

# CONFIDENCE IN THE CONTINENT

RESEARCH WITH  
OPINION LEADERS  
ON INVESTMENT  
SENTIMENTS IN  
**AFRICA**, APRIL 2016



---

CRITICAL THINKING  
AT THE CRITICAL TIME<sup>TM</sup>

## KEY RESULTS

**FTI Consulting's third annual survey ahead of the World Economic Forum's 2016 African summit** builds on the findings of previous years, examining the ways in which opinion leaders perceive general risk and appetite for investment in the continent and discusses the drivers and sectors for continued commitment and development.

Overall, while the international business community stills displays appetite for exploring business opportunities in Africa, perceptions of risks have grown by 10% in one year, and the essentiality of Africa in strategic growth has declined by one third.

The top three barriers perceived as holding back the international community from considering Africa as essential to strategic growth [political instability (61%), red tape and bureaucracy (57%), risks of breaching bribery and corruption regulations (56%)] may be directly influenced by regional authorities and national governments' ability to develop and maintain good governance, with security and terrorist threats ranked closely behind; 51% of respondents rating these as obstacles to developing their footprint in African markets.

However, while Africa is not immune to the global issues of security and macro-economic uncertainty, there is an emerging trust in its business community, with two thirds of respondents identifying African business leaders as the most effective at encouraging the right sort of investments into Africa to help boost the economy and benefit to society. Concurrent with our 2015 results, respondents have reiterated that businesses need to become more effective communicators and that African governments should be more realistic about what investments can achieve.

### VIEWS ON BUSINESS OPPORTUNITIES IN AFRICA

Q. Generally speaking, how do you think the international business community views business opportunities in Africa? (Please select one response)

2015  
**33%**

ESSENTIAL TO STRATEGIC GROWTH

2016  
**21%**

2015  
**49%**

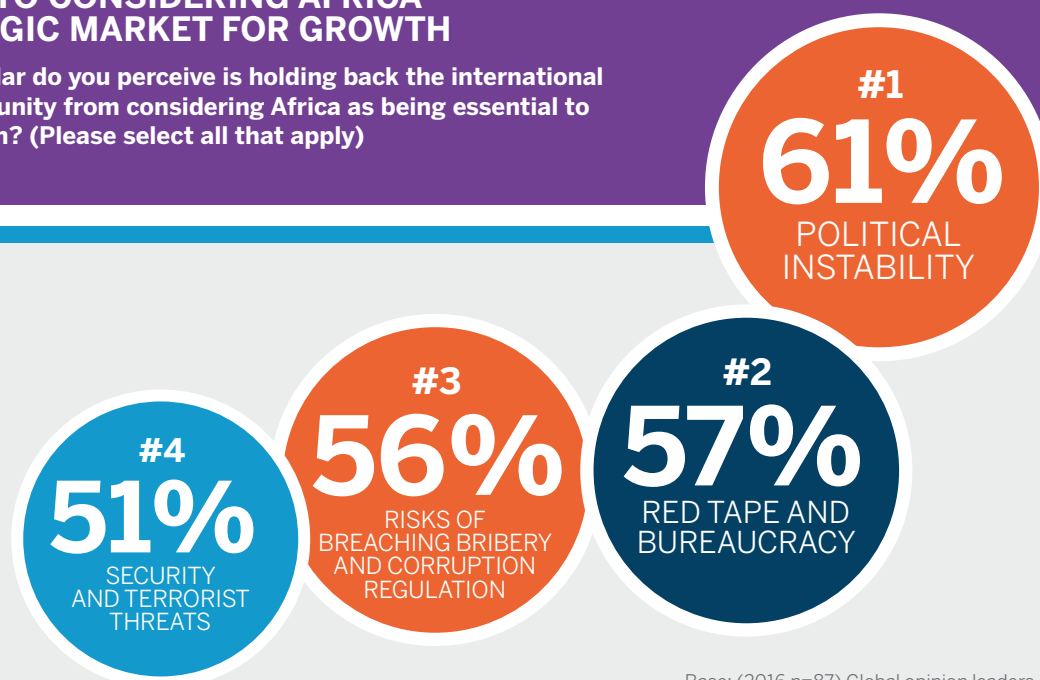
IMPORTANT BUT RISKY

2016  
**59%**

Base: (2016 n=87) (2015 n=78 ) Global opinion leaders on Africa

## OBSTACLES TO CONSIDERING AFRICA AS A STRATEGIC MARKET FOR GROWTH

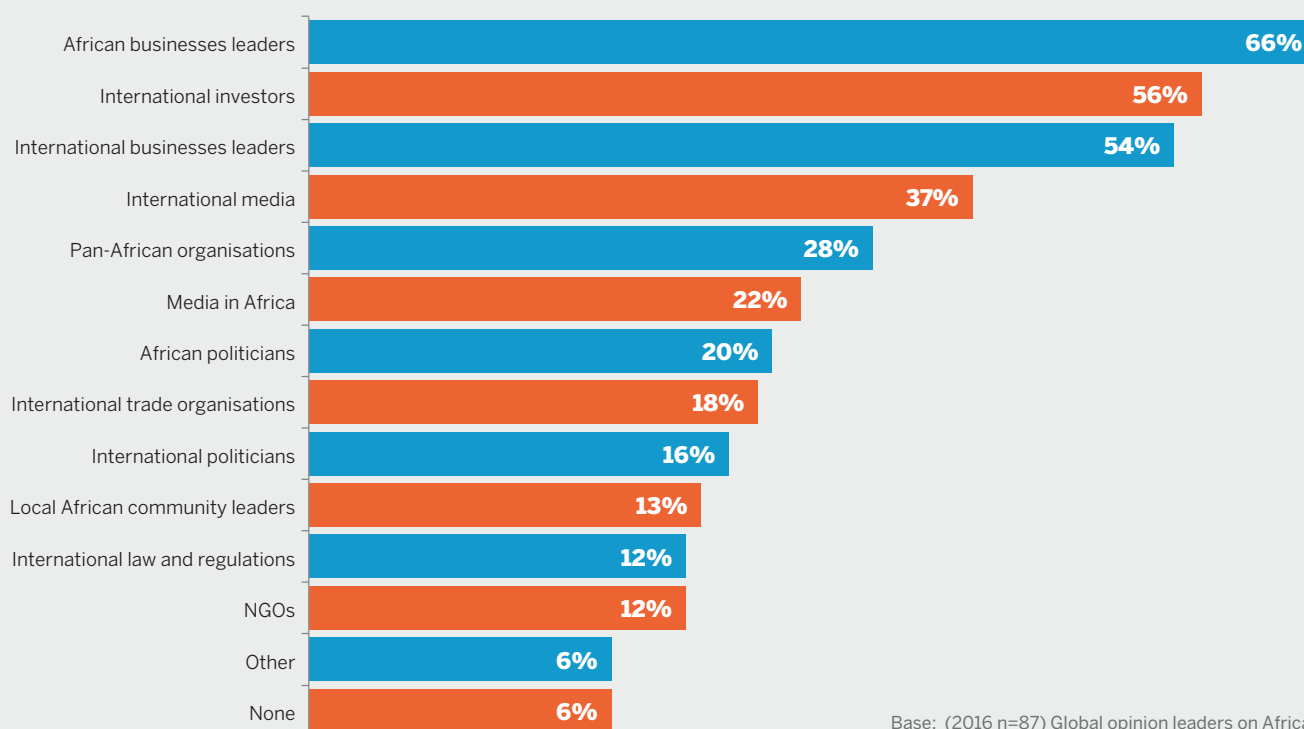
Q. What in particular do you perceive is holding back the international business community from considering Africa as being essential to strategic growth? (Please select all that apply)



