



RESEARCH WITH GLOBAL OPINION LEADERS
Informed Investors
Can Prosper In Africa

An overwhelming majority of opinion leaders surveyed ahead of the 2015 World Economic Forum (WEF) in South Africa are upbeat about the investment prospects for the continent in the near term, even though half continue to view Africa as a risky investment destination.

88% of investors are upbeat about investment outlook for next 12 months, according to new research released by FTI Consulting.

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*East and West Africa top destinations for investment:
 Telecommunications, infrastructure projects likely to dominate:
 M&A activity will continue to increase.*”

FTI Consulting’s survey of opinion leaders who attended the WEF in Nigeria in 2014 and are planning to attend the South Africa conference this year identified East and West Africa as the most promising regions for investors. They see telecommunications and infrastructure projects as likely to be the most valuable investment targets. A majority also expect an increase in M&A activity.

At the same time, both business leaders and African governments have work to do to make the continent more attractive to investors. Respondents said businesses need to become more effective communicators and African governments should be more realistic about what investments can achieve.

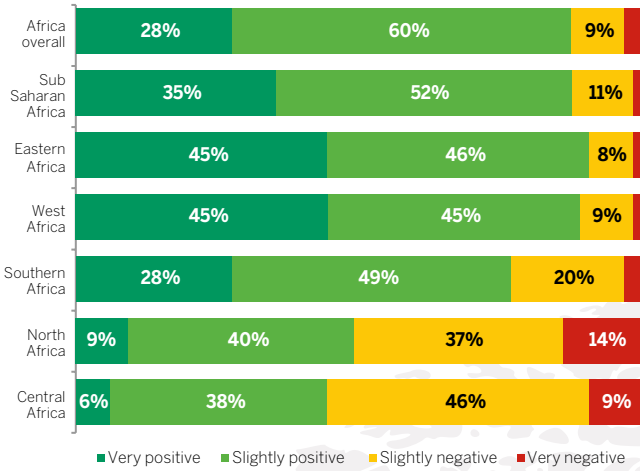
A more bullish outlook, with some caveats

Opinion leaders take an overwhelmingly upbeat view of the investment prospects for Africa, with 88 percent expressing optimism about the continent’s investment outlook for the next 12 months (Graph 1). Majorities of those surveyed were positive about the prospects for every region of the continent with the exception of North Africa and Central Africa, where only 49 percent and 45 percent, respectively, were bullish about investment activity over the next year.

Outlook for Investment Activity across Africa

Graph 1

Q. What is your general outlook for investment activity in the following locations over the next 12 months?



To be sure, given the scale of challenges facing the continent and the inherent geopolitical and economic dangers, seven out of ten respondents remain cautious about making an unequivocal commitment to Africa, a number that has changed little from 2014. Nearly half of those surveyed (49 percent) said they view business opportunities on the continent as “important but risky”, down only slightly from the 52 percent who gave a similar answer last year. Just a third of respondents see Africa as essential to strategic growth, up from 30 percent in 2014, while the remainder say they are watching developments, but remaining on the side-lines for now, similar to a year ago.

“*Business leaders need to better communicate their contribution to economic stability and development*”

Communications, Infrastructure and M&A lead the way

While close to 90 percent of the opinion leaders FTI Consulting surveyed see an increase in all categories of investment in Africa over the next 12 months (Graph 2), respondents are most bullish about a rise in investment projects relating to next generation communications, such as fibre and mobile broadband networks (96 percent) and traditional infrastructure, such as transport, energy, schools and hospitals (90 percent).

