A pivot to growth

EY Attractiveness | Africa

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Foreword

Last year saw Africa’s return as a top investment destination hub for global investors. The continent had struggled to attract investment since the onset of COVID-19 and took longer than other regions to recover, given its delayed vaccine rollout and therefore its ability to reopen its 54 national economies. As a result, its growth lagged pre-pandemic levels for longer than it did in mature markets, setting back the ambitious targets it had set itself to reduce poverty and build a sizable middle class by 2030.

And although 2022 was the first visible sign of Africa’s return to the investment arena, much remains to be done to ensure that its investment attractiveness improves so that it can build on 2022’s fortunes. There are encouraging signs from countries that are embarking on structural economic reforms and making the business environment easier to navigate. Kenya and Rwanda provide good examples of how to build the confidence of global investors and attract broad-based Foreign Direct Investment (FDI) across multiple, services-focused sectors. The opposite is also true, with both Nigeria and South Africa slow to embark on much-needed reforms, which has been to their detriment, as their growth has slowed over the last decade, with unemployment and poverty levels higher as a result.

The need for reform becomes more urgent when the world faces such volatile economic events. Recent geopolitical forces are making it more difficult for governments across the globe to keep national finances within prudent spending levels, straining their resources, at a time when exports also face pressure. This has caused widespread currency depreciation across the African continent, and many have needed outside intervention (from the International Monetary Fund (IMF)) to provide financial assistance.

We must also note how the nature of Africa’s FDI has changed over the last 20 years. Where the extractive industry once accounted for the bulk of investment (50%+) at the turn of the century, that same sector’s investment now accounts for less than 10%, illustrating that economies are building resilience by diversifying into sectors that stimulate local production and job creation, which sectors typically accompany urbanization and the growth of a middle-class population.

In this report we highlight how economic policies, regulations, investment incentives and taxes, among others, will need to be further enhanced if the continent is to meaningfully benefit from inflows of investment capital. While many across the continent aim to increase their focus toward the east and the global south, for now, the Western Hemisphere remains by far the largest investor into Africa. Africa’s leaders will need to adopt pragmatism as they respond to a new geopolitical world order so that its member states can optimize the full spectrum of inbound investment opportunities, which will be essential in meeting Africa’s aspirations for a more equitable, wealthier and urbanized middle-class society.

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In recent years, foreign direct investment (FDI) into Africa has faced significant challenges, due to a series of global shocks which started with the COVID-19 pandemic.

1. The global economic downturn dampened investor confidence. Uncertainties surrounding the trajectory of the pandemic, then the start of the war in Ukraine, made investors cautious about committing capital to African markets.

2. Travel restrictions and disruptions to global supply chains impeded investment processes and created logistical challenges for investors – making it difficult for investors to conduct due diligence, negotiate deals and manage their investments effectively.

3. The pandemic highlighted vulnerabilities of certain sectors, such as tourism, hospitality and manufacturing, which previously attracted FDI. Lastly, inadequate health care, poor infrastructure and weak social safety nets in many African countries have added to the risk perception of potential investors, further impacting FDI inflows.

Nonetheless, investment into the continent has started to recover in 2022. South Africa led in terms of the number of FDI projects, but Egypt was the largest recipient of FDI in value terms. CleanTech emerged as a leading FDI sector in the 2022. There are emerging opportunities for FDI in sectors, particularly health care, digital technology, renewable energy and agriculture, which have shown resilience and growth potential.

In addition, the African Continental Free Trade Area (AfCFTA) and various regional integration initiatives are expected to create a more conducive environment for FDI by providing access to a larger market, eliminating trade barriers and enhancing regional cooperation.

To attract and retain investment, African governments could prioritize investment promotion and create favorable business environments that addresses youth unemployment, skills shortages and infrastructure constraints, among other issues.
FDI in 2022 at a glance

FDI rose 64% measured by project numbers

FDI attracted 733 projects, $194b in capital and created 154,000 jobs

Egypt led the FDI race, attracting 149 projects, and a record $107b in capital

South Africa received more FDI projects (157) and remains the leading FDI destination in SSA

Kenya dominates in East Africa, and Nigeria in West Africa, the 3rd and 4th largest FDI regions

CleanTech became the leading sector with a FDI score of 72

Technology and Business services are placed 2nd and 3rd respectively

Africa remains strongly reliant on the west for its FDI, accounting for 53%* of the total

The UAE became a prominent investor, committing $50b in capital

Africa accounts for only 12% of its own FDI

* Western Europe and North America combined, using FDI score as a measure.
Africa’s growth recovery stalls as global events squeeze the economic outlook
Chapter 1 The economic environment

Smaller economies are the new growth engine

The three largest economies on the African continent all face specific locally driven factors that have caused their growth to stall. In the case of both Egypt and Nigeria, a pegged currency has led to major distortions in the business environment. In the case of South Africa, the lack of economic reform has similarly led to weak growth. These economies account for 70% of Africa’s total GDP, so as a result of these three countries struggling, Africa’s real GDP growth will slow to 2.5% in 2023 from 3.7% in 2022. Africa is significantly impacted by both monetary policy tightening and a strengthening dollar, as central banks across the globe fight to tame inflation. As interest rates rise, so growth slows, and there is fear that some countries may yet slip into recession following major hikes in interest rates.

These high interest rates across Africa have multiple consequences for growth and in turn, for investment. For one, Africa’s public debt is at its highest level in more than a decade. Verisk Maplecroft cites that Africa’s government debt averaged 77% of GDP in six key African economies – Nigeria, Ghana, Ethiopia, Kenya, Zambia, and Mozambique, with South Africa not far behind. As African economies struggle with public finance pressures and depreciating currencies, many have sought help, with the IMF providing support to several countries across the continent, including Senegal, Ghana, Zambia, Egypt, and Kenya.

This high and rising debt burden must be repaid, and without a strong return to growth in the near term, this situation will strain the tax base, particularly the corporate sector. For investors, both within and outside the continent, higher interest rates raise the cost of funding new investment, which could place a strain on investor appetite. In addition, slower growth provides fewer opportunities for investors, at a time when Africa was just starting to recover from the impact of the pandemic.

Across Africa, and with few exceptions, central banks are hiking interest rates. South Africa’s central bank rate has risen 500 basis points thus far, while Nigeria and Egypt have seen even sharper rate hikes, all designed to tame inflation, manage currency trading values, and provide economic stability, something that investors typically want to see. On the plus side, interest rates appear to have either peaked or close to peaking, and the benefit of interest rates declining could provide some uplift to growth in 2024.
The 2023 outlook is for growth to recover but with varying fortunes across each region. Growth is expected rise in West Africa, stabilize in Central and East Africa but fall in North and Southern Africa. The Democratic Republic of Congo (DRC), Cote d’Ivoire, Senegal and Rwanda are expected to grow the fastest, exceeding 6% in all four cases. The major economies are all likely to underperform. South Africa remains the slowest-growing major African economy. Other large economies – Egypt, Nigeria, Morocco and Ghana – will see continued below-par growth in 2023.

Inflation in Africa averaged 14.3% in 2022 – the highest in more than a decade – hitting double digits in many countries, with the highest rates experienced in the east and west regions. Zimbabwe has the highest rate at 75%, with Ethiopia, Ghana and Sierra Leone also high. Price pressure stems from rising food and energy prices (which make up 50% of the consumer basket) caused by the spillovers from the Russia-Ukraine war and ongoing global supply chain disruptions causing transport costs to rise. Higher inflation erodes purchasing power, impacting demand and currency depreciation, making it difficult for governments to service their external debts and increasing the risk of default.
Africa’s outlook will also be squeezed by currency depreciation

In addition to the high and rising inflation rates that the continent is struggling to contain, many countries are also confronted by depreciating currencies. With limited foreign reserves to manage currencies within acceptable limits (if at all), many countries find their currencies under pressure when global institutional investor sentiment sours. The major economies all faced varying degrees of currency depreciation over the last 18 months, constrained by the need to find a balance between high interest rates to manage both inflation and currency levels on the one hand, and inhibiting growth on the other.

Countries that manage their exchange rates more tightly are not immune to this either, both US$ buyers and sellers transact via informal traders, where they are otherwise unable to access foreign exchange to conduct business. The unofficial exchange rate thus determines the real rate of exchange and still has a major impact via imported inflation.

Ultimately, central banks - including those of Angola, Egypt, Nigeria, and Ethiopia - have adjusted their currencies to more market-determined levels, and if managed well, this can create a boost to investor sentiment. But in the short term, weak and declining currencies are causing damage.

Nigeria, being Africa’s largest economy is particularly vulnerable to strained national finances and rising national debt. It has had to cut fuel subsidies as they are no longer affordable, but faces potential unrest as it does so, given the unpopularity of the move. Its central bank has long pegged its currency at untenable exchange rates, leading to reduced business activity in turn, and increasing the cost and complexity of doing business in the country. Growth has subsequently subsided, as lower fuel production and prices saw the state’s main revenue source dwindle in turn. Its recent move to float the currency is an overdue step to reviving growth.

![Currency depreciation of select large economies: January 2022–August 2023](image)

**Source:** IMF International Financial Statistics (IFS); Oanda.
(i) Sub-Saharan Africa
Central Africa and French-speaking Africa (FSSA)

Central Africa

Angola's oil dependent economy struggles as oil production weakens

After five consecutive years of contraction, Angola's GDP growth rebounded marginally in 2021, reaching 3.3% in 2022, aided by a privatization drive, along with other economic reforms targeting non-oil sectors such as diamond mining and transport. In addition, growth was also helped by higher oil prices following the Ukraine war, with oil revenues up US$17b. Real GDP will slow to 1.7% in 2023, as weaker petroleum production and few new oil projects cloud the outlook. In addition, the country faces immediate repercussions from removing fuel subsidies, in line with IMF recommendations.

