erratic.

While the US remains the most prolific investor into Africa according to our findings, for the first time since our FDI records began in 2003, China has surpassed it in terms of the amount of capital it is pouring into the region. This is an important but unsurprising development. China has spent the past decade actively forging closer economic and political ties with Africa.

China's rise to the top spot in terms of greenfield FDI into Africa comes because its investors have excelled in the areas that took the lion's share of overall investment into the region in 2016: notably, construction and real estate.

Similarly, while we saw the number of new FDI projects launched in Africa fall, total capital invested rose by 40%. This may in part reflect some recovery in energy and mining prices globally, after being battered in 2015, but we are also seeing an acceleration of capital flowing into other types of investments, with construction and real estate leading the way.

This builds on trends we remarked on in last year's version of this report: foreign investors are gradually diversifying their interests away from traditional energy and extractives sectors. Doubtless they see an opportunity to house and serve Africa's rapidly growing and fast urbanising populations.

Some investors might be wary of Africa's overall GDP growth of 2.2% for 2016 – which falls below the world average. Growth is clearly slowing from the heights of the commodity supercycle that wound down in 2014-2015. However the story told by the regional GDP average is disproportionately impacted by poor performance in two of the region's largest economies, Nigeria and South Africa.

Both have flirted with if not fallen into recession over the past two years, partly due to the rout in prices of their biggest exports but also to poor policy decisions and political discord. This is not the full story.

Others including Ethiopia, Côte D'Ivoire, Tanzania and Senegal have all grown well above 6% through the same period. It bears reiterating that the region is large and diverse and headline figures all too often disguise the nuances that present value opportunities.

In this time of global flux, there is all too often a knee jerk reaction among investors to withdraw into so-called safe havens. While 2017 has been a tumultuous year – and not always in positive ways – one effect that I hope it will have is to begin to undo our misconception of major developed economies as the only safe bets.

With the rise in risk in the US and Europe, other destinations – Africa included – deserve more focused attention.

Investing in Africa is not, to be sure, always straightforward. Delays and a lack of regulatory clarity continue to be problems for many investors, as are rash policy decisions. African governments need to prove themselves dependable partners to foreign investors.

Foreign investors, for their part, would do well to think creatively about destinations for their capital as we enter uncharted territory. Africa's manifold opportunities should figure more widely in that calculus.

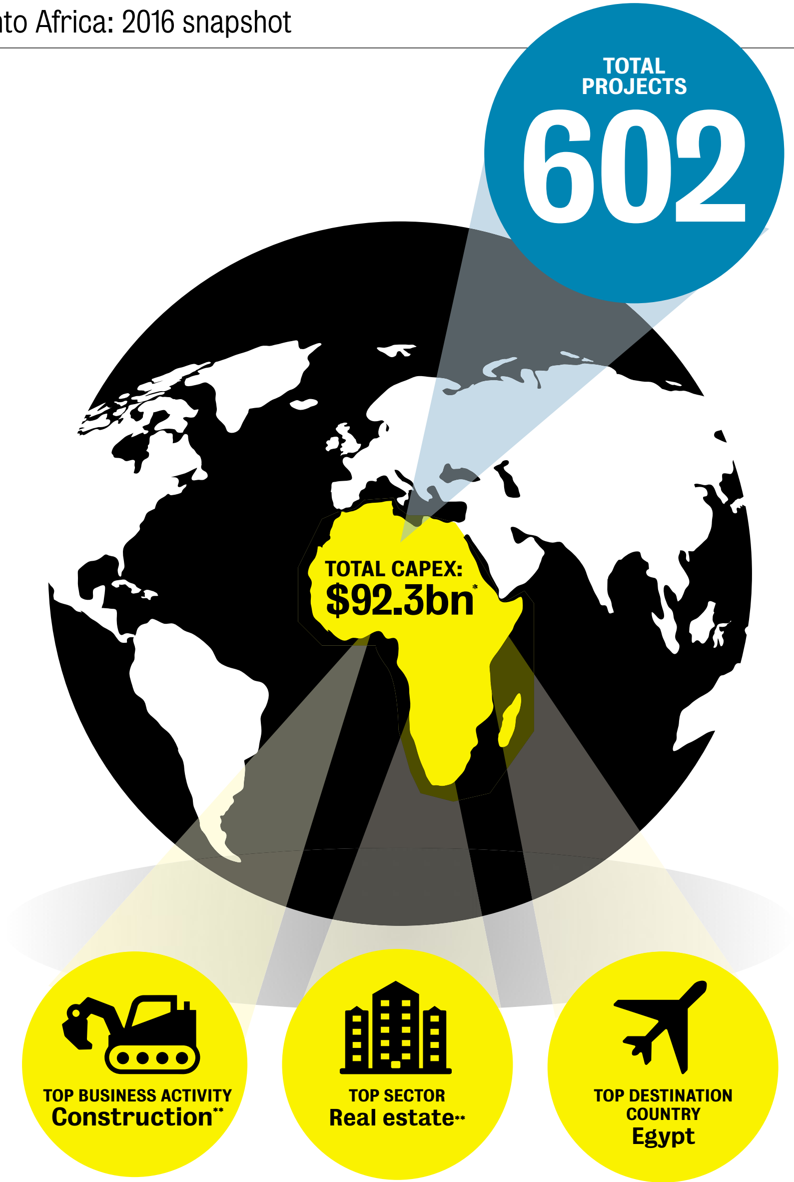
It bears reiterating that Africa is large and diverse and headline figures all too often disguise the nuances that present value opportunities

Adrienne Klasa is editor of This is Africa

Overview

- While the number of FDI projects into Africa fell by 16% to 602 in 2016, capital investment increased by 40% to $92.3bn
- Real estate was the top sector by capital investment in 2016, accounting for $36.5bn (or 40%) of announced FDI in the region
- Construction was the top business activity by capital investment, accounting for 40% of FDI. Combined, construction and manufacturing accounted for almost two-thirds of total capital investment
- In total, 470 companies invested in the region, a fall of 7% on 2015
- FDI into Africa accounted for 12% of global FDI in 2016, with project numbers accounting for 5%
- China became the largest investor in Africa by capital expenditure for the first time since **fDi** Markets records began in 2003, while the US remains the most prolific investor by number of projects

FDI into Africa: 2016 snapshot



Africa as a region grew at 2.2% in 2016, below the world average of 3.1%. However, GDP is expected to grow in 2017 by 3.5%, on par with the world average

Source: World Economic Outlook April 2017, International Monetary Fund***

Morocco's third largest sector is real estate, accounting for 10.4% of GDP in 2015

Source: Haut-Commissariat Au Plan, Morocco

Source: **fDi** Markets

* Includes estimates ** by capital investment
*** Accessed via Analyse Africa

Dollar figures throughout report rounded to one decimal point

Percentages rounded to next full percentage point, except for GDP growth figures

Investors in Africa look beyond extractives

by Rosa Whitaker

This year's Africa Investment Report brings to mind the new edition of Marcelo Giugale's excellent book, Economic Development: What Everyone Needs To Know.

If you sometimes wished you had bought property in Mumbai, Shanghai or Rio 10 years ago, the World Bank senior adviser writes, a decade from now you will no less regret not having bought in Abidjan, Dakar or Nairobi today.

