



Africa by numbers

2013-14



Building a better
working world

Assessing risk and opportunity in **Africa**

Africa's rise is real

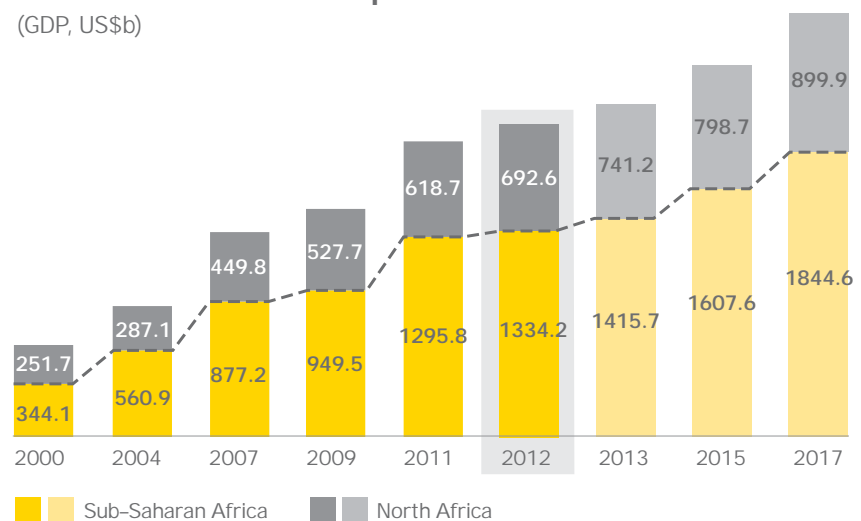
Over the past three years, EY's *Africa attractiveness* reports have highlighted the continent's steady rise. Our research, which includes investor surveys and analysis of greenfield foreign direct investment (FDI) and broader socioeconomic trends, has helped to provide some quantitative substance to the growing perception that African markets offer an exciting growth and investment opportunity.

While skeptics still abound, and there are people who still seek to debate the point, the evidence of the continent's clear progress over the past decade is irrefutable. The reality is that a diverse range of African countries have now experienced consistent and robust growth for over a decade – certainly the longest period of sustained growth since most countries attained independence in the early 1960s. In the period since 2002, the size of the overall African economy has more than trebled (and grown at twice the population growth rate) – over this period, the size of the sub-Saharan African (SSA) economy has grown well over three-and-a-half times.

What makes this economic performance all the more remarkable is that half of that decade has been marked by a deeply troubled global economy. Although many African economies have been negatively impacted by the situation in key trading partner countries in Europe and North America, most have remained remarkably resilient. A diverse group, including the likes of Angola, Ghana, Ethiopia, Tanzania, Mozambique, Nigeria and Zambia, are among the fastest growing in the world, with growth of 7%+ over a sustained period.

Africa's economic output

(GDP, US\$b)



Source: IMF World Economic Outlook Database; EY analysis.

| | Multiple since 2002 | *CAGR 2002–12 | *CAGR 2007–12 |
|--------------------|---------------------|---------------|---------------|
| Sub-Saharan Africa | x3.8 | 14.2% | 8.7% |
| North Africa | x3 | 11.6% | 9.0% |
| Africa | x3.5 | 13.3% | 8.8% |

*Compound Annual Growth Rate

At the same time, many of the companies that have pursued a longer-term African growth strategy are generating excellent returns from their investments. In fact, empirical analysis reveals that ROI from investments in Africa have consistently been among the highest (if not the highest) in the world since the 1990s.¹

For companies seeking to grow and investors seeking higher returns, the African growth story should therefore stand out. While most developed economies

continue to struggle, Africa clearly offers an exciting opportunity for investment and growth, and an alternative to the ultra-competitive Asian and other rapid-growth markets. It is little surprise, therefore, that investor interest in Africa has been on the increase. Our 2013 *Africa attractiveness* report shows that FDI projects into SSA grew at a compound rate of 22.3% between 2007 and 2012.

¹ See, for example, "Foreign Direct Investment in Africa: Performance and Potential," UNCTAD, 1999; Boston Consulting Group, "The African Challengers: Global competitors emerge from the overlooked continent"; Warnholz, "Is Investment in Africa low despite high profits?" Working Paper, Centre for Study of African Economics, 2008; Collier and Warnholz, "Now's the Time to Invest in Africa," Harvard Business Review, Feb 2009; "Lions on the move: The progress and potential of African economies," McKinsey Global Institute, June 2010.

But the continent is an inherently challenging place to do business

Despite our optimism, and the significant progress made across many parts of the continent, Africa remains a complex and challenging environment for doing business. For any organization with growth ambitions, there is still a need to proceed with care and due diligence. While we would argue that many African markets are not fundamentally different to markets in other rapid-growth regions, there are some key differences. Foremost among these is the sheer scale of the continent and the diversity of its many countries. Although many of us still sometimes lump “Africa” together in our commentary and comparisons as if it is was a single market, it does, of course, comprise 54 sovereign states – representing more than a quarter of all independent countries in the world.

However, for most companies, very few of these individual markets are likely to provide the kind of scale, in the shorter term at least, that makes them commercially attractive in and of themselves. As a result, any kind of growth strategy in Africa almost invariably has to take account of multiple markets. And, as one looks to sort through opportunities and risks across these markets, it quickly becomes clear that opportunities and risks differ widely from country to country and region to region. To further complicate analysis, language and cultural dynamics are as diverse as anywhere else in the world, with French, Arabic, English, Portuguese, German, Spanish, Dutch and Italian influences mixed with numerous indigenous languages and cultures. At the same time,

operating across borders in Africa means having to come to terms with very different (and often fragmented) sets of rules, regulations and stakeholders.

Making well-informed choices about which markets to enter, when and via which mode is therefore crucial. At the same time though, market selection is also framed by the challenge of effectively “connecting the dots” across multiple operations and territories; not only ensuring that the African “portfolio” (whatever shape or form that may take) is big enough to matter, but also that multiple in-country and cross-border risks are effectively managed, operating efficiencies are gained and, ultimately, the whole is greater than the sum of the parts.

Starting with the numbers

Whether entering into or expanding across Africa, we believe it is critical to develop a structured analytical framework for prioritizing markets into which to expand and for assessing different strategic options. Too often, we have found that thinking on Africa generally and on specific markets is based on ill-informed opinion – either unduly pessimistic or overly optimistic – and completely divorced from current realities. We therefore stress the importance of having fact-based conversations about Africa, informed from a basis of rational analysis rather than anecdotes and conjecture.

In our 2012 *Africa by numbers* publication, we introduced a framework to support a process of strategic conversation among key stakeholders and decision-makers on growth options in Africa. Drawing on a balanced set of risk and opportunity indicators from our proprietary Growing Beyond Borders™ tool – an interactive map-based data portal – we developed a market assessment matrix that provides a simple but effective framework to rationally assess the pros and cons of different African markets.



Growing Beyond Borders™

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

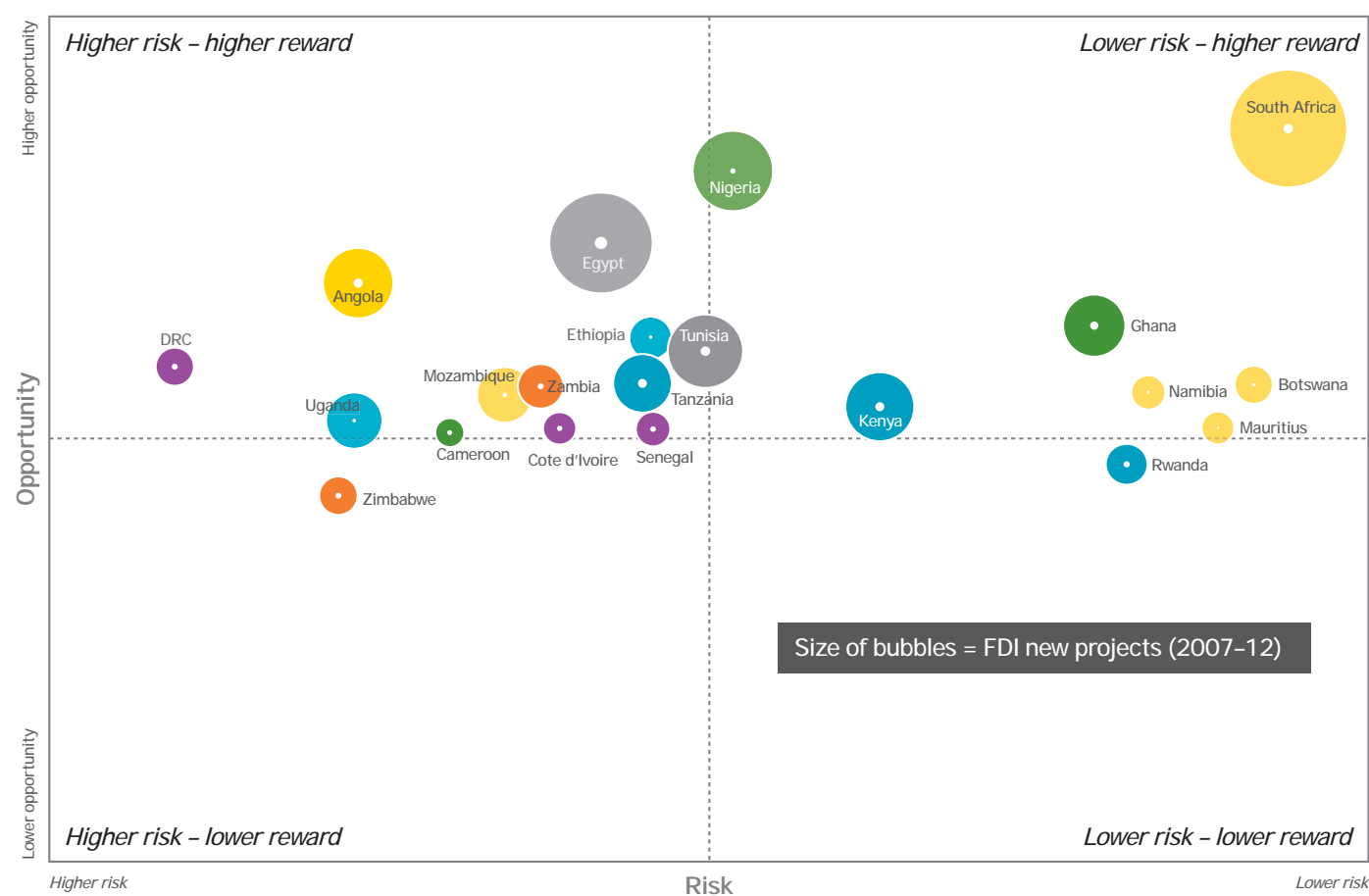
On the horizontal (x) axis, we plot where each country ranks on a composite risk index, while, on the vertical (y) axis, the ranking on an opportunity index is plotted. A third dimension (indicated by the size of the bubble) can be included to add some richness to the conversation. To illustrate, we have provided an example of what a matrix may look like for a company looking for consumer-related opportunities, overweighting those indicators that we feel are more indicative of attractive consumer growth trends.

It is important not to view this as a definitive assessment on any of these markets. As much as we believe it is critically important to begin from a rational basis of fact, we also recommend not simply reducing market analysis to a closed model in which various indicators are simply combined in terms of their weighted importance. Such models can provide a useful starting point, but can give the misleading impression that there are absolute answers in searching for market potential. In reality, there will be different answers for different organizations with


different priorities, and as priorities change over time, so will the answers.

A matrix such as this is therefore inherently flexible. Positions will change depending on the indicators included (which will be determined by key drivers of risk and opportunity in a particular organization), as well as relative weightings given to those indicators. The categorization of markets will also depend on where you set your “thresholds” on the risk and opportunity axes.

Risk opportunity matrix orientated toward consumer-facing sectors



Source: The World Bank; OECD National Accounts; United Nations Population Division & World Urbanization Prospects; Oxford Economics; ITU International; Transparency International; International Bank for Reconstruction and Development; Polity IV Project; Mo Ibrahim Index of African Governance; Worldwide Governance Indicators; WEF Global Competitiveness Report; EY Worldwide Corporate Tax Guide.




In developing this particular matrix, we used a set of 10 “opportunity indicators” and 10 “risk indicators” (i.e., 20 in total) that we think can provide us an approximate fix on the relative attractiveness of different African countries from a consumer-orientated perspective. We have further subjectively applied different weightings to each of these indicators. Indicators are rebalanced and normalized to reflect a high score as favorable, meaning that both the opportunity and the risk axis reflect a positive and favorable outcome the higher up a country scores. Different indicators and their weightings will be more or less relevant to different organizations, and should be adjusted accordingly.

Opportunity indicators

1. GDP (current US\$b)
2. Population (m)
3. Urban population (% of total)
4. Real GDP (compound average growth rate): 5-year forecast (2018)
5. Real GDP (compound average growth rate): 10-year historical (2003)
6. GDP per capita (US\$): 5-year forecast (2018)
7. Country wealth (1=low income, 2=lower income, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD))
8. Mobile penetration (% of population with mobile access)
9. Population growth (annual %)
10. Literacy rate (total population %)

Risk indicators

1. Ease of doing business overall rank (out of 184 countries)
2. Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean)
3. Strength of investor protection index (0 =unfavorable, 10=favorable)
4. Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards)
5. Corporate maximum tax rate (%)
6. Logistics Performance Index: overall score (1=worst, 5=best)
7. Perceptions of governance: regulatory quality percentile rank (0=lowest, 100=best)
8. Perceptions of governance: rule of law percentile rank (0=lowest, 100=best)
9. Democracy score (-10=autocratic, +10=democratic)
10. Mo Ibrahim Index of African Governance: overall score (0=worst, 100=best)



In terms of the classification in our illustrative matrix, we have four broad categories of markets:

- 1** Lower risk, higher reward: this is clearly the most attractive quadrant, suggesting a relatively stable business environment together with high potential for growth. South Africa is squarely in this category, with the other fairly mature southern African markets of Botswana and Namibia, together with Mauritius, on the cusp (all scoring favorably on the risk side, as well as on some of the key opportunity indicators – although the relatively small size of their respective populations will be a limiting factor). With its large population and a generally improving business environment, Nigeria is considered by many investors to offer the most attractive consumer market in Africa. Also in this category is Ghana in West Africa, reflected in the strong growth we have seen in FDI projects in services sectors over the past few years. As a region, East Africa – led by Kenya and Tanzania – is likely to offer an attractive proposition for consumer-facing companies in the coming years.
- 2** Higher risk, higher reward: there are a number of countries that are on the cusp, growing at consistently high rates, making steady political and social progress and generally creating environments that are increasingly conducive to doing business. Ethiopia has the third-largest population in Africa and, as its economy continues to grow and open up, it too is increasingly on the radar of consumer-facing companies. Even though it is a comparatively small market in terms of population size, Angola is the third-largest economy in SSA and, in this particular analysis, is among the markets with the strongest growth characteristics. Due to the recent political turmoil, Egypt has lost some ground from a risk perspective, but continues to score highly on the opportunity dimension. For all markets in this quadrant, risk indicators are more pronounced and will need to be deliberately factored into the decision-making process.
- 3** Lower risk, lower reward: countries such as Namibia, Rwanda, Botswana and Mauritius (as well as some of the other island nations) are likely to tend toward this category. They all perform relatively strongly from a risk perspective, but are all smaller markets and display relatively weaker characteristics in terms of some of the growth factors that would make them attractive to a consumer-facing company.
- 4** Higher risk, lower reward: this category would comprise countries that are relatively high-risk environments and do not exhibit particularly exciting growth characteristics. This is another illustration of the sheer diversity of markets on the continent. Logically, these are the obvious markets to say no to, although some may still be worth a closer look or at least keeping on a “watch list”. Zimbabwe is arguably a good case in point – an economy with solid fundamentals and tremendous potential for growth.

Applying multiple lenses

Conducting rational, fact-based and cross-comparative analysis provides an essential starting point for developing strategies for growth in Africa. However, we suggest not overinvesting in a process of this nature. Assessing markets and developing strategies for growth in Africa is a complex exercise, and too much time and energy is sometimes spent looking for definitive answers in a spreadsheet. The numbers should instead be an aid to help define growth priorities, risk appetite and investment criteria more clearly, and to enable informed strategic dialogue and decision-making. By converting a set of

numbers into a framework for informed conversation, the market assessment matrix provides this enabling tool.

Building on this kind of quantitative exercise, we also recommend conducting qualitative analysis by applying relevant “thematic lenses” to whatever kind of ranking system or matrix you may have developed. Interchanging different lenses onto various markets will help build up a greater richness of perspective and lead to far more robust decision-making. What is relevant to any organization will clearly depend on various sector-specific,

organizational and circumstantial factors. However, for illustrative purposes, let us continue with our example of the company looking for consumer-related growth opportunities and assume expansion from an initial base in South Africa by an organization that is largely English-speaking.

In addition to the quantitative analysis that generated the initial risk-opportunity matrix, we will now apply a set of lenses framed by simple hypotheses to help narrow and stress test our choices:

| | Lens 1 | Lens 2 | Lens 3 | Lens 4 | Lens 5 | Lens 6 |
|------------|---|---|---|---|---|---|
| | Language and geographic proximity | Regional groupings | Urbanization trends | FDI trends | Infrastructure investment trends | Company footprints |
| Hypothesis | <ul style="list-style-type: none"> Countries geographically proximate to South Africa and that have English as their language of business are more attractive. | <ul style="list-style-type: none"> Countries that form part of more coherent regional groupings are more attractive. | <ul style="list-style-type: none"> Markets with more highly concentrated and urbanizing populations are more attractive. | <ul style="list-style-type: none"> Countries with higher levels of FDI investment are more attractive. | <ul style="list-style-type: none"> Countries with higher-quality infrastructure and higher levels of active infrastructure projects are more attractive. | <ul style="list-style-type: none"> Countries with strong presence of consumer-facing and/or potential corporate clients are more attractive. |

1 Geographic and cultural proximity

When doing a cross-comparative analysis of various African markets, one can lose sight of just how large and complex the continent is. The large distances between key markets such as South Africa, Nigeria and Kenya must be a very real consideration. The continent's vast geography combined with underdeveloped logistics infrastructure means that moving goods and people between markets will be one of the biggest challenges many companies face. This challenge is compounded by diversity across markets in terms of language, culture, regulatory frameworks and levels of development. From a practical perspective, it will often therefore make sense to first expand into countries that are geographically proximate to a hub market. Similarly, language and cultural affinity should be important qualitative factors when stress testing market selection.

2 Regional groupings

Executing growth strategies in a structured way based on logical groups of markets can help provide focus, coherence and critical mass. Overlaying the analysis of individual markets with a regional view is therefore critical. Analyzing regionalization trends will help provide forward-looking perspectives on, for example, coherent market groupings and where movement of goods and people across borders may become a critical differentiator. The East African Community (EAC), for example, comprising Kenya, Uganda, Tanzania, Rwanda and Burundi, is actively deepening and widening cooperation among its member states, including harmonizing legislation relating to the EAC Customs Union and common market protocols (providing interesting opportunities for growth out of a hub based in one of these countries). Furthermore, in 10 years time,

at forecast growth rates, the EAC grouping will have a population approaching 200 million people and an economy that is the size of Nigeria or Chile today (and twice the size of the likes of Vietnam, Bangladesh and Hungary).

3 Urbanization trends

Cities may, in some respects, be at least as important a unit of analysis as countries. Today, Africa has more than 50 cities with a population over 1 million (about the same as Western Europe and North America), with UN-Habitat predicting that number will grow to over 80 cities by 2025.² While this would include better-known cities such as Johannesburg, Lagos, Nairobi and Cairo, among the fastest-growing cities are the likes of Kinshasa (DRC), Abidjan (Cote d'Ivoire), Dar es Salaam (Tanzania), and Kampala (Uganda). In addition to cities,

² UN-Habitat, The State of African Cities 2010: Governance, inequalities, and urban land market.

emerging urban corridors and clusters should also be considered. These develop in parallel with transport infrastructure and trade routes, and are often the backbone of national and even regional economies. So, for instance, while Nigeria and the broader West African region may look daunting in terms of market development, the Greater Ibadan-Lagos-Accra (GILA) urban corridor has a population of over 25 million consumers, and provides a more manageable and focused market.

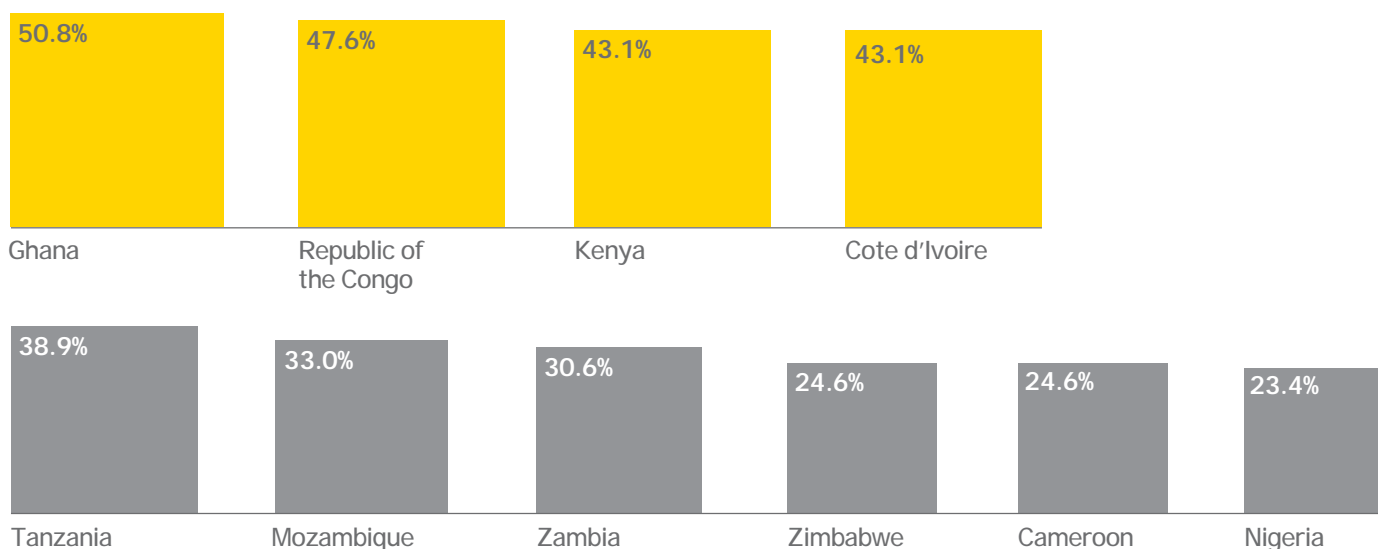
4 FDI trends

We believe that FDI plays a critical role in helping to grow and diversify emerging economies, and makes an important contribution to job creation, SME and skills development and technology transfer. FDI trends provide another useful "lead" indicator of future sector and market potential. A number of the key African markets we profile saw robust growth in FDI with significant diversification away from resources toward services sectors.



Top 10 destinations: highest growth rate in FDI projects

CAGR 2007-12



Source: fDi Markets; EY analysis.