FSSA

Cote d'Ivoire remains insulated from external headwinds

GDP growth fell to 6.7% in 2022 from 7.4% in 2021, impacted by the Ukraine conflict. Inflation has edged up, from 4.1% in 2021 to 5.3% in 2022. To tackle rising inflation, the government introduced oil subsidies in 2022, raised civil service salaries and capped staple product prices, thereby pushing the budget deficit to 6.8% in 2022. But the National Development Plan (NDP) 2021–2025 and the new Baleine gas and oil field coming online should keep growth above 5% in the medium term, making it a strong contender for new investments.

Senegal remains one of Africa's fastest growing economies

Senegal’s robust recovery from the pandemic was disrupted by ongoing external shocks, resulting in GDP growth slowing to 4% in 2022 from 6.5% in 2021. But it is expected to sharply rebound in 2023, with growth hitting 8.2% in 2023 - one of the highest in sub-Saharan Africa and globally, and at least partly due to the emerging oil and gas sector. However, this recovery may be spoiled by its removal of fuel subsidies, such as its oil producing peers Nigeria and Angola, which will be phased in through to 2025.

Source: Oxford Economics, 4 September 2023.
East Africa

Kenya’s growth remains solid despite drought and domestic unrest

After rebounding from the COVID-19 pandemic with a strong 7.7% growth rate in 2021, it slowed to 4.9% in 2022, impacted by severe drought in the second half of the year. In 1Q23, Kenya received both World Bank and IMF funds to help it navigate twin deficits and foreign reserve levels. However, domestic protests and anti-government sentiment against the newly implemented Finance Act, which imposes new taxes and hikes such as the doubling of value-added tax (VAT) on fuel, may hurt growth.

Kenya recently signed a trade agreement with the EU (European Union), expanding trade and investment opportunities, boosting agriculture and streamlining customs procedures.

Tanzania’s growth remains on track with inflation tame and structural reform plans in place

Tanzania’s economy remains buoyant as construction, information communication technology (ICT) and finance sectors expand. IMF policy reforms, a pro-business environment and an accommodative monetary policy will support growth of 5.4% in 2023. However, droughts, floods and a global downturn could stall growth.

Ethiopia’s growth stalls due to internal conflict and drought

Ethiopia grew 8.4% in 2019 but has since seen much slower growth, impacted by the pandemic and two years of civil unrest in its Tigray region. In November 2022, the African Union-mediated peace agreement between Ethiopia’s government and the Tigray People’s Liberation Front (TPLF) has raised optimism that reforms and a liberalization agenda can revive growth. However, balance of payments pressure and a sovereign default amid soaring inflation clouds the outlook.

Source: Oxford Economics, 4 September 2023.
Southern Africa

Ongoing power outages and slow reforms keep the growth outlook weak

South Africa remained one of the slowest-growing economies in Africa in 2023, registering a mere 0.2% real GDP growth. Power outages, tighter financial conditions, commodity price volatility and policy confusion are some of the causes. GDP is expected to average only 1.4% per annum, well below its 5% target, and insufficient to raise business and consumer sentiment and tackle high unemployment.

A severe electricity crisis places a major constraint on growth. Power outages reached a record 207 days in 2022, compared with 75 days in 2021, and were already at 204 days by 23 June 2023. According to the South African Reserve Bank, the rolling blackouts cost the economy US$50m a day in shuttered factories, closed shops and malfunctioning infrastructure.

Mozambique’s growth regains traction, but inflation remains a risk

Mozambique has mostly recovered from the COVID-19 downturn, with GDP of 4.2% expected in 2022, supported by natural gas exports, and higher government and private consumption. In 2023, the economy is likely to slow to 3.6% due to weaker exports and lower fixed investment. The economy withstood widespread flooding in 2023 aided by strong gas exports and a resilient agriculture sector.

West Africa

Nigeria is implementing new policy reforms to stimulate growth

Nigeria’s growth has been weak for most of the last decade, subject to the fortunes of volatile global fuel prices. Bola Tinubu, Nigeria’s 16th president who took office in May 2023, introduced socio-economic reforms to revitalize the economy. These include removing fuel subsidies, unification of the foreign exchange regime, strengthening domestic industries and dissolving most government parastatals and agencies. But these measures will elevate inflation and market volatility in the short term. As a result, GDP growth will slow to 2.5% in 2023 from 3.3% in 2022, impacted by foreign currency shortages, import restrictions, reduced oil production, and a smaller public and corporate sector. But these reforms should spur growth over the medium term, as more private sector activity is encouraged and incentivized to play a larger role.
Ghana seeks IMF assistance to manage its fiscal consolidation and revive growth

Ghana's economy grew 3.6% in 2022, slowing from 4.5% in 2021. Ghana has faced multiple economic shocks over the last two decades, with unsustainable and rising debt burdens pressuring the currency and investor confidence. Nevertheless growth is expected to remain stable in the medium term.

In May this year, Ghana received US$3b in funding from the IMF, which requires compliance with set objectives and policy recommendations, including controlling public debt that had reached 93.5% of GDP in 2022.

(ii) North Africa

Egypt's growth will be constrained by currency weakness and high interest rates

Egypt rebounded strongly from the COVID-19 pandemic, growing at 7.1% in 2021. However, the growth was short-lived, slowing to 4.3% in 2022, impacted by the Ukraine conflict, supply chain disruptions and tightening global financial conditions. Growth is expected to slow once again to 2.2% in 2023 as local demand is hurt by interest rate hikes, severe currency depreciation, high inflation and limited access to foreign currency, as cited by the World Bank.

The government has announced relief packages and economic reforms to tackle rising poverty and dwindling growth, while it embarks on reforms. This includes a US$3b IMF program, and US$14b multilateral and bilateral financing and investments.

Morocco's economy is impacted by severe drought and high food prices

Following strong recovery of almost 8% in 2021, Morocco's GDP grew only marginally by 1.3% in 2022 as agricultural value added fell by 15% due to the worst drought in decades. Higher food inflation and commodity prices led inflation to rise more than fourfold to 6.6% in 2022 from 1.4% in 2021. In the medium term, GDP is forecast to grow an average 3.8% p.a., and inflationary pressures are expected to ease as agriculture output recovers and global commodity prices decrease.

The central bank hiked its key policy rate by a cumulative 150 basis points (bps) to 3% between September 2022 and May 2023. With public expenditure amounting to approximately 20% of GDP, the government implemented a public policy package, including subsidies on staples and maintaining pre-existing regulated prices to cushion the impact of rising food and energy prices.

Source: Oxford Economics, 4 September 2023.
FDI rebounds strongly, with North and Southern Africa the largest hubs
Chapter 2  FDI by geography

FDI: 10 largest recipients ranked by score (2022)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Number of projects</th>
<th>Capital investment US$b</th>
<th>Jobs created '000</th>
<th>FDI score</th>
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<td>Kenya</td>
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<td>2 500</td>
<td>54.5</td>
</tr>
<tr>
<td>8</td>
<td>Mozambique</td>
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<tr>
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<td>9</td>
<td>0.5</td>
<td>1 600</td>
<td>48.5</td>
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</tbody>
</table>

Source: FDI Markets Intelligence.

FDI - key hubs by region and anchor destinations

Southern Africa

South Africa still dominates the region, despite its slow growth

In 2022, Southern Africa attracted the second-highest number of investment projects (207, +47%), with capital investment of US$36b, creating 25,000 jobs. Almost 75% of the southern region’s FDI (measured by projects) went to South Africa. Investment into the rest of the region struggled as it grappled with soaring commodity prices, food insecurity, debt distress, climate shocks, poor infrastructure and water scarcity. While South Africa’s growth outlook is tepid, the country’s energy crisis also brings opportunities for investors. This can be evidenced by it being the third-largest recipient of CleanTech FDI into Africa, trailing only Egypt and Morocco. Evidence suggests that solar rooftop photovoltaic (PV) rose from 983MW in March 2022 to 4,412MW by June 2023.* As the energy crisis continues, the shift from the national grid escalates the need for alternatives.

* South African homes and businesses install 4,400MW rooftop solar PV, doubling Eskom’s capacity (source: SolarQuarter).

Source: FDI Markets (Financial Times), EY analysis.
South Africa attracted the most FDI projects in Africa, making up 23% of the continent’s total, at 157 – and the highest since at least 2016. Its FDI was valued at US$26.8b and created approximately 15,000 jobs, the most in the region by a considerabledmargin. It also attracts the bulk of the region’s capital, despite its weak economic performance and growth outlook.

By source, the US and the UK were the largest investors in 2022, followed by Switzerland and Germany. The UAE has also increased its presence, investing in two capital-intensive projects valued at US$20b, accounting for three-quarters of the country’s total inflows. FDI from the UAE created 3,000 jobs in the country.

The UK and South Africa launched the next phase of the UK-South Africa Infrastructure Partnership, targeting major infrastructure developments and offering increased access for UK companies to projects worth up to £5.4b over the next three years. The UK government will also provide grant-funded technical assistance to unlock green hydrogen opportunities and boost skills.

Business services, along with technology, dominate South Africa’s FDI, with the real estate sector generating the most capital and employment. However, this was driven by one particularly large investment, and it remains to be seen whether this is the start of a new focus for foreign investors. FDI in telecommunications more than doubled to 19 projects in 2022. More than half of these projects came from the U.S., which invested over US$800m.