Base: (2016 n=87) Global opinion leaders on Africa

## ENCOURAGING INVESTMENT INTO AFRICA

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? (Please select all that apply)



Base: (2016 n=87) Global opinion leaders on Africa

# INVESTORS' ROLE IN COMMUNICATING EFFECTIVELY

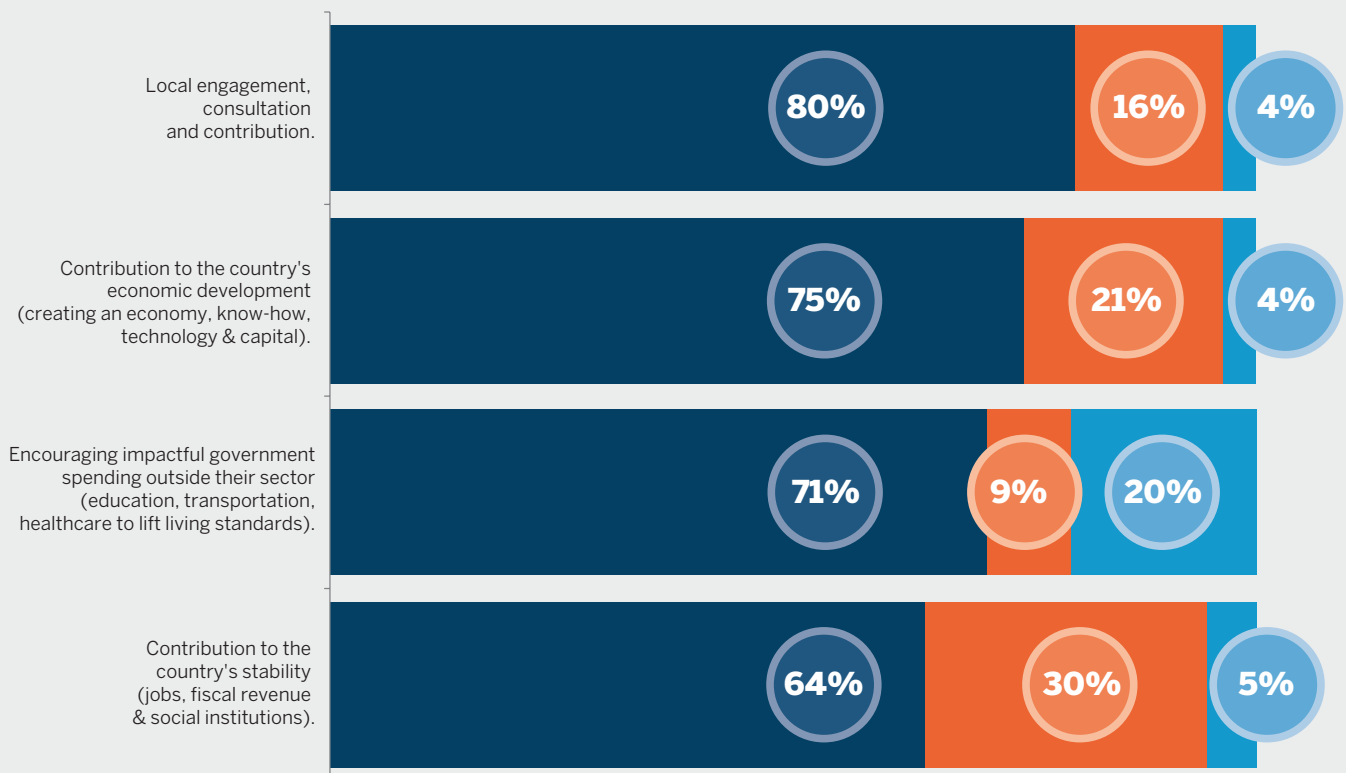
While the contributions that companies operating in Africa can and should make is universally recognised, an overwhelming majority of respondents suggested that there are significant gaps between what is being effectively communicated and what needs to be clearly conveyed. This provides a sense that, while businesses may be active in fulfilling their own corporate and social responsibilities, they can play a more engaged role in public debate on broader socio-economic issues.

This demand for a strengthened corporate citizenship extends further, for example with 80% of respondents indicating that companies should be more effectively encouraging government spending outside of their sector to lift living standards.