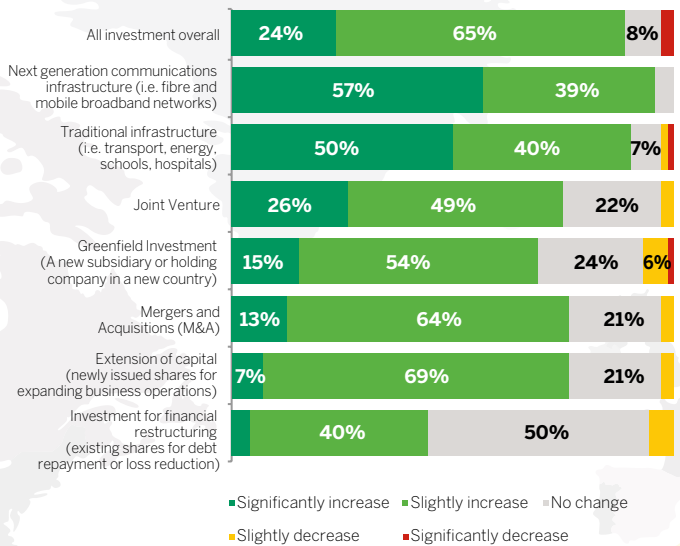
When asked where they would most like to see increased investment, however, the largest number of respondents opted for agriculture and farming (74 percent, up from 60 percent in 2014), followed by energy and utilities (67 percent) and transportation and logistics (61 percent).

More than three-quarters of those surveyed (76 percent) expect an uptick in mergers and acquisitions in Africa. Although an identical percentage thinks this increase in the transaction pipeline is most likely to come from multinationals outside Africa, half of respondents expect a large proportion of deals to be intra-African in origin.

Investment into Africa

Graph 2

Q. Which of the following types of investment into Africa is expected to change over the next 12 months?



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As already noted, opinion leaders were optimistic about the outlook for most parts of Africa to benefit from increased investment, with East Africa (91 percent) and West Africa (89 percent) perceived as having the best prospects. When asked to name individual countries that are likely to act as gateways for investment in Africa within the next five years, majorities of respondents clearly identified three of the continent’s fastest growing economies: Nigeria (76 percent), South Africa (60 percent) and Kenya (56 percent).

Business has a role to play in improving the investment climate...

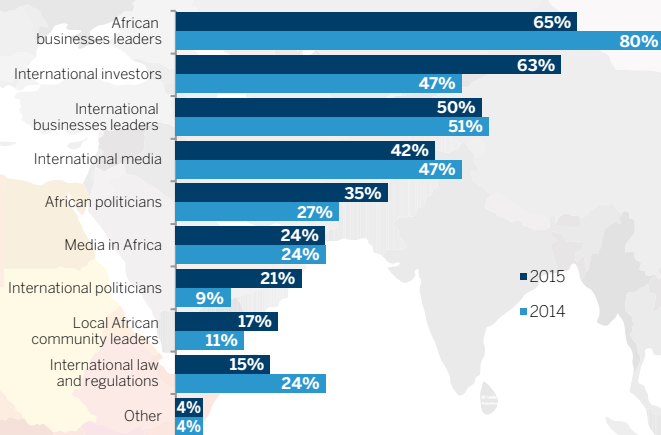
While investors see strong opportunities to increase investment in Africa, the high levels of respondents sounding a note of caution suggests that there is significant room to improve the investment climate on the continent. In particular, opinion leaders believe that business leaders need to become more effective communicators and that African governments need to both provide greater support and be more realistic about what investment can achieve.

Respondents' views about which groups are most effective at encouraging investment in Africa are evolving. Nearly two-thirds (65 percent) still say African business leaders are the most effective at attracting the investment needed to boost their economies, down from 80 percent in 2014 (Graph 3), compared with just 35 percent who are similarly confident about the ability of African politicians to help attract investment. Meanwhile, the number seeing international investors as the most able has risen to 63 percent from 47 percent a year ago.

Encouraging Investment into Africa

Graph 3

Q. To the best of your knowledge, which of the following groups are particularly effective at encouraging the right sort of investment into Africa to help boost the economy and benefit to society?