- In West Africa, FDI projects into **Ghana** have grown at a compound rate of over 50% over the past five years, a clear indicator of the health and relative investment attractiveness of that market. That the majority of these projects have been in services sectors, notably communications, consumer products, financial and business services, makes us optimistic about the likely future health and attractiveness of the Ghanaian economy. There has been healthy growth in FDI projects into **Nigeria** too, with communications, financial and business services alone attracting a third of total projects between 2007 and 2012. **Cote d'Ivoire** and **Cameroon** have also seen positive growth in FDI inflows.
- In East Africa, FDI projects into **Kenya** experienced a robust compound annual growth rate of 43% between 2007 and 2012. Communications, financial and business services, software and IT are among the major sectors attracting investment. Similarly, FDI projects into **Tanzania** grew at a 39% compound rate, with the primary focus being financial services and communications, but increasing levels of interest in consumer products and infrastructure.
- In southern Africa, **South Africa** continues to dominate FDI project inflows, attracting one in five FDI projects in Africa in 2012 (the majority being in various service sectors, as well as manufacturing and infrastructure-related projects) and having grown projects at a compound rate of 22% since 2007. South Africa is, however, playing an increasingly important role as an investor itself into other parts of Africa, helping to propel FDI growth rates in West and East Africa, as well as in more proximate markets such as Mozambique, Zambia and Zimbabwe.

5 Infrastructure investment trends

Underdeveloped infrastructure poses a key operating challenge in many African markets. In our most recent *Africa attractiveness* survey, respondents already doing business on the continent identified improving transport and logistics infrastructure as the single biggest factor for improving the ease of doing business on the continent. Power shortages and outages are another critical impediment to doing business, particularly for firms engaging in any kind of industrial or mining activity. Market choices should therefore be informed by the kind of analysis of active infrastructure investment programs that we provide in the “country profile” pages in this report.

- Looking at Mozambique as an example, there are currently \$32b worth of active infrastructure projects – more than the value of projects in Zambia, Zimbabwe, Botswana and Namibia combined. Road and rail transport networks linking the country’s huge coal reserves to main corridors is a key focus area, with new and existing port facility expansion included in this. From a forward-

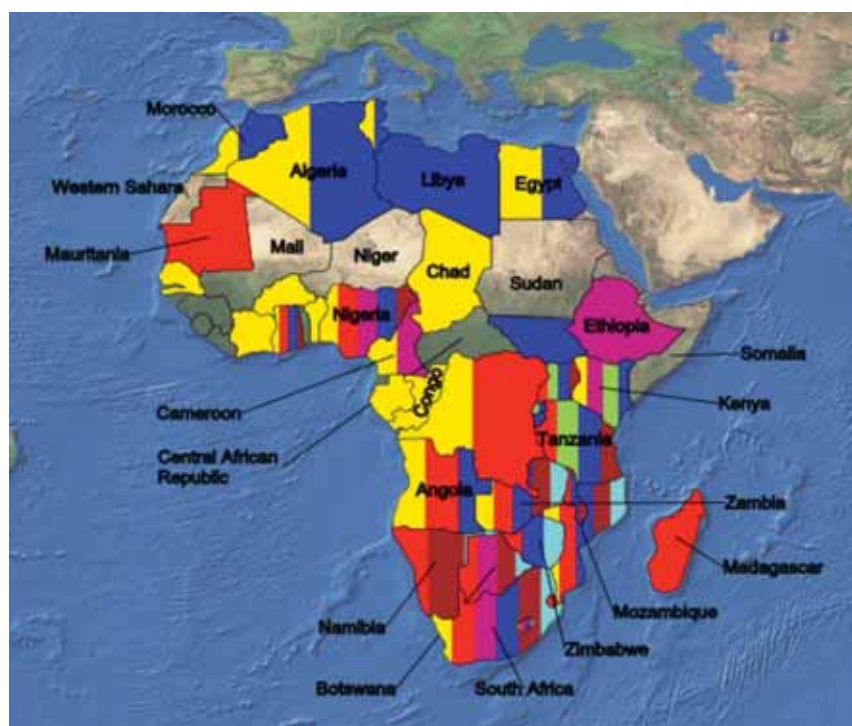
looking perspective, this kind of insight should materially improve the relative attractiveness of Mozambique in any kind of comparative analysis.

- Although some potential investors may have some concerns about the quality of infrastructure in **Nigeria**, our analysis shows that there are active infrastructure projects with a combined value of \$95b. A large proportion of these are in the logistics and power sectors.
- Angola** has active infrastructure projects with the next highest capital value in SSA after South Africa and Nigeria.
- Kenya** has emerged as a major player in renewable energy, which accounts for at least half of all power projects in the country. Substantial logistic spend is being focused on upgrading the main Northern corridor that links Mombasa to Uganda, while the Lamu Port-Southern Sudan-Ethiopia Transport (LAPSET) corridor - once completed, will be the country’s second-largest transport corridor after the Mombasa-Ugandan link.

6 Company footprints

Another lens that we often overlay on top of the broader FDI trends is identifying markets in which various firms are investing across the continent. Using our Growing Beyond Borders™ tool, we map footprints of peers, competitors, suppliers and/or clients to get a quick visual representation of investment patterns and relative concentration in a market or group of markets. This can provide an indication of relative confidence and likely future development in that market. For suppliers and business service providers, it can also provide a more direct indication of business development opportunity. In the simple example below, we have mapped the African footprints of a small selection of retail and consumer products companies. The largely “Anglophone” bias of these particular companies does stand out, with a heavy concentration of activity in English-speaking West, East and Southern Africa. Mozambique is the most obvious exception, partly because of its geographical proximity to and a strong trading and investment relationship with South Africa.

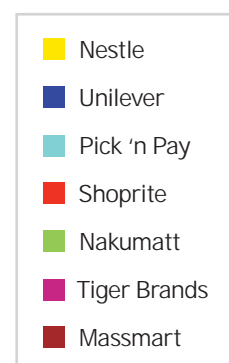
African footprint of selected retail and consumer product companies



Source: EY Growing Beyond Borders

Highest concentration

- South Africa: 6
- Nigeria: 5
- Zambia: 5
- Mozambique: 5
- Botswana: 4
- Ghana: 4
- Kenya: 4
- Tanzania: 4
- Uganda: 4
- Angola: 3
- Zimbabwe: 3
- Namibia: 3
- Mauritius: 3

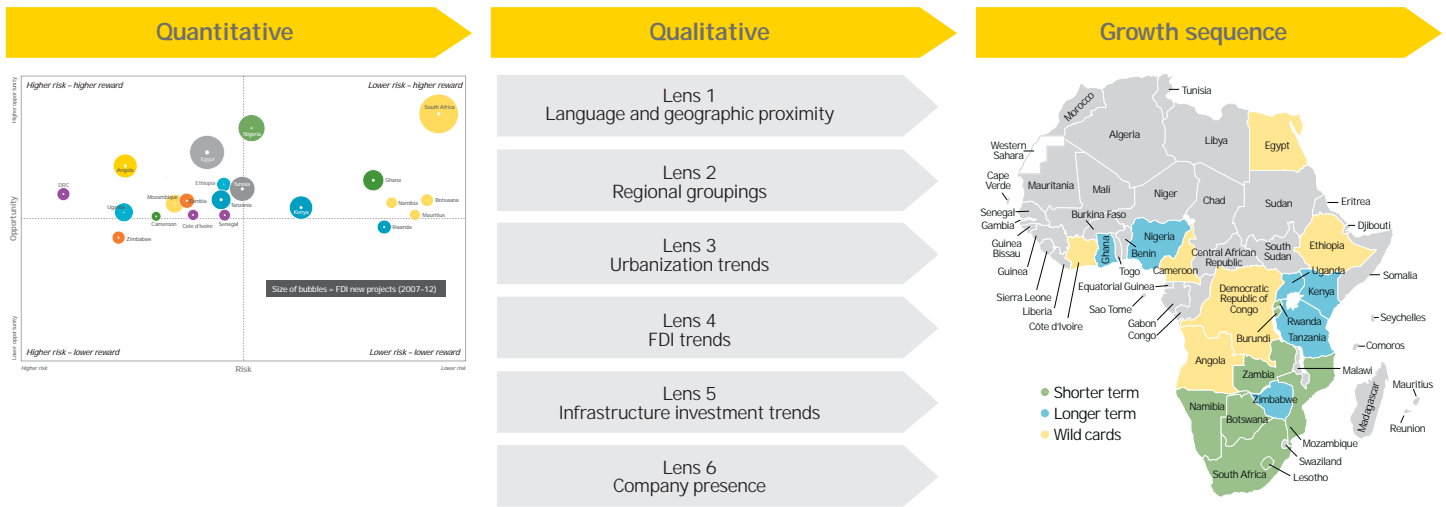


“As the world grapples with [an economic] crisis, new poles of growth are a key part of the solution. With its growing young, urbanizing population, Africa is the low-hanging fruit in terms of infrastructure investment, agribusiness, IT and more.”

Dr. Donald Kaberuka, President of the African Development Bank

Conclusion: from strategy to execution

By systematically working through an assessment process of this nature – one that combines both fact-based analysis and strategic dialogue among key decision-makers – the logical sequencing for growth across the continent generally becomes clearly evident. Although priorities and time lines should obviously be periodically reviewed, the emphasis can now shift to the challenge of execution.



While there no doubt remain challenges with regard to the availability and reliability of data for some African countries, this should not be viewed as a barrier to the development and execution of strategies for growth in Africa. For a start, there is, in our view, sufficient macro data available to conduct robust cross-comparative analysis of different markets and regions. Although this data does tend to be fragmented across various sources, we have overcome this obstacle by combining numerous diverse data points together into a single database with a map-based interactive interface. This

kind of tool – which we have named Growing Beyond Borders™ – demonstrates a fast-improving ability to make sense of Africa's data deficits and produce workable, fact-based analysis for the purposes of strategic planning.

The frameworks and content provided in this report are aimed at helping to further enhance confidence to develop growth strategies for Africa and to accelerate the transition from strategy development to execution mode. It is important not to expect definitive answers to your strategic

questions from this or any kind of analytical exercise; doing business in Africa means learning to deal with uncertainty and complexity on an ongoing basis. The key is to use both quantitative and qualitative methods – such as the ones suggested in this report – to critically evaluate risks, opportunities and strategic options based on your unique business drivers and critical success factors. The sooner the shift is then made from analysis to getting feet on the ground in key markets, the better.

A selection of country **profiles**

A vibrant sunset over a desert landscape. The sun is low on the horizon, creating a strong lens flare and casting a warm, golden glow across the sky and the desert floor. The sky is filled with scattered white clouds. A thin, bright yellow line starts from the left edge of the frame and extends diagonally upwards towards the right, passing above the country names. The foreground shows a sandy dune with some sparse, dark green desert vegetation.

Cameroon

Egypt

Ethiopia

Ghana

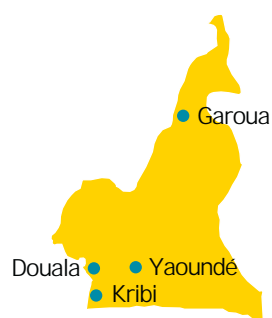
Kenya

Mozambique

Nigeria

South Africa

Cameroon



Country overview

| Opportunity indicators | | Risk indicators | |
|---|------------|--|-------|
| GDP (current) | US\$24.98b | Ease of doing business overall rank out of 184 countries (34th in Africa) | 161 |
| Population growth (annual) | 2.16% | Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean; ranked 39th in Africa) | 26 |
| Population (m) | 20.93 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 24th in Africa) | 4.3 |
| Mobile penetration (% of population with mobile access) | 52.35% | Logistics Performance Index: overall rank out of 155 countries (18th in Africa) | 106 |
| Urban population (% of total) | 52.09% | Democracy score (0=lowest, 10=highest) | 1 |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 5.06% | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 36 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 3.37% | Perceptions of governance - rule of law: percentile rank (0=lowest, 100=highest) | 14.55 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$1,582 | Perceptions of governance - regulatory quality: percentile rank (0=lowest, 100=highest) | 23 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 2 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 3.2 |
| Literacy rate (total population %) | 75.9% | Corporate maximum tax rate (%) | 38.5% |

Source: The World Bank; OECD National Accounts; United Nations Population Division & World Urbanization Prospects; Oxford Economics; ITU International; Transparency International; International Bank for Reconstruction and Development; Polity IV Project; Mo Ibrahim Index of African Governance; Worldwide Governance Indicators; WEF Global Competitiveness Report; Worldwide Corporate Tax Guide



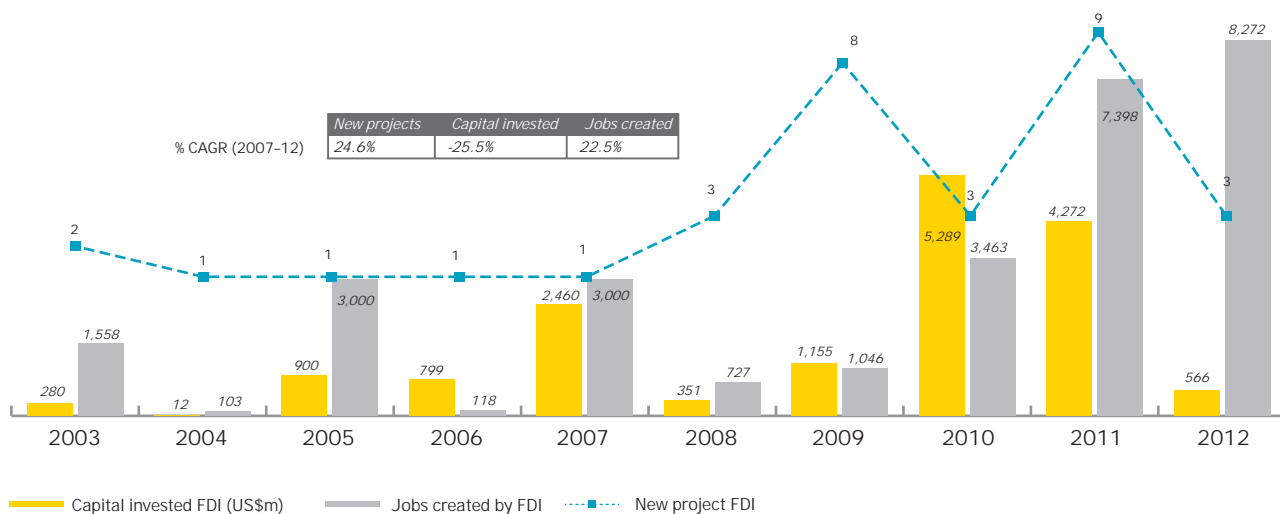
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FDI trends in Cameroon

Cameroon's inflow of investments of FDI since 2003

Cameroon received 0.6% of Africa's total FDI for new projects and 2.2% of capital invested since 2007. Foreign investment levels remain relatively low. Nearly 75% of capital and 44% of projects are directed into resources, though investments in power, logistics and manufacturing activity are attracting a lot of interest.

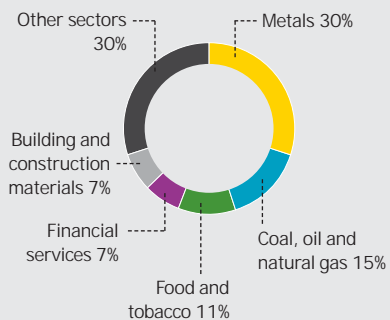


Top sectors

Manufacturing projects in the non-resource sectors account for 70% of project investments.

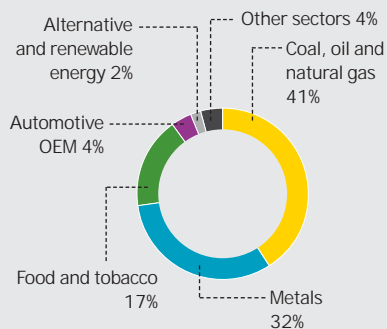
Cameroon's investment into top sectors (2007-12) by most projects

(Total = 27)

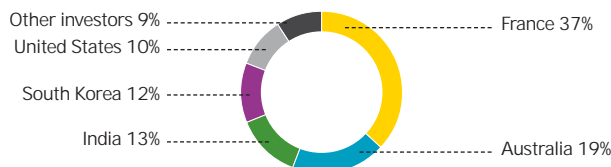


Cameroon's investment into top sectors (2007-12) by most capital invested

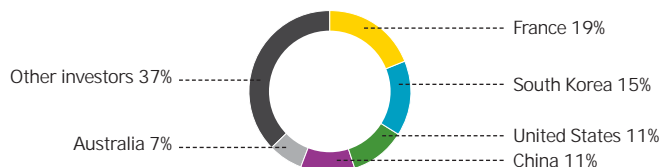
(Total = US\$14,094m)



Cameroon's top 5 investors for FDI capital invested since 2007 (total = US\$14,094m)



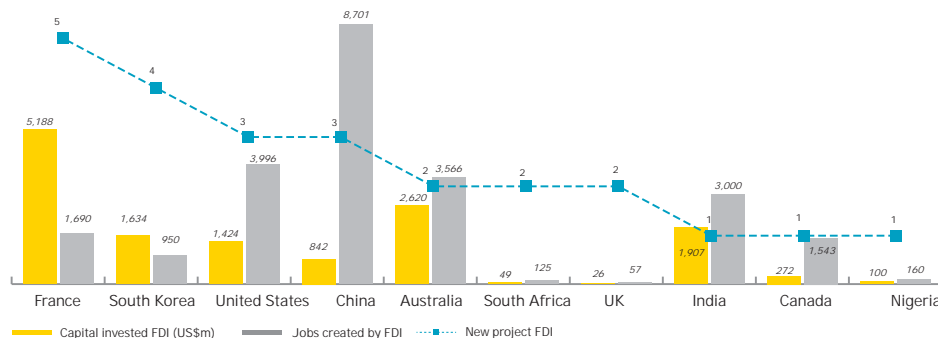
Cameroon's top 5 investors for FDI new projects since 2007 (total = 27)



Cameroon's top 10 project investors since 2007

Countries are ranked by most FDI new projects (2007-12).

French and US petroleum companies, as well as Australian, Canadian and South Korean mining companies, provide the major capital investments. Other project activity sees food and tobacco as dominant.

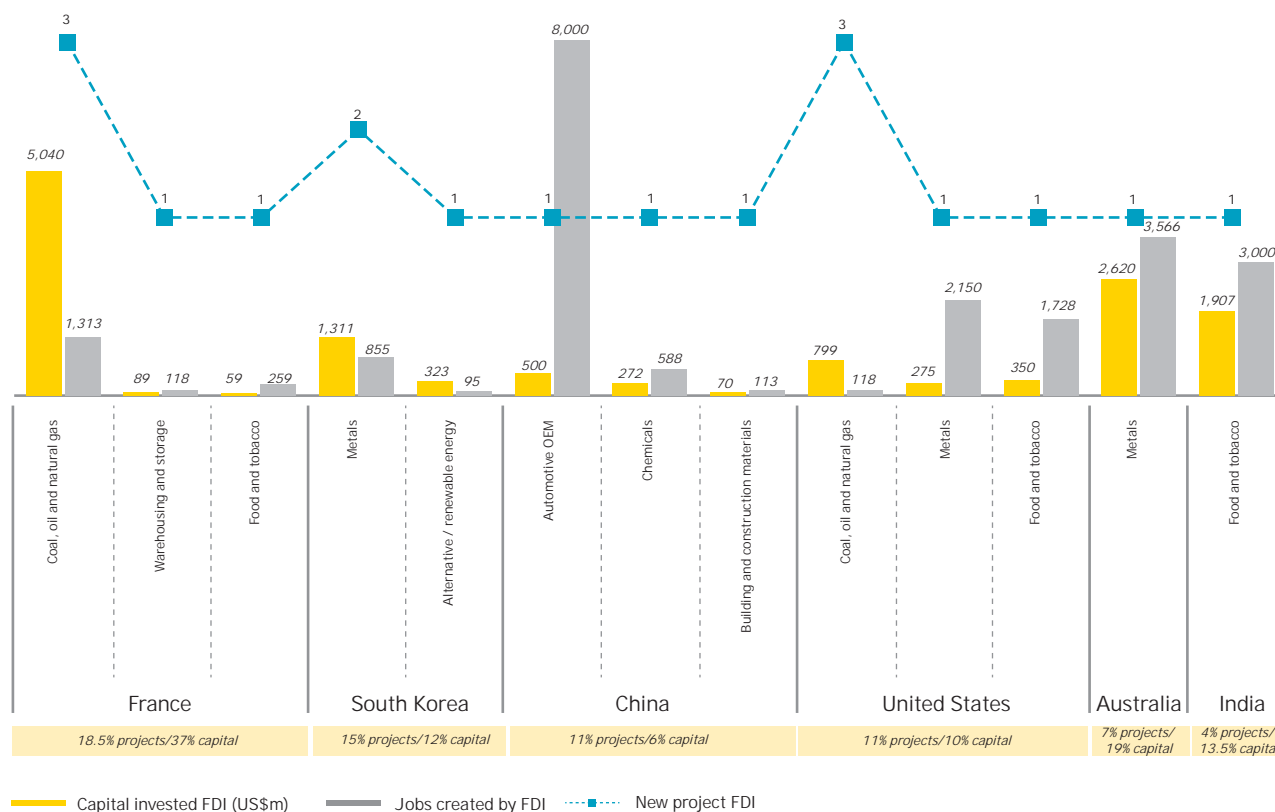


Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

Cameroon's top investors by their top sector FDI investments since 2007

Investors ranked by most new projects 2007-12.

These top investors contribute to 67% of all project activity and 97% of capital invested into Cameroon since 2007.



Source: fDi Markets; EY analysis.