## IMPORTANCE AND EFFECTIVENESS OF COMMUNICATION

Q. What importance do companies operating in Africa place on communicating the following, and how effective are they at doing this? (Please select one column response for each row)

● Important, but ineffectively communicated    ● Important & effectively communicated    ● Not important

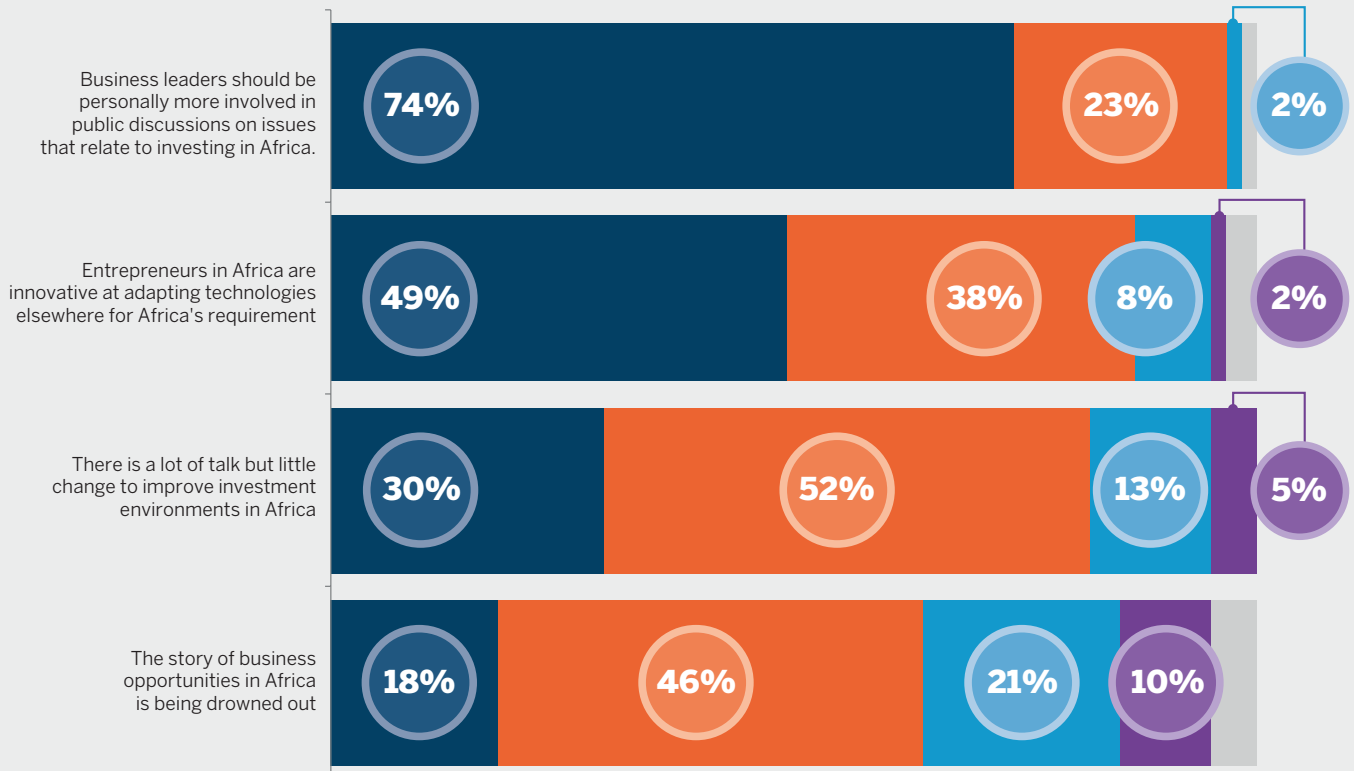


Base: (2016 n=87) Global opinion leaders on Africa

## KEY STATEMENTS ON AFRICAN INVESTMENT

Q. How strongly do you agree or disagree with the following statements?  
(Please select one columns response for each row)

● Strongly agree    ● Slightly agree    ● Slightly disagree    ● Strongly disagree    ● Don't know



Base: (2016 n=87) Global opinion leaders on Africa

A FORM OF 'BUSINESS ADVOCACY' IS IDENTIFIED AS A DESIRABLE LEADERSHIP ROLE, WITH 97% OF RESPONDENTS STATING THAT BUSINESS LEADERS SHOULD BE PERSONALLY MORE INVOLVED IN PUBLIC DISCUSSIONS ON ISSUES THAT RELATE TO INVESTING IN AFRICA.

# THE SECTORS ATTRACTIVE TO INVESTORS?

The commodities boom may be over, but sub-Saharan Africa is still experiencing growth, a remarkable fact considering that the continent is a net exporter of primary commodities.

The ability of African markets to innovate and to 'leapfrog' key technologies is evidenced in more than half of respondents considering investing in next generation communications infrastructure to have increased over the past 12 months, closely followed by traditional infrastructure. Much of this (48%) is understood to have been driven by Public-Private Partnerships (PPPs), compared to Joint Ventures (34%) and greenfield investment (28%).

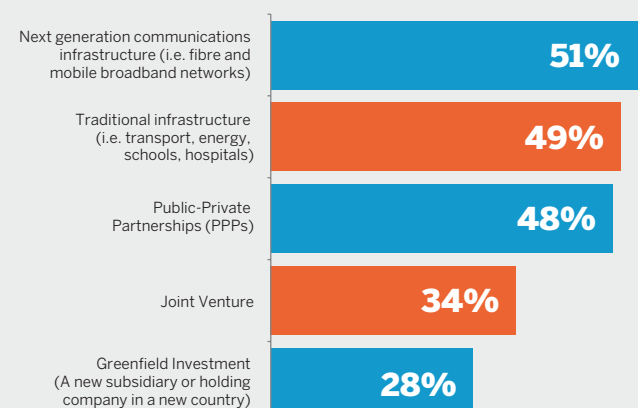
Looking ahead, this trend looks set to continue, with expectations that investments in the communications sector alone will continue to increase by volume more than 80% year-on-year (2015 to 2016). By adopting sound macroeconomic policies over the past two

decades and sector reforms, many African economies have already shown that they can sustain a trajectory of economic growth and beat the 'resource curse'.

According to the World Economic Forum, "Low global prices for major commodity exports, currency devaluations and debt sustainability considerations, as well as geosecurity threats that have weakened growth in some countries underscore the urgent need for economic diversification for sustained inclusive growth. In this context, Africa's leaders need to pursue new approaches to ignite structural transformation, particularly in the face of rapid technological changes that have the potential to create new industries and reduce inequality."

