

# African Countries of the Future 2013/14

## Winners

SOUTH AFRICA HAS BEEN CROWNED AS THE AFRICAN COUNTRY OF THE FUTURE FOR 2013/14 BY **fDi** MAGAZINE, WITH MOROCCO IN SECOND POSITION AND MAURITIUS IN THIRD. NEW ENTRIES INTO THE TOP 10 INCLUDE NIGERIA AND BOTSWANA, AS **JACQUELINE WALLS** REPORTS



One of the economic powerhouses of the African continent, South Africa has been named **fDi** Magazine's African Country of the Future 2013/14. A worthy winner, South Africa has consistently outperformed its African neighbours in FDI attraction since **fDi** Markets records began in 2003. Figures for 2012 build upon South Africa's historical prominence as an FDI destination with the country attracting about one-fifth of all investments into the continent – more than double its closest African rival, Morocco. In 2012, FDI into South Africa amounted to \$4.6bn-worth of capital investment and the creation of almost 14,000 jobs.

In the five years or so since the financial crisis, global FDI remains 20% lower than figures recorded in 2008. Any hints of global recovery in FDI in 2010 and 2011 have been overshadowed by the 14.3% decline in 2012. In the context of this decline, the number of investments into the African continent fell to a lesser extent than other world regions, down 7.9% in 2012. However figures for the first five months of 2013 signal that FDI into Africa is falling at about the same rate as global averages, down 27% compared to 28% globally.

Unrest, corruption and severe income disparities persist in Africa, though an emerging middle class with increased disposable income, a marked improvement in governance and the availability of natural resources present an attractive opportunity for investors. According to a recent report by the African

Development Bank, Africa's economy is growing faster than any other continent. Of the 54 African countries, 26 have now achieved middle-income status, with some countries, such as South Africa, Morocco and Mauritius, significantly outperforming the likes of Somalia and the Democratic Republic of Congo.

### South Africa's resilience

South Africa claimed the title of **fDi**'s African Country of the Future 2013/14 by performing well across most categories, obtaining a top three position for Economic Potential, Infrastructure and Business Friendliness. Its attractiveness to investors is evident in its recent FDI performance, where the country defied the global trend with 2011 and 2012 figures surpassing its pre-crisis 2008 statistics. Despite a slight decline of 3.9% in 2012, South Africa increased its market share of global FDI, which further increased in the first five months of 2013 as the country attracted 1.37% of global greenfield investment projects. According to **fDi** Markets, South Africa now ranks as the 16th top FDI destination country in the world.

South Africa's largest city, Johannesburg, was the top destination for FDI into Africa and is one of only five African cities that attracted more investments in the first five months of 2013 compared to the same period of 2012. South Africa ranked third behind the US and the UK as a top source market for the African continent in 2012, accounting for 9.2% of FDI projects.

In 2010, South Africa became the 'S' of the BRICS – five major emerging national economies made up by Brazil, Russia, India and China. While FDI into South Africa fell 3.9% in 2012, this was the lowest recorded decline of the BRICS grouping which, on average, experienced a 20.7% decline in FDI. In its submission for **fDi**'s African Countries of the Future 2013/14, Trade and Investment South Africa (TISA) stresses the importance of the country's attachments to its BRICS partners. "South Africa's participation in the BRICS grouping is significant... as it provides important opportunities to build South Africa's domestic manufacturing base, enhance value-added exports, promote technology sharing, support small business development and expand trade and investment opportunities," says TISA.

### Familiar look at the top

South Africa, Morocco and Mauritius have maintained their top three positions in the ranking, though Morocco has been ousted from the top spot in part due to its 17% FDI decline in 2012. Home to the Tangier Free Zone (ranked sixth in **fDi**'s Global Free Zones of the Future 2012/13), Morocco still provides a healthy FDI story, attracting 8.3% of all investments into Africa last year. The country ranked second in the Infrastructure category and joint top for FDI Strategy.

Egypt ranks fourth in **fDi**'s African Countries of the Future 2013/14 table. However, as these results went to press, turmoil

**BEST OVERALL**

RANK	COUNTRY
1	South Africa
2	Morocco
3	Mauritius
4	Egypt
5	Kenya
6	Ghana
7	Nigeria
8	Botswana
9	Tunisia
10	Namibia

**BEST ECONOMIC POTENTIAL**

RANK	COUNTRY
1	South Africa
2	Nigeria
3	Kenya
4	Ghana
5	Egypt
6	Mauritius
7	Angola
8	Tunisia
9	Morocco
10	Namibia

**BEST LABOUR ENVIRONMENT**

RANK	COUNTRY
1	Mauritius
2	Tunisia
3	Egypt
4	Algeria
5	Libya
6	Morocco
7	Cape Verde
8	Botswana
9	Seychelles
10	South Africa