Cameroon's FDI outlook

| FDI outlook | | | | |
|-------------------------|------|------|------|---|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | | | | Large reserves of oil, gas and minerals. |
| Labor | | | | The workforce is relatively small, but also fairly well educated. |
| Market size | | | | A small to medium-sized economy with moderate growth rates. |
| Infrastructure | | | | Infrastructure is poor, but improving, while IMF funding and increasing oil revenues may lead to further improvements. |
| Bureaucracy | | | | Cameroon is ranked in the bottom quartile of the World Bank's Doing Business Index, and bureaucracy is considered an obstacle to business (although some progress has been made in recent years). |
| Political environment | | | | Cameroon has enjoyed a long period of stability, although political reform has been slow and there appears to be no clear presidential succession plan. |
| Overall outlook for FDI | | | | A wealth of natural resources is a strong pull for investment, but political reform and improvements to the business environment will be required to significantly boost investment. |

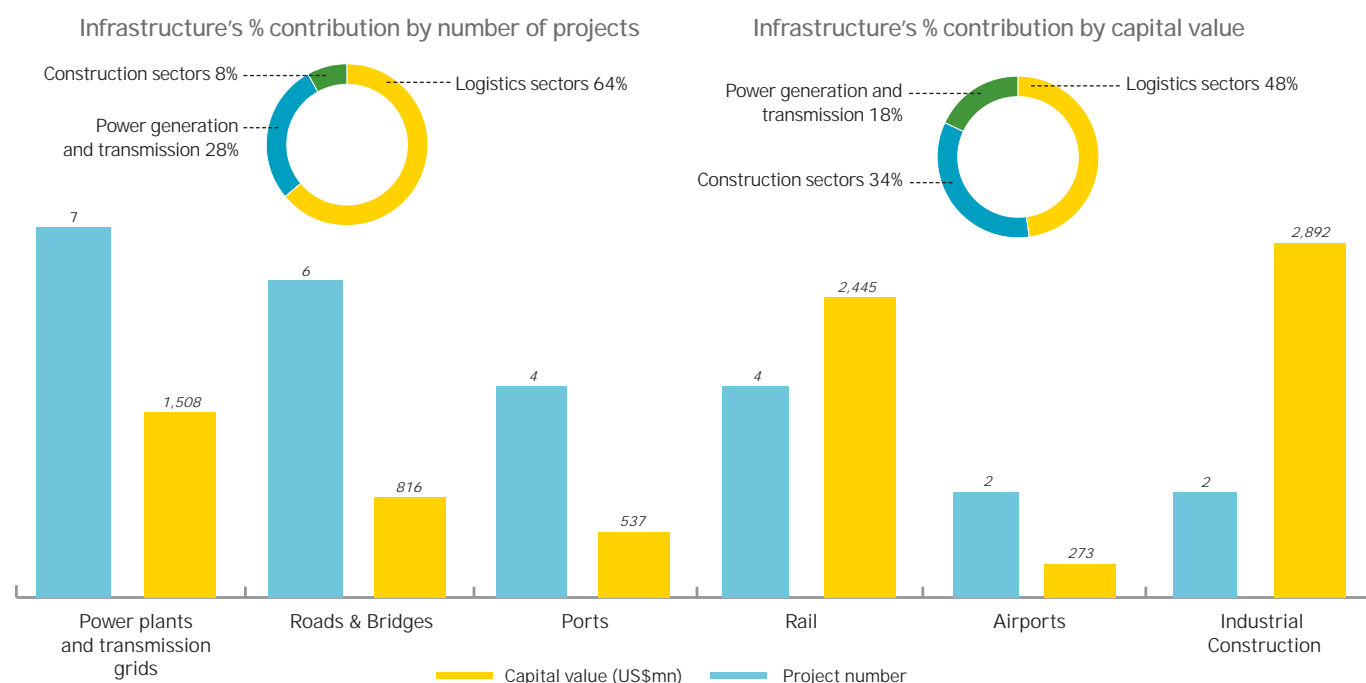


Source: Oxford Economics; EY analysis

Cameroon's infrastructure project breakdown

Cameroon's active* infrastructure projects up to July 2013

Cameroon ranks 10th in Africa by number of projects and 19th by capital allocation.



*Active projects are categorized into three phases: 1. conceptual to feasibility; 2. financial closure to early implementation; 3. in progress and near completion.

Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in Cameroon

| Project name | Capacity and time frame | Company involvement | Other details |
|---|---|--|--|
| Cameroon Aluminium Smelter and Hydroelectric Project At Ngaoundal, north of the capital, Yaoundé. | <ul style="list-style-type: none"> Annual production of around 8-9 million tonnes of bauxite to be refined to an expected three million tpa Output is hoped to start in 2018 | <i>Cameroon Alumina Limited</i> (CAL) is the bauxite mining joint venture company responsible for the project, incorporated and registered in Cameroon, it is a 100% subsidiary of <i>Hydromine Global Mineral</i> (HGM). CAL is a JV between parent US company <i>Hydromine Inc.</i> , <i>Hindalco Industries Ltd</i> (India) and <i>Dubai Aluminium Company</i> (DUBAL). | <i>Cameroon Alumina Limited</i> (CAL) is waiting for permission from the Government to develop a combined bauxite mine and aluminium plant in northern Cameroon. The aluminium smelter plant will include construction of two hydroelectric plants at Mouséré (with guaranteed annual capacity of at least 290 MW) and Grand Eweng (with guaranteed annual capacity of 1,000 MW). <i>Impregilo S.p.A.</i> (Italy) is the EPC partner to <i>Hydromine</i> for the hydroelectric plants. <i>Impregilo</i> has also constructed five such plants already in Cameroon. A railway link to the port of Kribi, 860km away, will also be required. |
| Kribi Deep-Sea Harbour Port 200km from the country's economic capital, Douala. | <ul style="list-style-type: none"> Upon completion, the port depth will be 16-25 meters and receive vessels close to 100,000 tonnes in size First phase is 60% completed; first commercial vessel is expected to anchor by mid-2014 | State enterprise <i>China Harbour Engineering Company</i> (CHEC) is the main EPC contractor for this turnkey project. Equipment requirements for the projects comes from one of CHEC sister companies. The Cameroonian Government is carrying 15% of the cost and the <i>China Exim Bank</i> the remaining 85%. | Industrial complex and 20 different terminals will allow for multipurpose docking, and house a 50,000 TEU container facility. The Kribi port will be a key lever to the industrialization of Cameroon's economic prospects, enhancing the competitiveness of its products as it serves trade in and out of Central Africa. The Kribi iron ore terminal will be connected by a new 500km heavy-haul railway line from the iron ore sites of Mbalam mine in southern Cameroon and Nabebe mine in Congo-Brazzaville. |
| Memve'ele Hydropower Plant On the Ntem River, in south-eastern Cameroon in the middle of the equatorial rainforest. | <ul style="list-style-type: none"> 200 MW-annual production capacity of 1,140 GWh In progress (greenfield development); foundation stone laid in June 2012, expected to be operational by end-2017 | Chinese state-owned hydropower engineering and construction company <i>Sinohydro Corporation Limited</i> is the main EPC contractor. <i>China's Exim Bank</i> provided 60% of the (US\$500m-US\$540m) finance requirements, with DFI's joint financier of 30% of required funds, and the remaining 10% coming from the Cameroonian Government. | Memve'ele hydroelectric dam also involved the construction of a road to the project site, a power plant and electricity transmission lines to link into the national grid and neighboring networks of Gabon and Equatorial Guinea. Cameroon depends on hydropower for 95% of its energy generation. |

Source: Africa Project Access, Business Monitor International; EY analysis.

Egypt



Country overview

| Opportunity indicators | | Risk indicators | |
|---|------------|--|-------|
| GDP (current) | US\$257.3b | Ease of doing business overall rank out of 184 countries (11th in Africa) | 109 |
| Population growth (annual) | 1.68% | Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean; ranked 28th in Africa) | 32 |
| Population (m) | 85.36 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 15th in Africa) | 5.3 |
| Mobile penetration (% of population with mobile access) | 101.08% | Logistics Performance Index: overall rank out of 155 countries (4th in Africa) | 57 |
| Urban population (% of total) | 43.54% | Democracy score (0=lowest, 10=highest) | na |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 4.66% | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 14 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 4.5% | Perceptions of governance - rule of law: percentile rank (0=lowest, 100=highest) | 42.72 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$4,031 | Perceptions of governance - regulatory quality: percentile rank (0=lowest, 100=highest) | 41 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 2 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 3.8 |
| Literacy rate (total population %) | 72% | Corporate maximum tax rate (%) | 25% |

Source: The World Bank; OECD National Accounts; United Nations Population Division & World Urbanization Prospects; Oxford Economics; ITU International; Transparency International; International Bank for Reconstruction and Development; Polity IV Project; Mo Ibrahim Index of African Governance; Worldwide Governance Indicators; WEF Global Competitiveness Report; Worldwide Corporate Tax Guide



Emad Ragheb
EY Country Leader

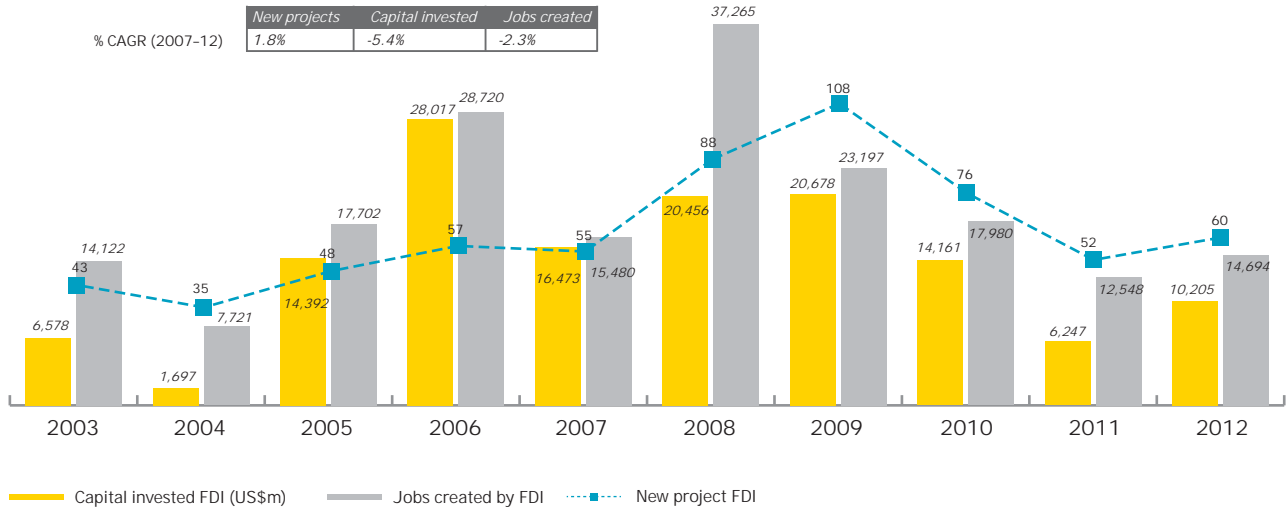
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FDI trends in Egypt

Egypt's inflow of investments of FDI since 2003

Egypt received 10% of Africa's total FDI for new projects and 13% of capital invested since 2007.

Uncertainty in North Africa has led to caution among investors. Nevertheless, Egypt remains Africa's second-largest destination for FDI projects. Investment is diverse, with only 28% of capital and 11% of project investments flowing into resources, and service sectors attracting two-thirds of all projects.

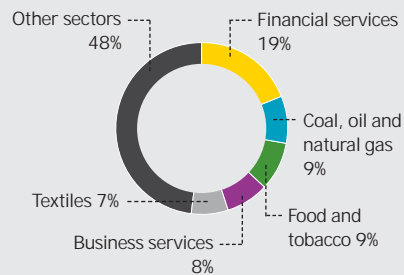


Top sectors

Leading investor UAE's interests are mostly geared toward real estate followed by financial services, similar to other investors. However these others have more diverse interests, among which, food, textiles and professional services are the most attractive.

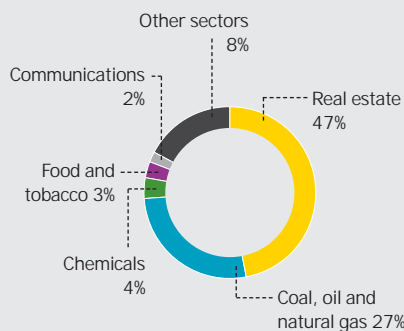
Egypt's investment into sectors (2007-12) by most projects

(Total = 439)

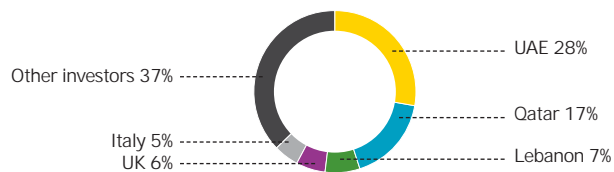


Egypt's investment into sectors (2007-12) by most capital invested

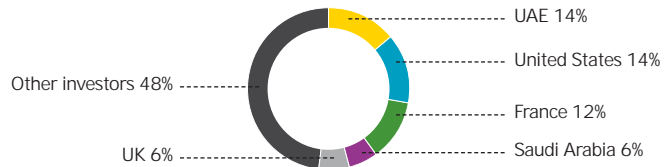
(Total = US\$85,227m)



Egypt's top 5 investors for FDI capital invested since 2007 (total = US\$85,227m)



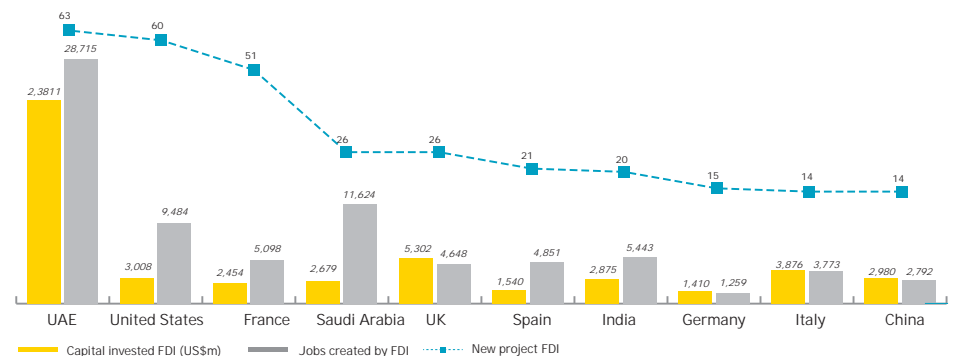
Egypt's top 5 investors for FDI new projects since 2007 (total = 439)



Egypt's top 10 project investors since 2007

Countries are ranked by most new projects (2007-12).

Middle Eastern investors provide nearly 60% of all capital investments and one-third of all projects into Egypt, with another bloc consisting of the US, France and the UK also providing one-third of project activity, yet only 13% of capital.



Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

These top investors contribute to 55% of all project activity and 68% of capital invested into Egypt since 2007.



| FDI outlook | | | | |
|-------------------------|------|------|------|--|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | | | | Oil production is expected to fall, but will still attract investors, together with natural gas and renewables. |
| Labor | | | | Egypt's large, relatively well-educated workforce is attractive for investors, although the relative inefficiency and inflexibility of the labor market does create challenges. |
| Market size | | | | In absolute size, the economy is large and attractive, but it will take a few more years before the middle class has significant spending power. |
| Infrastructure | | | | Infrastructure is relatively well developed across the country and, despite the political uncertainty, there remains a fairly large number of active infrastructure projects. |
| Bureaucracy | | | | Improvements were made during the 2000s, but very few since 2009. Significant amount remains, which will continue to hinder business. |
| Political environment | | | | The political situation remains volatile and highly uncertain, and there remains a risk that the economic reforms of the 2000s could be reversed. |
| Overall outlook for FDI | | | | Assuming the political situation stabilizes in the medium term and reforms are continued, Egypt will regain its status as one of Africa's more attractive investment destinations. |

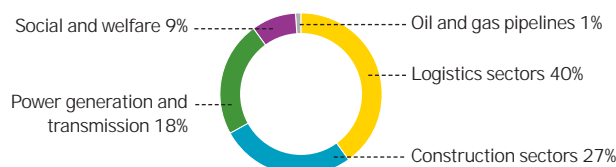
Source: Oxford Economics; EY analysis

Egypt's infrastructure project breakdown

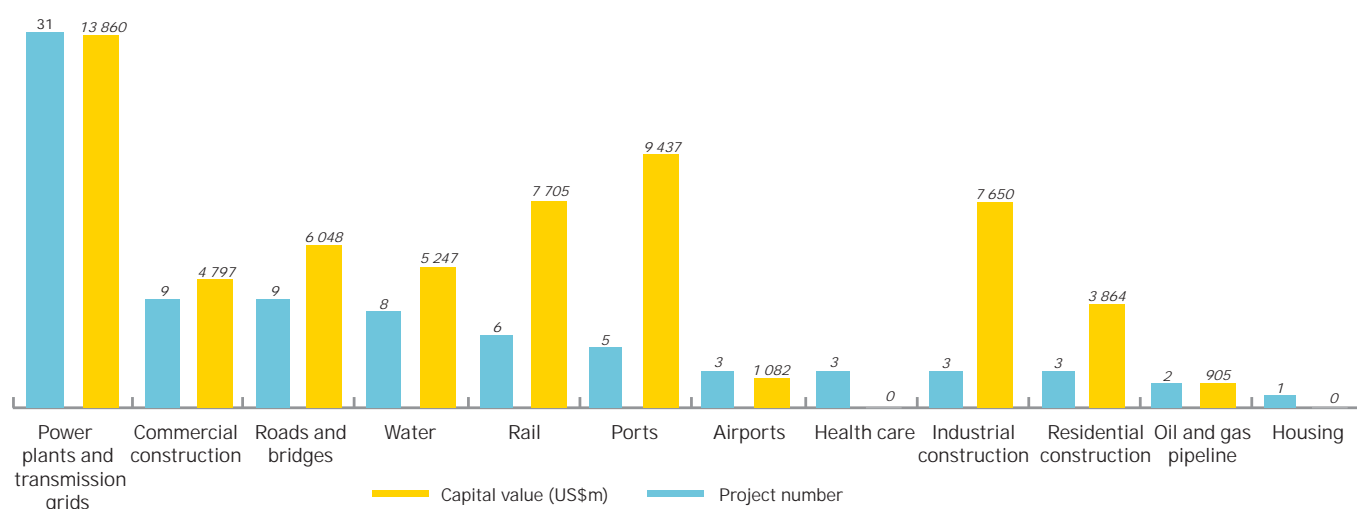
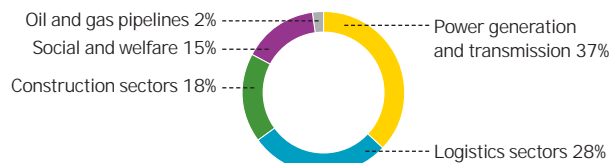
Egypt's active* infrastructure projects up to July 2013

Egypt ranks 3rd in Africa by number of projects and 4th by capital allocation.

Infrastructure's % contribution by number of projects



Infrastructure's % contribution by capital value



*Active projects are categorized into three phases: 1. Conceptual to feasibility; 2. Financial closure to early implementation; 3. In progress and near completion.

Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in Egypt

| Project name | Capacity and time frame | Company involvement | Other details |
|--|--|--|--|
| North Giza Gas-Fired Combined-Cycle Power Plant (CCPP) The project is situated at a new site some 30km northwest of Cairo. | <ul style="list-style-type: none"> 2,250 MW – sufficient to serve more than five million households Scheduled to be completed in 2016 | Owned by the <i>Egyptian Electricity Holding Company</i> (EEHC), the national utility that has commissioned its wholly owned subsidiary the <i>Cairo Electricity Production Company</i> (CEPC) as the operator and executing agency. <i>The World Bank</i> and its <i>International Bank For Reconstruction And Development</i> (IBRD) provided funding – US\$600mn in June 2010 and US\$240mn in Feb 2012. <i>Orascom Construction Industries</i> is the main EPC contractor. | The project comprises the construction of a gas-fired combined-cycle gas turbine (CCGT) power plant that will use the most efficient thermal power generation technology. The additional financing in 2012 was approved to fund the construction of an extra 750-MW CCGT unit at the Giza North power plant, the associated gas pipeline and two 500 kV transmission lines, each with a length of approximately 25kms. |
| EI-Ain Sokhna Steam-Fuelled Power Plant Along the Gulf of Suez about 52kms south from the city of Suez. | <ul style="list-style-type: none"> 1,300 MW – consisting of two steam power generating units, each rated at 650 MW In progress (greenfield); scheduled closing date 2015 | Owned by the <i>Egyptian Electricity Holding Company</i> (EEHC), the national utility that has commissioned its wholly owned subsidiary <i>West Delta Electricity Production Company</i> (WDEPC) as the operator and executing agency. Main investors are the <i>World Bank</i> (WB) and the <i>International Bank For Reconstruction And Development</i> (IBRD) together with significant contributions from the <i>African Development Bank</i> (AfDB) and the <i>Arab Fund For Economic And Social Development</i> (AFESD). | The project involves the construction of a new super-critical steam power generating station that runs on natural gas as the primary fuel and heavy fuel oil as the alternate fuel. The project includes a super-critical steam generator and an indoor steam turbine, in addition to a power generator and condenser. The ability to "dual fuel" the power plant (with natural gas or heavy fuel oils) will provide security of electricity supply in the event that gas supplies are unavailable for any reason. |

Source: Africa Project Access, Business Monitor International; EY analysis.

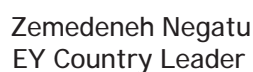
Ethiopia



A map of Africa with Ethiopia highlighted in yellow. The map shows the borders of all African countries. The background of the slide is a photograph of a desert landscape at sunset, with the sun low on the horizon, casting a warm glow over the sand dunes and sparse vegetation. The word 'Ethiopia' is written in large white letters on the left side of the slide.



| Opportunity indicators | | Risk indicators | |
|---|------------|--|-------|
| GDP (current) | US\$43.13b | Ease of doing business overall rank out of 184 countries (16th in Africa) | 127 |
| Population growth (annual) | 2.09% | Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean; ranked 26th in Africa) | 33 |
| Population (m) | 88.38 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 25th in Africa) | 4.3 |
| Mobile penetration (% of population with mobile access) | 16.67% | Logistics Performance Index: overall rank out of 155 countries (34th in Africa) | 141 |
| Urban population (% of total) | 17.02% | Democracy score (0=lowest, 10=highest) | 1 |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 6.38% | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 33 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 9.76% | Perceptions of governance – rule of law: percentile rank (0=lowest, 100=highest) | 29.11 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$677 | Perceptions of governance – regulatory quality: percentile rank (0=lowest, 100=highest) | 18 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 1 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 3.6 |
| Literacy rate (total population %) | 42.7% | Corporate maximum tax rate (%) | 30% |

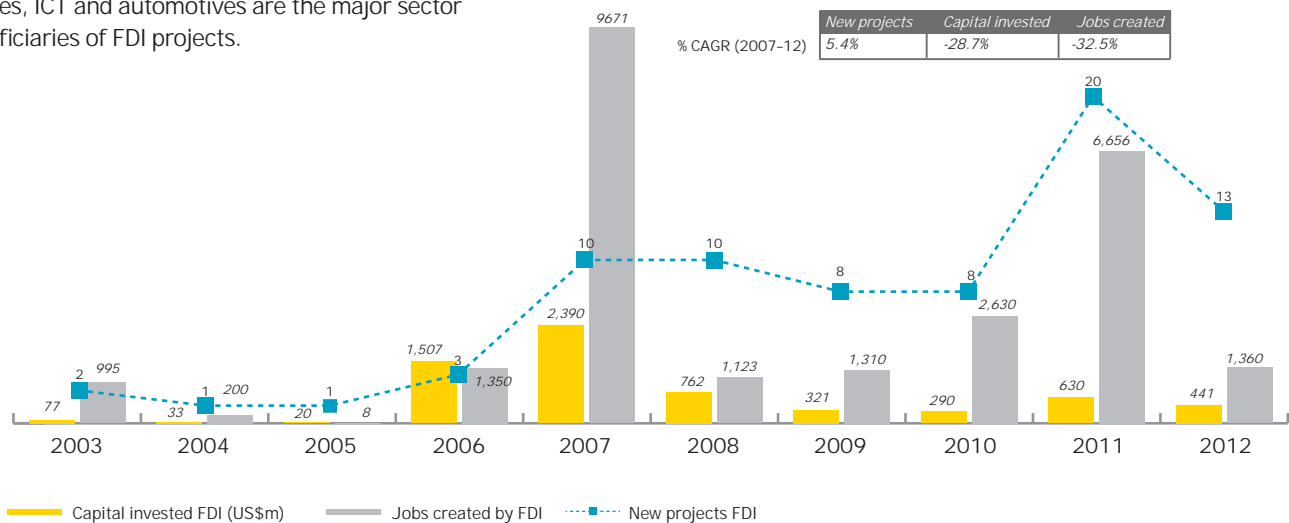


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FDI trends in Ethiopia

Ethiopia's inflow of investment of FDI since 2003

Ethiopia received 1.6% of Africa's total FDI for new projects and 0.8% of capital invested since 2007. Nearly 43% of capital invested into Ethiopia went into manufacturing activities. Food and tobacco, textiles, ICT and automobiles are the major sector beneficiaries of FDI projects.