**Key investments include:**

- Dubai-based URB will construct a US$20b sustainable city, The Parks, in South Africa in the fourth quarter of 2024. The smart and sustainable city will be car- and waste-free, featuring 40,000 homes across 17 square kilometers with a mix of residential, medical, tourism, entertainment, retail and education elements. The city will promote a net-zero lifestyle and be energy, water and food self-sufficient.

- Saudi Arabian utility firm ACWA Power will invest US$10b in renewables, including green hydrogen, in South Africa over the next five years.

- U.S.-based Vantage Data Centers announced the beginning of construction of its second data center campus (JNB2) in South Africa, comprising a 20MW, 33,000 square meter two-storey data center, at an estimated investment of US$750m.

- Vedanta Zinc International, a subsidiary of UK-headquartered Vedanta Resources, is investing ZAR7b (approximately US$408m) to develop the Phase 2 expansion of its Gamsberg mine in Aggeneys, South Africa.

- American based Equinix announced plans to enter the South African market with a US$160m data center investment in Johannesburg, complementing its footprint in Nigeria, Ghana and Côte d’Ivoire.

- Dubai-based AMEA Power has been awarded a 120MW PV project in South Africa, which will cost US$120m and sell electricity to state utility Eskom under a 20-year power purchase agreement.

**Zimbabwe:** Zimbabwe was the ninth-largest FDI destination in Africa in 2022, the first time in a while that it has featured in the top 10. Its FDI declined sharply in 2020 (along with the rest of Africa), severely hit by the COVID-19 pandemic. Investment picked up in 2021 and reached pre-COVID-19 levels in 2022. It received 14 projects worth US$5.2b in capital, creating 5,000 jobs. China and the UK were the largest investors, focused on the metals and renewables sectors. China is investing heavily in the country’s lithium mines, with Zimbabwe holding the sixth-largest lithium reserves globally. But the country remains hampered by logistical and infrastructure shortfalls, along with state intervention in broad swaths of the economy.

**Key investments include:**

- UK-based Green Fuels, a manufacturer of distributed scale biodiesel equipment, is expanding its bioethanol manufacturing facility in Chisumbanje, increasing energy capacity to 32MW.

- Sharjah-based Mulk International has begun to build a US$500m high-tech park, Zim Cyber City, in Zimbabwe that is expected to boost the country’s economic development.

- Zimbabwe’s government approved a proposal by a group of Chinese investors to establish a US$2.83b battery-metals park that will process metals including lithium, platinum and nickel.

- China’s Sinomine Resource Group launched a US$200m project to build a plant and expand existing mining operations at its recently acquired Bikita lithium mine in Zimbabwe. Shanghai-listed mining company Zhejiang Huayou Cobalt Co. plans to invest US$300m into its Arcadia lithium mine near Harare.
• Africa-focused transitional energy company Chariot and French renewable power producer Total Eren announced plans to co-develop a 30MW solar PV power plant in Zimbabwe.

**Mozambique**: Historically a significant FDI destination, its FDI attractiveness appears to have fallen out of favor for now, as it grapples with the aftermath of a rebel civil war in the north, logistical challenges in getting its raw materials to market, and the high cost of doing business in the country. FDI declined from 25 projects in 2019 to eight in 2020 and seven in 2022. Singapore and South Africa were the top investors in the country by projects, while Italy provided the highest capital inflows, in excess of US$1b. Transportation and warehousing received the most projects, while oil and gas attracted the most capital.

**Key investments include:**

• Italy-based Renco Group, which offers consulting, technical recruitment, and architecture and engineering services, is planning to build and own its own power plants in Mozambique.

• Italian Eni S.p.A. is planning a second offshore liquefied natural gas (LNG) production vessel that aims to help Europe diversify sources of supply.

• French energy giant TotalEnergies will restart the US$20b Mozambique LNG project this year after it was put on hold due to an insurgent attack.

• Singapore-based Banyan Tree Hotels & Resorts plans to open two new resorts – one on Ilha Nejovo island and one on Ilha Caldeira island.
North Africa

FDI in the region was primarily led by Egypt and Morocco

<table>
<thead>
<tr>
<th>Top 5 countries</th>
<th>Number of projects</th>
<th>Capital investment US$b</th>
<th>Jobs created '000</th>
<th>FDI score</th>
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<td>Egypt</td>
<td>149</td>
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</table>

Source: fDi Markets (Financial Times), EY analysis.

**Egypt:** Egypt stands out as one of Africa’s key FDI hubs, despite the country’s mounting economic challenges. Even with successive currency depreciations and stalling growth, Egypt was the largest FDI destination in Africa last year, thanks in no small part to the role of the UAE’s state-affiliated investors.

Egypt received a record number of investments in 2022, accounting for 60% of North Africa’s total and up 187% on 2021, with over US$100b in capital. Both the Middle East and Western Europe significantly boosted their investment.

The UAE was the largest investor, with 34 FDI projects worth US$27.4b, followed by the U.S. with 19 projects (US$3.4b) and France with 13 projects (US$13.6b). India is also increasing its presence in Egypt and is now the sixth-largest investor, and although only six projects were announced, its ranking was boosted by its capital investment (US$21.2b), lagging only the UAE, creating 7,469 jobs.

The Egypt-UAE joint strategic investment platform, launched in 2019 with total investment of US$20b, has contributed significantly to this rise. Furthermore, in May 2023, the UAE International Investors Council signed an MoU with the Egyptian Emirati Business Council to enhance investment partnerships in the new economy, namely green projects, recycling, clean projects, the technology sector and new digital technologies.

“Egypt’s ability to build longevity in its investment inflows will be determined by its commitment to economic reform. Recently, the authorities have moved toward a floating currency, which had previously put a break on investor appetite. It is also privatizing many of its state-owned entities, with US$1.9b of sales to the private sector lined up,” according to Egypt’s Prime Minister Mostafa Madbouly.

Saudi Arabia’s Public Investment Fund launched the Saudi Egyptian Investment Company, with a view to investing in infrastructure, real estate development, health care and financial services.

There was a significant investment into the CleanTech sector, as well as business services and technology. Egypt’s Suez Canal region is lucrative in the CleanTech, green hydrogen, logistics, industrial services and infrastructure sectors.

**Key investments include:**

- India-based ACME Group, a solar energy company, is planning to construct a US$13b green hydrogen plant in Ain Sokhna, Egypt.
- A consortium by Abu Dhabi-owned Masdar and Infinity Power Holding contracted with the Egyptian New and Renewable Energy Authority (NREA) to secure land for a 10GW wind farm in Egypt, attracting more than US$10b in investments.
• India’s ReNew Power Pvt. Ltd. signed a preliminary agreement with the Egyptian government to invest up to US$8b to produce green hydrogen.

• Saudi Arabia’s ACWA Power will invest US$10b in Egypt by 2026 in the green hydrogen sector.

• UAE-based AMEA Power secured US$1.1b funding for developing a solar plant and a wind farm to deliver 1GW of renewable energy in Egypt.

• UK-based Globeleq signed a Framework Agreement with the government of Egypt to jointly develop a large-scale 3.6GW green hydrogen facility in the Suez Canal Economic Zone.

**Morocco:** Morocco is the second-largest FDI destination in North Africa due to its geo-strategic location, diversified economy and green energy potential. According to Investment Monitor’s 2022 Inward FDI Performance Index, Morocco ranked first for FDI in Africa and third in the Middle East and North Africa region. FDI Markets Intelligence data shows that it attracted 71 FDI projects in 2022 (a 58% rise from 2021), with US$15.3b of capital investment, creating over 21,000 jobs.

France, the US and the UAE were the largest investors into the country by project numbers, with Luxembourg leading by capital, putting more than US$10b into one single renewable energy project. The leading sectors attracting investment are technology, business services and renewable energy. Highly capital-intensive CleanTech investments generated the most jobs in Morocco.

**Key investments include:**

• Total Eren, a subsidiary of Luxembourg-based renewable energy company EREN Groupe, will invest MAD100b (approximately US$10b) in a hydrogen and green ammonia project in the Guelmim-Oued Noun region of Morocco.

• French telecom company Orange will invest US$576m in Morocco over the next three years to meet demand for high-speed internet services and to accelerate digitalization.

• UK-based Xlinks will build 10.5GW wind and solar plants and on-sell the power to the UK. London-based investment firm Octopus Energy Group joined forces with the project developer, Xlinks, to help it with construction.

• UAE-based AMEA Power was awarded two solar projects with capacity of 72MW.

• India-based Adani Group’s coal-to-ports conglomerate is considering building wind and solar generation plants and facilities to produce green hydrogen for export.

**East Africa**

**Kenya remains buoyant and becomes an even larger regional FDI hub**

<table>
<thead>
<tr>
<th>Top 5 countries</th>
<th>Number of projects</th>
<th>Capital investment US$b</th>
<th>Jobs created ’000</th>
<th>FDI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>63</td>
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<tr>
<td>Tanzania</td>
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<td>Uganda</td>
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<td>10.2</td>
<td>6.3</td>
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<td>Rwanda</td>
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<td>0.4</td>
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<td>4.2</td>
</tr>
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<td>Ethiopia</td>
<td>6</td>
<td>0.6</td>
<td>0.6</td>
<td>2.4</td>
</tr>
</tbody>
</table>

*Source: fDi Markets (Financial Times), EY analysis.*
In 2022, East Africa received 114 projects, bringing in US$14.5b in capital and creating approximately 22,000 jobs. Kenya is by far the largest destination in the region when measured by number of projects, while Uganda received the most capital via investment from France in the oil and gas sector.