## INCREASED INVESTMENTS INTO AFRICA IN LAST 12 MONTHS

Q. Which of the following types of investment into Africa do you consider increased over the last 12 months (Please select all that apply)

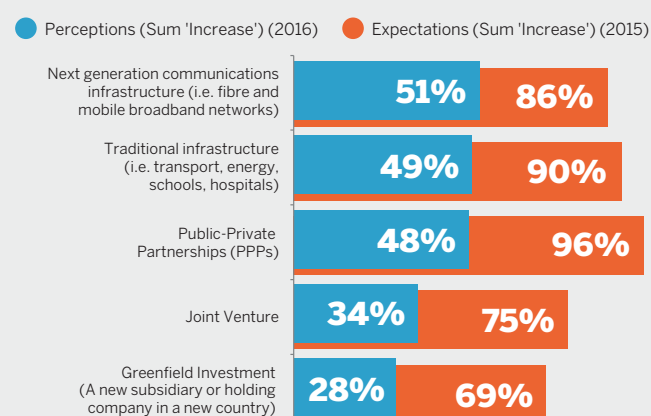


Base: (2016 n=87) Global opinion leaders on Africa

## INVESTMENT EXPECTATIONS Vs PERCEPTIONS FOR 2016

Q. Which of the following types of investment into Africa is expected to change over the next 12 months? (Please select one column response for each row) (2015)

Q. Which of the following types of investment into Africa do you consider increased over the last 12 months? (Please select all that apply) (2016)



Base: (2016 n=87) (2015 n=87) Global opinion leaders on Africa

SPECULATIVE ANALYSIS MAY SUGGEST THAT THE WINNING BETS ARE THOSE WHICH ARE LESS CAPITAL-INTENSIVE AND WHICH YIELD FASTER RETURNS ON INVESTMENT

# WHICH SECTORS IN AFRICA NEED TO ATTRACT INVESTMENT?

The top five priority areas for investment include: agriculture, renewable energies, energy and utilities in general, banking and finance, and telecommunications. Of all essential ingredients for growth and economic development, our respondents identify not just the need but the appetite for these sectors to attract investment. The challenge will be meeting both domestic and international demand and ensuring equitable distribution of the benefits

In 2013, Makhtar Diop, World Bank Vice President for Africa, said, "We cannot overstate the importance of agriculture to Africa's determination to maintain and boost its high growth rates, create more jobs, significantly reduce poverty, and grow enough cheap, nutritious food to feed its families, export its surplus crops, while safeguarding the continent's environment."

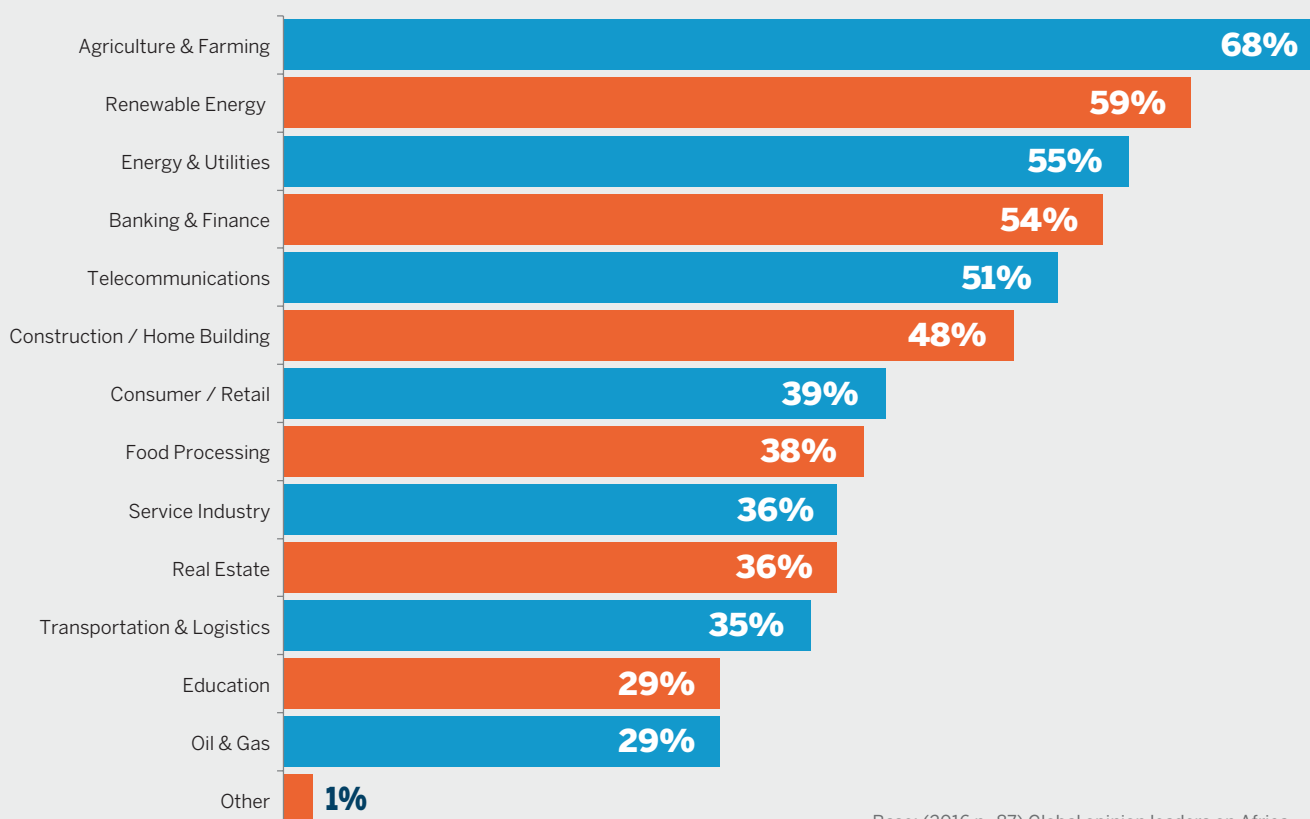
A lack of available finance continues to be a key constraint for Africa but 2016 will see significant investments as big finance moves to tap the potential

of the unbanked. According to Caroline Kende Robb, Executive Director of the Africa Progress Panel, "Mobile technology is becoming pivotal in addressing the needs of the 80 per cent of citizens who are excluded from the financial system. Local banks must now begin to function more as "real" banks to serve the demands of small and medium-sized enterprises, many of which are run by dynamic "agropreneurs."\*

\*"Shaking up finance and banking in Africa", by Caroline Kende Robb, Executive Director of the Africa Progress Panel, as published on 22/03/2016 <http://www.africaprogresspanel.org/shaking-up-finance-and-banking-in-africa/>