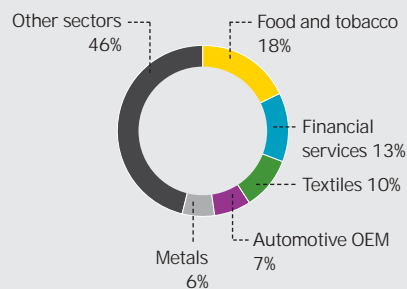


Top sectors

Food and tobacco, professional services, textiles and automobiles accounted for 54% of project activity.

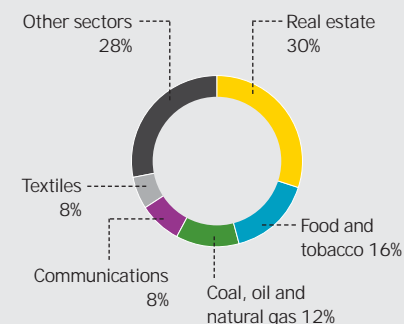
Ethiopia's investment into top sectors (2007-12) by most projects

(Total = 69)

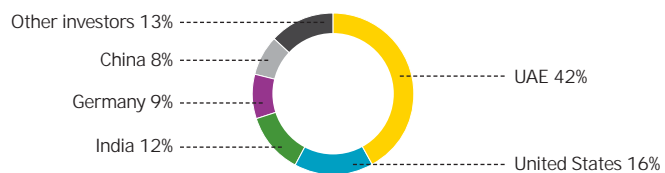


Ethiopia's investment into top sectors (2007-12) by most capital invested

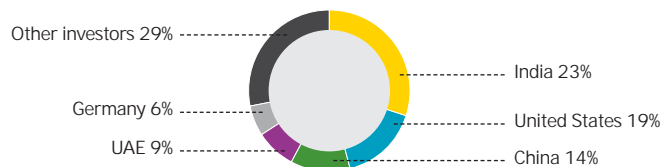
(Total = US\$4,833m)



Ethiopia's top 5 investors for FDI capital invested since 2007 (total = US\$4,833m)



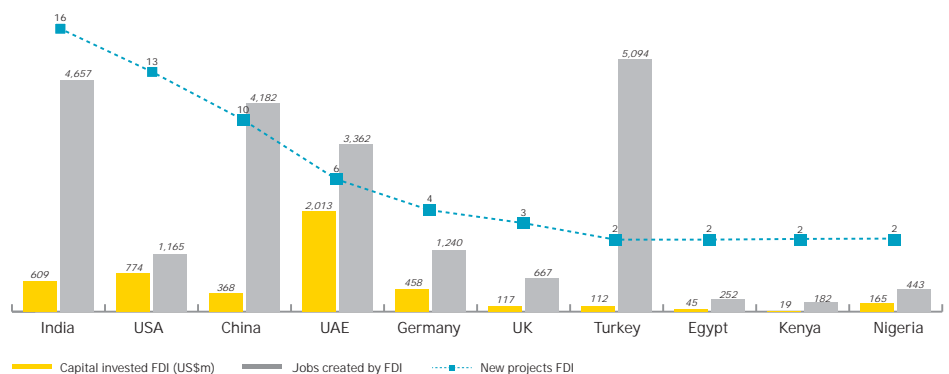
Ethiopia's top 5 investors for FDI new project since 2007 (total = 69)



Ethiopia's top 10 project investors since 2007

Countries are ranked by most new projects (2007-12).

The top investors show a diverse investment focus toward manufacturing-led activity, while the US's capital flowed toward resource extraction and the UAE's toward real estate construction.

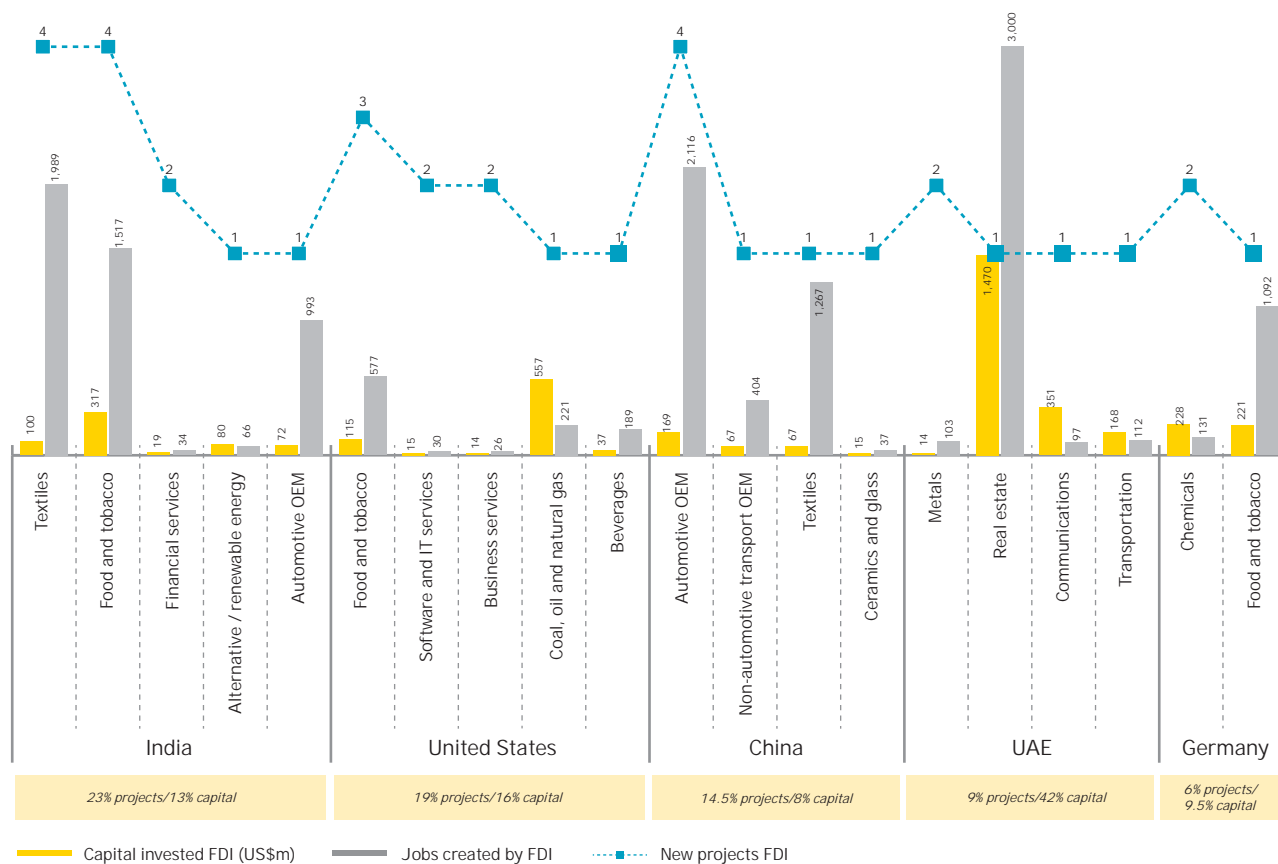


Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

Ethiopia's top investors by their top sector FDI investments since 2007

Investor countries are ranked by most new projects 2007-12.

These top investors contribute to 71% of all project activity and 87% of capital invested into Ethiopia since 2007.



Source: fDI Markets; EY analysis.

Ethiopia's FDI outlook

| FDI outlook | | | | |
|-------------------------|------|------|------|--|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | | | | Gold reserves and the potential for commercial development in natural gas, iron ore and oil reserves provide growing interest for investors. |
| Labor | | | | Working population is growing rapidly and cost of labor remains low. Education and literacy rates are relatively poor but are improving. |
| Market size | | | | Still a small economy in absolute terms, but sustained and rapid growth, coupled with a large population, makes this a market with significant potential. |
| Infrastructure | | | | Infrastructure levels are rapidly improving, with substantial investments being made. |
| Bureaucracy | | | | Bureaucracy is a challenge to business, although improvements are being made (Ethiopia ranks in the 3rd quartile in the World Bank's Doing Business Index, ahead of Brazil and India). |
| Political environment | | | | The handover of power following the passing of Meles Zenawi has been smooth, and the political environment remains stable. Ethiopia is a nominal democracy, although power has generally been concentrated in a dominant ruling party. |
| Overall outlook for FDI | | | | Natural resources, a large population and a rapidly growing economy, with particular emphasis on manufacturing capacity and agribusiness opportunities, will attract increasing levels of FDI. |

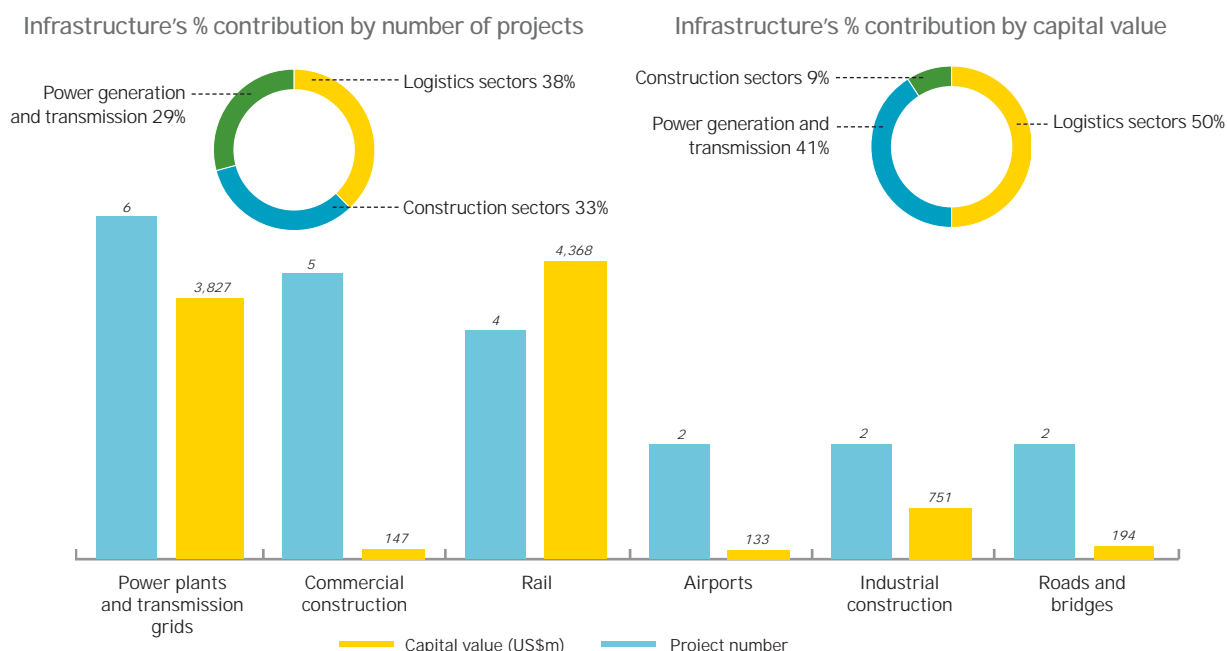
■ Very unattractive
 ■ Unattractive
 ■ Average
 ■ Attractive
 ■ Very attractive for FDI

Source: Oxford Economics; EY analysis

Ethiopia's infrastructure project breakdown

Ethiopia's active* infrastructure projects up to July 2013

Ethiopia ranks 15th in Africa by number of projects and 17th by capital allocation.



*Active projects are categorized into three phases: 1. Conceptual to feasibility; 2. Financial closure to early implementation; 3. In progress and near completion.

Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in Ethiopia

| Project name | Capacity and time frame | Company involvement | Other details |
|---|---|--|---|
| Gibe III Hydropower Dam 250Kms southwest of Addis Ababa on the Omo River. | <ul style="list-style-type: none"> 1,879 MW – a 243m-high roller-compacted concrete dam that, once completed, will be the largest of its kind In progress (greenfield); currently about three-quarters complete. | The dam is owned and operated by the national utility <i>Ethiopian Electric Power Corporation</i> (EEPCo), which awarded the main EPC contract to <i>Salini Costruttori</i> (Italy). 85% of the near US\$500mn cost is covered by a loan from the <i>Industrial and Commercial Bank of China</i> (ICBC). China's <i>Dongfang Electric Corporation</i> (DEC) is contracted for the hydromechanical and electromechanical part of the project. | The Gibe III dam is part of the Gibe-Omo Cascade project, which includes 184 MW Gilgel Gibe I (in operation), 420 MW Gibe II (in operation), Gibe III (under construction). At least 50% of power generated will be utilized domestically, the rest exported. The 1870 MW of installed power will be generated through 10 Francis turbines in an open-air power house and will provide 6500 GWh per year. |
| Grand Ethiopian Renaissance Hydropower Dam 40km east of the border with Sudan on the Blue Nile River. | <ul style="list-style-type: none"> 6,000 MW – once completed, it will be the largest hydroelectric power plant in Africa. It is 1,800m long and 170m high, with an overall volume of 10 million cubic metres Expected completion is 2017; reportedly near 20% complete as of April 2013 | Owned and operated by the <i>Ethiopian Electric Power Corporation</i> (EEPCo). The <i>Salini Costruttori</i> was awarded the main EPC contract worth US\$4.8b. The <i>Metals & Engineering Corporation</i> (METEC), and Ethiopian company, is responsible for the electromechanical works of the hydropower project. <i>Alstom</i> (France) has the contract to supply the turbines and generators for phase one. Costs of the turbines and associated electrical equipment of the project is reportedly financed by the Chinese banks, with the remaining funds intended to come from the Ethiopian Government. | It is expected to consume 10 million metric tons of concrete, and the Government has pledged to use only domestically produced concrete. Diversion of the Blue Nile was completed on 28 May 2013 and marked by a ceremony the same day. Selling the electricity from the dam would require the construction of massive transmission lines to major regional urban centers such as Addis Ababa and Sudan's capital Khartoum, both located more than 400km away from the dam. |
| Mieso to Djibouti Border Railway Line. | <ul style="list-style-type: none"> The entire 656km railway network from Addis Ababa to Djibouti will have about eight main routes that will connect to more than 49 urban centers by 2015 In progress (greenfield); estimated completion by end-2015 | The <i>Ethiopian Railways Corporation</i> (ERC) has entered into a contract with the <i>China Civil Engineering Construction Corporation</i> (CCECC) and the <i>China Railway Engineering Corporation</i> (CREC) to construct sections of the railway. Finance is secured from the <i>China Exim Bank</i> and the <i>Industrial and Commercial Bank of China</i> (ICBC). | The project is part of Ethiopia's national Growth and Transformation Plan (GTP). Ethiopia and Djibouti's economies are reliant on each other, with about 70% of all trade through Djibouti's port coming from its land-locked neighbor. Under the five-year GTP, the Ethiopian Government aims to develop a 2,395kms railway network nationwide, out of which 1,808kms is planned to be completed by 2015. |

Source: Africa Project Access, Business Monitor International; EY analysis.

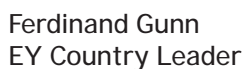
Ghana



A map of the African continent is shown, with the country of Ghana highlighted in yellow. Ghana is located in West Africa, bordered by the Atlantic Ocean to the west, and Mali, Burkina Faso, and Togo to the north and east. The map also shows other countries in Africa, including Morocco, Algeria, Tunisia, Libya, Egypt, Mauritania, Niger, Chad, Sudan, Eritrea, Djibouti, Ethiopia, Somalia, Uganda, South Sudan, Central African Republic, Nigeria, Benin, Cameroon, Guinea, Guinea-Bissau, Senegal, Gambia, and Cape Verde. The background of the slide features a sunset over a desert landscape with sand dunes and mountains.



| Opportunity indicators | | Risk indicators | |
|---|------------|--|-------|
| GDP (current) | US\$40.71b | Ease of doing business overall rank out of 184 countries (6th in Africa) | 64 |
| Population growth (annual) | 2.3% | Transparency International Corruption Perception Index (0=highly corrupt, 100=very clean; ranked 7th in Africa) | 45 |
| Population (m) | 26.15 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 7th in Africa) | 6 |
| Mobile penetration (% of population with mobile access) | 84.78% | Logistics Performance Index overall rank out of 155 countries (19th in Africa) | 108 |
| Urban population (% of total) | 51.87% | Democracy score (0=lowest, 10=highest) | 8 |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 5.16% | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 7 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 7.28% | Perceptions of governance – rule of law: percentile rank (0=lowest, 100=highest) | 54.46 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$2,224 | Perceptions of governance – regulatory quality: percentile rank (0=lowest, 100=highest) | 55 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 2 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 3.9 |
| Literacy rate (total population %) | 71.5% | Corporate maximum tax rate (%) | 25% |



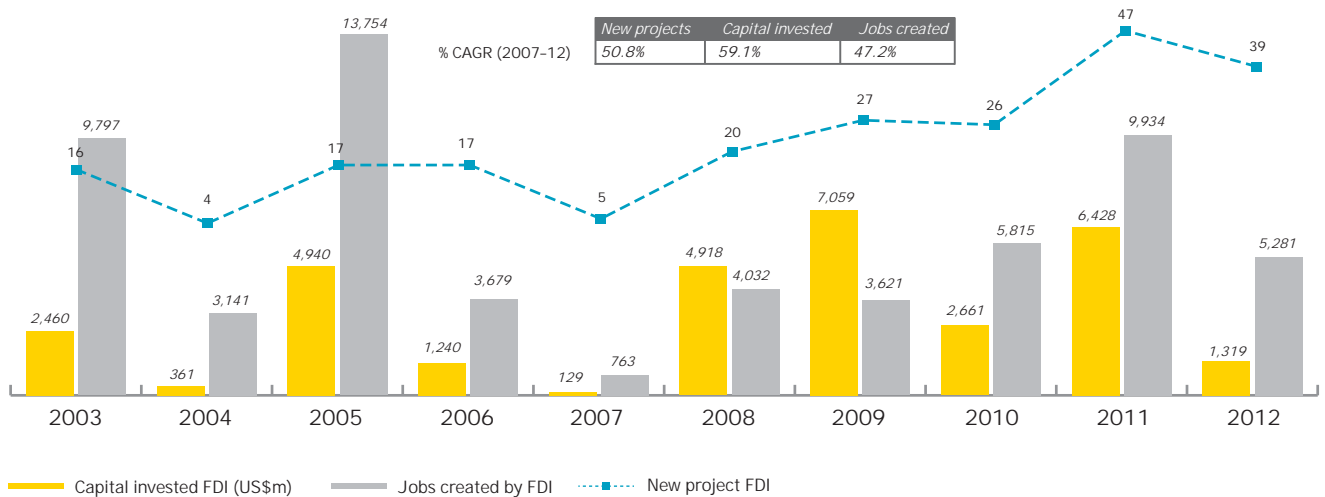
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FDI trends in Ghana

Ghana's inflow of investment of FDI since 2003

Ghana received 3.8% of Africa's total FDI for new projects and 3.5% of capital invested since 2007.

Rapid new investments led to impressive compound annual growth in both capital and job creation since 2007, confirming the strong confidence in Ghana's economy.

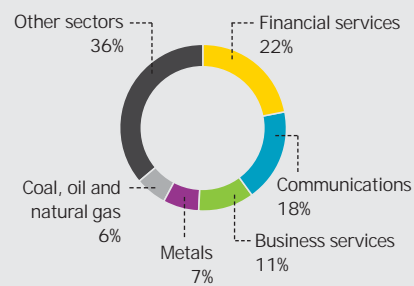


Top sectors

70% of Ghana's capital invested FDI flowed into resources since 2007, while over half of new projects are opened in financial, business and communication services.

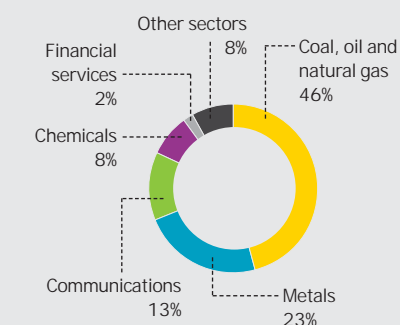
Ghana's investment into top sectors (2007-12) by most projects

(Total = 164)

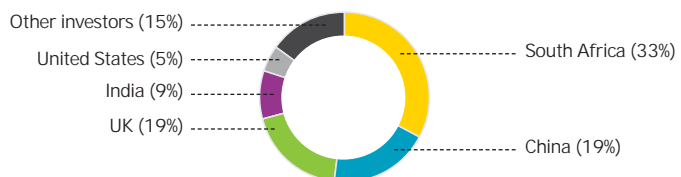


Ghana's investment into top sectors (2007-12) by most capital invested

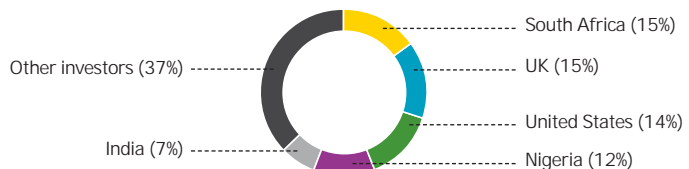
(Total = US\$22,514m)



Ghana's top 5 investors for FDI capital invested since 2007 (total = US\$22,514m)



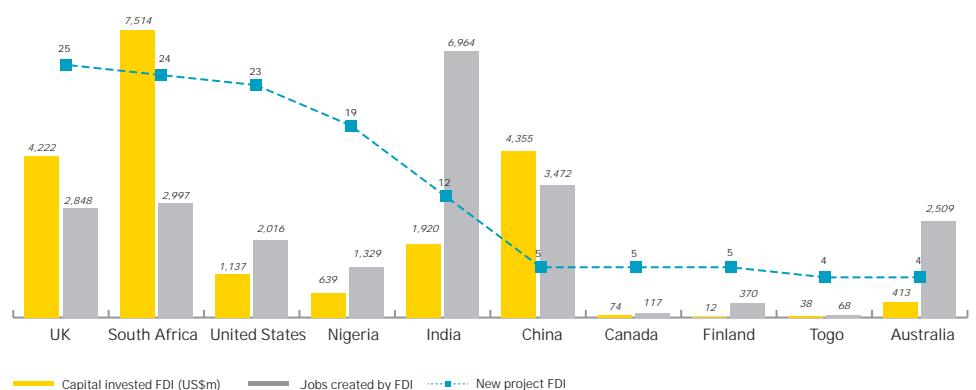
Ghana's top 5 investors for FDI new projects since 2007 (total = 164)



Ghana's top 10 project investors since 2007

Countries are ranked by most new projects (2007-12).