Kenya FDI into Kenya increased by 117% y-o-y in 2022. The country received 63 projects, pouring in US$2b in capital investment and generating 7,819 jobs. Most of the investment flows into the business services, technology, and transportation and warehousing sectors, which collectively make up half of the country’s total FDI.

The US was the lead investor into the country with 14 projects, valued at US$748m and generating 3,764 jobs. A single pharmaceuticals project from the U.S. accounted for the largest capital inflow and created more FDI-related jobs in the country than any other. In July 2022, the US and Kenya launched the U.S-Kenya Strategic Trade and Investment Partnership (STIP), which commits to increase investment and support African regional economic integration.

Apart from the US there was a significant inflow of FDI from the rest of Africa, from Nigeria, Mauritius and South Africa. Egypt is particularly interested in Kenya’s manufacturing sector.

Investors attracted to Kenya’s renewable energy sector: Underlining the appeal of Kenya’s CleanTech sector to foreign investors, several new projects and deals have been announced so far this year, focused on geothermal and wind power. In February, the government lifted a near-18-month suspension on the licensing of new independent power producers (IPPs) in a bid to boost generation capacity, providing further stimulus to the sector.

Key investments include:

- US company Moderna will set up its first manufacturing facility in Africa, to produce mRNA vaccines, including COVID-19 shots. Moderna expects to invest US$500m in the facility and supply 500 million doses of mRNA vaccines to the continent annually, starting later in 2023.
- DHL Global Forwarding, a subsidiary of Germany’s Deutsche Post, opened a new 7,500sqm warehouse in Mombasa, Kenya.
- Switzerland’s Swissport International AG, established a presence at Mombasa’s Moi International Airport in Mombasa.
- The German government will provide Kenya with €112m to help it reach the 100% renewable energy target and to produce hydrogen.
- UK Prime Minister Rishi Sunak and Kenyan President William Ruto agreed at the COP27 climate summit to fast-track six green energy projects in Kenya worth KES500b (approx. US$4.1b). One of these six projects is the Menengai Geothermal Project being developed by the Geothermal Development Company (GDC) and Globeleq, with a planned 35MW capacity.
- In 2022, South Africa’s Standard Bank raised its shareholding in Kenya’s Stanbic Holdings Plc to 75%, completing an increase in its shareholding in the bank that began in 2018.
- The UK is partnering with Kenya to build a new rail hub in the capital Nairobi, and its development arm CDC Group will invest US$1b in various sectors over the next five years.
- Italy-based Eni S.p.A completed an oilseed collection and pressing plant in Makueni, and started production of the biorefinery’s vegetable oils.
- Flagship refiner-retailer Indian Oil Corporation, along with ONGC Videsh Ltd (OVL), has revived talks to buy a stake in Tullow Oil’s Lokichar oil field worth more than US$2b.
Tanzania: Investment rose significantly (133% y-o-y) in 2022, reaching pre-COVID levels, with 21 projects worth US$1.3b and creating 4,566 jobs. Kenya is the country’s largest regional inbound investor, although Burundi provided more capital (US$529m).

Key investments include:

- Burundi-based Intracom is planning a US$250m integrated cement plant in the Kigoma region, which will supply cement to the Lake Tanganyika region, including Burundi, Rwanda and the DRC.
- State-owned Kenya Electricity Generating Company (KenGen) is looking at two geothermal drilling projects in Tanzania.
- UAE-based Masdar has signed an agreement with Tanzania Electric Supply Company Ltd. (TANESCO) for the development of renewable energy projects with capacity of 2GW.
- India’s Adani Group (APSEZ) has concluded an MoU with Abu Dhabi Ports to establish end-to-end logistics infrastructure across rail, ports, maritime services, digital services and industrial zones.
- Tanzania will sign key agreements with oil majors including Equinor ASA and Shell Plc for a planned US$40b LNG export project.

Ethiopia: FDI significantly declined in the last three years after reaching 34 FDI projects in 2019. The country only received five FDI projects in 2021 and six in 2022. Investment flows were affected by both the COVID-19 pandemic and the Russia-Ukraine war. In addition, the security situation in Ethiopia, coupled with the country being delisted from the African Growth and Opportunity Act (AGOA), led to the decline in FDI. Ethiopia is also struggling with the highest inflation in a decade, with foreign exchange restrictions and mounting debt amid reports of massive government spending on the war in the Tigray region. Wide-ranging incentive packages for priority sectors and export-oriented investments were introduced in 2022 to revive investment. In 2022, the UK was the largest investor, funding projects primarily in the telecoms sector.

Key investments include:

- Safaricom plans to invest US$300m a year into Ethiopia over the next 10 years, having already invested US1.2b.
- The UK’s Marriott Drilling Group secured financing to construct two geothermal power stations. The projects at Tulu Moye and Hawassa will be Ethiopia’s first geothermal power stations.

Uganda: Though FDI in Uganda declined in the last two years after a 2019 high, the country saw record high inflows of over US$10b in 2022 – the highest in East Africa – creating more than 6,300 jobs. France was the top investor in the country with two massive investments in the oil and gas sector. The country also saw investment from Kenya in the consumer sector.

Key investments include:

- France’s TotalEnergies and China National Offshore Oil Corporation (CNOOC) have reached a deal with Uganda and Tanzania to invest US$10b in developing crude oil production. The project will develop oil fields, processing facilities and a pipeline network in Uganda, plus an export pipeline through Tanzania to carry crude to port.
West Africa

Nigeria remains the largest FDI destination in the region

<table>
<thead>
<tr>
<th>Top 5 countries</th>
<th>Number of projects</th>
<th>Capital investment US$b</th>
<th>Jobs created ‘000</th>
<th>FDI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
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<td>Ghana</td>
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<td>12.9</td>
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<td>Sierra Leone</td>
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<td>0.1</td>
<td>0.7</td>
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<tr>
<td>Liberia</td>
<td>2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: fDi Markets (Financial Times), EY analysis.

In 2022, West Africa received 93 projects, the bulk of which (90%) headed to Nigeria and Ghana. These projects carried capital investment of US$3.7b, creating employment for more than 6,000 people.

The US, France and the UK were the top foreign investors in the region. Most of the region’s FDI was directed to business services, software and IT services and financial services. Investments in transportation and warehousing, and food and beverages, also featured.

**Nigeria** has been West Africa’s leading FDI market for a while. FDI slowed since peaking in 2019, hit by the COVID-19 pandemic. Investment picked up in 2022 after two consecutive years of decline but remains well below pre-COVID-19 levels. Nigeria received 49 FDI projects in 2022, valued at US$2b and creating 3,328 jobs. The services sectors, including business services, technology and financial services, attracted the most projects, while the capital-intensive telecoms and construction sectors also benefited. Food and beverages is also gaining investors’ attention.

France, the US and the UK were the largest investors into the country, but the highest capital flows came from India and China. Nigeria has growing ties with India, having launched the Nigeria India Business Council (NIBC) to further strengthen bilateral trade and investment opportunities.

**Key investments include:**

- Indian company Bharti Airtel will invest US$700m annually in Nigeria over the next four years amid the rollout of a 5G network. The company has already invested close to US$4b in Nigeria over the last 10 years.

- The Nigerian government and the French Development Agency (Agence Française de Développement) signed a grant agreement of €25m for the Northern Corridor Transport Project jointly funded by the EU and the AFD.

- Nigeria and the US’s Sun Africa LLC signed a US$10b agreement to provide power to 30 million people.

- Sterling and Wilson Solar Solutions, the US subsidiary of Sterling & Wilson Renewable Energy, has signed an MoU with the Nigerian government, along with its consortium partner Sun Africa LLC, to build 961MW of solar power and battery storage capacity of 455MWh.

Source: fDi Markets (Financial Times).
The UK announced a £95m investment in climate resilient agriculture in Nigeria. The UK plans to expand low-carbon energy projects via a £10m investment, accessible through Nigeria’s infrastructure finance institution, InfraCredit.

UK oil company Shell Plc purchased Nigerian renewable energy provider, Daystar Power, to build a green energy business to reduce its fossil fuel dependence.

Ghana: FDI increased 35% in 2022 but remains below pre-COVID-19 levels and its 2019 high. It received 35 FDI projects in 2022 worth US$1.3b, generating over 2,500 jobs. Nigeria was the largest investor in the country with seven projects, followed by the US with five projects, providing the most capital. Australia created the most jobs.

The country has traditionally attracted FDI in the oil and gas and agribusiness sectors but has looked to branch out in recent years, with a focus on logistics, financial services and technology. Business services, software and IT services, and financial services, attracted the most projects, while capital-intensive investments were made in transportation and warehousing.

**Key investments include:**

- Australia-based Atlantic Lithium has completed a prefeasibility study (PFS) on an Ewoyaa lithium project, with a capital cost estimate of US$125m.
- CityBlue Hotels, subsidiary of Kenya’s The Diar Group, entered a joint venture with Ghana-based Beaufort Properties Group to develop an apartment building in Accra.

Central Africa and FSSA

**Côte d’Ivoire and Senegal lead FSSA’s FDI drive**

<table>
<thead>
<tr>
<th>Top 5 countries</th>
<th>Number of projects</th>
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<th>Jobs created ’000</th>
<th>FDI score</th>
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<tr>
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<td>Guinea</td>
<td>5</td>
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<td>0.1</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: FDI Markets (Financial Times), EY analysis.