Fully 40% of announced greenfield FDI into Africa last year went into real estate, the report tells us, with the same proportion being invested in construction. This represents a shift: in previous years, extractive sectors have tended to top the African FDI charts.

Now we are starting to see a different dynamic. Do the latest numbers merely reflect a cyclical downturn in energy and other commodity prices or do they signal a lasting trend towards a more diversified basis for African growth? My hope and belief is the latter.

If you had to identify the single most important reason to be bullish on Africa's prospects in the 21st century, it would have to be rapid urbanisation, of which the new data is a telling indicator.

Africa's urban population is expanding by 15 million a year, according to the UN. That is how many people live in greater New York, Los Angeles and Chicago combined. No region's cities are growing faster.

As Sir Paul Collier, a professor of economics at the University of Oxford, has written, "a successful city massively raises the productivity of ordinary people. It is the miracle of productivity that has lifted countries now in the OECD from the poverty that characterised the entire world until two centuries ago."

US commerce secretary Wilbur Ross says investors are encouraged by the sight of "cranes dotting the skylines" of Africa's cities, and he is right. Global private equity and sovereign wealth funds – along with home-grown investors – are pouring billions of dollars into business and industrial parks, retail complexes, logistics facilities and housing across the continent.

An encouraging example is BlackIvy, a US permanent capital company, which is developing much needed residential communities and an industrial park in Ghana as well as a cold chain logistics platform in Tanzania.

It is true that sub-Saharan Africa's GDP growth is well off the pace from what it averaged during what Mr Collier has called the "benevolent decade". During the early 2000s, debt relief, buoyant oil prices and surging Chinese demand for raw materials combined to push the region-wide average to not far shy of 6%, the Great Recession of 2008-2009 notwithstanding.

A modest recovery to 2.2% is projected by the IMF for this year – from 1.4% in 2016. These comparatively low headline figures are hardly nourishing the "Africa Rising" narrative.

However we should bear in mind that highly aggregated numbers often hide more than they reveal. Africa, we need to keep reminding ourselves, is not one country. Economies like Nigeria and Angola that have come to rely excessively on oil exports may be hurting.

Others like Kenya, Tanzania, Uganda and Rwanda in the east and Senegal and Côte d'Ivoire in the west, are growing at more than respectable rates. Indeed, those same IMF projections have Ghana – fresh off its seventh consecutive peaceful election since independence – projected as the third-fastest growing market in the world in 2018 at 9.2%. The oil exporters are getting the message as never before: they have no choice but to diversify.

> "Investors are encouraged by the sight of "cranes dotting the skylines" of Africa's cities

We also need to be clear that Africa's rise will be anything but seamless, uniform, swift or painless. While urbanisation can revolutionise economies, managed badly it can create cauldrons of poverty, violence and revolution.

Managing it well, while critically important, is not a sufficient condition for the region's take-off. The single largest constraint is the historical curse of economic Balkanisation.

De-fragmenting the continent's economies into a single market for goods, services, skills and innovation remains a distant dream for now, but at least it is a shared one and firmly on the agenda.

On a sub-regional basis it is starting to be realised, its benefits demonstrated vividly by the East African Community.

What is most encouraging, though, is that Africa now has a partner with the resources, motivation and will to finance the infrastructure needed to connect and power the continent and its cities.

That partner is China, whose government, state-owned and private businesses and entrepreneurs now see Africa not just as a source of raw materials, but, much more importantly, as a vast new market and low-cost manufacturing base for Chinese products.

For this to be Africa's century, African economies must be connected and diversified. Investment patterns give hope we are headed in the right direction. As Marcelo Giugale suggests, time to buy in Nairobi.

Rosa Whitaker is president and CEO of The Whitaker Group and a leading expert on African trade, investment and business. She was Assistant US Trade Representative for Africa in the administrations of presidents William J. Clinton and George W. Bush.

Africa regional trends and data

■ Egypt retained its position as the top FDI destination by capital investment, with $40bn of announced FDI recorded in 2016. This included a $20bn investment announced by China Fortune Land Development

■ South Africa maintained a clear lead in terms of the number of inbound FDI projects, recording 105 in 2016

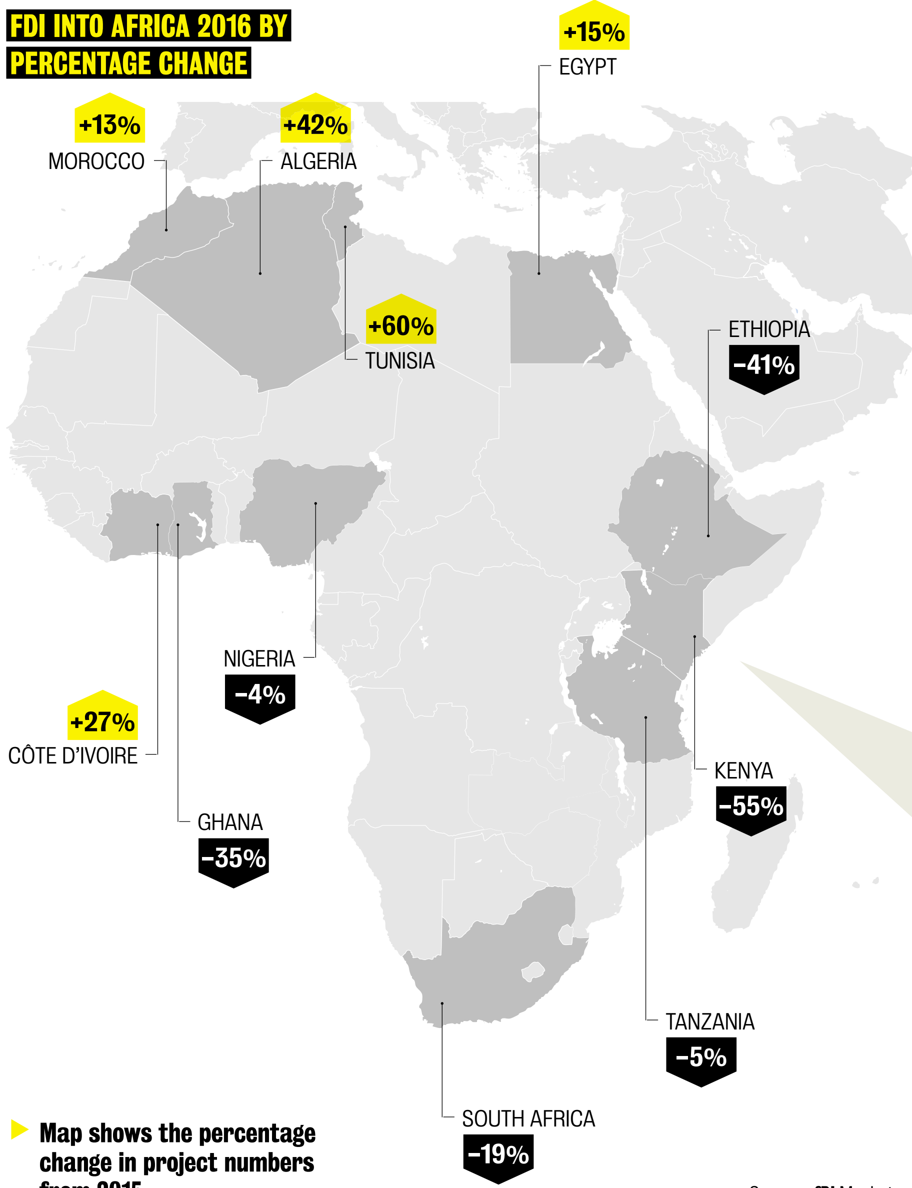
■ Côte d'Ivoire recorded 33 projects in 2016, an increase of more than one-quarter, setting a new peak year for the country