**BEST COST-EFFECTIVENESS**

RANK	COUNTRY
1	Madagascar
2	Mauritania
3	Egypt
4	Sierra Leone
5	Mauritius
6	Malawi
7	Tunisia
8	Tanzania
9	Botswana
10	Senegal

**BEST INFRASTRUCTURE**

RANK	COUNTRY
1	Egypt
2	Morocco
3	South Africa
4	Kenya
5	Ethiopia
6	Tunisia
7	Ghana
8	Nigeria
9	Gabon
10	Algeria

**BEST BUSINESS FRIENDLINESS**

RANK	COUNTRY
1	South Africa
2	Egypt
3	Mauritius
4	Morocco
5	Tunisia
6	Nigeria
7	Ghana
8	Botswana
9	Algeria
10	Lesotho

**BEST FDI STRATEGY**

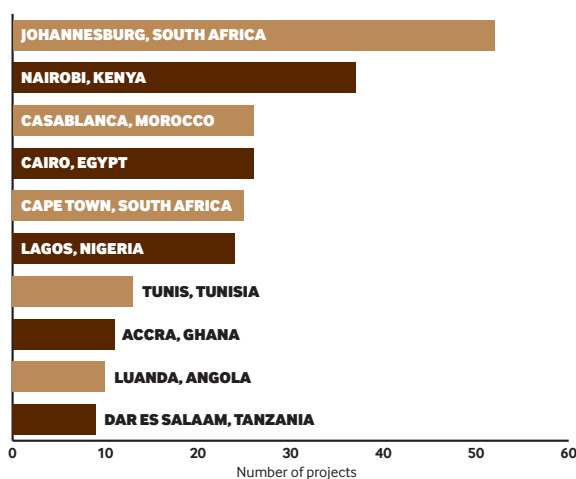
RANK	COUNTRY
1=	Mauritius
1=	Morocco
3	Botswana
4	Namibia
5	Kenya
6	South Africa
7	Sierra Leone
8	Ghana
9	Gabon
10	Ethiopia

**CITIES THAT HAVE ALREADY OUTPERFORMED 2012 FDI LEVELS**

CITY	COUNTRY	NUMBER OF FDI PROJECTS 2012 (JAN-DEC)	2013 (JAN-MAY)	
1	Durban	South Africa	4	5
2	Lusaka	Zambia	1	4
3	Kigali	Rwanda	2	3
4	Yaounde	Cameroon	-	2
5	Lome	Togo	-	2

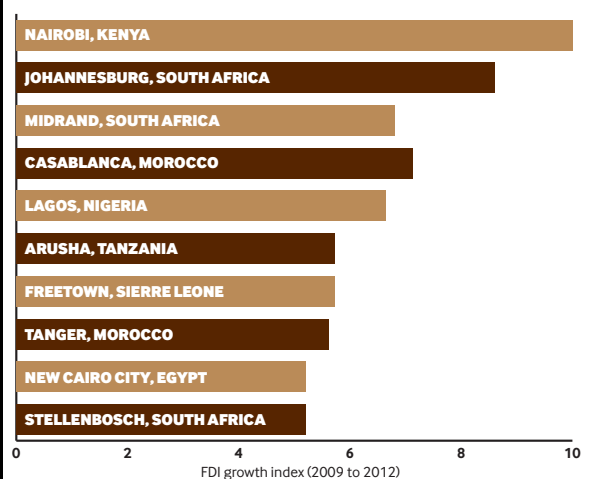
Source: fDi Markets

**TOP FDI DESTINATIONS – CITIES (2012)**



Source: fDi Markets

**TOP CITIES FOR FDI GROWTH**



Source: fDi Markets

erupted in the country following the ousting of its president, Mohammed Morsi. As *fDi Magazine's* African Countries of the Future ranking is primarily based on the analysis of FDI data, it is important to note that prior to the current political situation, the country had witnessed a 20% increase in inward investment in 2012.

Kenya has climbed the overall rankings, moving from 10th in the 2011/12 ranking to fifth position this year. Since 2008, FDI into the country more than doubled and the latest figures from *fDi Markets* show that Kenya has already attracted 9.43% of inward investment into Africa in the first five months of 2013. Currently, Kenya ranks second behind South

Africa as the top FDI destination in 2013. Kenya continues to diversify its economy and the widely adopted use of M-Pesa mobile payment has opened the door to many new investment opportunities. Nigeria and Botswana are the new entrants in the top 10, ranking in seventh and eighth place, respectively.