The Central and French-speaking sub-Saharan Africa (FSSA) regions received the lowest FDI in Africa. French influence on the region continues to play a meaningful role, with 14 projects in 2022.

Business services attracted the largest number of projects, while the extractive industry raised the highest capital and created the most jobs. The region also saw an uptick of investment in both the CleanTech and food and beverages sectors.

Côte d’Ivoire and Senegal were the major FDI beneficiaries in the FSSA region.
Angola: Investment into Angola declined from 2021, one of few countries that did not benefit from a strong turnaround witnessed across most of the continent. This is indicative of its strong reliance on the oil and gas industry, with little economic diversification beyond extractive-based sectors. A Deutsche Bank report states that Angola's oil and gas sector has seen greater investment interest in the past few months due to rising oil prices.

Key investments include:
- Italy also struck new deals to boost natural gas imports from Angola and the Republic of the Congo as Italy's government rushes to cut energy dependence on Russia.
- Telecoms company Startel will invest US$55m to deploy 100,000 wireless telephone lines that provide voice, data and internet services in Luanda and surrounding areas.
- The US government facilitated a partnership between the Angolan government and U.S. project development firms AfricaGlobal Schaffer and Sun Africa LLC to raise US$2b for a solar project. The project will develop solar mini-grids, home power kits and solar-to-power telecommunications.

Côte d'Ivoire: FDI increased by 83% y-o-y, with 22 projects worth US$1.1b announced. Food and beverages (agro-processing) and transportation and warehousing attracted the most projects, with France being the major investor.

Key investments include:
- The UK's Endeavour Mining will invest US$448m to construct its Lafigué gold mine project by 1Q24.
- Cameroon-based Atlantic Cocoa Corporation will open a US$108m cocoa storage and processing complex in Abidjan, Côte d'Ivoire.
- Singapore's Royal Nuts opened a new factory in Côte d'Ivoire, the first of three investments by Singapore in Côte d'Ivoire's agro-processing industry, valued at US$130m.
- In 2023, UAE-based renewables provider Masdar signed a deal to develop a 70MW PV plant, part of a wider Etihad 7 initiative, with a goal of achieving 20GW renewable energy capacity by 2035.
- UAE-based AMEA Power has signed a concession agreement and 25-year power purchase agreement with the Côte d'Ivoire government for a 50MW solar PV project.
- Switzerland-based Sika, a provider of chemicals for the construction industry, has doubled the size of its plant in Abidjan, Côte d'Ivoire.
- French telecommunications company Orange SA signed an energy-as-a-service (EaaS) contract with utility ENGIE SA to convert the government of Senegal's data center in Côte d'Ivoire to solar power.
- Barry Callebaut and Nestlé will roll out 11,500 hectares of agroforestry to protect biodiversity and support 6,000 cocoa farmers.

Senegal: FDI more than doubled from the previous year to 14 projects worth US$1.4b in 2022. Business services attracted the most investments, with France being the major investor.

Key investments include:
- The UK's Endeavour Mining will invest US$290m through a 90-10 joint venture with the local government to expand its Sabodala-Massawa mine complex in the Tambacounda region.
- Saudi Arabia's ACWA Power signed two agreements to develop a seawater reverse osmosis plant (SWRO) in La Grande Côte and a combined cycle gas turbine (CCGT) plant in Cap des Biches with 16MW capacity to support Senegal's gas-to-power strategy.
• Lekela Power, a subsidiary of Ireland’s Mainstream Renewable Power, plans to build a 16MWh battery plant in Senegal.

• Saudi Arabia’s development fund will loan Senegal US$63m to finance a coastal highway from Dakar to Saint-Louis and Dakar to Tivaouane.

• Morocco’s Managem Group will acquire assets in Senegal, Mali and Guinea, collectively known as the Bambouk Assets, from Canada’s IAMGOLD for US$282m.

• France-based Technip Energies signed an MoU with Senegal’s Petrosen to collaborate in LNG, carbon-free energy to accelerate gas value development and energy transition.

• France’s ENGIE SA and Meridiam, and Senegal’s Sovereign Strategic Investment Fund, will build two PV power plants in Senegal, producing 60MW – Kahone Solaire SA (35MW) and Kael Solaire SA (25MW) in Kaolack and Diourbel respectively.

FDI 2018–22 by source: top 15 origin countries

Source: fDi Markets (Financial Times).
The US is the single largest investor by project

The US remains the largest investor in Africa by project numbers, contributing to 13% of Africa’s total investment – its highest since 2016. However, when measured in capital terms, the country trails the UAE, France and India. In 2022, the US invested US$7b across Africa, the highest since 2018, with South Africa, Egypt and Kenya being the largest recipients. Key projects announced were in South Africa (telecoms), Egypt (business services) and Kenya (technology).

Under the African Continental Free Trade Area (AfCFTA), the US and Africa announced several initiatives to boost trade and investment between the two partners. Since 2021, the US government has facilitated more than 800 trade and investment deals worth US$18b across 47 African countries, while the U.S. private sector has closed investment deals in Africa valued at US$8.6b.

At the US-Africa Leaders’ Summit in December 2022, the US announced its intention to invest US$55b in Africa over the next three years. Of this, US$15b will be in trade and investment commitments, deals and partnerships that advance key priorities in sustainable energy, health systems, agribusiness, digital connectivity, infrastructure and finance.

The UAE is significantly boosting its presence

Africa’s capital inflows were led by the UAE in 2022 at US$50b – seven times more than the amount committed by US investors. FDI projects from the UAE also created the most employment (more than 18,000 jobs). Egypt and South Africa were the main beneficiaries, making up 95% of Africa’s total capital inflows from the UAE.

The UAE is focused on developing Egypt’s CleanTech and South Africa’s smart and sustainable infrastructure development. The UAE invested approximately US$25b in clean energy projects in Egypt and is developing a massive net-zero sustainable city called The Parks in South Africa, costing US$20b.

The UAE and South Africa will boost trade and investment in logistics, food production, tourism and energy. According to South African Minister Dr. Aaron Motsoaledi, the UAE will invest US$10b in energy, oil, economic infrastructure, tourism and agriculture. The UAE is also Egypt’s largest investor, increasing investment under the 2019 Egypt-UAE joint strategic investment platform. In addition, the UAE announced a Comprehensive Economic Partnership Agreement (CEPA) with Kenya to deepen trade and investment ties.

2022 FDI by source country ranked by projects

<table>
<thead>
<tr>
<th></th>
<th>Projects</th>
<th>Capital Investment (US$b)</th>
<th>Jobs created ('000)</th>
<th>FDI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
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<td>154.3</td>
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<tr>
<td>India</td>
<td>20</td>
<td>22.2</td>
<td>9.0</td>
<td>17.1</td>
</tr>
</tbody>
</table>

Source: fDi Markets (Financial Times), EY analysis.
**Chinese investment declines**

China’s share of FDI into Africa fell sharply to 2.9% in 2022 from 11% in 2018. But cumulative FDI between 2016 and 2022 sees China ranked fourth by projects, while it comes second by capital investment, behind the UAE. Its investments are very job intensive, as it creates more jobs per FDI project than any other investing nation.

The Green Finance & Development Center at Fudan University, Shanghai, cites China’s investment in sub-Saharan Africa for global infrastructure development dropping 55% to US$7.5b in 2022.

China is a major infrastructure financier in sub-Saharan Africa, with total investment of US$155b over the past two decades. However, many African nations face a rising debt burden and are not able to take on additional loans, reducing construction and infrastructure demand, while China’s foreign investments shift to less risky and higher-yielding areas, impacting its influence across the continent.

**Intraregional investment remains low**

African countries invested in 113 cross border projects in 2022, accounting for 15% of all FDI – when measured by projects (and 12% using the FDI score) – but provided only US$4.1b in capital (2% of total capital investments). Kenya and Nigeria ranked as two of Africa’s 10 largest investors in 2022. Infrastructure development in interstate roads, rails, bridges, energy and broadband boosted this intraregional investment. This is a stark change from the past decade, when South Africa was the region’s largest investor into the rest of the continent by a considerable margin. This reflects several factors, not least of which is the country’s own lackluster growth, which pressures the balance sheets of companies and limits their resources to extend their reach into the rest of the continent. In addition, many South African corporates have reduced their exposure in the rest of Africa, as they have experienced problems in securing supply chains, difficult logistics, complex foreign exchange regimes that limit profit repatriations and, in some cases, lengthy legal cases relating to untenably large tax assessments.

**South Africa and Egypt tie as the largest FDI beneficiaries**

<table>
<thead>
<tr>
<th>Eight largest investors: 2022</th>
<th>Destination</th>
<th>FDI score</th>
<th>Destination</th>
<th>FDI score</th>
<th>Destination</th>
<th>FDI score</th>
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<td>1</td>
<td>South Africa</td>
<td>1</td>
<td>Morocco</td>
<td>0.7</td>
</tr>
</tbody>
</table>

*Source: fDi Markets (Financial Times), EY analysis.*
India’s investment into Africa is rising

India has emerged as one of the top five investors in Africa in recent years, with cumulative investments into the continent amounting to US$74b. Though only ranked as the 10th-largest investor by project number in 2022, India was the third-largest investor by capital and fifth by FDI score. Egypt was the largest recipient of India’s FDI in 2022, with six projects valued at US$21b. Indian companies are increasingly active in natural resource-rich countries such as Nigeria and Ghana. Many Indian multinationals are attracted to agribusiness, pharmaceuticals, information and communications technology, as well as renewables.