## INVESTMENT IN AFRICAN INDUSTRIES

Q. In which of the following industries would you particularly like to see investing more in Africa?  
(Please select all that apply)



Base: (2016 n=87) Global opinion leaders on Africa

## CREATING THE RIGHT ENVIRONMENT

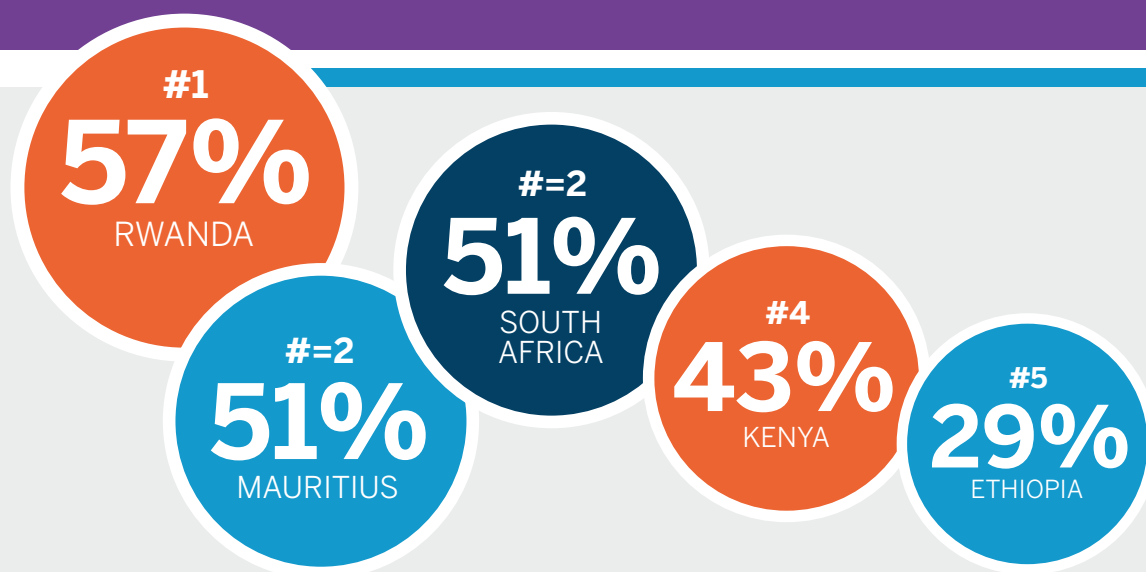
Attracting and retaining investors and key workers is a delicate balance that demands attention not just towards a longer term framework of stability, economic and fiscal conditions and the availability of labour, but also to the appeal of, “what is it like right now?” Country reputation matters, and in this respect the WEF Africa 2016 host is leading the table, with 57% of our survey’s respondents considering Rwanda as particularly good at marketing itself and providing relevant information to investors. It is followed by Mauritius and South Africa (both at 51%) and by Kenya (43%) and Ethiopia (29%). The very different profiles of these countries demonstrates a range of motivations for investors’ interests in different markets.

Our respondents’ perceptions of the best base for operations in five years’ time vary. South Africa dominates as a regional headquarters location (75%), followed by Nigeria (62%) and Kenya (57%), with Rwanda ranking 4th= with the UAE as an African hub. Future research will attempt to dissect these preferences and to ascertain the characteristics which are favourable to both international and African investors.

In regional terms there is also some asymmetry, with East Africa emerging as the region that respondents’ deem has the most positive outlook for investment activity in the next 12 months.

### TOP 5 COUNTRIES SUCCESSFUL AT MARKETING THEMSELVES AND PROVIDING RELEVANT INFORMATION TO INVESTORS

Q. What of the following countries do you consider are particularly good at marketing themselves and providing relevant information to investors? (Please select all that apply) (Top 5 countries)

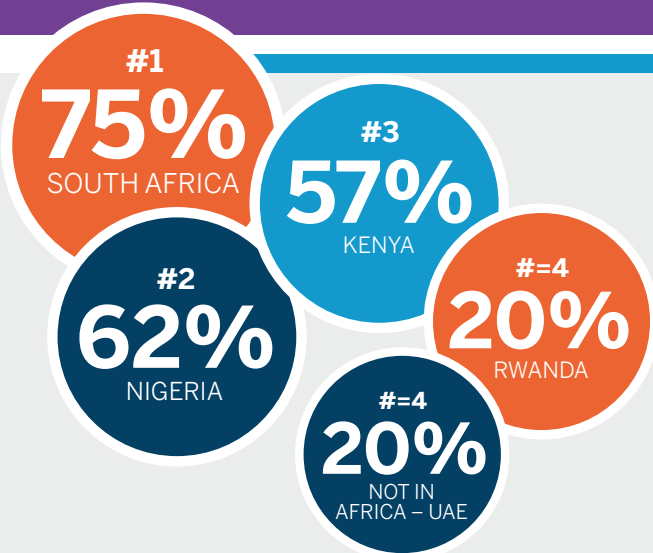


Base: (2016 n=87) Global opinion leaders on Africa



## TOP 5 FUTURE GATEWAYS FOR BUSINESSES TO INVEST IN AFRICA

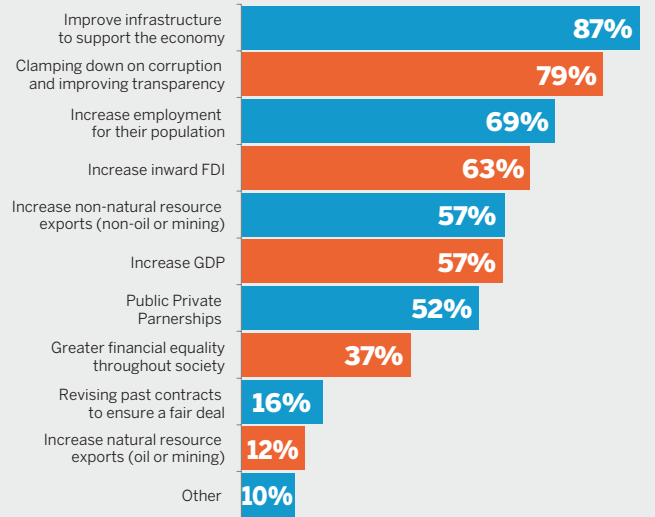
Q. What of the following countries do you consider are particularly good at marketing themselves and providing relevant information to investors? (Please select all that apply) (Top 5 countries)