■ Tunisia and Algeria began to show signs of moderate recoveries in their inbound project receipts in 2016. The former grew by 60% to reach 16 projects, while the latter recorded 17 projects, growing by 42%

■ The top 10 destination countries for FDI into Africa accounted for 78% of the total number of projects into the region and 91% of the total capital invested

■ Of the top 10 destination countries, only Egypt, Côte d'Ivoire, Algeria and Tunisia recorded more projects in 2016 compared to 2015

FDI INTO AFRICA 2016 BY PERCENTAGE CHANGE



▶ **Map shows the percentage change in project numbers from 2015**

Source: fDi Markets

FDI INTO AFRICA BY PROJECT NUMBERS 2016

Country	Projects
South Africa	105
Morocco	80
Egypt	69
Nigeria	49
Kenya	38
Côte d'Ivoire	33
Ghana	26
Tanzania	19
Algeria	17
Ethiopia	16
Tunisia	16
Other	134
Total	**602**

Source: **fDi** Markets

Algeria entered the top 10 African countries in terms of FDI, recording a 42% increase in project numbers. The country received investment across 12 different sectors, with automotive OEM the leading sector in terms of projects and warehousing and storage the top in terms of capital invested and jobs created

Source: **fDi** Markets

FDI INTO AFRICA BY CAPITAL INVESTMENT 2016

Country	Capex ($bn)	Change from 2015	Market share
Egypt	40.0	173%	43%
Algeria	7.4	876%	8%
South Africa	7.0	51%	8%
Ethiopia	6.8	296%	7%
Morocco	6.6	52%	7%
Mozambique	6.3	23%	7%
Nigeria	6.2	-25%	7%
Tanzania	1.8	38%	2%
Kenya	1.1	-55%	1%
Rwanda	0.9	-20%	1%
Other	8.1	-63%	9%

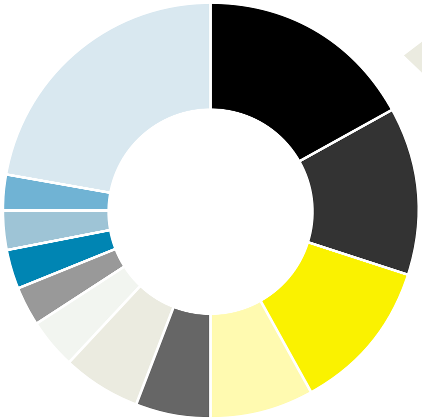
Source: **fDi** Markets
*Includes estimates

INVESTMENT BY REGION 2016**

Region	Projects	Capex ($bn)*
North Africa	184	54.3
East Africa	143	19.4
West Africa	135	9.0
Southern Africa	112	7.9
Central Africa	28	1.5

Source: **fDi** Markets
*Includes estimates
**Regions are based on United Nations classification

FDI INTO AFRICA BY PROJECT NUMBERS 2016



Market share	Country
17%	South Africa
13%	Morocco
12%	Egypt
8%	Nigeria
6%	Kenya
6%	Côte d'Ivoire
4%	Ghana
3%	Tanzania
3%	Algeria
3%	Ethiopia
3%	Tunisia
22%	Other

Source: **fDi** Markets

Four of the top 10 economies for FDI in terms of capital investment are predicted to grow by more than 5% in 2017 and 2018: Ethiopia (7.5% in both years), Kenya (5.3% and 5.8%), Tanzania (6.8% and 6.9%) and Rwanda (6.1% and 6.8%)

Source: World Economic Outlook, International Monetary Fund (accessed via Analyse Africa)

Beijing-based China State Construction Engineering Corporation, China's largest construction and real estate conglomerate, announced the biggest single investment into Algeria in 2016, worth approximately $3.3bn

Source: **fDi** Markets

Spotlight on Egypt

▶ **In 2017**, Egypt's oil minister, Tarek El-Molla, announced that Egypt plans to boost its oil output by 50% by the end of 2018. This followed $4.2bn of investment in the coal, oil and natural gas sector in 2016.
Source: Egypt Oil & Gas

▶ **EniSpA** announced plans to invest $10bn in Egypt in the next five years. This follows a $1.5bn investment in 2016 to explore the potential oil and gas field at Zohr, which is due to start production by the end of 2017
Sources: Egypt Independent; **fDi** Markets

▶ **In 2016**, Egypt announced a series of economic and financial reforms in order to attract further foreign investment and restore investor confidence after the 2011 Arab Spring revolution. This included the floatation of the Egyptian pound to ease a shortage of dollars in the economy
Source: BBC News

▶ **The real estate sector** in Egypt has grown significantly in recent years – by 18% in 2015-2016, and on average by 16% per annum between 2011-2012 and 2015-2016
Source: Ministry of Planning, Egypt

▶ **Egypt's construction and building GDP** has increased significantly in recent years, by 22% in 2015-2016, and on average by 20% per annum between 2011-2012 and 2015-2016
Source: Ministry of Planning, Egypt

Source countries

■ Asia-Pacific was the leading source region for FDI into Africa in 2016 in terms of capital investment. Companies in the region accounted for more than half (55%) of the total capital invested, announcing projects worth $50.8bn

■ China was the number one source country in Africa by capital expenditure, investing $36.1bn into Africa and accounting for 39% of total investment

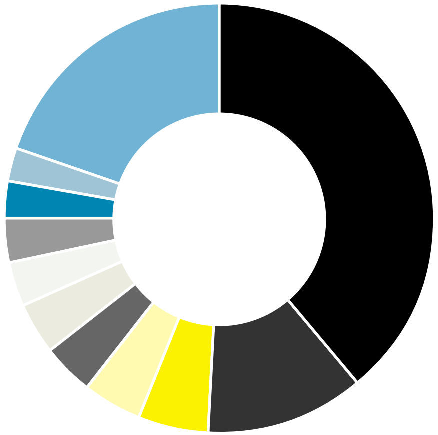
■ China-based investments grew by 1262% while Asia-Pacific investments grew 690%, both largely due to the announced $20bn China Fortune Land Development project into Egypt

■ By project numbers, Western Europe remained the leading source region despite project numbers falling by 23%. Companies from the region invested in 224 projects, 37% of the total number of projects created in Africa in 2016

■ The United States remained the number one source country by number of projects, creating 83 projects in Africa. The world's largest economy comprised 13% of the total number of projects into Africa

■ Of the top 10 source countries for FDI into Africa in 2016 by project numbers, six achieved an increase in the number of projects destined for the continent

TOP INVESTING COUNTRIES IN AFRICA BY CAPITAL INVESTMENT 2016



Market share	Capex ($bn)*	Country
39%	36.1	China
12%	11.0	UAE
5%	4.8	Morocco
4%	4.0	Italy
4%	3.8	Saudi Arabia
4%	3.4	United States
4%	3.2	Singapore
3%	3.1	Japan
3%	2.5	Malaysia
3%	2.3	UK
20%	18.1	Other