A Confederation of Indian Industry (CII) report cites Indian investments in Africa rising to US$150b by 2030, with Indian infrastructure firms on the lookout for major opportunities.
CleanTech becomes the leading FDI sector in Africa
Chapter 3  FDI by industry and sector

The dominance of services as a driver of FDI continues

FDI by industry as a share of total - measured by FDI score

2014

- Services: 52%
- Industry: 31%
- Extractives: 17%

2022

- Services: 48%
- Industry: 45%
- Extractives: 7%

Source: fDi Markets (Financial Times), EY analysis.

(The combined industries making up services are technology, media and telecoms; business and professional services; financial services; consumer; and health sciences and wellness.)

On a project count, these service industries accounted for more than half of Africa’s total FDI in 2022 (51.6%), although they brought in only 13.6% of the total capital flows and created 24.6% of the total jobs.

Extractives, on the other hand, accounted for only 4.3% of projects and created fewer jobs than services FDI, although they brought in nearly 25% of capital inflows (given the capital intensity of energy projects).

EY has long argued that more services-oriented FDI leads to more sustainable growth, supports urbanization and helps address poverty reduction, as it is focused on middle class consumers and workers with rising incomes and aspirations. The encouraging shift over the last 20 years away from extractive investment toward services continues unabated.
Per project, the extractives sectors remain the largest job creator, the services sectors create the least jobs

Jobs per project by sector: 2022

<table>
<thead>
<tr>
<th>Sector</th>
<th>Jobs per Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>669</td>
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<tr>
<td>Metals and mining</td>
<td>662</td>
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<tr>
<td>CleanTech</td>
<td>433</td>
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<tr>
<td>Real estate, hospitality and construction</td>
<td>314</td>
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<tr>
<td>Mobility</td>
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<tr>
<td>Consumer</td>
<td>274</td>
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<td>Health sciences and wellness</td>
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<tr>
<td>Average</td>
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<td>Advanced manufacturing</td>
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<td>Technology</td>
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<td>Business services</td>
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<tr>
<td>Telecoms</td>
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</tr>
<tr>
<td>Financial services</td>
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</tbody>
</table>

Source: fDi Markets (Financial Times), EY analysis.

2022 was the first time that CleanTech led the FDI drive into Africa. Although business services sector creates the most projects, CleanTech FDI brings in more capital and is also ahead in the number of jobs it creates.

Taking a five-year perspective of FDI (2018–22), technology is the leading sector, followed by business services, with mobility in the third spot (in line with growing interest in the continent’s automotive sector). The scale and extent of the rise of CleanTech in 2022 is evident by the fact that it does not feature in the leading five sectors over the most recent five-year period.

CleanTech FDI is being driven by a “green revolution” sweeping across Africa: Africa is beginning to harness its renewable energy infrastructure. However, according to BloombergNEF (BNEF), clean energy investments are concentrated in only a few countries. South Africa, Egypt, Morocco and Kenya account for nearly 75% of all renewable energy investment since 2010, amounting to US$46b. There remains a huge deficit of clean energy, with fossil fuels still making up the bulk of Africa’s power generation. The International Renewable Energy Agency (IRENA) and the African Development Bank (AfDB) estimate the continent’s solar PV potential at 7,900GW, hydropower at 1,753GW and wind energy at 461GW.
CleanTech becomes the leading FDI sector in Africa

FDI by sector 2022 based on score

- CleanTech: 71.8
- Technology: 49.1
- Mobility: 46.3
- Business services: 43.2
- Energy: 26.0
- Consumer: 25.7
- Industrial products: 23.0
- Real estate, hospitality and construction: 24.9
- Financial services: 21.2
- Telecoms: 20.1
- Media and entertainment: 1.7
- Health sciences and wellness: 7.5

Source: fDi Markets (Financial Times), EY analysis.
The International Energy Agency's Africa Energy Outlook 2019 estimates that Africa needs US$2t of investment in reliable, sustainable and affordable power infrastructure over the next two decades. IRENA’s modeling reveals that, with appropriate policies, a systematic shift from fossil fuels toward renewable energy could lead to 6.4% higher GDP, 3.5% more jobs and a 25.4% higher welfare index by 2050.

Foreign investors are eagerly looking at this opportunity. In 2022, the UAE and France led Africa's renewables investment push, followed by India and the UK. Together, these four countries provided US$77b in 2022. Egypt, Morocco and South Africa were the major recipients, receiving over US$110b.

In May 2022, Egypt launched the National Climate Change Strategy 2050, targeting a reduction in carbon emissions, an increase in renewable energy sources, and green hydrogen production at a cost of US$1.7 per kg. South Africa will increase its share of renewable energy to 41% by 2030, deploying 11.8GW of large-scale renewable energy capacity by 2030, and driving interest for investors, IPPs and international energy companies.

The UAE is the largest investor in CleanTech in the north region, with Egypt receiving US$25b in green energy infrastructure. A UAE-led Etihad 7 initiative will raise funds for providing clean energy to 100 million people by 2035. UAE state-owned renewable energy company Masdar has agreements with Angola, Uganda and Zambia to develop renewable energy projects with a combined output of 5GW. Masdar also signed an agreement with Egypt’s Infinity Power and Hassan Allam Utilities to develop a 10GW project, expected to save US$5b in annual natural gas costs.

France is another prominent investor in Africa's clean energy sector, targeting solar, wind and hydropower. TotalEnergies, ENGIE, Électricité de France (EDF) and Technip Energies announced several renewable energy projects. The recent Invest in African Energy Forum will boost Africa's renewable energy sector with European investments and participation. France will increase its climate financing to €6b per
Africa’s digital ecosystem is growing rapidly as it catches up with the rest of the world, unlocking growth potential, creating employment, and providing innovation and access to new-age services. According to Gartner, Africa will become a technology hotspot in the next five years, driven by developers creating a “world-leading startup ecosystem.” Africa tech startups received record funding, crossing the US$3b mark for the first time in 2022, despite global startup investment slowing.

FinTech, along with e-commerce and RetailTech, e-health, logistics, energy, AgriTech and transport provide opportunities. Developing digital infrastructure, including broadband, mobile telecom, internet and data centers, is a key priority. South Africa is deploying 5G, which requires a significant boost in mobile infrastructure. Tech giants such as Google and Meta are investing in subsea cables.

The UK is interested in supporting green hydrogen and renewables development in Africa with an investment pipeline of over US$13b in clean energy. Technology developers Octopus Energy Group and Xlinks will build a subsea interconnector cable to deliver 3.6GW of energy from Morocco to the UK, delivering low-cost clean energy to seven million British homes by 2030. Globeleq and Actis, two UK renewable energy companies, signed an MoU with Egypt to develop green hydrogen.

Technology remains a prominent driver of FDI in Africa

Technology (11.6% of total FDI)

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The US, the UK and France are actively investing in Africa’s digital space. The US and Africa launched a new Digital Transformation with Africa (DTA) initiative, investing US$350m and US$450m in finance, part of the African Union’s Digital Transformation Strategy for Africa (2020–2030) and the U.S. Strategy Toward Sub-Saharan Africa. Google announced a US$1b investment, focusing on four key areas: providing affordable access and products, supporting businesses with digital transformation, investing in entrepreneurs to spur next-generation technologies, and supporting selected nonprofits. South Africa will be Africa’s first cloud region.

South Africa, Egypt, Morocco, Nigeria and Kenya are Africa’s five largest technology investment hubs, in line with their size. A recent report on Africa’s Data Centre Market cites South Africa as becoming a cloud hosting hub, with the manufacturing, financial services and health care sectors among the major data center investors. The report further noted that undersea cables are supporting growth of the local data center market. Amazon Web Services recently announced a US$1.6b cloud infrastructure build in South Africa.

According to The African Tech Startups Funding Report 2022, Nigeria attracted the largest share (US$976m) of Africa’s total US$3.3b tech startup investments in 2022. The country launched the Investment in Digital and Creative Enterprises (I-DICE) program to boost Africa’s digital economy, which is set to rise from US$115b to US$712b by 2050. The country also launched a US$672m fund to support investors in the tech and creative sectors struggling to raise capital.

The automotive industry stands to benefit from trade agreements

Mobility - automotive, transportation and warehousing (12.4% of total FDI)

Source: fDi Markets (Financial Times), EY analysis.
The mobility sector (including automotive and transportation, and warehousing) made up 13.4% of total FDI in 2022, playing a significant role in the markets it operates in. South Africa recently lost its status as the largest beneficiary of automotive investment, facing major competition from the strategically placed North African states such as Morocco and Egypt, along with increasing automotive initiatives in both East and West Africa to build self-sufficient vehicle and component plants. Morocco benefits particularly from major French interest in its market, with automotive investment a significant contributor of new jobs.

**The African Continental Free Trade Area (AfCFTA) is supporting mobility investments:** Africa’s automotive industry stands to gain from trade flows increasing via AfCFTA. The continent’s auto industry is expected to grow to US$42b by 2027, up from US$30b in 2021—a nearly 40% rise. Africa’s automotive manufacturers can build competitive advantages in several areas: improving economies of scale, lower tariffs for inputs such as aluminium from Mozambique or rubber in Côte d’Ivoire, and from AfCFTA’s rules of origin, setting common thresholds for value-added products and services. Governments and the private sector are both working to improve the investment environment for the auto sector and develop strong regional value chains. The African Export-Import Bank (Afreximbank) and the African Association of Automotive Manufacturers are working to harmonize automotive standards, develop a focused training program for the public and private sectors, and provide financing to industry players across the value chain. Afreximbank has also committed US$1b to the industry through direct financing and partnerships.