Base: (2016 n=87) Global opinion leaders on Africa

## FOCUS AREAS FOR LEADERS OF AFRICAN COUNTRIES

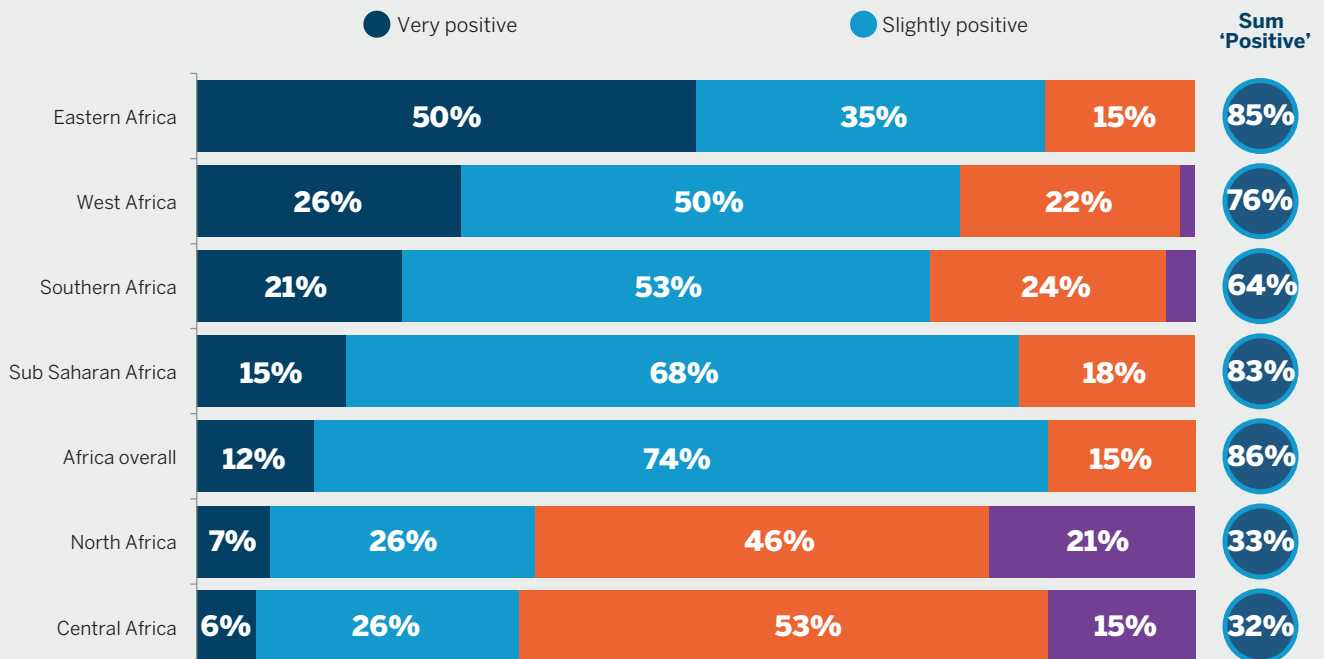
Q. Which of the following do you consider is particularly important for leaders of African countries to concentrate on? (Please select all that apply)



Base: (2016 n=87) Global opinion leaders on Africa

## OUTLOOK FOR INVESTMENT ACTIVITY ACROSS AFRICA

Q. What is your general outlook for investment activity in the following locations over the next 12 months? (Please select one column response for each row)



Base: (2016 n=87) Global opinion leaders on Africa

# INGREDIENTS FOR SUCCESS

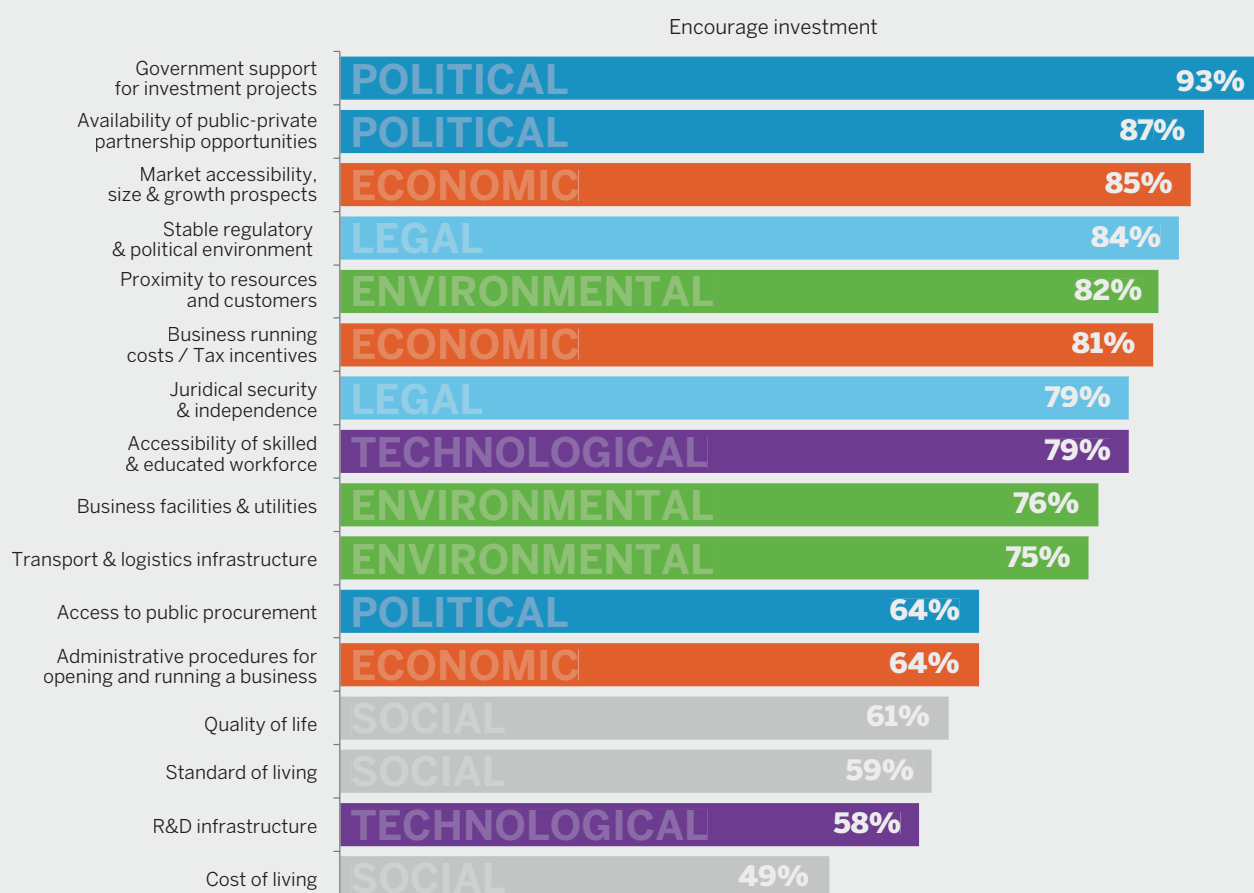
The factors important to these opinion leaders are of course varied but in ranking terms there are some clear drivers, which centre on the ease of doing business and relationships with the host nation. Government support for investment projects is ranked as the most important by 93% of respondents, closely followed by the availability of public-private partnerships.

