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Foreign Direct Investment in Africa: Performance and Potential

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Verified by KPMG: the historical statistical information included in this booklet is reliably quoted from the indicated sources, it being recognized that systematic, reliable and up-to-date data on Africa are often difficult to obtain. They need, therefore, to be interpreted with caution.

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Executive summary

Foreign direct investment (FDI) is welcomed and, indeed, actively sought by virtually all African countries. The contribution that FDI can make to their economic development and integration into the world economy is widely recognized. For this reason, African countries have made considerable efforts over the past decade to improve their investment climate. They have liberalized their investment regulations and have offered incentives to foreign investors. More importantly, the economic performance of the region had substantially improved from the mid-1990s.

However, the expected surge of FDI into Africa as a whole has not occurred. Too often, potential investors discount the African continent as a location for investment because a negative image of the region as a whole conceals the complex diversity of economic performance and the existence of investment opportunities in individual countries.

While the problems many African countries face are widely known and dominate the perceptions of the continent as a whole, there are a number of positive aspects that, although highly relevant for foreign investors, are little known. Most African countries have substantially improved their FDI framework, and a number of them have already attracted significant amounts of FDI, in absolute or relative terms, or both, from an increasing number of home countries, including developing countries. In addition, FDI in Africa is no longer concentrated in the traditional natural resources sector, but also manufacturing and services industries have received considerable amounts of FDI in recent years. It has proven to be highly profitable and fairly consistently so over time. Direct investors need therefore to differentiate. They need to look at Africa country by country, sector by sector, and opportunity by opportunity. As in other continents, there are profitable investment opportunities to be found.