Europe, led by France, Switzerland, Germany and the Netherlands, is the largest investor into Africa’s auto industry. Nissan, General Motors and Stellantis will invest up to US$145m in Egypt over the next three years. The firms are targeting annual production of 60,000 to 70,000 vehicles. Another five automotive parts manufacturers signed eight investment agreements with Morocco, valued at US$1.8b, to boost the supply of wiring components for electric vehicles. German auto giant Volkswagen is another key player, establishing local assembly operations in Kenya, Rwanda and Ghana.
Business services demand continues to grow

Business services was second only to technology in 2022, ranked by projects. The sector contributes more FDI projects than any other, creating 10,000 jobs and attracting nearly US$3b in capital. The major destinations are the larger economies, with South Africa leading in line with its more diversified and more services-oriented economy. Nigeria, with an economy five times larger than Kenya’s, is lagging in terms of the business services projects it secures, ranking fifth behind Morocco.

Business services attracted more projects and capital than it has since 2018. The US, France and the UK remain the largest investors in the sector. Interestingly, there were also substantial investments made by Nigeria into the rest of Africa, with 10 projects raising US$278m, flowing to Kenya and Ghana as the major beneficiaries.

A World Bank report estimates that Africa’s working-age population is expected to grow by 450 million people, or nearly 70%, by 2035. Opportunities in the sector appear promising as Africa’s education levels rise and businesses look to tap into its rising pool of skilled talent in IT, engineering, business management and finance.

Source: fDi Markets (Financial Times), EY analysis.
Metals and minerals remain crucial for Africa, while fossil fuels FDI declines

The extractive industry (metals, mining, coal, and oil and gas) has seen its share of overall FDI decline, as countries diversify and shift toward cleaner energy sources to reduce their carbon footprints. In 2022, extractives contributed to only 4% of total FDI projects, down from almost 10% in 2018. Investment in fossil fuels such as coal, oil and gas are therefore gradually declining due to the global energy transition. Countries heavily dependent on coal, oil and gas investment are going to fare less well unless they diversify their economies and build sustainable growth policies. Nigeria and Angola have historically been entirely dependent on such investments, although Nigeria has more success in attracting FDI across the services industry.

On the other hand, demand for critical minerals and rare earth metals that are essential for developing clean energy technology, including electric vehicles, lithium batteries, wind turbines and solar panels, is rising. The demand and price outlook for Africa’s main commodity groups looks promising.

Most extractive-based FDI flows to the metals sector, with Canada and the UK the key investors. Zimbabwe, Zambia and South Africa are rich in cobalt, copper, nickel and platinum reserves, and receive the bulk of investment inflows. Uganda and Libya saw highly capital-intensive oil and gas projects valued at more than US$6b from France and Italy.
CleanTech, mobility and energy are crucial job creators

FDI into CleanTech and energy made up one-third of the jobs created in 2022. The global energy transition has led to employment opportunities in solar and wind investments in parts of the continent. IRENA estimates that renewables have created over 1.9 million jobs in Africa.

There were 32 extractive projects in 2022 creating more than 21,000 jobs, with the metals sector creating 14,000 jobs alone.

Mobility, especially transportation and warehousing, generated significant employment opportunities, with automotive and logistics hubs being set up in Egypt, Morocco, South Africa and Kenya. The sector created more than 27,000 jobs in 2022.

Although services create the most FDI opportunities, their contribution to job creation lags both manufacturing and energy

Source: fDi Markets (Financial Times).
Assessing the FDI leaders and laggards
Faster-growing economies tend to attract larger FDI inflows

We have once again provided context to the FDI numbers as, on face value, they do not illustrate any indication of how well each country is faring in its ability to attract inbound investment. For example, a host of countries have economies close to the US$100b level, but they attract vastly different levels of FDI. On the one hand, Kenya attracts a diversity of investments across several sectors, despite its strong reliance on agriculture exports. On the other end of the spectrum is Angola, which remains over-reliant on fossil fuels FDI, with limited inbound investment in other sectors. This difference arises from each country’s approach to attracting investment. Some regimes take a more centralized approach to managing economies and do not necessarily encourage all FDI, other than specific investments on terms and conditions deemed suitable by the recipient authorities.

To measure how countries are faring in attracting FDI, we devised a metric whereby the FDI score as a share of nominal GDP is calculated. Continuing the example of Kenya and Angola, Kenya’s FDI score/GDP is a respectable 0.21, while for Angola the ratio lies at 0.02. Of course, Kenya has been growing at approximately 5% for over a decade now, while Angola’s growth languished after oil prices sank in 2015. With little else to compensate for the loss in oil revenues accruing to the state, Angola’s growth slid in response and, despite new political leadership and embarking on economic reforms, its FDI remains tepid and still largely extractive based.

Using this approach, one needs to proceed with caution. Major investments in any one year can create anomalies in the numbers, which is particularly the case in small,
remote economies. One example is the Seychelles, where the economy is tourism and agriculture based, being an island state with a small population, remotely situated. But it ranked first in 2022 based on FDI score/GDP.

Countries that have slow growth tend to have the lowest FDI score/GDP ratios. Sudan, Angola, the Republic of the Congo and Libya all fall into this quadrant. At the other end of the spectrum, Rwanda, Kenya, Egypt and Senegal are among the most rapidly growing economies globally and have been successful in attracting strong FDI inflows. And somewhere in the middle, Botswana, Mozambique and Mauritius have grown at moderate levels over the last five years (although below their historical growth rates) and have secured FDI in line with those growth numbers.

The outliers include Ethiopia, Zimbabwe and Namibia (the Seychelles is cited separately). Ethiopia, despite being the world’s fastest-growing economy until the onset of the COVID-19 pandemic slowed its progress, had still largely been an economy driven by state intervention. The key industries of banking, telecoms and mining were managed by state-appointed officials and largely closed to outside investors. Although the country subsequently liberalized its approach, the combined impact of the pandemic and the civil unrest it endured thereafter played a significant role in stalling its growth trajectory.

Zimbabwe saw an exceptional inflow of FDI last year, despite its ongoing economic decline, with its economy having shrunk over the last five years. This fortune was driven by new investments into an emerging CleanTech sector, and renewed interest in its large and untapped mining sector. Mining FDI is spearheaded by new Chinese developments. The extractive sector is less prone to policy concerns, as mining licenses are negotiated privately, often at intragovernmental level. However, last year’s FDI is unlikely to be repeated, unless the country adopts a more open and transparent approach to attracting inbound FDI.

An additional key factor needs to be considered when analyzing the relative success of countries’ FDI inflows. Growth requires a favorable policy environment, an open economy and an enabling approach to the private sector. The Heritage Foundation tracks 174 countries across the globe to assess their economic freedom. Per the graph below, a few observations can be made:
Collectively, Africa ranks in the lower quadrants of the 2023 Index of Economic Freedom.

Only four of Africa’s economies are considered either mostly free (Mauritius) or moderately free, (Botswana, Côte d’Ivoire, Tanzania). Of the rest of the African countries ranked, 30 are considered mostly unfree and 14 are labeled as repressed. In addition, 16 of the 30 mostly unfree economies regressed in the latest ranking (2023), indicating that they are either not making progress in reforming their markets, or those reforms are not working. Similarly, of the 14 repressed economies, six are regressing.

For the most part, there is a relationship between growth, economic freedom and investment inflows. Low-scoring countries tend to grow at slower rates than the higher-scoring countries. Again, there are exceptions to the rule, with Rwanda standing out as an example of a rapid-growth economy.

The three largest economies on the continent (Nigeria, South Africa and Egypt) are assessed as mostly unfree, which has repercussions on how successful they may be in attracting future investment and thus addressing their rising unemployment challenge, kick-starting their growth initiatives and making meaningful progress toward reaching their middle-income status goals.

South Africa, despite its strong capital market depth and diversified economy, ranks only 17th on the subcontinent (sub-Saharan Africa) and 18th when North Africa is included. It scores particularly poorly in fiscal health, having failed to keep within responsible spending limits, despite commitments to fiscal consolidation targets. In addition, property rights and government credibility are weak, hurt by a combination of factors including endemic corruption, political interference in appointing executives to key state entities, and keeping senior politicians in power despite a state commission highlighting their roles in misdeeds. Also of note is South Africa’s score on investment freedom, which is below par, ranking 28th on the subcontinent.

While there is recognition by leaders across Africa that outside assistance is a welcome growth enabler, the Heritage Foundation’s latest annual ranking illustrates little movement on the part of most to secure higher levels of foreign investment. A broader range of actions is needed across more countries to actively encourage investors to share their expertise, skills, capital and knowledge to help stimulate growth and create new opportunities for more people.
What policies could Africa adopt to attract more FDI?
Chapter 5  What policies could Africa adopt to attract more FDI?

Following on from our concluding paragraph in the previous chapter, a comprehensive set of actions that will facilitate stronger FDI inflows are set out in this section. To a significant extent, this is not unique to Africa; investors mostly seek the same set of factors wherever they choose to locate. Beyond the basics of political stability and a certain policy framework, we highlight a few key actions that Africa’s leaders could embark on to promote inbound investment.