**Places of potential**

South Africa is top of the Economic Potential table. The country's GDP stands at more than \$5.8bn and it is the largest economy in Africa. South Africa has attracted more R&D investments than any other African country and accounts for the largest number of patents registered in the continent.

Exports from the country increased 24% in 2011 whereas imports increased 18% when compared to 2010 figures, and both were more than 13% higher than 2008 levels.

Africa has experienced significant growth in the past decade. However this growth should be viewed in context – the countries on the continent are expanding from a low base and living standards as well as business environments often do not measure up to other world regions. Yet this represents an opportunity for future growth. If the region continues in its efforts to tackle poverty, corruption, inadequate infrastructures and political issues, Africa's competitiveness on a global scale can only get better. ■

**JUDGING PANEL**



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**METHODOLOGY**

To create the shortlist for *fDi African Countries of the Future 2013/14*, the *fDi Intelligence* division of the *Financial Times* collected data using the specialist online FDI tools *fDi Benchmark* and *fDi Markets* as well as other sources. Data was collected for 55 countries

under five categories: Economic Potential, Labour Environment, Cost-Effectiveness, Infrastructure and Business Friendliness. A sixth category was added: FDI Strategy. In this category, 20 submissions were received from African countries regarding their current strategy for FDI promotion and this

was scored by the judging panel. Countries scored up to a maximum of 10 points under each individual data point, which were weighted by importance to the FDI decision-making process in order to compile both the subcategory rankings, as well as the overall African Countries of the Future ranking.

**JUDGING CRITERIA**

**ECONOMIC POTENTIAL**

- Population growth rate
- Unemployment rate
- Inflation
- GDP by purchasing power parity (PPP)
- GDP by purchasing power parity (PPP), per capita
- GDP growth (2007 to 2012)
- GDP forecast (2013 to 2018)
- Outward FDI (January 2008 to April 2013)
- Outward FDI per 100,000 people (January 2008 to April 2013)
- Inward FDI (January 2008 to April 2013)
- Inward FDI per 100,000 people (January 2008 to April 2013)
- Inward FDI growth
- Inward FDI in research and development, and design, development and testing (January 2008 to April 2013)
- Inward FDI in manufacturing (January 2008 to April 2013)
- Inward FDI, mega projects by capital expenditure (January 2008 to April 2013)
- Inward FDI, mega projects by capital expenditure per 100,000 people (January 2008 to April 2013)
- Inward FDI, mega projects by job creation (January 2008 to April 2013)
- Inward FDI, mega projects by job creation per 100,000 people (January 2008 to April 2013)
- Patents (2003 to 2012)
- Patents per 100,000 people (2003 to 2012)
- Patents growth
- Growth in imports
- Growth in exports
- Imports per capita (2011)
- Exports per capita (2011)

**LABOUR ENVIRONMENT**

- Labour force
- Literacy rate
- School life expectancy
- Secondary enrolment rate
- Tertiary enrolment rate
- Education expenditure
- Number of universities
- Number of international baccalaureate schools
- Top 200 universities and colleges in Africa
- Quality of life score
- Growth in quality of life score
- Households with television (%)
- Human development index
- Birth rate
- Death rate
- Life expectancy
- Prevalence of HIV/Aids
- Global peace index

**COST EFFECTIVENESS**

- Annual rent – prime grade A office space
- Annual rent – prime grade A industrial space
- Four-star or five-star city centre hotels
- Cost of electricity
- Minimum wage
- Cost of establishing a business
- Cost of registering a property
- Cost to export
- Cost to import
- Corporation tax rate
- Total tax rate

**INFRASTRUCTURE**

- Upload speed
- Download speed
- Growth in internet users
- Percentage of people using the internet
- Number of airports (paved runways)
- Number of international destinations served

- Growth of international destinations served
- Number of ports (medium +)
- Number of top 12 African ports
- Total cargo volume of top 12 African ports
- Liner shipping connectivity index
- Rail lines
- Railways, goods transported
- Railways, passengers carried
- Telephone mainline subscribers
- Growth in telephone mainline subscribers
- Mobile phone subscribers
- Growth in mobile phone subscribers
- Access to electricity
- Logistics performance index
- Network readiness index
- Environmental performance index

**BUSINESS FRIENDLINESS**

- Number of companies within the knowledge-based sector
- Proportion of companies within the knowledge-based sector
- Number of companies within the knowledge-based sector per 100,000 people
- Number of jobs created by inward FDI
- Number of expansion/co-location Inward FDI projects
- Top 1000 world banks
- FT global 500 companies
- Corporation tax rate
- Days taken to start a business
- Firing costs
- Ease of doing business index
- Index of economic freedom
- Corruption perception index
- Strength of investor protection index
- Country risk score

Information collected by *fDi Benchmark*