Source: fDi Markets
*Includes estimates

TOP INVESTING COUNTRIES IN AFRICA BY PROJECT NUMBERS 2016

Country	Projects	Change from 2015
United States	83	-13%
France	71	32%
China	62	94%
UK	37	-53%
UAE	34	-24%
Japan	27	108%
South Africa	24	-17%
Switzerland	24	50%
Spain	20	54%
Morocco	17	21%
Italy	17	70%
Germany	17	-55%
Other	169	-40%
Total	602	-16%

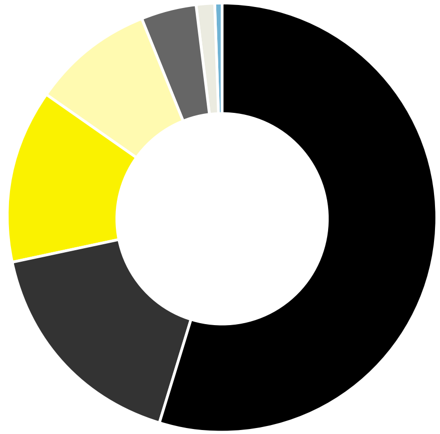
Source: fDi Markets

TOP INVESTING REGIONS IN AFRICA BY PROJECT NUMBERS 2016

Region	Projects
Western Europe	224
Asia-Pacific	126
Africa	93
North America	91
Middle East	55
Emerging Europe	12
Latin America & Caribbean	1
Total	602

Source: fDi Markets

TOP INVESTING REGIONS IN AFRICA BY CAPITAL INVESTMENT 2016

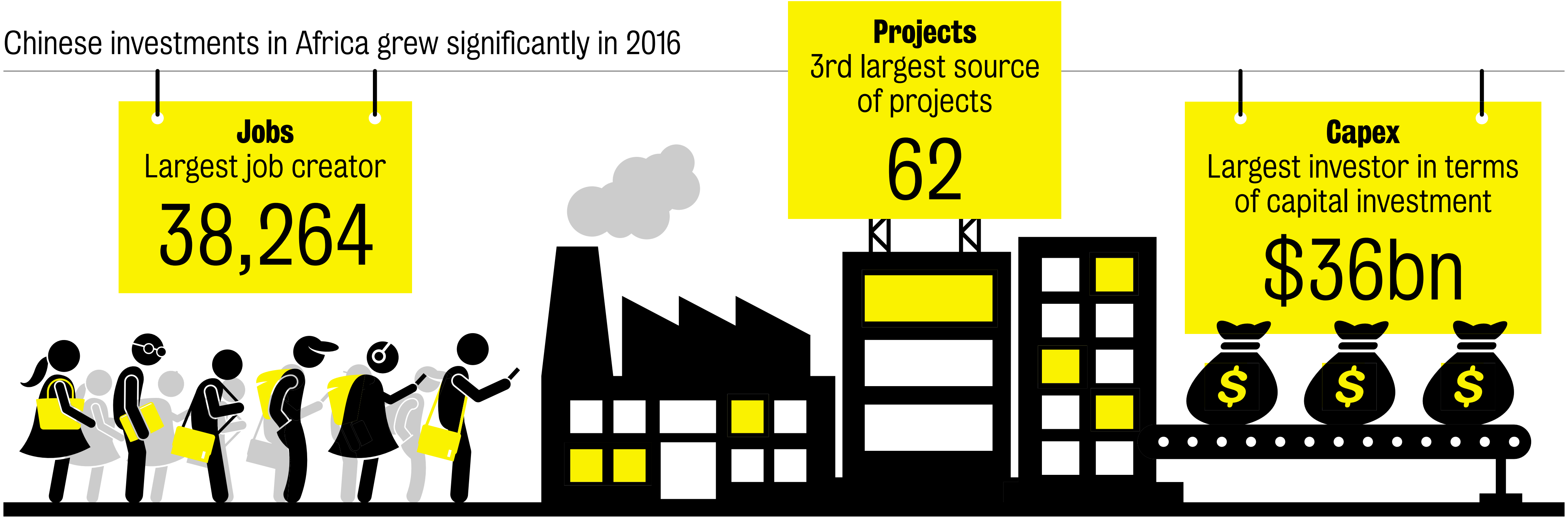


Market share	Capex ($bn)*	Country
55%	50.8	Asia-Pacific
17%	15.7	Middle East
13%	12.0	Western Europe
9%	8.5	Africa
4%	3.8	North America
1%	1.3	Emerging Europe
0%**	0.02	Latin America & Caribbean

Source: fDi Markets
*Includes estimates
** Negligible value

China's impact in Africa

Chinese investments in Africa grew significantly in 2016

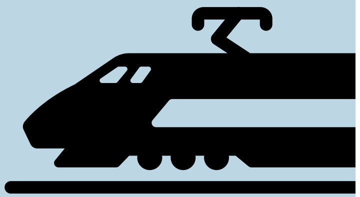


By the end of November 2016, the China-Africa Development Fund had invested approximately $4bn across 88 projects in 37 African countries. The fund was established in June 2007, and is managed by the Chinese Development Bank, covering projects across various sectors such as infrastructure, manufacturing, energy and mineral resources

Source: China-Africa Development Fund

China is expected to invest close to $1tn in various infrastructure projects including rail and ports across Asia, Europe and east Africa. China hopes the projects will boost trade links and continue its global influence. The strategy was formally announced by president Xi Jinping in 2013

Source: BBC News



Business activities

■ Construction was the leading business activity by capital investment, totalling an estimated $37bn in 2016

■ Construction together with manufacturing accounted for 62% of total capital investment

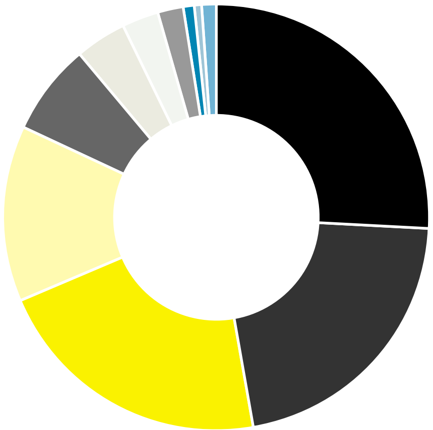
■ Of the top 10 activities by capital investment, only construction, recycling, and logistics, distribution and transportation activities grew between 2015 and 2016

■ Sales, marketing and support was the number one business activity in terms of number of projects, recording 142 in 2016 – a 14% decline from 2015

■ Manufacturing and business services were the next most popular activities, with 138 and 130 projects respectively. Manufacturing projects witnessed a small decline of 6%, while business services projects fell annually by 30%

■ Of the top 10 activities by number of projects, only logistics, distribution and transportation and headquarters activities grew between 2015 and 2016

BUSINESS ACTIVITY BREAKDOWN OF FDI INTO AFRICA BY CAPITAL INVESTMENT 2016



Market share	Capex ($bn)*	Business activity
40%	37.0	Construction
21%	19.8	Manufacturing
14%	12.8	Logistics, distribution & transportation
13%	12.2	Electricity
4%	3.7	Extraction
2%	1.9	ICT & internet infrastructure
2%	1.7	Sales, marketing & support
1.2%	1.2	Recycling
1.2%	1.1	Business services
0.4%	0.4	Headquarters
0.7%	0.6	Other