Three of Africa’s largest economies face a fundamental unemployment challenge

<table>
<thead>
<tr>
<th>Country</th>
<th>Unemployment rate %: 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>33,5</td>
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<tr>
<td>Nigeria</td>
<td>31,3</td>
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<td>Kenya</td>
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<td>Mozambique</td>
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<td>Senegal</td>
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</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>2,9</td>
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</tbody>
</table>


1. Tackle youth unemployment and promote skills development

Unemployment is rising across Africa, compounded by the impact of the COVID-19 pandemic. It reached record levels in many of Africa’s economies in 2022, with South Africa’s unemployment rate just under 34% – one of the highest in the world. Nigeria (31%), Kenya (23%) and Namibia (21%) also have high unemployment. Africa has a large pool of young people (aged 15 to 35) who remain either unemployed or underemployed and, according to the AfDB, its youth will double to over 830 million by 2050. If properly tapped into, youth employment could provide the much-needed push in productivity and inclusive economic growth to further drive investment across the region. The AfDB estimates that of the 420 million young citizens, one-third is “unemployed and discouraged,” another third is “not secure in their jobs” and only one in six is in “wage employment.”

A major concern for business is the unavailability of skilled labor, which results in loss of significant revenues due to low productivity and innovation. In continuation of the Jobs for Youth in Africa (JfYA) Strategy (2016–2025), the AfDB launched its Skills for Employability and Productivity in Africa (SEPA) Action Plan, 2022-2025 to address Africa’s skills gap, creating 25 million jobs and equipping 50 million young people with skills for productive employment and self-employment.

To prepare Africa for a stronger role in the world economy, there is a need to:

- Review education and skills development policies.
- Facilitate private and public sector collaboration to promote skills development in line with labor market needs.
• Empower educational institutions to promote STEM-based skills to aid the continent’s digital transformation and innovation journey.
• Develop a comprehensive e-learning curriculum and infrastructure to make basic education more readily available to most.
• Build a culture of entrepreneurship and facilitate access to funding for new startups and business ideas.
• Strengthen the management, governance and regulatory environment of skills development.

2. Improve agricultural output to address food security

Food insecurity in Africa has intensified in the past decade, with climate change and adverse weather conditions impacting agricultural production and productivity. The COVID-19 pandemic and the Russia-Ukraine war have added to food shortages, with higher prices and cost of transport, as well as disrupting critical food imports. The IMF cites sub-Saharan Africa as the most food-insecure region in the world, with over 20% of its population facing chronic hunger. The situation is grave in Somalia, Chad, South Sudan, the DRC, Burundi and Madagascar. Kenya, Ethiopia, Morocco, Tanzania and Mozambique also faced food prices soaring in 2022. The World Food Programme identified the drought in the Horn of Africa as the world’s worst food emergency in 2022. As a result, many countries implemented short-term and untargeted support measures, including subsidies and tax cuts on food or fuel, price controls and export restrictions.

Governments should aim to achieve self-sufficiency for major food commodities, and increase crop productivity and yields to address the acute food insecurity in the region, take coherent action against hunger and poverty, and build more resilient intraregional food supply chains that are less vulnerable to external events or internal conflicts. In place of untargeted subsidies, targeted social cash transfer would support the most vulnerable section of the society in managing extreme weather shocks, as well as helping them to invest in more sound agricultural techniques, promote research and development to enhance agricultural productivity, and build resilience by “climate-proofing” agriculture and infrastructure that protects food production and distribution from adverse climate conditions. Employing renewable sources such as solar and wind in agricultural practices such as irrigation, water access and food storage could prove useful. Digitalization of agricultural practices, including early warning systems, online banking platforms and digital market sources to buy or sell, is also essential.

3. Accelerate economic diversification and energy transition

Despite efforts to diversify, many of Africa’s economies remain overly dependent on exports of agricultural, mining and extractives, which remain volatile to external market fluctuations. The UN Conference on Trade and Development (UNCTAD) cites 45 African economies as being solely dependent on a few commodities, vulnerable to global macroeconomic forces. UNCTAD cites several factors that could drive economic and trade diversification across the continent, including “the implementation of the African Continental Free Trade Area, a growing middle class, an emerging consumer market, the increased use of financial services and technology, and dynamic private entrepreneurs.” It also mentions the importance and role of a strong private sector (particularly micro-enterprises and SMEs) to venture into new and innovative industries, as well as financial aid to fund innovative ideas.

A push toward sustainable and inclusive growth can help. The UN Development Programme says: “The potential of investment for Africa’s sustainable development progress cannot be overstated. Shifting just 3.7% of the US$100t of global assets under management by institutional investors each year would enable it to achieve the Sustainable Development Goals (SDGs).” To achieve this, Africa needs to foster its domestic resource mobilization and savings, while boosting technology. The AfDB adds that multilateral development banks can help Africa in funding projects that protect the environment and support green economies.

Given the continent’s huge clean energy potential in both solar and wind, CleanTech and renewables have pulled significant investment from foreign investors in recent years – as seen by both the number of FDI projects and capital raised. The sector has also proved to be critical in generating employment opportunities – FDI in the sector created the most jobs ever in 2022. It is estimated that US$200b of investments is required by Africa’s energy systems each year to 2030 to limit global warming to the global target of 1.5°C, followed by US$370b per year by 2050. This would require significant participation from private sector players and foreign investors. As of October 2022, only four African countries had made net-zero commitments. More nations need to adhere to the global targets and efforts to reduce carbon emissions and invest in cleaner energy projects.
4. Focus on digitalization and development of basic infrastructure

The World Bank estimates that the poor state of infrastructure in Africa constrains economic growth by 2% each year and cuts productivity by as much as 40%. With the population of 28 African countries having doubled in the last 30 years, and an additional 26 African countries expected to double in the next 30 years, it is an absolute imperative to accelerate and scale up infrastructure development. In addition, driving economic growth and boosting trade requires:

- Electricity access to increase by 93% by 2035
- Half of the roads and highways to be paved
- An increase in container handling performance at major ports from 20 to 25-30 moves per hour
- Internet access for 300 million more people

With a rapidly urbanizing population, the role of digitalization becomes crucial to reshaping the economy, providing social security, alleviating poverty and developing technical skill sets. A report by the International Finance Corporation (IFC) and Google says Africa’s internet economy could add another US$180b to the economy (5.2% of GDP) by 2025.

The digital divide in Africa is high, with poor network coverage and quality, high operating costs and barriers to entry. For instance, only 36% of the population has access to broadband connectivity across Western and Central Africa. Moreover, 56% of people living within broadband range are not using it. Accelerating digitalization requires greater collaboration between governments and the private sector, as well as comprehensive reforms to strengthen investments in the digitalization of services. The private sector and governments could adopt regional models to tackle infrastructure shortages, including electricity, technology and transport.

Three key focus areas can accelerate Africa’s digitization efforts

The World Bank’s Digital Economy Initiative for Africa (DE4A) aimed to double 3G broadband penetration in sub-Saharan Africa from 12% in 2016 to 24% in 2022. It has invested US$2.5b in 21 projects to support digitalization across 16 Western and Central continental countries. The World Bank has identified three key areas that the continent needs to work on to accelerate digitalisation:

- **Closing the digital connectivity gap**: Affordable mobile broadband is crucial to drive connectivity forward, though fiber optic connections are growing rapidly in main economic centers.

- **Investing in safe and open digital public infrastructure (DPI)**: DPI comprises platforms hosted in data centers and clouds for digital identification, payments, data sharing, representing key elements for digital transactions, including authentication of individuals and payments, and the flow of money and data.

- **Helping countries access and use digital services**: Investments to improve connectivity and internet access along with DPs offers leapfrogging opportunities to increase productivity and promises new solutions to long-standing problems.

Source: The World Bank

5. Manage public finance and national debt to avoid credit defaults

Public debt in sub-Saharan Africa has risen steadily in the last decade, especially in recent years due to increased spending and falling revenues caused by the COVID-19 crisis. Approximately one-third of African countries had debt levels above 70% of GDP by year-end 2022, and almost half of the countries will need to manage spending more carefully this year. Tighter global financial conditions, higher interest rates and high inflation make it difficult to service mounting debts and maintain access to global finance, thus risking credit defaults. Rising government debt is also a growing concern, increasing from an average 15% of GDP in 2010 to 30% in 2020.

Given that economies across the globe face mounting pressure as a result of the Russia-Ukraine conflict, it is more critical for nations to maintain a fiscal buffer to allow for any further shocks. An already constrained fiscal budget leaves governments susceptible to global capital market swings, with institutional investors quick to shift funds from high-risk locations. As previously mentioned, some African states have already benefited from IMF assistance. These countries are required to embark on economic reforms to qualify for assistance and have little leeway to diverge from these programs. Building coherent policies to maintain these lines of funding is important to keep these economies solvent.
Methodology

EY Attractiveness reports and surveys are widely recognised by clients, media, governments and major public stakeholders as a key source of insight into FDI. Examining the attractiveness of a particular region or country as an investment destination, the reports are designed to help businesses make investment decisions and governments remove barriers to growth.

The program has a 20-year legacy and has produced in-depth studies for Europe, a large number of European countries, Africa, the Mediterranean region, India, Japan, South America, Turkey and Kazakhstan.

Sources

FDI data: The Africa FDI data is sourced from FDI Markets, a member of the Financial Times group. It tracks cross-border investments across countries and sectors covering investment projects, capital investments and jobs created. This database tracks those FDI projects that have resulted in the creation of new facilities and new jobs. By excluding portfolio investments and M&A, it shows the reality of investment in manufacturing and services by foreign companies across the continent.

Macro indicators

All macroeconomic numbers are sourced from Oxford Economics. Some references are made to the World Bank and cited accordingly.

In addition, The Heritage Foundation’s 2023 Index of Economic Freedom is referenced and cited accordingly.

Timeline

This 2023 report tracks FDI data for the period 1 January 2022 to 31 December 2022.

For more information, please visit
ey.com/attractiveness #EYAttract

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