South Africa stands out as the leading capital investor in Ghana, with over 80% allocation toward manufacturing activity – similar to China. The UK and US's capital FDI favors extractive activity.

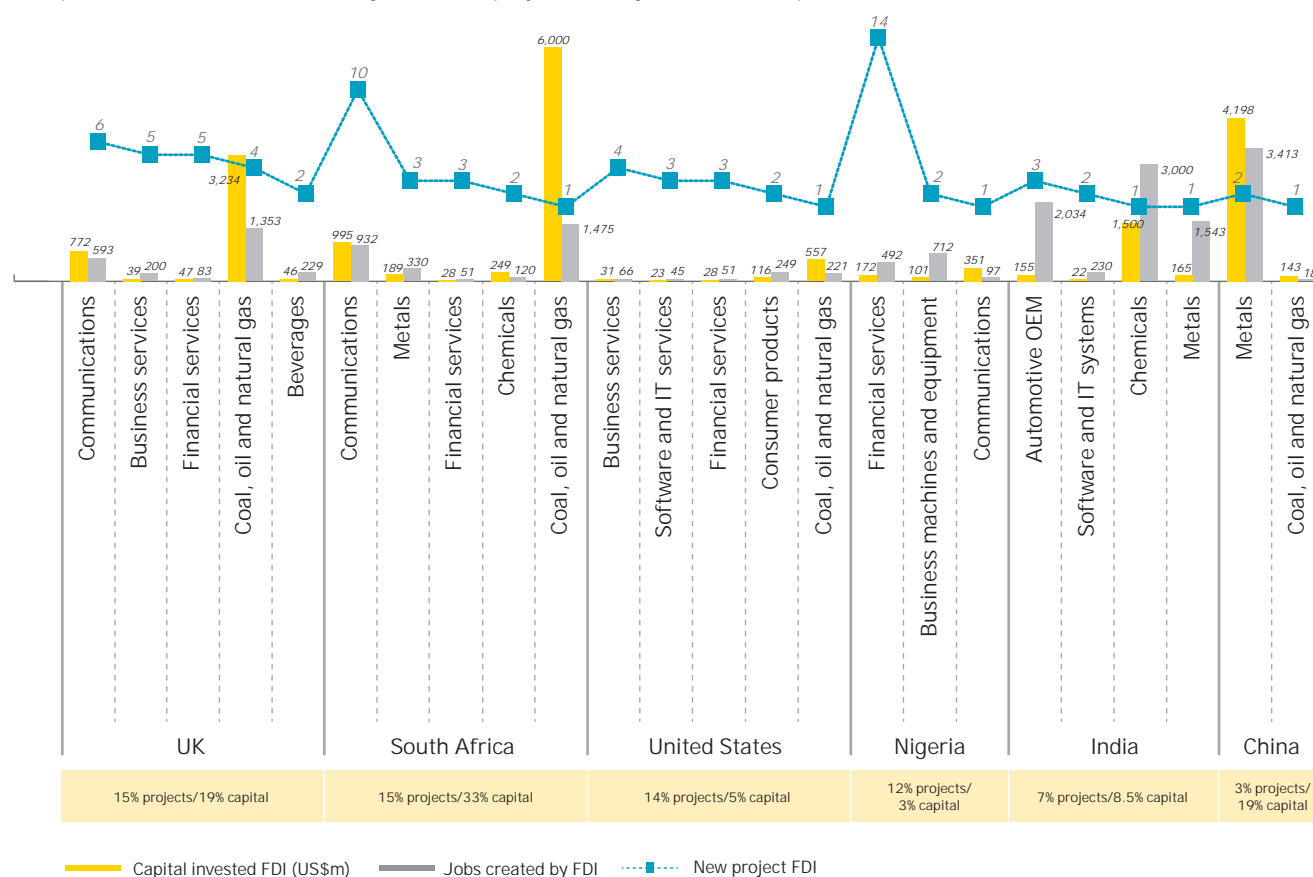


Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

Ghana's top investors by their top sector FDI investments since 2007

Investor countries are ranked by most new projects 2007-12.

These top investors contribute to nearly 70% of all project activity and 90% of capital invested in Ghana since 2007.



Source: fDi Markets; EY analysis.

Ghana's FDI outlook

| FDI outlook | | | | |
|-------------------------|-------------------|--------------|-------------------------|---|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | Unattractive | Attractive | Very attractive for FDI | Gold and cocoa have historically been Ghana's major exports, but oil reserves and domestic production have further enhanced investment attractiveness of resources. |
| Labor | Attractive | Attractive | Attractive | A rapidly growing working population with improving levels of education. |
| Market size | Unattractive | Average | Attractive | A medium-sized, but rapidly growing economy, with relatively low, but improving, levels of GDP per capita. |
| Infrastructure | Very unattractive | Unattractive | Average | Some progress has been made over the past decade, but the current pipeline of infrastructure projects suggests there will be significant improvement in the next few years. |
| Bureaucracy | Unattractive | Attractive | Attractive | Levels of bureaucracy are relatively low, and the business environment is conducive to investment. |
| Political environment | Unattractive | Attractive | Attractive | Ghana has been one of the most stable democracies in Africa, and corruption levels are relatively low. |
| Overall outlook for FDI | Unattractive | Attractive | Very attractive for FDI | A stable and rapidly expanding economy, boosted by oil production, will be a strong pull factor as FDI levels continue to grow. |

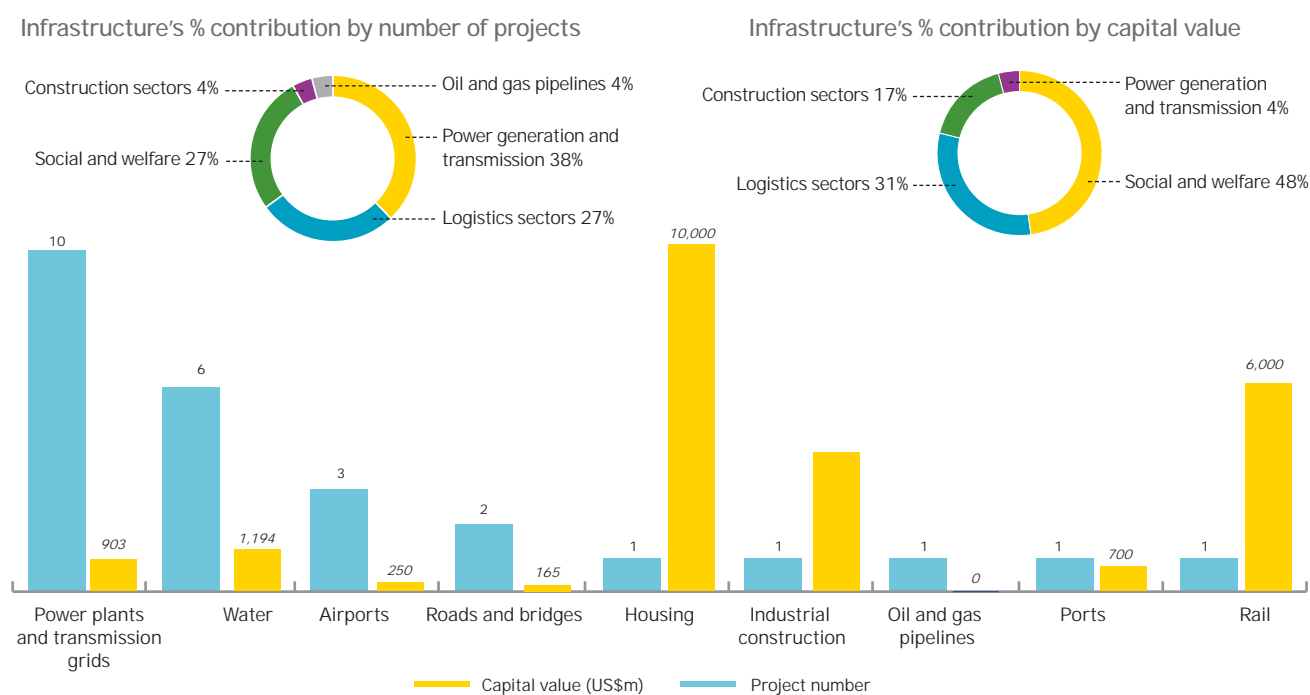
Very unattractive Unattractive Average Attractive Very attractive for FDI

Source: Oxford Economics; EY analysis

Ghana's infrastructure project breakdown

Ghana's active* infrastructure projects up to July 2013

Ghana ranks 15th in Africa by number of projects and 8th by capital allocation.



*Active projects are categorized into three phases: 1. Conceptual to feasibility; 2. Financial closure to early implementation; 3. In progress and near completion.

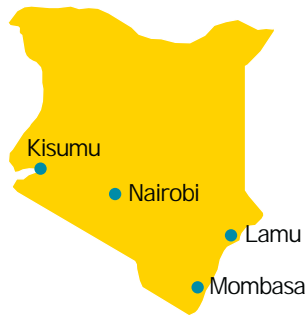
Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in Ghana

| Project name | Capacity and time frame | Company involvement | Other details |
|---|--|---|---|
| Early Phase Gas Infrastructure Project (EPGIP) A 120km pipeline that will move processed gas from Atuabo to Aboadze-based Takoradi Thermal Processing Plant (TTPP). | <ul style="list-style-type: none"> 400 million cubic feet In progress (a third of the way completed) | <i>Sinopec International Petroleum Corporation</i> (China) (EPC contracted company). <i>China Development Bank Corp.</i> Is this Financier. | <i>Sinopec</i> is also contracted for other infrastructure projects as part of a series of bilaterally agreed multibillion-dollar loan agreements with China. |
| Bui Hydropower Project The Bui Dam is a hydroelectric project under construction at the Bui Gorge at the southern end of Bui National Park in Ghana. | <ul style="list-style-type: none"> 400MW In progress (first generator produced power for the grid on 3 May 2013); project completion is expected in 2014 | <i>Sinohydro</i> (EPC contracted company). <i>China Exim Bank</i> (Financier). Financed by two credits from the China Exim Bank: a concessional loan of US\$270m at 2% interest and a commercial loan (buyers credit) of US\$292m. Remaining (US\$60m) financed by the Government of Ghana. | The Bui Hydroelectric Project also includes the development of an irrigation scheme for agricultural development, which facilitates opportunities for enhanced ecotourism and fisheries. |
| Nzema Solar Photovoltaic (PV) Plant The giant 155 MW Nzema project will be one of the biggest in the world. Upon completion, it is estimated to meet 20% of Ghana's target of generating 10% of its electricity from renewable sources by 2020. | <ul style="list-style-type: none"> 155MW Installation of more than 630,000 solar PV modules is expected to begin by the end of 2013 | <i>Mere Power Nzema Ltd.</i> (EPC contracted company) – a subsidiary of <i>Blue Energy</i> (UK-based). <i>Blue Energy</i> is majority owned and funded by members of the European-based Stadium Group. | The 183-hectare site is said to have excellent solar radiation and good access to the major road systems, and is also importantly close to the deepwater port at Takoradi. The plant will be directly connected to the 161kV West African Power Pool transmission line. |
| Takoradi Port Infrastructure Phase 1 Development Project The Port of Takoradi is Ghana's second-largest and oldest seaport. | <ul style="list-style-type: none"> Comprehensive upgrade and extension of handling and logistics facilities 36 months phase1 construction duration | The <i>Ghana Ports and Harbours Authority</i> (GPHA) signed an agreement with the <i>China Harbour Engineering Company</i> (CHEC) in late 2012 as the EPC contractor to commence expansion work. | The phase 1 expansion work by <i>CHEC</i> will entail numerous construction and logistics facilities. Up to 40% local content utilization is expected, according to GPHA. |

Source: Africa Project Access, Business Monitor International; EY analysis.

Kenya



Country overview

| Opportunity indicators | | Risk indicators | |
|---|------------|--|-------|
| GDP (current) | US\$37.34b | Ease of doing business overall rank out of 184 countries (13th in Africa) | 121 |
| Population growth (annual) | 2.72% | Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean; ranked 37th in Africa) | 27 |
| Population (m) | 44 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 19th in Africa) | 5 |
| Mobile penetration (% of population with mobile access) | 67.49% | Logistics Performance Index: overall rank out of 155 countries (26th in Africa) | 122 |
| Urban population (% of total) | 23.98% | Democracy score (0=lowest, 10=highest) | 8 |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 5.72% | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 25 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 4.91% | Perceptions of governance - rule of law: percentile rank (0=lowest, 100=highest) | 16.43 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$1,209 | Perceptions of governance - regulatory quality: percentile rank (0=lowest, 100=highest) | 47 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 1 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 4 |
| Literacy rate (total population %) | 87.4% | Corporate maximum tax rate (%) | 30% |

Source: The World Bank; OECD National Accounts; United Nations Population Division & World Urbanization Prospects; Oxford Economics; ITU International; Transparency International; International Bank for Reconstruction and Development; Polity IV Project; Mo Ibrahim Index of African Governance; Worldwide Governance Indicators; WEF Global Competitiveness Report; Worldwide Corporate Tax Guide



Gitahi Gachahi
EY East Africa Regional Leader

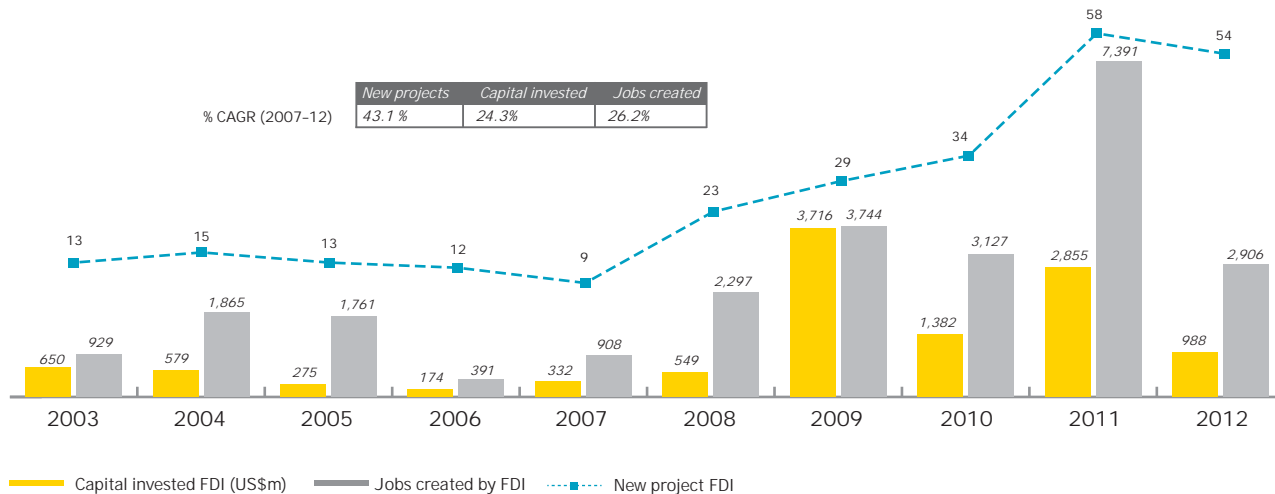
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FDI trends in Kenya

Kenya's inflow of investment of FDI since 2003

Kenya received 5% of Africa's total FDI for new projects and 1.5% of capital invested since 2007.

As the hub of East Africa, Kenya has seen robust investment growth, especially into manufacturing-led and consumer-facing activity. Kenya also has as one of the fastest growth rates of all investors of outward investments into Africa. Active exploration and successful finds have seen the resource sector attracting an increasing share of capital; 35% of the total since 2007.

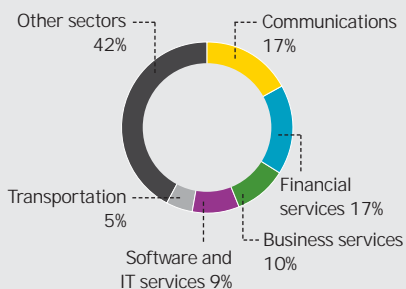


Top sectors

ICT, professional services, automotives and transport logistics remain key, attracting a third of all projects and nearly two-thirds of capital invested.

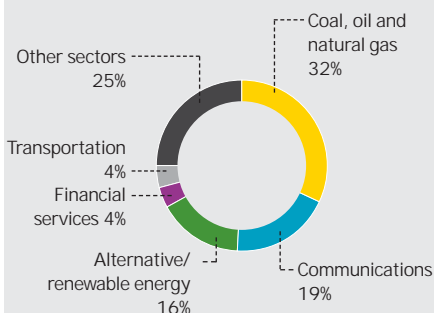
Kenya's investments into sectors (2007-12) by most projects

(Total = 207)

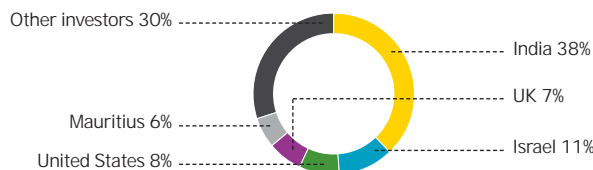


Kenya's investments into sectors (2007-12) by most capital invested

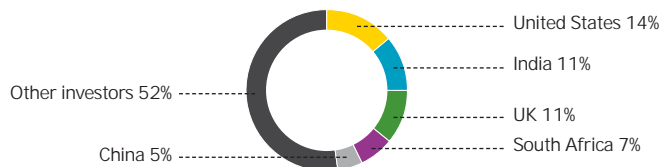
(Total = US\$9,822m)



Kenya's top 5 investors for FDI capital invested since 2007 (total = US\$22,514m)



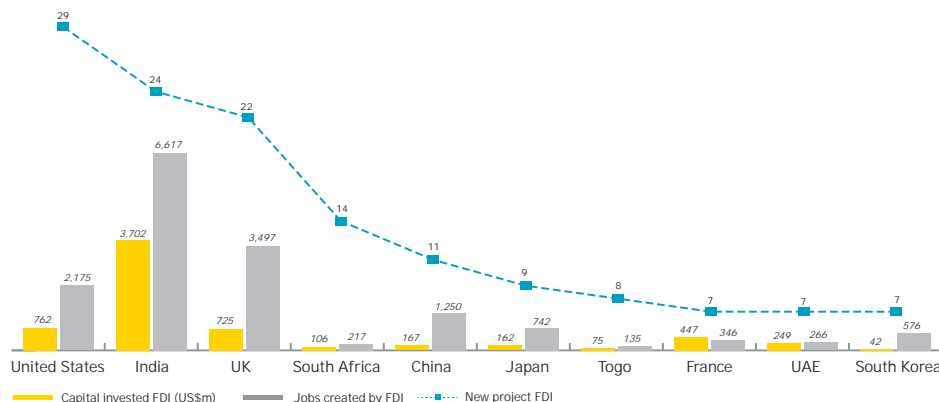
Kenya's top 5 investors for FDI new projects since 2007 (total = 164)



Kenya's top 10 project investors since 2007

Countries are ranked by most new projects (2007-12).

Most of India and the US's capital is directed toward manufacturing and electricity activity, while all the top investors have the majority of their project investments focused into marketing, support, financial and other professional services.

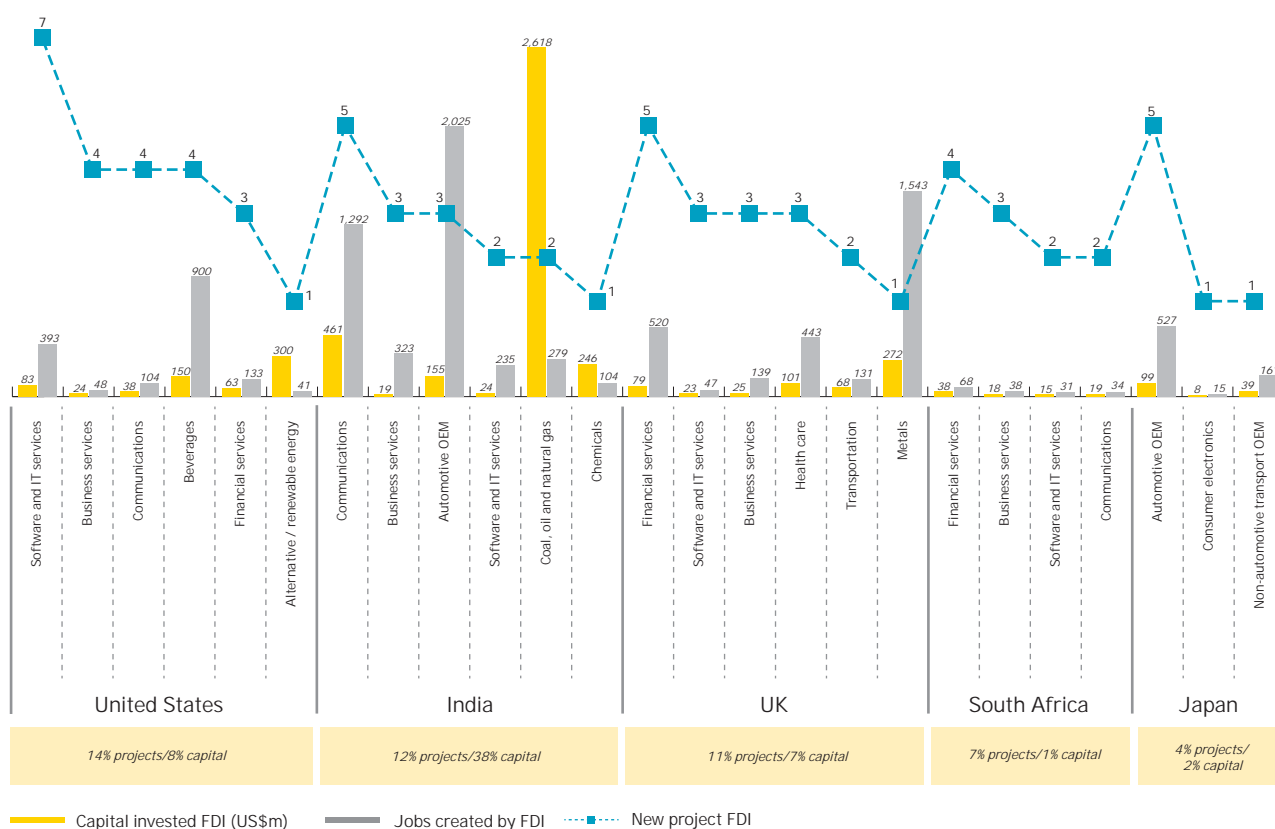


Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

Kenya's top investors by their top sector FDI investments since 2007

Investor countries are ranked by most new projects 2007-12.

These top investors contribute to 47% of all project activity and 56% of capital invested into Kenya since 2007.



Source: fDi Markets; EY analysis.