Source: **fDi** Markets
*Includes estimates

In 2017, 22 African countries maintained or improved their level of investment freedom (from 2016)

Source: 2017 Index of Economic Freedom, Heritage Foundation**

The sharp reduction in investment and projects in extraction can be attributed to a decline in commodity prices

BUSINESS ACTIVITY GROWTH TRENDS FOR FDI PROJECTS IN AFRICA 2016

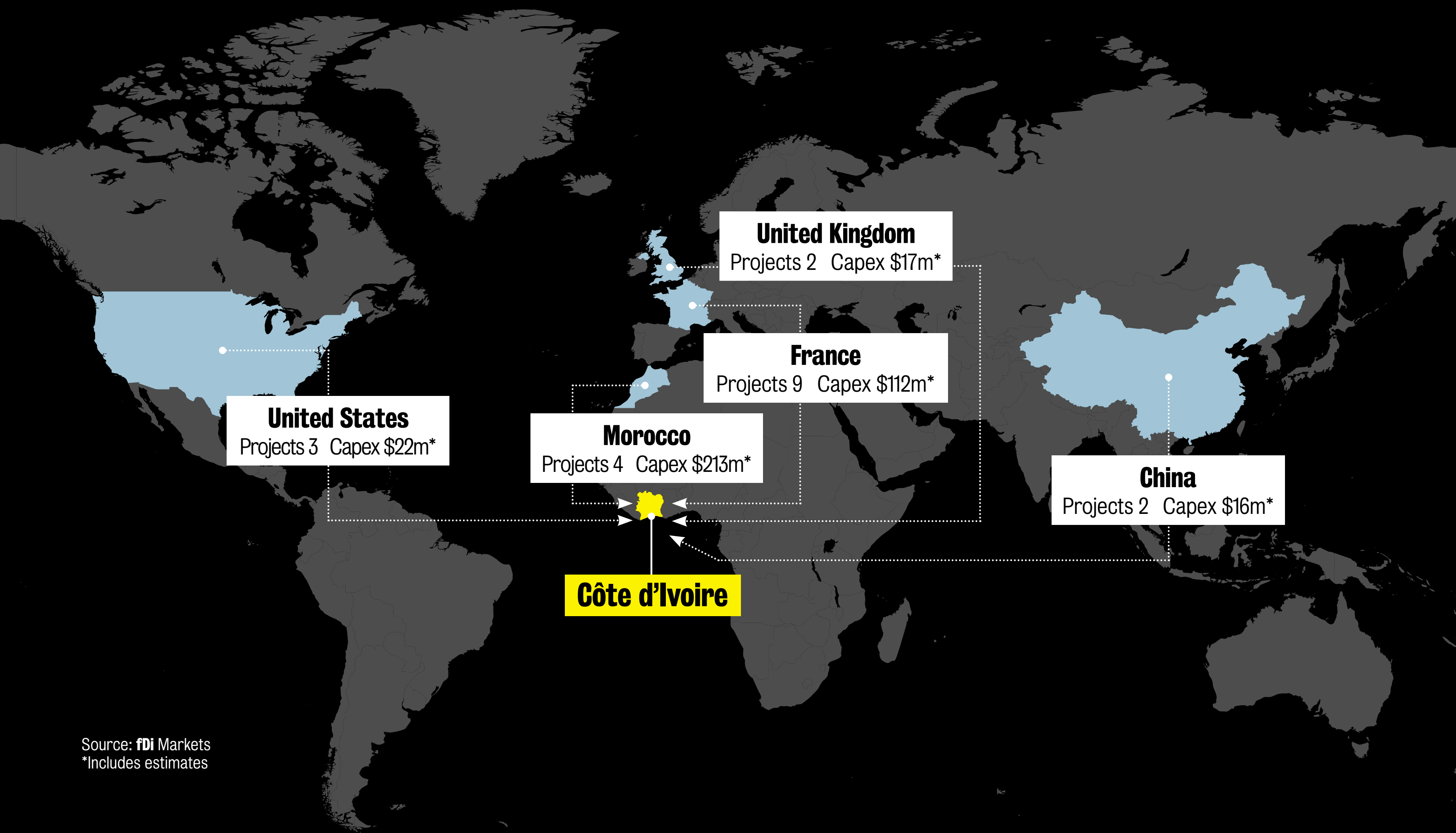
Business activity	Projects	Change from 2015	
Logistics, distribution & transportation	46	24%	▲
Headquarters	19	12%	▲
Electricity	43	-2%	▼
Manufacturing	138	-6%	▼
Design, development & testing	14	-7%	▼
Construction	21	-13%	▼
Sales, marketing & support	142	-14%	▼
ICT & internet infrastructure	18	-25%	▼
Business services	130	-30%	▼
Other	24	-44%	▼
Education & training	7	-63%	▼
Total	**602**	**-16%**	

Source: **fDi** Markets

**Accessed via Analyse Africa

In Focus: Côte d'Ivoire

Who invests in Côte d'Ivoire?
Top source countries for FDI into Côte d'Ivoire 2016



Source: **fDi** Markets
*Includes estimates

Spotlight on Côte d'Ivoire

▶ **Côte d'Ivoire's** GDP is expected to grow by 6.3% in 2017, the fourth highest rate in sub-Saharan Africa

Source: World Economic Outlook, International Monetary Fund**

▶ **Côte d'Ivoire** is one of the largest economies in the Economic Community of West African States, representing around 40% of the West African Economic and Monetary Union GDP

Source: UK Department of International Trade

▶ **In 2013, six bilateral agreements** were signed between Côte d'Ivoire and Morocco, promoting cooperation between the two states politically and economically. In 2016, Morocco became Côte d'Ivoire's second largest source market in terms of projects, investing in four

Source: Ministry of Economy and Finance

▶ **Greenfield FDI projects** into Côte d'Ivoire reached a new peak in 2016, totalling 33 projects. These projects had a total estimated capital investment of $747m and created 3787 jobs

Source: **fDi** Markets

▶ **In 2016, the European Union, United Nations and United States** lifted sanctions that had been imposed on Côte d'Ivoire since 2004 following several coups and a civil war. This terminated the arms embargo as well as travel, economic and financial sanctions and opened up the country to increased foreign investment

Source: European Commission, United Nations, United States Treasury

Sectors

- Business services was the top sector by project numbers in Africa for 2016 with 80 projects

- Real estate displaced coal, oil and natural gas as the top sector by capital investment, with $36.5bn invested in the sector in 2016

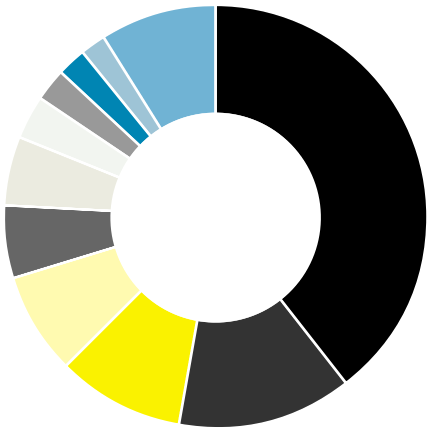
- Of the 38 investment sectors, 14 showed positive annual growth in capital investment. The transportation (+636%), real estate (+319%), minerals (+421%) and textiles (+492%) sectors exhibited the strongest annual growth in capital investment