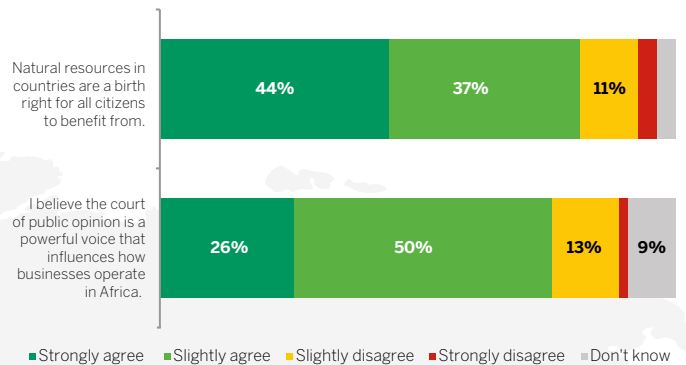
At the same time, six out of ten survey respondents believe businesses aren't adequately communicating their contribution to economic stability and development, nor are they conveying the importance of greater transparency in legal systems and tax and royalty payments to governments. Similar numbers agree that business leaders could do more to emphasize the importance of government spending in areas that will help lift living standards. Seven out of ten of those surveyed also believe companies operating in Africa should make local engagement a greater priority.

Opinion leaders are also apparently re-evaluating some of their own views on investment in Africa, with 76 percent now agreeing that the court of public opinion has influence over how businesses operate on the continent, up from 62 percent in 2014 (Graph 4), even while the number of those agreeing that natural resources are a birth right for all of a country's citizens to benefit from has fallen to 81 percent from 93 percent.

Opinions on Natural Resources & Influence of Public Opinion

Graph 4

Q. How strongly do you agree or disagree with the following statements?



But governments will need to do their part

Survey respondents also have identified a number of ways in which they believe governments themselves could create a more favourable business environment, with nine out of ten highlighting government support for investment and 96 percent citing better availability of public-private partnership opportunities as two of the most critical areas. When it comes to government policies, opinion leaders say the most important areas for African leaders to concentrate on are tackling corruption (85 percent), improving infrastructure (83 percent) and increasing employment for their populations (75 percent) (Graph 5).

Host governments should modify their expectations and support investment to improve business climate

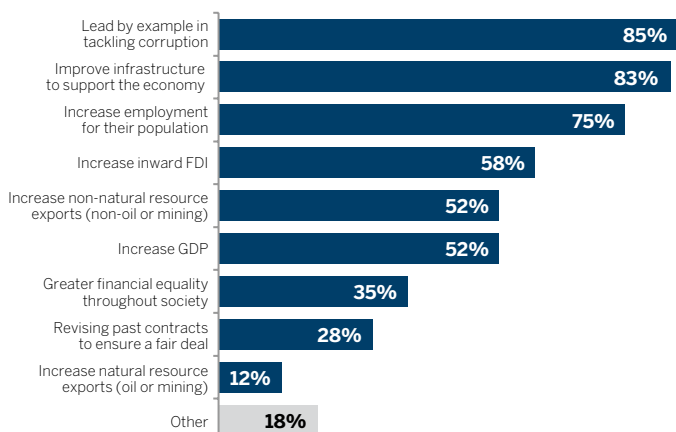
Meanwhile, nearly three-quarters (74 percent) of those surveyed say host government expectations of investment can be unreasonable, although this number has fallen slightly from 79 percent in 2014. More than nine in ten say these expectations and those of local communities help contribute to tension among stakeholders and complicate the process of doing business in Africa.

Perhaps as a result, the number of respondents expecting an increase in the amount of contract arbitration between governments in Africa and private enterprises over the next year is unchanged from 2014 at 56 percent. A willingness on the part of governments to work more closely with business leaders could help mitigate disputes earlier on.

Focus Areas for Leaders of African Countries

Graph 5

Q. Which of the following do you consider is particularly important for leaders of African countries to concentrate on?



RESEARCH METHODOLOGY

This research was conducted online by the Strategy Consulting & Research team at FTI Consulting from 15th to 20th May 2015, involving n=78 opinion leaders on Africa attending the World Economic Forum, South Africa in June 2015. For more information on the research methodology: market-research@fticonsulting.com

Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%.

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Summary

Although opinion leaders continue to place a high value on business opportunities in Africa, those responding to the FTI Consulting survey clearly see further work to be done in making the continent a comfortable and attractive investment destination.

A greater willingness on the part of business leaders to make a better case for the value of their investments will be one key element of this process. Yet, greater cooperation between business and government leaders, and stronger support for investors from local leaders on the ground can help bring all stakeholders on board and improve the flow of investment.