Kenya's FDI outlook

| FDI outlook | | | | |
|-------------------------|-------------------|-------------------------|-------------------------|---|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | Very unattractive | Average | Attractive | Kenya has historically lacked the natural resources that makes many other African economies attractive. However, the recent discovery of oil in the northwestern Turkana region by Tullow may change that. |
| Labor | Attractive | Very attractive for FDI | Very attractive for FDI | A rapidly growing working population, a good-quality system of education and a relatively efficient labor market makes Kenya attractive from a labor perspective. |
| Market size | Unattractive | Average | Average | The absolute size of the economy is relatively small, but a large population and rising GDP per capita levels offer growth potential. |
| Infrastructure | Very unattractive | Unattractive | Average | Lack of investment funds has limited spending on infrastructure to date, but investment levels should rise over the next decade. |
| Bureaucracy | Very unattractive | Unattractive | Unattractive | Significant levels still remain, which hinders business. Although Kenya is well positioned compared with many other African countries, only modest improvements in recent years may be cause for concern. |
| Political environment | Very unattractive | Average | Attractive | Progress has been made in embedding democratic institutions and processes. The successful and peaceful presidential election provides cause for optimism. |
| Overall outlook for FDI | Unattractive | Average | Attractive | Kenya is already established as a gateway to the East Africa region, and this status will be reinforced as the region continues to grow and as levels of infrastructure and the institutional environment continue to improve. Oil discoveries in Kenya and the region as a whole will provide an accelerator for growth. |

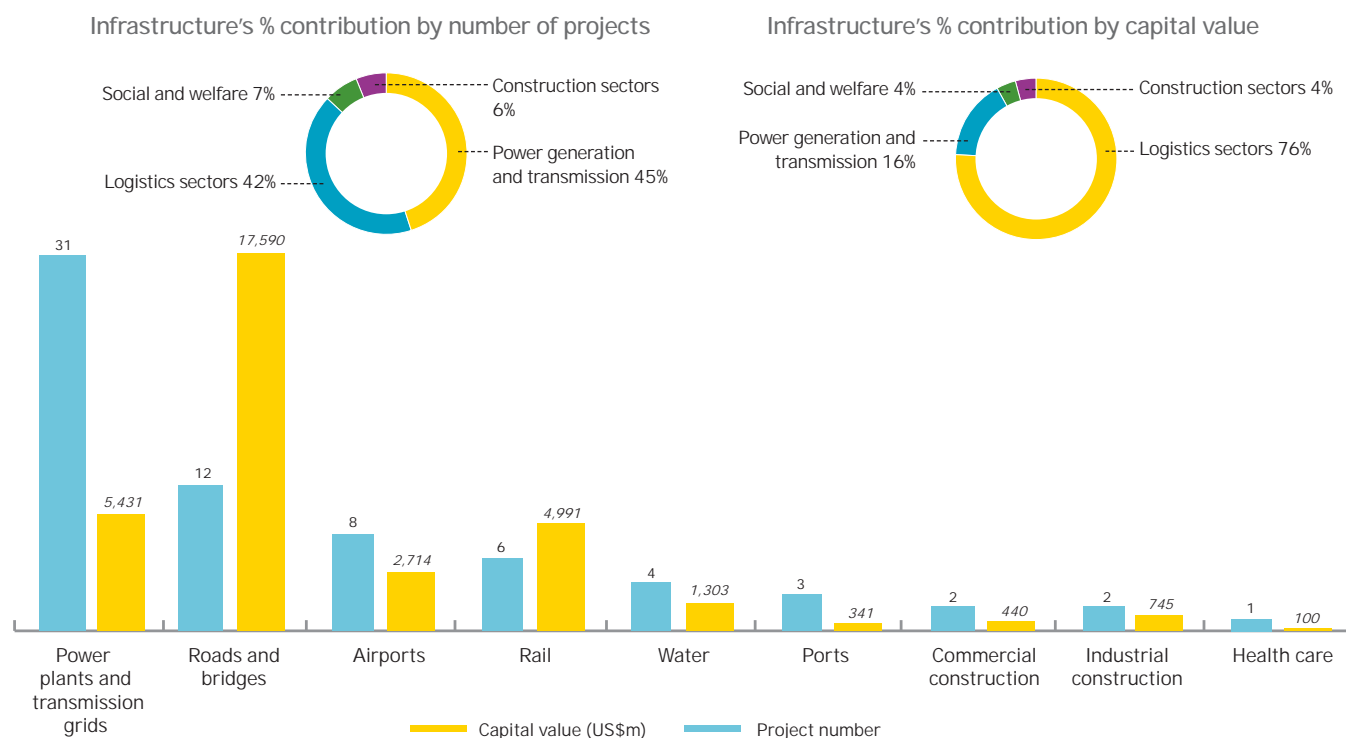
Very unattractive Unattractive Average Attractive Very attractive for FDI

Source: Oxford Economics; EY analysis

Kenya's infrastructure project breakdown

Kenya's active* infrastructure projects up to July 2013

Kenya ranks 4th in Africa by number of projects and 6th by capital allocation.



*Active projects are categorized into three phases: 1. Conceptual to feasibility; 2. Financial closure to early implementation; 3. In progress and near completion.

Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in Kenya

| Project name | Capacity and time frame | Company involvement | Other details |
|---|--|---|--|
| Olkaria IV Geothermal Power Project 120km northwest from Nairobi. | <ul style="list-style-type: none"> 280 MW – upon completion, national geothermal capacity would have tripled from the current 150 megawatts to 430 megawatts In progress (brownfield); expected completion by 2014 | Owner of the project is the national utility operator the <i>Kenya Electricity Generating Company</i> (KenGen), who has raised US\$920m in syndicated loans from: the <i>World Bank</i> , <i>Germany's Development Bank</i> (KfW), the <i>European Investment Bank</i> , the <i>Japan International Corporation Agency</i> (JICA) and the <i>French Development Agency</i> (AFD). The remaining finance comes from the Kenyan Government. The plant commissioned as a turnkey from the main EPC consortium of <i>Toyota Tsusho Corp.</i> (Japan) and <i>Hyundai Engineering & Construction</i> (Korea). | The existing Olkaria I power station will be extended by constructing two additional units, which will be built at Olkaria IV. Kenya is the first African country to drill geothermal power, tapping vast steam energy in the country's Great Rift Valley. Four 70 MW power-generating plants, steam-gathering systems, substations, transmission lines and other infrastructure will be installed. Kenya is targeting at least 5,000 MW (70% of its potential) from geothermal power by 2030. |
| Heavy Fuel Oil (HFO) Thermal Power Plant In the Athi River area of Mavoko Municipality. | <ul style="list-style-type: none"> 80 MW – including a 66kv interconnector and backup metering equipment In progress (brownfield); expected completion by late 2013 | <i>Wärtsilä</i> (Finland) was awarded the operation and maintenance (O&M) contract by leading local Kenyan energy company <i>Gulf Power Ltd</i> (GPL) as the holder of the project contract. The Project will have a 20-year power purchase agreement (PPA) with the <i>Kenya Power and Lighting Company</i> (KPLC) – the national transmission and distribution company. | The plant is developed on a 20-year build-own-operate (BOO) basis, and will be powered by 10 turbocharged medium speed diesel (MSD) <i>Wärtsilä</i> engines. When the plant comes on stream, <i>Wärtsilä's</i> total installed thermal generating capacity in Kenya would represent roughly 60% of the country's total thermal capacity. |
| Garissa Solar Plant In the northwestern arid city of Garissa. | <ul style="list-style-type: none"> 50 MW – it will produce about 76,473 MWh annually Still in pre-implementation phase | Chinese PV manufacturer <i>JinkoSolar Holdings</i> (NYSE listed) has joined with the <i>China Jiangxi Corporation for International Economic & Technical Co, Ltd.</i> (CJIC) as a consortium holder of the EPC contract to build the solar power plant. | The project will sit on a 81Ha site, making it one of the largest grid-connected solar power plants in Africa. Kenya receives an estimated 4Kwh-6KWh per square meter per day of solar energy, all year round – an annual equivalent solar power potential of roughly 70 million tons of oil. |

Source: Africa Project Access, Business Monitor International; EY analysis.

Mozambique



Country overview

| Opportunity indicators | | Risk indicators | |
|---|------------|--|------|
| GDP (current) | US\$14.59b | Ease of doing business overall rank out of 184 countries (23rd in Africa) | 146 |
| Population growth (annual) | 2.26% | Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean); ranked 31st in Africa) | 31 |
| Population (m) | 25.05 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 8th in Africa) | 6 |
| Mobile penetration (% of population with mobile access) | 32.83% | Logistics Performance Index: overall rank out of 155 countries (na) | na |
| Urban population (% of total) | 31.22% | Democracy score (0=lowest, 10=highest) | 5 |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 7.46% | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 21 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 7.46% | Perceptions of governance - rule of law: percentile rank (0=lowest, 100=highest) | 4.23 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$969 | Perceptions of governance - regulatory quality: percentile rank (0=lowest, 100=highest) | 1 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 1 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 3 |
| Literacy rate (total population %) | 56.1% | Corporate maximum tax rate (%) | 32% |

Source: The World Bank; OECD National Accounts; United Nations Population Division & World Urbanization Prospects; Oxford Economics; ITU International; Transparency International; International Bank for Reconstruction and Development; Polity IV Project; Mo Ibrahim Index of African Governance; Worldwide Governance Indicators; WEF Global Competitiveness Report; Worldwide Corporate Tax Guide



Ismael Faquir
EY Country Leader

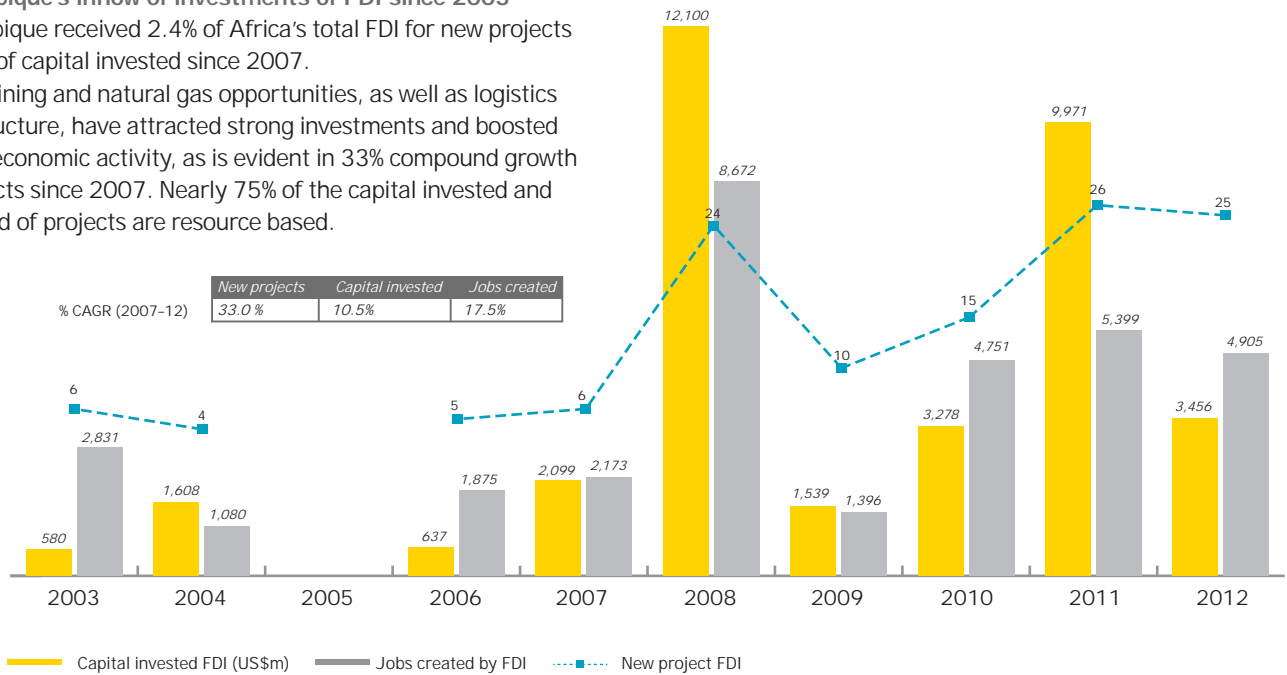
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FDI trends in Mozambique

Mozambique's inflow of investments of FDI since 2003

Mozambique received 2.4% of Africa's total FDI for new projects and 5% of capital invested since 2007.

Huge mining and natural gas opportunities, as well as logistics infrastructure, have attracted strong investments and boosted overall economic activity, as is evident in 33% compound growth in projects since 2007. Nearly 75% of the capital invested and one-third of projects are resource based.

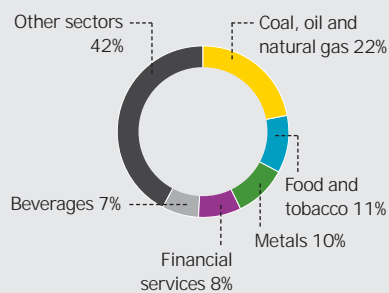


Top sectors

Nearly half of project investments flow toward non-resource sectors of food and tobacco, beverages, professional services, industrial and construction equipment, transport and communication.

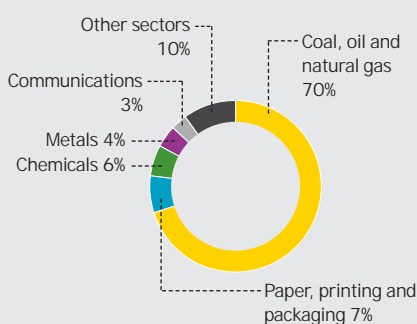
Mozambique's investment into top sectors (2007-12) by most projects

(Total = 106)

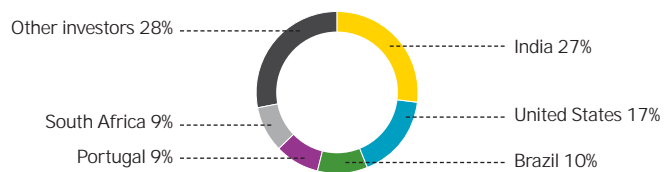


Mozambique's investment into top sectors (2007-12) by most capital invested

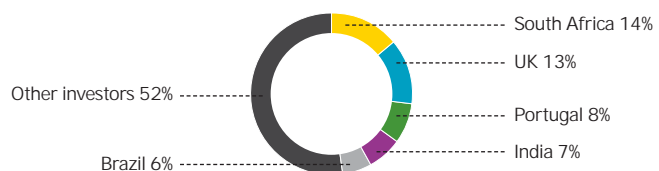
(Total = US\$32,444m)



Mozambique's top 5 investors for FDI capital invested since 2007 (total = US\$32,444m)



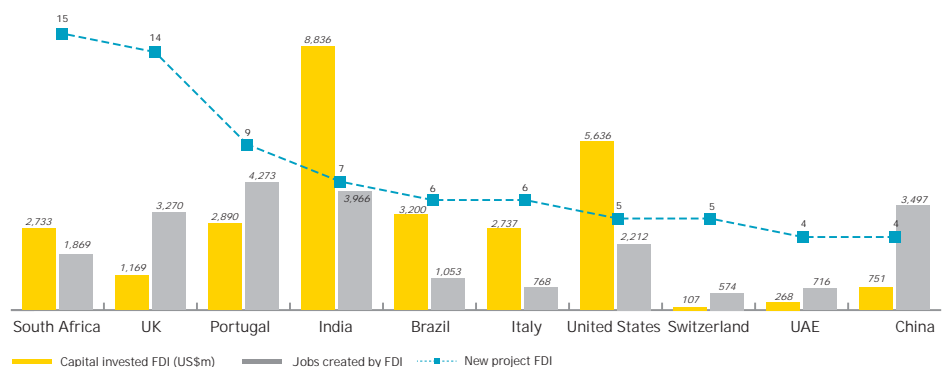
Mozambique's top 5 investors for FDI new projects since 2007 (total = 106)



Mozambique's top 10 project investors since 2007

Countries are ranked by most new projects (2007-12).

The major investors have directed the bulk of capital investments into the coal, oil and gas space, apart from Portugal, whose capital flows are allocated toward non-resource manufacturing activity.

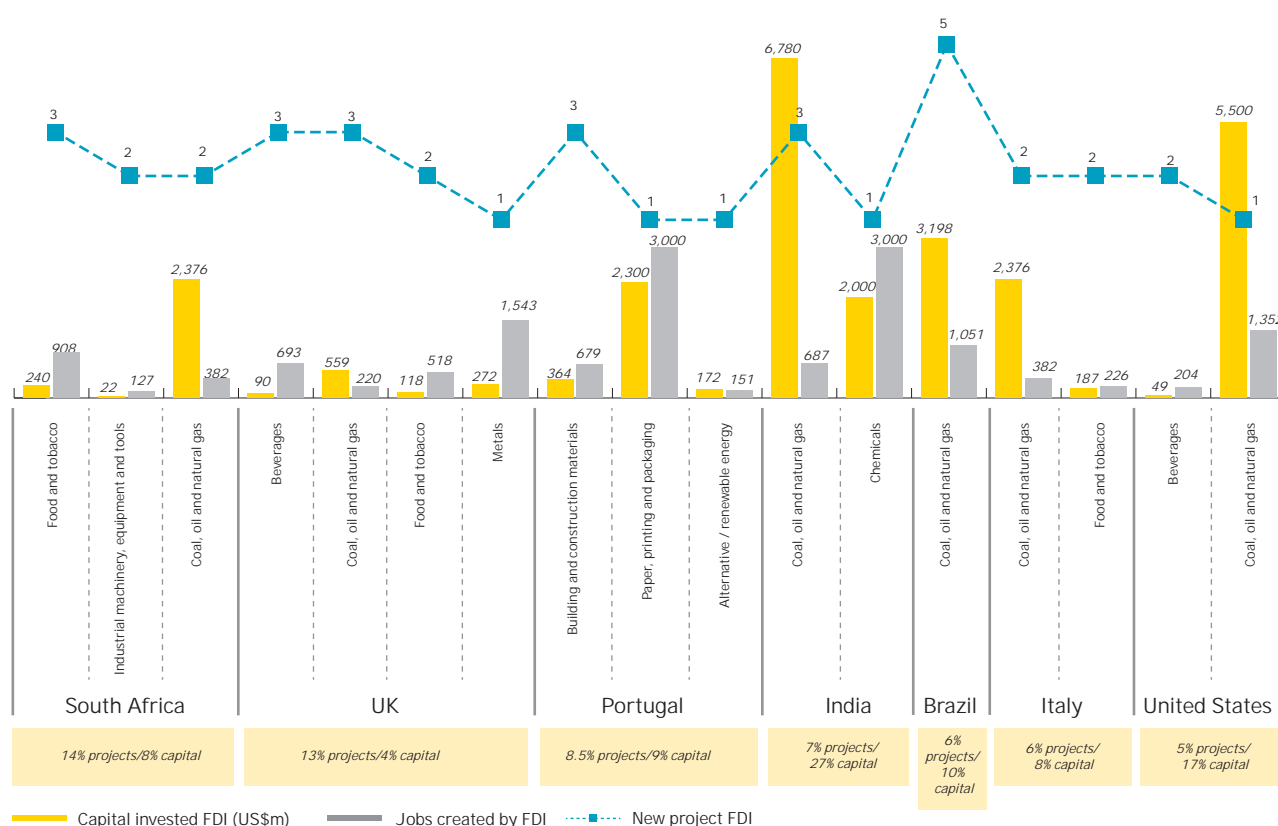


Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

Mozambique's top investors by their top sector FDI investments since 2007

Investor countries are ranked by most new projects 2007-12.

These top investors contribute to 59% of all project activity and 84% of capital invested into Mozambique since 2007.



Source: fDi Markets; EY analysis.

Mozambique's FDI outlook

| FDI outlook | | | | |
|-------------------------|------|------|------|--|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | | | | An abundance of natural resources, including coal, iron ore, and, in particular, natural gas – still relatively untapped – provides bright prospects for FDI. |
| Labor | | | | Relatively small working population. Literacy levels are low but expected to rise. |
| Market size | | | | A still small economy, but one experiencing sustained and rapid (near double-digit) growth. |
| Infrastructure | | | | The outlook for infrastructure is improving, with transport, power and communications infrastructure expected to expand significantly. |
| Bureaucracy | | | | Bureaucratic procedures still hinder business, but this trend is changing, with Mozambique among the world's 50 fastest-reforming economies since 2005. |
| Political environment | | | | There has been relative political stability since the end of the civil war in 1992. Although democratic elections were held in 2009, Mozambique remains a de facto one-party state. Presidential succession is an issue. |
| Overall outlook for FDI | | | | Natural resources will attract increasing levels of FDI, and the overall environment for doing business will continue to improve. |

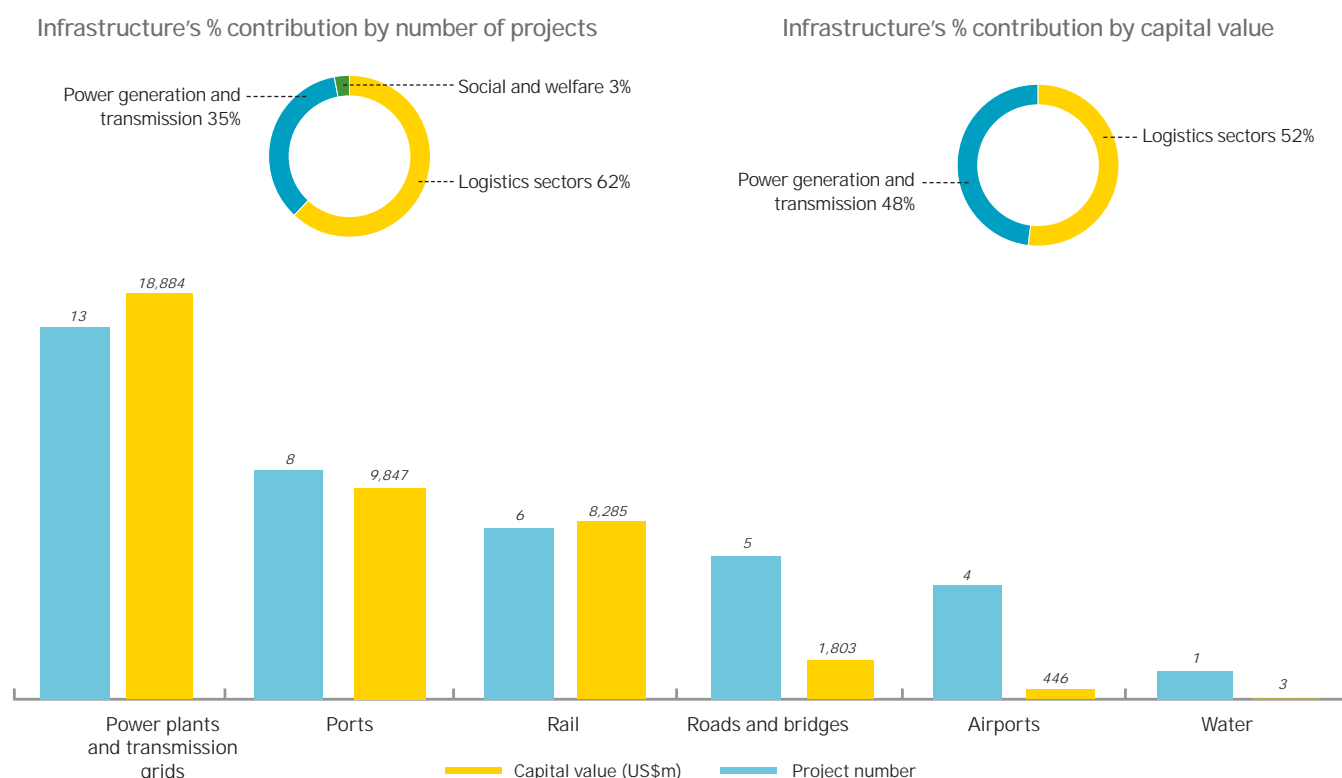
Very unattractive
Unattractive
Average
Attractive
Very attractive for FDI

Source: Oxford Economics; EY analysis

Mozambique's infrastructure project breakdown

Mozambique's active* infrastructure projects up to July 2013

Mozambique ranks 7th in Africa by number of projects and 5th by capital allocation.