- In terms of project numbers, only nine sectors experienced positive growth, most of which were from a low base. Of the top 10 sectors, only transportation (+32%), software and IT services (+15%), coal, oil and natural gas (+25%), and communications (+2%) displayed positive annual growth

- Five sectors experienced a growth in project numbers, jobs created and capital invested – most notably software and IT services, and transportation. In 2016, more than 2600 jobs were created in 53 software and IT services projects, with $500m being invested. In the transportation sector, 41 projects worth $7.2bn were estimated to create 8153 jobs

- Alternative/renewable energy projects (42) outstripped coal, oil and natural gas projects (25). However, on average per project, the non-renewable sector's projects were worth more than double those in the clean tech sector

SECTOR BREAKDOWN OF FDI IN AFRICA BY CAPITAL INVESTMENT 2016



Market share	Capex ($bn)*	Sector
40%	36.5	Real estate
13%	12.4	Coal, oil & natural gas
10%	8.9	Alternative/renewable energy
8%	7.2	Transportation
6%	5.2	Warehousing & storage
5%	4.7	Chemicals
3%	3.2	Minerals
3%	2.3	Communications
2%	2.1	Automotive OEM
2%	1.6	Metals
9%	8.2	Other

Source: **fDi** Markets
*Includes estimates

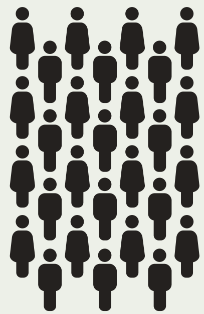
SECTOR BREAKDOWN OF FDI IN AFRICA BY PROJECT NUMBERS 2016

Sector	Projects	Change from 2015	
Transportation	41	32%	▲
Coal, oil & natural gas	25	25%	▲
Software & IT services	53	15%	▲
Communications	45	2%	▲
Food & tobacco	24	0%	◀▶
Alternative/renewable energy	42	0%	◀▶
Business services	80	-22%	▼
Industrial machinery, equipment & tools	24	-23%	▼
Chemicals	20	-26%	▼
Other	181	-28%	▼
Financial services	67	-44%	▼

Source: **fDi** Markets

In 2017, Africa's population totalled 1.2 billion and is forecast to more than double to 2.45 billion by 2050. Population growth and urbanisation are key drivers in the development in real estate across Africa

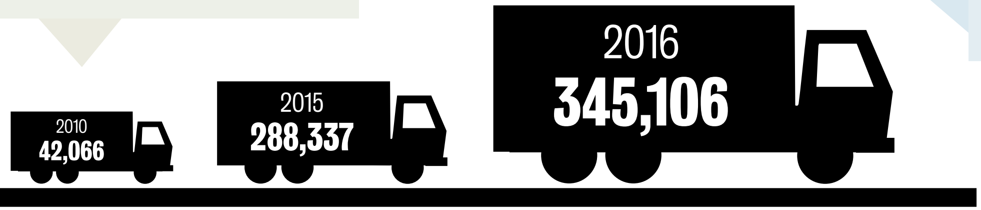
Source: ILOSTAT accessed via Analyse Africa



Infrastructure in Morocco

Morocco was the leading destination for investment in the transport sector with 11 projects

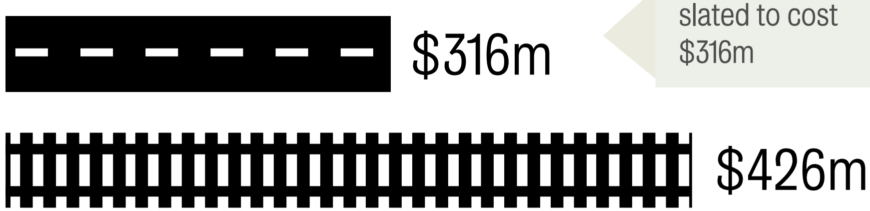
The number of vehicles produced in Morocco increased by 20% between 2015 and 2016



South Africa and Morocco rank first and second in Africa for transport infrastructure**

Development of the Casablanca road network is slated to cost $316m

Expansion of Casablanca's tramway network, worth $426m, aims to have a 110km-long network by 2022



Source: **fDi** Markets and Global Competitiveness Report 2016-2017, World Economic Forum, International Organisation of Motor Vehicle Manufacturers (OICA)

AFRICA SECTOR TRENDS IN 2016

133%

Projects in the automotive components sector increased by 133%, from six to 14

Source: **fDi** Markets

–16.6%

Coal, oil and natural gas saw a decrease in investment for the second year running.

Source: **fDi** Markets

636%

Capital expenditure in the transportation sector increased from $1bn to $7.2bn

Source: **fDi** Markets

Infrastructure investments

▶ **China Petroleum Pipeline Bureau**, a subsidiary of China-based China National Petroleum, plans to establish a new natural gas pipeline in Mozambique and in the Gauteng region of South Africa. The $6bn project ($4bn Mozambique; $2bn South Africa) will be a joint venture with additional partners including Profin, Empresa Nacional de Hidrocarbonetos, China Petroleum Technology Development and Progas Investment

Source: **fDi** Markets

▶ **The Programme for Infrastructure Development in Africa (PIDA)** is Africa's flagship infrastructure initiative approved by African heads of state in January 2012. The PIDA Priority Action Plan (PIDA-PAP), to be realised by 2020, comprises of an investment of $68bn across the energy ($40.3bn), transport ($25.4bn), water ($1.7bn) and ICT ($0.5bn) sectors, while the longer-term plan to be realised by 2040 has an investment portfolio of $360bn

▶ **Kenya** has constructed a new $3.8bn railway: the Standard Gauge Railway Project which connects Nairobi to Mombasa, east Africa's biggest port. The 480km line was launched in May 2017

Source: **fDi** Markets

Companies

- In total, 470 companies invested in Africa in 2016, down from 506 in 2015

- Enel Green Power was the top investor by number of projects, recording seven investments in 2016. The company will create new wind farms, primarily in Morocco

- China Fortune Land Development was the top investor by capital investment after announcing a $20bn investment to develop 14,000 acres of land as part of the second phase of the new capital project in Cairo, Egypt

- Fifty-five companies invested in Africa in 2016 after having also invested in 2015; whereas there were 415 companies that invested in Africa in 2016 that did not invest in 2015

- Egypt was the destination of choice for a number of large-scale, capital intensive projects

TOP INVESTING COMPANIES IN AFRICA BY PROJECT NUMBERS 2016

Company	Projects
Enel Green Power	7
General Electric	6
Agility	5
Huawei Technologies	5
Other	579
Total	602

Source: fDi Markets

TOP INVESTING COMPANIES IN AFRICA BY CAPITAL INVESTMENT 2016

Company	Capex ($bn)*
China Fortune Land Development	20.0
Al Habtoor Group	8.5
China Petroleum Pipeline Bureau	6.0
Office Cherifien des Phosphates	4.2
Sisban Holding	3.6
Other	50.0
Total	92.3

Source: fDi Markets
*Includes estimates

China Fortune Land Company
Announced investment in Egypt in 2016

$20bn

The announced $20bn investment from the China Fortune Land Company accounts for 22% of total capital investment in Africa in 2016
Source: fDi Markets

China Petroleum Pipeline Bureau was the leading company in terms of employment, creating an estimated 6000 jobs in 2016 through two projects. The company invested in Mozambique and South Africa in order to establish two new pipelines to transport natural gas

Source: fDi Markets

Chinese ICT company Huawei has invested in 21 communications projects in Africa since 2005, worth $1.9bn in capital investment

Sources: fDi Markets, Huawei

Financing sustainable infrastructure in Africa

by Thierry Déau

The battle for increased infrastructure investment in Africa has only begun, and it is one to which public authorities, development finance institutions (DFI) and the project finance community alike should devote sufficient time and resources.