While all measures reported a 49% significance and above, it is notable that the more lifestyle-oriented aspects such as the cost of living and the standard of living ranked lower than political and legal environments.

Looking to the actions of host countries and their leaders, the number one priority is the development of reliable infrastructure to support the economy (87%), closely followed by the need to clamp down on corruption and transparency (79%).

## FACTORS TO ENCOURAGE INVESTMENT INTO AFRICA

Q. Which of the following do you believe would either encourage or discourage investment into Africa?  
(Please select one column response for each row)



Base: (2016 n=87) Global opinion leaders on Africa

## FOCUS AREAS FOR LEADERS OF AFRICAN COUNTRIES

Q. Which of the following do you consider is particularly important for leaders of African countries to concentrate on? (Please select all that apply)



# LEVERAGING TECHNOLOGY FOR INVESTMENT AND DEVELOPMENT

The opportunities that technological advances, particularly in mobile, were strongly recognised by respondents across the board. While key sectors such as mobile payments are perceived to already enjoy a certain penetration and adoption, the scope for growth is forecast to be very buoyant across multiple applications and sectors, from education, to healthcare to agriculture.

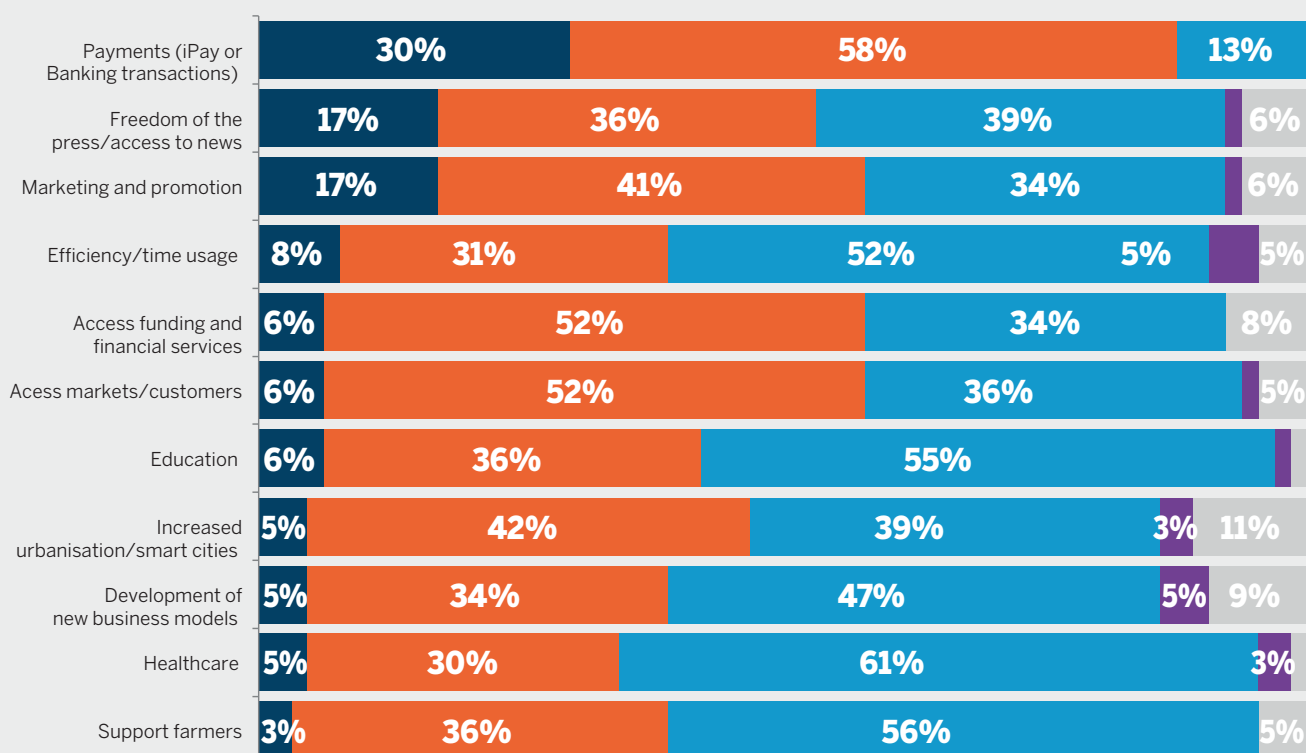
The majority (77%) of respondents believe that the responsibility for shaping and driving this growth lies with the global technology companies (such as Google, Facebook and Alibaba); 61% look to local entrepreneurs while only 36% regard it to be an obligation of national governments.

National and global telecoms operators and financial services providers are all seen to play their roles too.