*Active projects are categorized into three phases: 1. Conceptual to feasibility; 2. Financial closure to early implementation; 3. In progress and near completion.

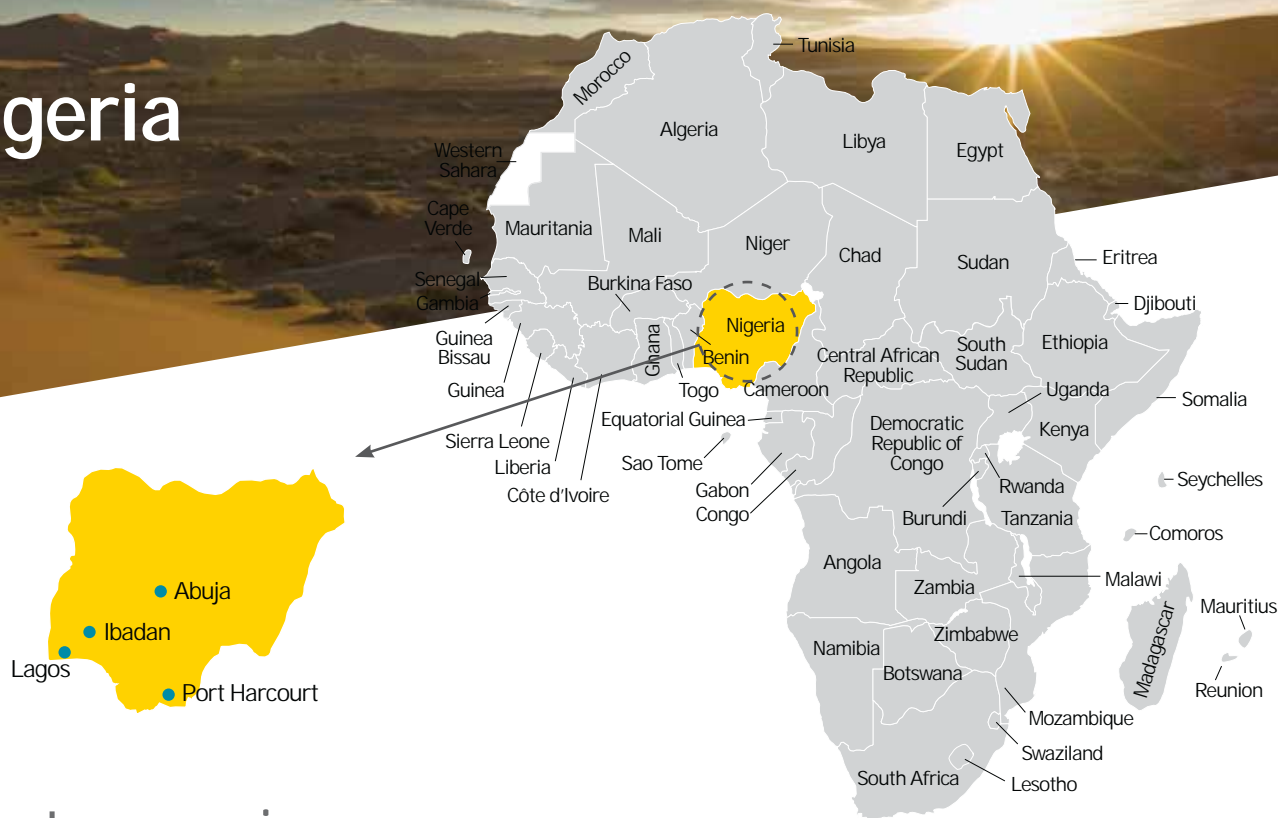
Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in Mozambique

| Project name | Capacity and time frame | Company involvement | Other details |
|--|--|--|---|
| Nacala Logistics Corridor Railway linking the Moatize mining project (Tete) to the port of Nacala. | <ul style="list-style-type: none"> The railway and deepwater port at Nacala will have an estimated capacity to handle 18Mtpa, with the potential to reach up to 30Mtpa with additional expansions In progress (brownfield); expected fully completed by 2015 | Brazilian major mining conglomerate <i>Vale</i> . Local subsidiary <i>Vale Mozambique</i> is in a majority-owned JV called <i>Corredor Logístico Integrado de Nacala</i> (CLIN) with local partner, the national port and railways authority, <i>Portos e Caminhos de Ferro de Moçambique</i> (CFM) who, is financier and owner of the project. The CLIN consortium also secured agreement from Malawi for the construction and operation of the 137km railway link through its borders. | <i>Vale</i> announced an investment of US\$4.5b to invest in this project, and upgrade the railway line and build a new coal terminal at the natural deepwater port of Nacala. Work has already begun on the Malawian portion of the railway line. <i>Vale Mozambique's</i> Moatize phase one currently has capacity to produce 11Mtpa (70:30 ratio of coking and thermal) and, within eight years output, is expected to rise to 22Mtpa under phase two, in line with the commissioning of the new rail route. |
| Maputo Ring Road & Maputo-Katembe Bridge Linking the Mozambican capital to the Marracuene district, and to Katembe over the Bay of Maputo. | <ul style="list-style-type: none"> The 74km ring road will have six dual carriageway sections; of this 52kms will be built from scratch, and the remaining 22kms will consist of rehabilitating and upgrading existing roads In progress (greenfield); the ring road is scheduled to take 30 months and finish in 2014 | Financed by the <i>China Exim Bank</i> , with the <i>China Road and Bridge Corporation</i> (CRBC) awarded the main EPC contract to both projects. | With a budget of US\$1.04b, US\$300m for the ring road will be funded by a credit line from the <i>China Export Import Bank</i> and the remaining US\$15m will be paid for from Mozambican state budget. The same arrangement is in place for the Maputo-Katembe Bridge Project, with 95% of the US\$681.6m financed by the <i>China Exim Bank</i> . It is estimated that up to 2,000 jobs will be created in the construction of the ring road, and 3,000 from the bridge, the vast majority for local citizens. |

Source: Africa Project Access, Business Monitor International; EY analysis.

Nigeria



Country overview

| Opportunity indicators | | Risk indicators | |
|---|-------------|--|-------|
| GDP (current) | US\$262.61b | Ease of doing business overall rank out of 184 countries (17th in Africa) | 131 |
| Population growth (annual) | 2.56% | Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean; ranked 38th in Africa) | 27 |
| Population (m) | 171.3 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 12th in Africa) | 5.7 |
| Mobile penetration (% of population with mobile access) | 58.58 % | Logistics Performance Index: overall rank out of 155 countries (25th in Africa) | 121 |
| Urban population (% of total) | 49.62 % | Democracy score (0=lowest, 10=highest) | 4 |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 5.38 % | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 43 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 6.62 % | Perceptions of governance - rule of law: percentile rank (0=lowest, 100=highest) | 25.82 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$2,652 | Perceptions of governance - regulatory quality: percentile rank (0=lowest, 100=highest) | 20 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 2 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 3.2 |
| Literacy rate (total population %) | 61.3 % | Corporate maximum tax rate (%) | 30% |

Source: The World Bank; OECD National Accounts; United Nations Population Division & World Urbanization Prospects; Oxford Economics; ITU International; Transparency International; International Bank for Reconstruction and Development; Polity IV Project; Mo Ibrahim Index of African Governance; Worldwide Governance Indicators; WEF Global Competitiveness Report; Worldwide Corporate Tax Guide



Henry Egbiki
EY West Africa Regional Leader

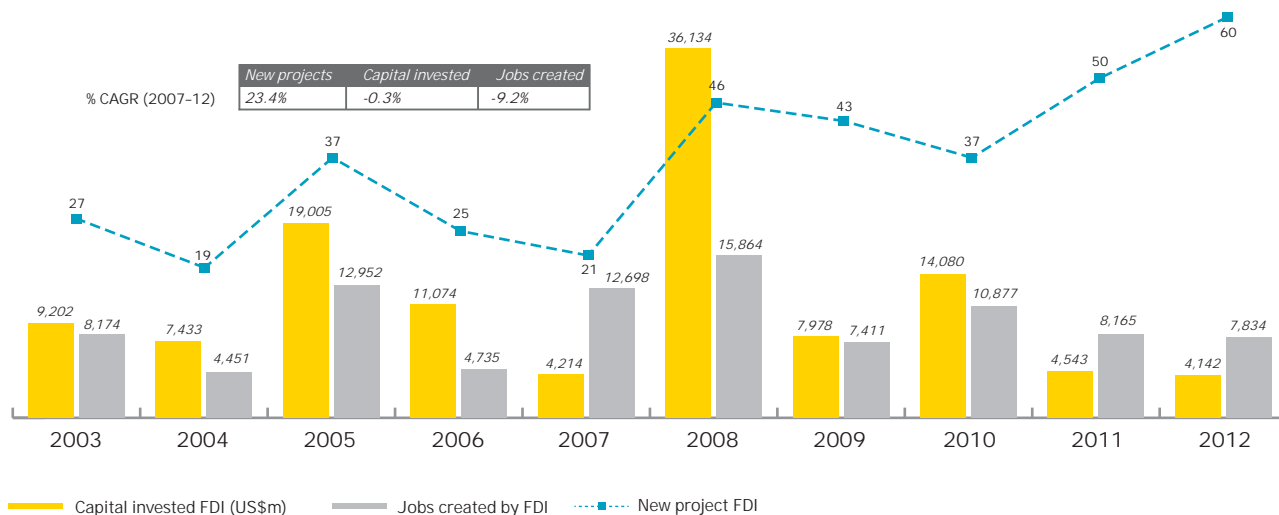
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FDI trends in Nigeria

Nigeria's inflow of investment of FDI since 2003

Nigeria received 6% of Africa's total FDI for new projects and 11% of capital invested since 2007.

Nigeria has seen strong compound growth of 23% since 2007. Even as capital declined over threefold since 2010, project growth almost doubled. The large bulk (72%) of all capital invested is allocated toward resources, which also attracts 15% of all projects.

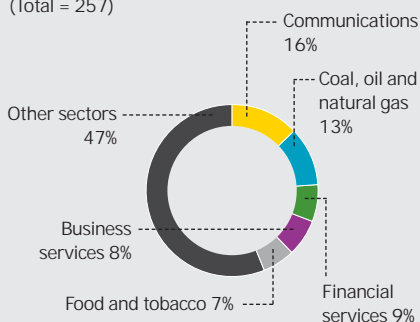


Top sectors

Non-resource project investments are diverse, a quarter of which focus on infrastructure build, as well as manufacturing activity of consumer goods. Communications and professional services sectors alone attracted one-third of project investment since 2007.

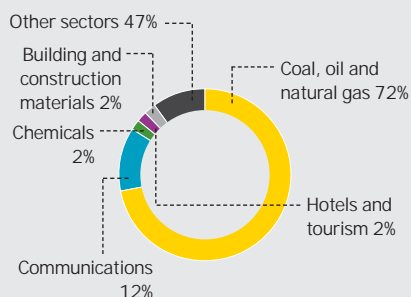
Nigeria's investment into top sectors (2007-12) by most projects

(Total = 257)

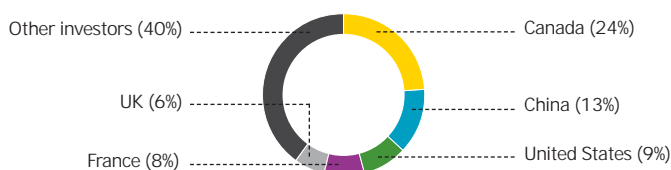


Nigeria's investment into top sectors (2007-12) by most capital invested

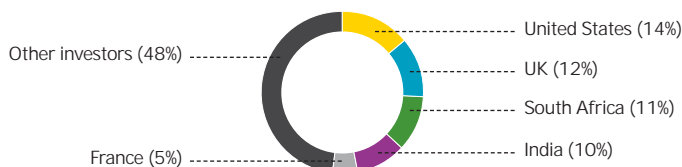
(Total = US\$71,090m)



Nigeria's top 5 investors for FDI capital invested since 2007 (total = US\$71,090m)



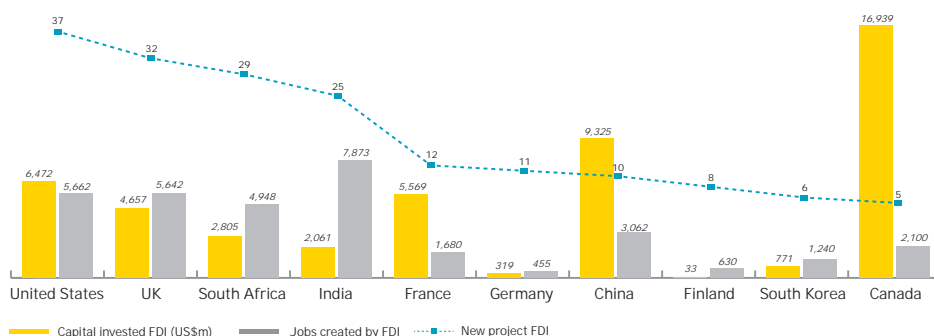
Nigeria's top 5 investors for FDI new projects since 2007 (total = 257)



Nigeria's top 10 project investors since 2007

Countries are ranked by most new projects (2007-12).

Most of the top investors have directed the bulk of their capital into petroleum – of which half has been allocated toward electricity generation, and the balance split between manufacturing and extraction. South Africa and India, however, are not resource-heavy investors, instead shifting their capital into communications infrastructure and manufacturing.

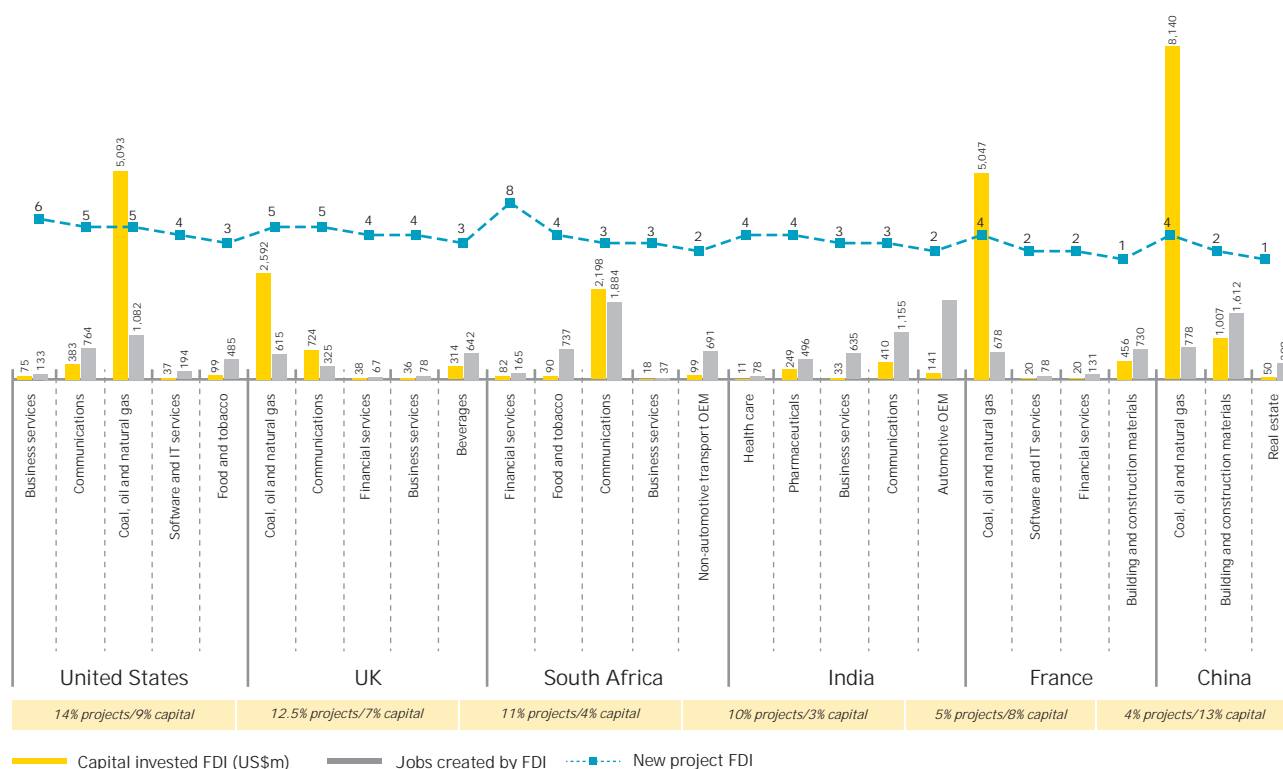


Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

Nigeria's top investors by their top sector FDI investments since 2007

Investor countries are ranked by most new projects 2007-12.

These top investors contribute to 56% of all project activity and 44% of capital invested into Nigeria since 2007.



Source: fDI Markets; EY analysis.

Nigeria's FDI outlook

| FDI outlook | | | | |
|-------------------------|------|------|------|---|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | | | | Nigeria's oil and gas sector attracts a large proportion of total FDI, and its oil reserves will continue to attract substantial capital. |
| Labor | | | | A rapidly growing working population, but relatively low levels of education remains a hindrance. |
| Market size | | | | Largest population and second-largest economy in the region, with rising GDP per capita levels, makes this an increasingly attractive consumer market. |
| Infrastructure | | | | Remains a challenge, but improvements have been made over previous decade, and there is a substantial number of currently active infrastructure projects. |
| Bureaucracy | | | | Significant levels still remain, which hinders economic activity. However, Government is increasingly open for business. |
| Political environment | | | | Democratic institutions and processes have improved substantially, but social tensions remain a concern. |
| Overall outlook for FDI | | | | Natural resources and a growing consumer market are strong pull factors for FDI. Investment in infrastructure and improvements in the overall business environment will boost FDI levels going forward. |

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

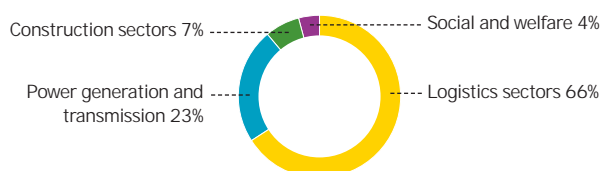
Source: Oxford Economics; EY analysis

Nigeria's infrastructure project breakdown

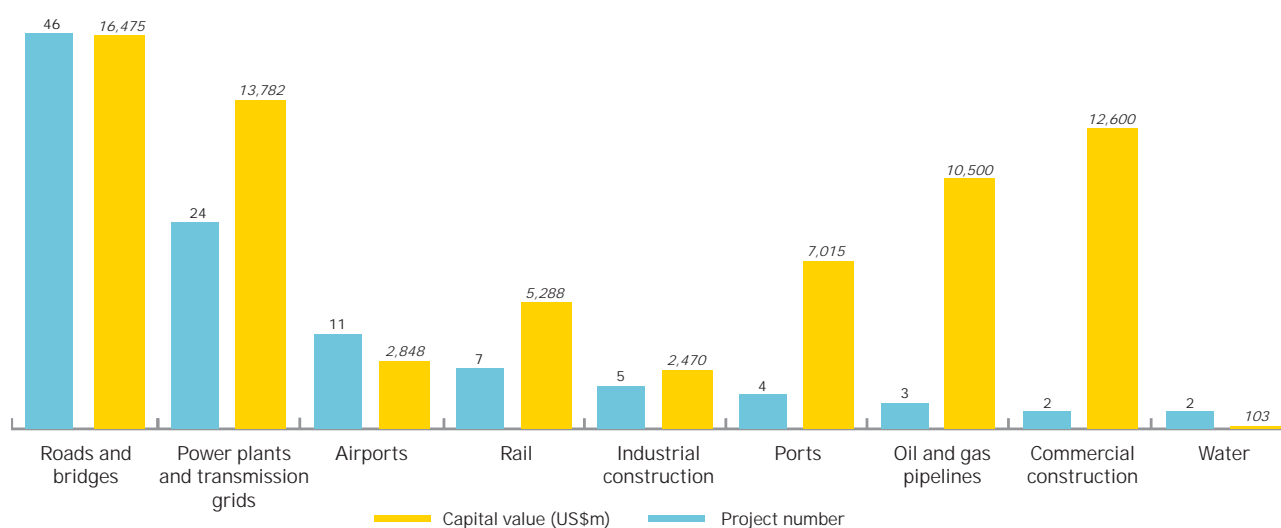
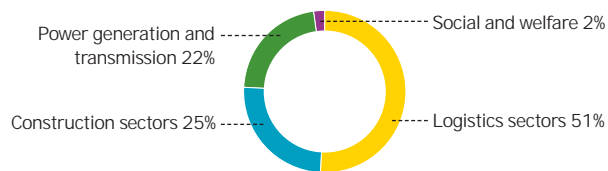
Nigeria's active* infrastructure projects up to July 2013

Nigeria ranks 2nd in Africa by number of projects and 2nd by capital allocation.

Infrastructure's % contribution by number of projects



Infrastructure's % contribution by capital value



*Active projects are categorized into three phases: 1. Conceptual to feasibility; 2. Financial closure to early implementation; 3. In progress and near completion.