While the population and the cities are growing, electricity generation capacity per capita has stagnated on the continent. Road density has also declined recently.

Without increased infrastructure spending over the coming years, it is clear diversification strategies will suffer, progress in human development will come to a halt, and regional integration will decline.

Beyond the recent drop in public and private investment growth though, there is some cause for optimism.

Consider one of the main shifts at work in the infrastructure investment industry thinking:

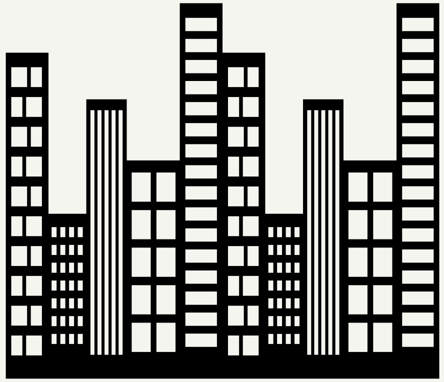
One of the greatest needs in African countries is in the power sector, with only 35% of the population currently enjoying access to electricity. It has not helped that this industry has long thrived on large-scale transactions.

But now investors are accommodating smaller projects in the renewable space because new models are emerging. Governments are building realistic procurement strategies.

Tapping into this potential requires a more hands-on approach than many are used to. Investment solutions need to be crafted in a holistic manner and provide shared benefit for all stakeholders.

Meridiam launched its pan-African fund in 2015 based on this new approach. In Senegal, we have partnered with the national sovereign fund Fonsis to tackle energy shortages and take advantage of the government's support for low carbon energy.

> **Africa, more than any other continent, requires that we further refine the off-the-shelf approach to public private partnerships**



Over the past two years, we have developed and financed two 30MW photovoltaic plants located roughly 100 miles from Dakar. Each plant will provide power for 200,000 inhabitants at a more competitive price than that of the country's thermal power plant.

These projects are the first of their kind in west Africa. Senegal has become a leading destination for clean energy investment in record time, with more than 120MW of signed renewable energy production in the pipeline.

Here the ability to build a union of stakeholders mattered just as much as having capital to spend. Input from the local communities and more in-depth engagement on the part of the contractor, DFIs, private investors and government were key to success.

The new ways development institutions are supporting investors and governments are also helping to channel savings into greenfield sustainable infrastructure. The COP21 agreement in Paris on climate change has proved a turning point for emerging economies, with governments eager to implement their Nationally Determined Contributions (NDCs).

Because there is a will, collectively we are a way. In many countries across Africa, the administrative capacity to build and deliver on investment programmes is low.

Now most development institutions are aware of this gap in human capital. To address this, they are directly supporting project preparation and capacity building by training public sector professionals while developing risk mitigation products to attract private investors.

Such products leverage existing instruments developed by World Bank Group agency MIGA and OPIC, the US development finance institution. These organisations offer long-term political risk insurance products that mitigate the risk of loss of capital if a government does not honor an obligation.

Other initiatives to go one step further. These look to mobilise 'blended finance' – using public and philanthropic capital to crowd in commercial capital.

In Madagascar, Meridiam was able to work with a mix of public and private players – including the International Finance Corporation, the Development Bank of Southern Africa, and the OPEC Fund for International Development – to finalise a 28-year concession contract with the government of the Republic of Madagascar for two airports.

These airports are indispensable for the economic development of the island country. Financing them required endurance from all the parties involved to invest in one single transaction, which was equivalent of 2% of the country's GDP.

Ultimately, Africa, more than any other continent, requires that we further refine the off-the-shelf approach to public private partnerships. These projects need local knowledge, good relationships and engagement with local stakeholders, backed by strong support of development institutions.

Luckily we are finding that these coalitions are replicable in a wide range of countries. There is a brighter future ahead in Africa as long as all stakeholders learn and remember to work together.

Thierry Déau is founding partner and CEO of Meridiam, a global investor and asset manager specialising in long-term public infrastructure. Follow him on Twitter @ThierryDeau.

Africa by the numbers

TOP 10 AFRICAN COUNTRIES 2017 FOR GDP GROWTH**

Rank	Country	GDP growth
1	**Libya**	**53.7%**
2	**Ethiopia**	**7.5%**
3	**Djibouti**	**7%**
4	**Côte d'Ivoire**	**6.9%**
5	**Tanzania**	**6.8%**
6	**Senegal**	**6.8%**
7	**Rwanda**	**6.1%**
8	**Burkina Faso**	**6.1%**
9	**Ghana**	**5.8%**
10	**Benin**	**5.4%**

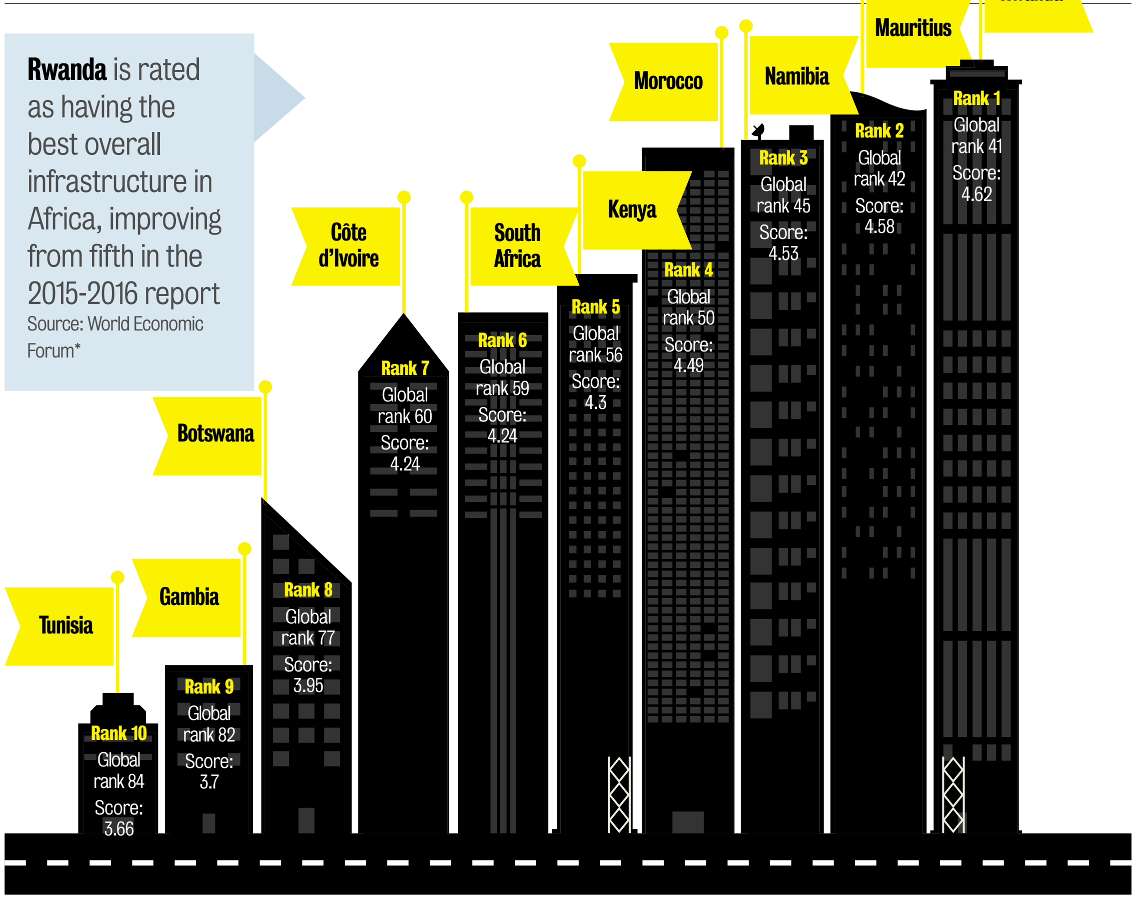
Source: World Economic Outlook April 2017, International Monetary Fund*
** At constant prices