## PERCEPTION OF MOBILE TECHNOLOGY IN AFRICA

Q. What is your perception of mobile technology supporting the following across Africa?  
(Please select one column response)

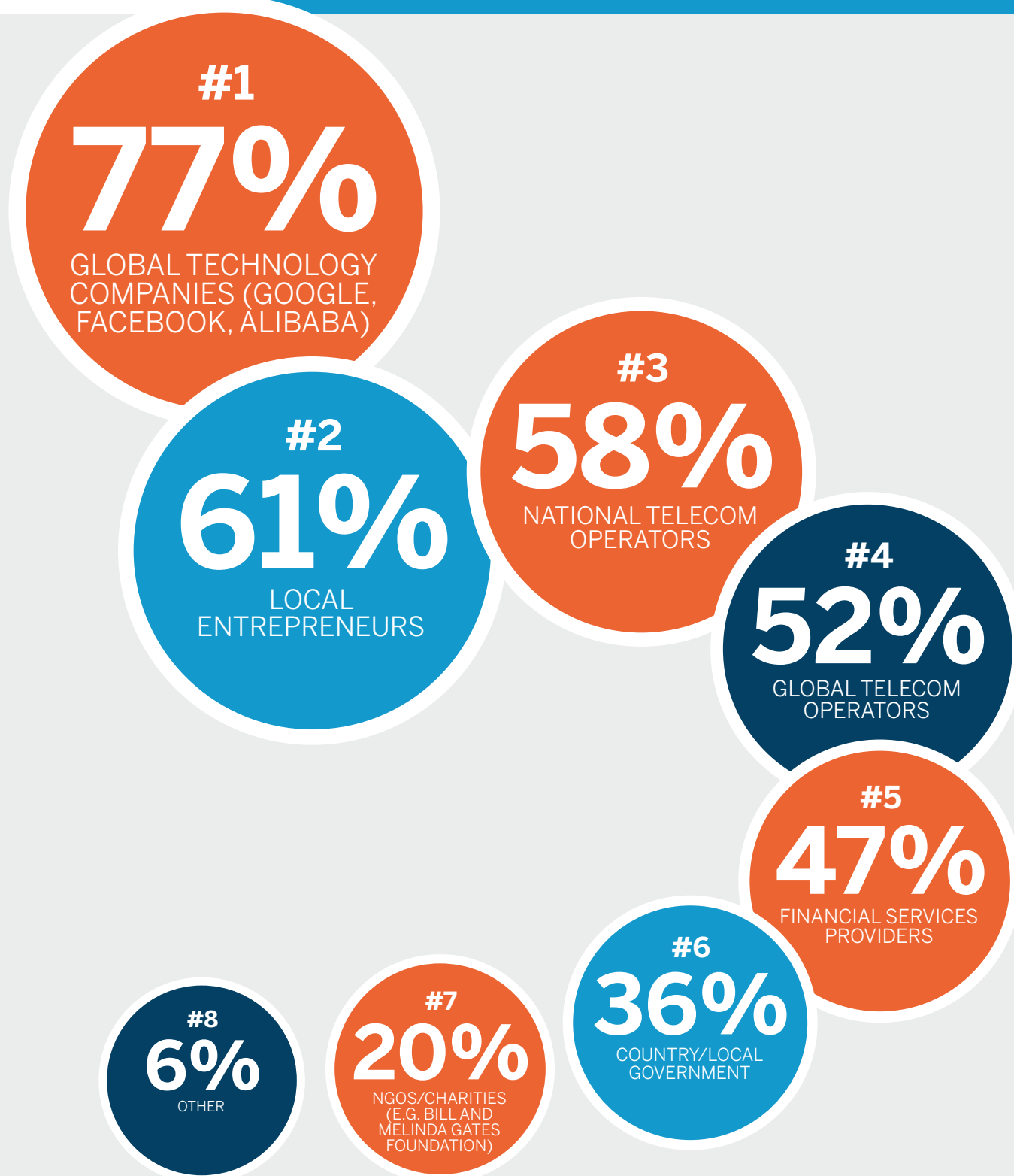
● Already widely used ● High growth ● Low growth, but high potential ● No potential for growth ● Don't know



Base: (2016 n=87) Global opinion leaders on Africa

## ACTORS RESPONSIBLE FOR REALISING THE POTENTIAL OF THE INTERNET IN AFRICA

Q. Who do you think will be the most effective at realising the potential of the Internet for an in Africa?  
(Please select all that apply)



Base: (2016 n=87) Global opinion leaders on Africa

## SUMMARY

---

While shifts in the global economic climate have certainly impacted on Africa and on investors' perceptions, and at face value there is greater caution, the respondents to this FTI Consulting survey maintain good levels of interest with an underlying commitment to continue to monitor opportunities if not to invest. However, this is linked to the belief that conditions have to improve and that it is in the power of the government leaders to control and direct many of the variables.

The growing interest in communications infrastructure and related areas may reflect a shift in investment type, away from areas such as the extractives sector and towards the information, financial and services industries, meeting the needs of urbanisation and an expanding middle class.

Another characteristic of investment decisions being made is a strong emphasis on government engagement and the appetite for public-private partnerships, frequently seen as evidence of a host country's commitment to making an investment work for all concerned.

## METHODOLOGY & RESPONDENTS

---

### **METHODOLOGY:**

#### **FTI Research Process**

##### Quantitative Survey

This research was conducted online by FTI Consulting's Strategy and Consulting team from April 6th – April 25th 2016 on n=87 opinion leaders on Africa

More information on the results and methodology can be obtained by emailing:

**[market.research@fticonsulting.com](mailto:market.research@fticonsulting.com)**

Note: As a consequence of rounding up percentage results, the answers to some questions might not always add up to 100%.

---

### **About FTI Consulting's Strategy Consulting & Research practice**

FTI Consulting's Strategy Consulting & Research practice regularly conducts primary and secondary market research, delivering in-depth market and stakeholder analyses to help clients solve complex business and communication requirements.



Dan Healy  
Managing Director  
Strategy Consulting & Research  
+44 20 3727 1239  
dan.healy@fticonsulting.com

James Doherty  
Managing Director  
Strategic Communications  
+44 7799 037 279  
james.doherty@fticonsulting.com

Max Gebhardt  
Managing Director  
Strategic Communications  
+27 11 214 2402  
max.gebhardt@fticonsulting.com

Frank Ford  
Managing Director  
Strategic Communications  
+27 21 487 9022  
frank.ford@fticonsulting.com

CRITICAL THINKING  
AT THE CRITICAL TIME™

### About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting Inc, its management, its subsidiaries, its affiliates, or its other professionals, members of employees.

[www.fticonsulting.com](http://www.fticonsulting.com)

©2016 FTI Consulting, Inc. All rights reserved.