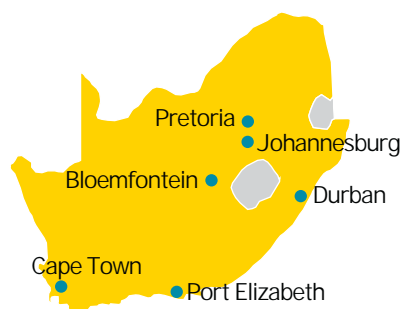
Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in Nigeria

| Project name | Capacity and time frame | Company involvement | Other details |
|--|---|--|--|
| Lagos Rail Mass Transit (PPP) Project Sponsored by the Lagos Metropolitan Area Transport Authority (LAMATA). | <ul style="list-style-type: none"> Phase one: the 27.5km Blue Line from Marina to Okokomaiko; LAMATA's has envisioned a long-term plan of seven lines Completion of phase one is pushed out to end-2015 | The <i>China Civil Engineering Construction Corp.</i> (CCECC) is the main EPC contractor on phase one. The project is sponsored by the <i>Lagos State Government</i> (LSG) and will be developed by LAMATA on behalf of LSG. | This modern rail-based public transport system is the first of its kind in SSA outside of RSA. The railway equipment, including signaling, rolling stock and fare collection equipment, will be provided by the private sector. The project is also responsible for generating its own electricity. Detailed design and surveying for the entire project has been completed. |
| Abuja-Kaduna Rail Modernisation (PPP) Project Upgrading to standard gauge. | <ul style="list-style-type: none"> 186km rail modernization network will result in a track with 36 bridges and 9 fully developed stations In progress (brownfield); completion expected in 2014 | <i>China Exim Bank</i> is providing a US\$500m concessionary loan, the remaining US\$374m comes from the <i>Federal Government of Nigeria</i> . <i>China Civil Engineering Construction Corporation</i> (CCECC) was awarded the main EPC contract. | Track laying for the single standard gauge line was officially launched in July 2013. The railway modernization initiative in Nigeria aims at replacing the existing narrow gauge system with the wider standard gauge system, while allowing high-speed train operations on the railway network. |
| Geregu II Gas-Turbine Power Plant Located in Ajaokuta, Kogi State. | <ul style="list-style-type: none"> 434 MW The plant was turned over on schedule in mid-2013 | <i>Siemens</i> won the turnkey EPC contract to build the power station for the <i>Nigerian utility Niger Delta Power Holding Company</i> (NDPHC). | The project was commissioned under the National Integrated Power Project (NIPP) plan. Geregu II is now the third gas-turbine power plant to be constructed by Siemens in Nigeria as a turnkey project. By 2020, Nigeria plans to increase the country's generation capacity by five to eightfold from its current level of approximately 5 gigawatts (GW). |

Source: Africa Project Access, Business Monitor International; EY analysis.

South Africa



Country overview

| Opportunity indicators | | Risk indicators | |
|---|-------------|--|-------|
| GDP (current) | US\$384.31b | Ease of doing business overall rank out of 184 countries (2nd in Africa) | 39 |
| Population growth (annual) | 0.47% | Transparency International Corruption Perceptions Index (0=highly corrupt, 100=very clean; ranked 9th in Africa) | 43 |
| Population (m) | 51 | Strength of investor protection index (0 =unfavorable, 10=favorable; ranked 1st in Africa) | 8 |
| Mobile penetration (% of population with mobile access) | 126.83% | Logistics Performance Index: overall rank out of 155 countries (1st in Africa) | 23 |
| Urban population (% of total) | 61.99% | Democracy score (0=lowest, 10=highest) | 9 |
| Real GDP growth (compound average growth rate): 5-year forecast (2018) | 4.12% | Mo Ibrahim Index of African Governance (rank out of 52 countries) | 5 |
| Real GDP growth (compound average growth rate): 10-year historical (2003) | 3.4% | Perceptions of governance – rule of law: percentile rank (0=lowest, 100=highest) | 80.75 |
| GDP per capita (US\$): 5-year forecast (2018) | US\$11,461 | Perceptions of governance – regulatory quality: percentile rank (0=lowest, 100=highest) | 79 |
| Country wealth (1=low income, 2=lower middle, 3=upper middle, 4=high income (non-OECD), 5=high income (OECD)) | 3 | Quality of overall infrastructure (1=extremely underdeveloped, 7=extensive and efficient by international standards) | 4.5 |
| Literacy rate (total population %) | 86.4% | Corporate maximum tax rate (%) | 28% |

Source: The World Bank; OECD National Accounts; United Nations Population Division & World Urbanization Prospects; Oxford Economics; ITU International; Transparency International; International Bank for Reconstruction and Development; Polity IV Project; Mo Ibrahim Index of African Governance; Worldwide Governance Indicators; WEF Global Competitiveness Report; Worldwide Corporate Tax Guide



Ajen Sita
EY Country Leader and
Africa Chief Executive Officer

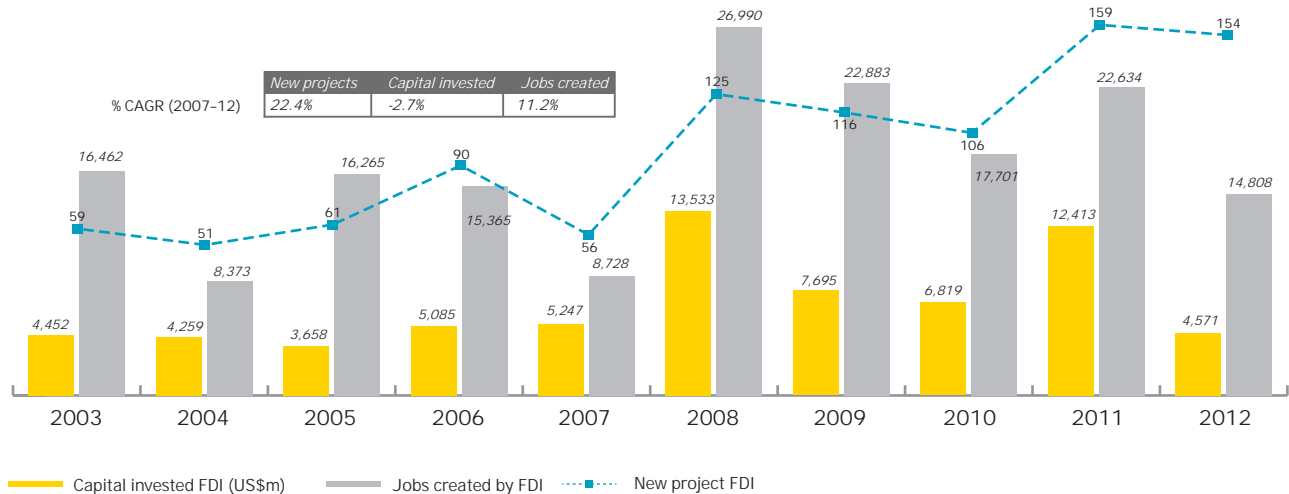
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FDI trends in South Africa

South Africa's inflow of investments of FDI since 2003

South Africa received 16.4% of Africa's total FDI for new projects and 8% of capital invested since 2007.

As Africa's leading investment destination by project activity, South Africa has seen robust compound growth of 22% in projects since 2007. The resource sector remains important, attracting 40% of all capital investments and 11% of projects. Customer-facing service sectors, however, attract the most significant levels of inbound FDI. South Africa is also one of the leading sources of FDI into other parts of Africa.

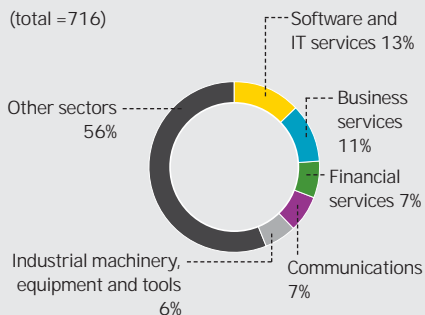


Top sectors

Software and IT, communications and professional services account for 78% of all projects and 17% of capital. As non-resource sectors, renewable energy, communications infrastructure, and automobiles (manufacturing mostly) all attract large physical investments and contribute to 16% of projects. The resource sector's activity is mostly extractive based, both by capital and projects.

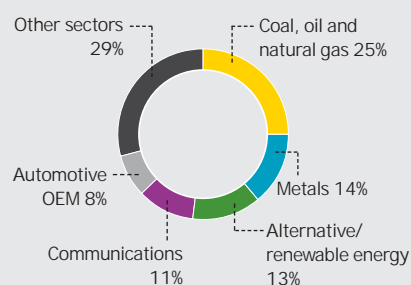
South Africa's investment into sectors (2007-12) by most projects

(total = 716)

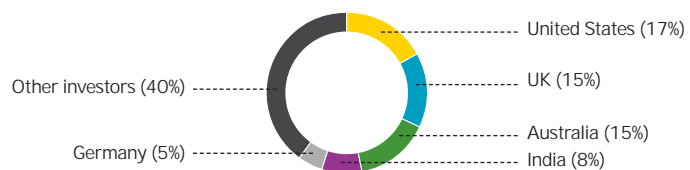


South Africa's investment into sectors (2007-12) by most capital invested

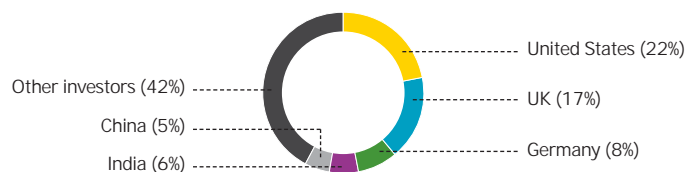
(total = US\$50,278m)



South Africa's top 5 investors for FDI capital invested since 2007 (total = US\$50,278m)



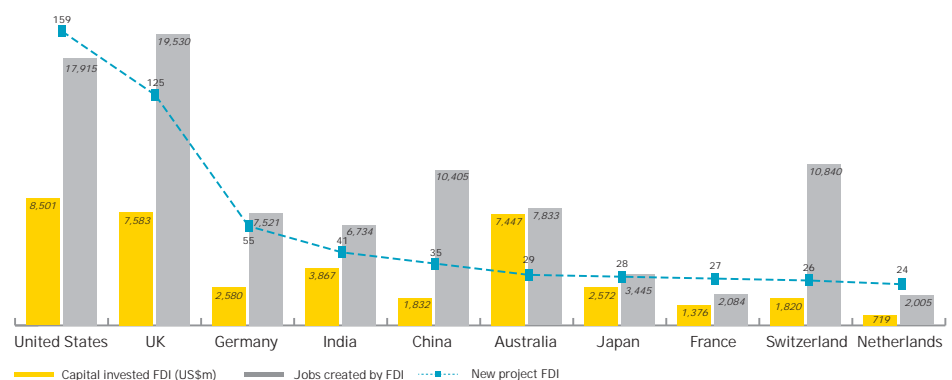
South Africa's top 5 investors for FDI new projects since 2007 (total = 716)



South Africa's top 10 project investors since 2007

Countries are ranked by most new projects (2007-12).

The US and UK together contribute to 40% of all project investments and 32% of capital. In all, the top 5 investors collectively make up 58% of all projects. A wide and diverse spread of sectors attracts investments led mainly by marketing, support and professional services, as well as manufacturing activity.

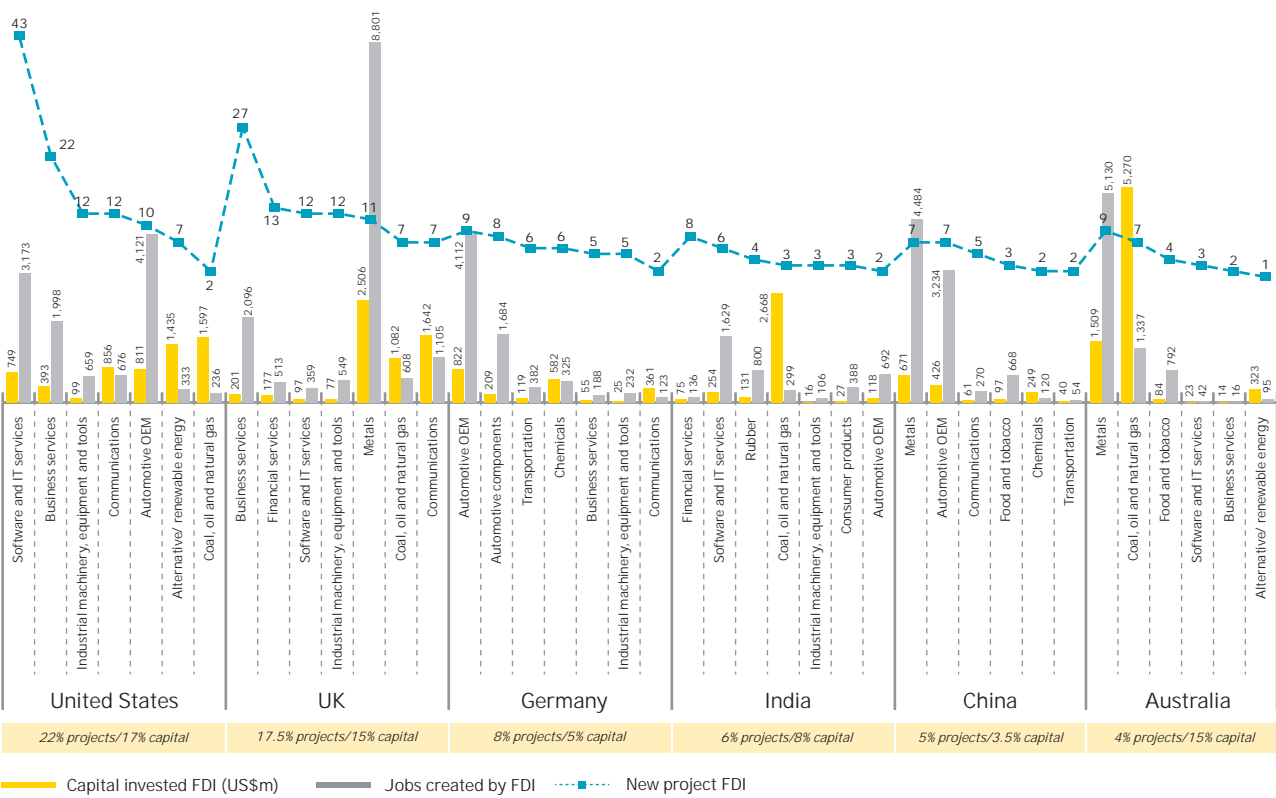


Source: All diagrams on this page have been sourced from fDI Markets and EY analysis.

South Africa's top investors by their top sector FDI investments 2007-12

Investor countries are ranked by most new projects.

These top investors contribute to 62% of all project activity and 63% of capital invested into South Africa since 2007.



Source: fDI Markets; EY analysis.

South Africa's FDI outlook

| FDI outlook | | | | |
|-------------------------|------|------|------|--|
| | 2000 | 2013 | 2018 | Comments |
| Natural resources | | | | Minerals and fossil fuel reserves will continue to attract investors. |
| Labor | | | | Relatively high skills levels make the SA market attractive, but the rigidity of the labor market is a deterrent. |
| Market size | | | | The largest economy in the region with a relatively big population that has comparatively high spending power (per capita GDP is substantially higher than China or India). |
| Infrastructure | | | | Very good logistics infrastructure and a substantial portfolio of active infrastructure projects. However, challenges do remain, particularly in the power sector. |
| Bureaucracy | | | | The business regulatory environment is fairly positive, with SA ranking 39th in the World Bank's Doing Business Index (the highest ranked of the BRICS). |
| Political environment | | | | SA has a relatively positive ranking across most democracy and governance indices, and the political situation is stable. There is a risk of growing social unrest if the rate of unemployment is not tackled more successfully. |
| Overall outlook for FDI | | | | SA's diverse economy, market size and stability will continue to attract FDI. Outward FDI flows into the rest of the region will also continue to grow, helping stimulate development beyond SA. |

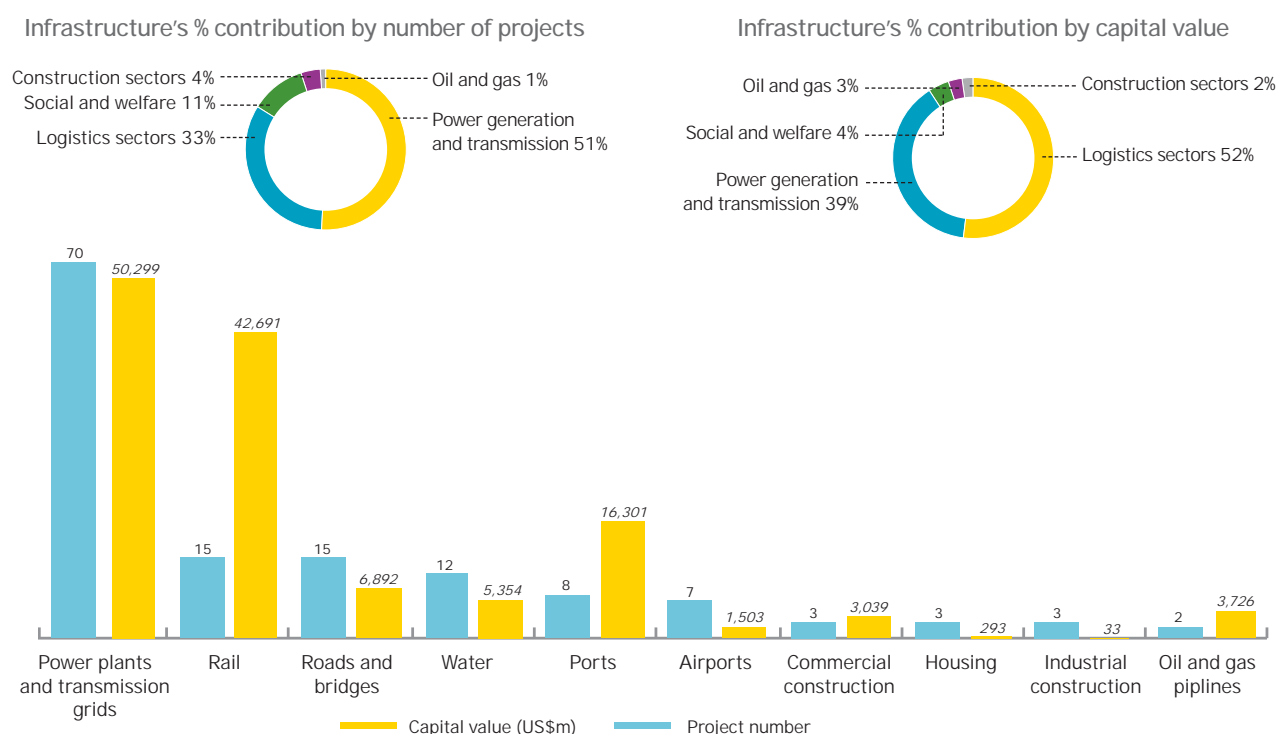
Very unattractive
 Unattractive
 Average
 Attractive
 Very attractive for FDI

Source: Oxford Economics; EY analysis

South Africa's infrastructure project breakdown

South Africa's active* infrastructure projects up to July 2013

South Africa ranks 1st in Africa by number of projects and 1st by capital allocation.



*Active projects are categorized into three phases: 1. Conceptual to feasibility; 2. Financial closure to early implementation; 3. In progress and near completion.

Source: Africa Project Access, Business Monitor International; EY analysis.

Examples of some active infrastructure projects in South Africa

| Project name | Capacity and time frame | Company involvement | Other details |
|---|--|---|--|
| Ingula Dam Pumped-Storage scheme On the border between the Free State and Kwa-Zulu-Natal. | <ul style="list-style-type: none"> 1,332 MW In progress; the project is scheduled to come on line during 2013-14 | <i>Eskom</i> (South Africa's national utility) has awarded its dam contract to the joint venture of <i>Concor-WBHO-Edwin-Silver Rock</i> , trading as <i>Braamhoek Dams</i> (South Africa). | Ingula will be the largest scheme of its kind in Africa and the 19th largest in the world. There is currently about 4,500 people working on site during the construction phase, which will drop down to 150 when the dam becomes fully operational. |
| South Africa-Swaziland Rail Line From Lothair in South Africa to Sidvokodvo in Swaziland. | <ul style="list-style-type: none"> 146km railway line with an initial yearly capacity of 15 million tons of general freight The rail is scheduled to be commissioned in 2016 | <i>Transnet</i> (South Africa) and <i>Swazi Rail</i> (SR) (Swaziland) will both provide guarantees for the Lothair-Sidvokodvo link; with support funding most likely to come from local and international commercial banks and development finance institutions. A total cost of the project, with associated feeder links to be upgraded, is estimated at US\$1.7b, with a 70:30 split in funding contributions from <i>Transnet</i> and <i>Swazi Rail</i> . | The existing links of 108kms from Davel to Lothair in South Africa, and the 345kms Sidvokodvo in Swaziland to Richards Bay line, as well as the 154kms Phuzumoya in Swaziland to Maputo line will also require upgrading. The link will divert general freight currently being moved on the Ermelo-Richards Bay line through Swaziland and, in doing so, increase the capacity of South Africa's coal channel from Mpumalanga out to the Richards Bay Coal Terminal (RBCT) to an estimated 91 million tons. |
| MetroWind Van Stadens Wind Farm Nelson Mandela Bay Municipality in the Eastern Cape Province. | <ul style="list-style-type: none"> 27 MW - this project is expected to provide 80 million KWh/year In progress (greenfield) since June 2012, expected to be operational by year end 2013 | Owned by <i>MetroWind (Pty) Ltd.</i> (South African company with 35% BEE ownership and 5% by the local community trust) secured private sector funding of about US\$66m. Clients are: the <i>Nelson Mandela Bay Municipality</i> , <i>National Energy Regulator of South Africa</i> and the national utility <i>Eskom</i> . The main EPC contract was awarded to local firm <i>Basil Read Matomo</i> . Turbines were supplied by <i>Sinovel Wind Group</i> (China). | <i>MetroWind (Pty) Limited</i> is a special purpose vehicle (SPV) company formed for the express purpose of developing the Van Stadens Wind Farm project, as well as for preparation and submission of the bid in response to the <i>Department of Energy's</i> (DOE) request for proposals for its <i>Renewable Energy Independent Power Producer</i> (REIPP) procurement program. The <i>DOEs</i> Integrated Resources Plan (IRP) seeks to increase overall contribution of new renewable energy generation to 17,800 MW by 2030 - some 42% of all new generation. |

Source: Africa Project Access, Business Monitor International; EY analysis.

EY in Africa



Africa Business Center™

We help companies navigate the opportunities and challenges of doing business across the African continent. Although the risks in investing in Africa may appear high, risk can be managed, and the rewards can be great. That is why we are investing in growing our integrated Africa presence and capacity to serve our clients who are also investing in and across the continent.

We now enjoy an integrated representation in 33 countries across Africa, described in the media as “one of the biggest changes in the accounting profession in more than 100 years.”

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- The unique Growing Beyond Borders™ software – an interactive map-based tool that visually maps data through the lens of the continent's geography
- A proven methodology for supporting the development of growth strategies for Africa

Our integrated African footprint





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Invest in Africa: a better way of working in Africa



Invest in Africa is a growing group of international companies working together to address the cross-sector challenges of doing business in Africa and promoting sustainable investment into the continent.

These cross-sector challenges include access and visibility of credible local suppliers and partners, free trade and movement of goods through ports and access to permits, licenses and talent. Creating solutions through one 'Invest in Africa' voice ensures that we prevent repetition of effort and make our work more impactful.

At present, Invest in Africa is focused on supporting local businesses by providing greater access to finance, skills and markets; making it easier for international companies working in Africa to source locally and at scale.

We are working together to strengthen the supplier market by collating information and contacts to create a new resource for investors, helping them choose the best businesses to partner with and the best local suppliers to do the job. Our immediate focus is on businesses in the infrastructure, telecommunications, extractives, agribusiness and financial services sectors, with Ghana as our initial priority market.

Launched in 2012 by Tullow Oil Plc, Invest in Africa has since partnered with EY, Lonrho Plc and Ecobank, and continues to develop its membership base with companies who share the vision of responsible investment and building partnerships with local firms to help improve the wider business environment.

Our united approach means that companies working in Africa can overcome the business challenges they face and drive cross-sector growth for the benefit of all.

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