TOP AFRICAN COUNTRIES FOR EASE OF DOING BUSINESS

Rank	Country	Global rank
1	**Mauritius**	**49**
2	**Rwanda**	**56**
3	**Morocco**	**68**
4	**Botswana**	**71**
5	**South Africa**	**74**
6	**Tunisia**	**77**
7	**Kenya**	**92**
8	**Seychelles**	**93**
9	**Zambia**	**98**
10	**Lesotho**	**100**

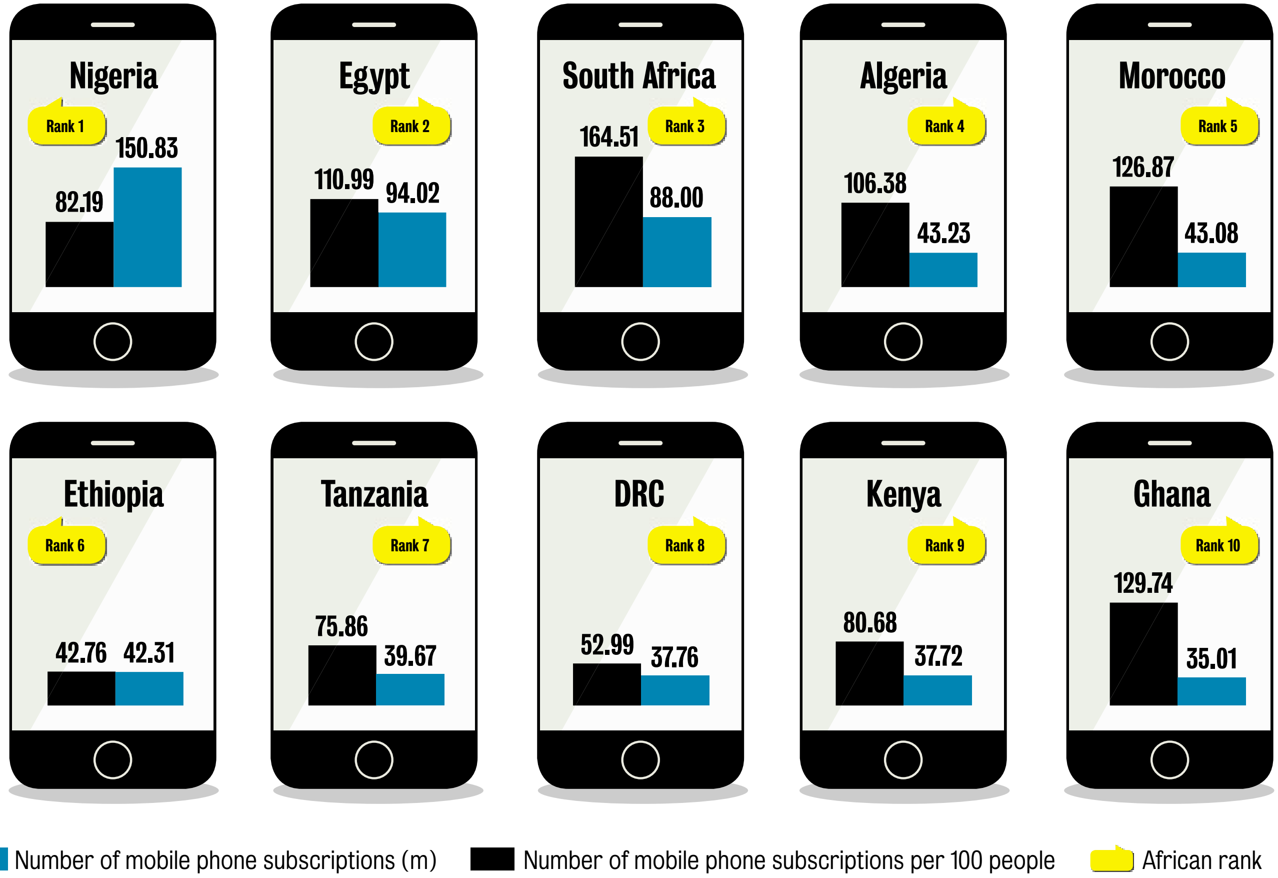
Source: Doing Business 2017, World Bank*

Top African countries for quality of infrastructure



Source: Global Competitiveness Report 2016-2017, World Economic Forum*
Overall quality of infrastructure includes areas such as transportation, communication and energy
(1 = extremely underdeveloped - among the worst in the world; 7 = extensive and efficient - among the best in the world)
* Accessed via Analyse Africa

Communications
Number of mobile phone subscriptions (m) and per 100 people, African rank, 2015



Source: International Telecommunication Union*

On average, **89.5%** of Africans were covered by a mobile-cellular network in 2015

Source: International Telecommunication Union

* Accessed via Analyse Africa

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About the data

The report is based on the **fDi Markets** and **Analyse Africa** databases from the Financial Times. **fDi Markets** tracks greenfield investment projects. It does not include mergers and acquisitions or other equity-based or non-equity investments. Only new investment projects and significant expansions of existing projects are included. **fDi Markets** is the most authoritative source of intelligence on real investment in the global economy, and the only source of greenfield investment data that covers all countries and industries worldwide. Retail projects have been excluded from this analysis but are tracked by **fDi Markets**. The data presented includes FDI projects that have either been announced or opened by a company. The data on capital investment and job creation is based on the investment the company is making at the time of the project announcement or opening. As companies can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency, the data used in this report is different to the official data on FDI flows. The data from **fDi Markets** is more accurate and a real-time indicator of the real investment companies are making in their overseas subsidiaries. The data shown includes estimates for capital investment and job creation derived from algorithms (patent pending) when a company does not release the information. Note that the investment projects tracked by **fDi Markets** are being constantly updated and revised based on new intelligence being received and the underlying algorithms are constantly improving their accuracy over time. The data presented in this report may therefore differ slightly from the real-time data available at **www.fDiMarkets.com**

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Heritage Foundation
International Labour Organization
International Organisation of Motor Vehicle Manufacturers (OICA)
International Monetary Fund
International Telecommunication Union
The World Bank
Transparency International
World Economic Forum

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