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INVESTING IN SUB-SAHARAN AFRICA: DEVELOPMENT AND OR PROTECTIONISM

AFRICA'S UNTAPPED INVESTMENT POTENTIAL

Pedro PAIS DE ALMEIDA, President of the Foreign Investments Commission and partner at ABREU ADVOGADOS,
Av. das Forças Armadas, 125 - 12.º 1600-079 Lisbon, Portugal,
Tel: (351) 21 723 18 00, Fax: (351) 21 723 18 99
E-mail: ppa@abreuadvogados.com
www.abreuadvogados.com

1. Introduction

This paper does not intends to be a thesis on investment in Africa and has been prepared as a mere *apéritive* for the UIA Foreign Investment Commission works when dealing with the topic on "Investing in Sub-Saharan Africa: Development and or Protectionism".

Sub-Saharan Africa is a geographical term used to describe the area of the African continent which lies south of the Sahara desert. This geographical area includes forty nine countries (Angola[1]; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo (Brazzaville); Congo DRC (Zaire); Cote d'Ivoire; Djibouti; Equatorial Guinea; Eritrea; Ethiopia; Gabon; Gambia; Ghana; Guinea; Guinea-Bissaau; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Niger; Nigeria; Reunion; Rwanda; Sao Tome and Principe; Senegal; Seychelles; Sierra Leone; Somalia; South Africa; Sudan; Swaziland; Tanzania; Togo; Uganda; Zambia; Zimbabwe) that differ from each other from economic, social, political and legal point of view.

The title of this paper "Africa's untapped investment potential" was used after the article[2] and has been chosen after some investigation due to the fact that it does transmit a strong message on the unexplored potential of investment in Africa, more precisely in the Sub-Saharan Africa countries that are the subject of this year working session of the UIA Foreign Investment Commission.

Independently of the current world downturn and according to survey data available from several different sources foreign direct investment (FDI) in Africa suffers a negative impact from macroeconomic instability, investment restrictions, corruption and political instability including violent conflicts.

The New Partnership for Africa's Development (NEPAD[3]) believes that the conditions for sustainable development in Africa are ensuring peace and security, building democracy and good governance, engendering policy reforms and increased investment in priority sectors and mobilizing resources for implementation. NEPAD underlying objectives are (i) to eradicate poverty in Africa and to place on a path of sustainable growth so that the marginalization of the continent in the globalization process is halted; (ii) to promote the role of women in all activities; (iii), to achieve and sustain an average GDP growth rate of over 7 per cent per annum for the next 15 years; and (iv) to ensure that the continent achieves the Millennium Development Goals[4].

[1] The seven Sub-Saharan Africa countries underlined are the ones that will be covered by the presentations of the different speakers of the UIA Foreign Investment Commission of UIA.
[2] Article "Africa's untapped investment potential", Harsch, Ernest, September 1999, page 26, from Africa Recovery, United Nations, Vol.13#2-3 (part of special feature on ECA conference "Financing for Development").
[3] More details can be found on the United Nations General Assembly, Secretary-General Report distributed on 15 July 2008, A/63/130, page 6.
[4] More details can be found on "The Millennium Development Goals Report", 2009, published by the United Nations Department of Economic and Social Affairs, (DESA) - July 2009.

2. Sub-Saharan Africa countries at a glance

I confess that I'm a little bit sceptical[5] about statistics but nevertheless I understand that economic data can be a powerful tool to shape a general idea about a country and, of course, is often used by investors for the localisation of a specific investment project.

In order to give a better idea of the differences among the different Sub-Saharan Africa countries we present below some tables with recent economic data from international sources.

Table 1 – Sub-Saharan Africa Countries Basic Indicators, 2008 (1/2)

Country	Population (thousands)	Land area (thousands of km^2)	Population density (pop / km^2)	GDP (PPP valuation, USD million)	GDP per capita (PPP valuation, USD)	Annual real GDP growth (average over 2000-2008)
Angola	**18 021**	**1 247**	**14**	**134 722**	**7 699**	**12,4**
Benin	**8 662**	**111**	**82**	**12 521**	**1 345**	**4,3**
Botswana	**1 921**	**567**	**3**	**24 673**	**12 948**	**5,1**
Burkina Faso	**15 234**	**274**	**54**	**18 478**	**1 215**	**5,2**
Burundi	**8 074**	**26**	**331**	**2 997**	**338**	**2,4**
Cameroon	**19 088**	**465**	**40**	**44 167**	**2 334**	**3,7**
Cape Verde	**499**	**4**	**132**	**1 971**	**3 634**	**6,4**
Central Afr. Rep.	**4 339**	**623**	**7**	**3 866**	**874**	**1,9**
Chad	**10 914**	**1 259**	**9**	**11 697**	**1 055**	**8,4**
Comoros	661	2	336	785	913	1,9
Congo	**3 615**	**342**	**11**	**16 071**	**4 177**	**4,4**
Congo Dem. Rep.	**64 257**	**2 267**	**28**	**21 264**	**329**	**3,6**
Côte d'Ivoire	**20 591**	**318**	**61**	**34 863**	**1 777**	**0,0**
Djibouti	**849**	**23**	**36**	**1 980**	**2 336**	**3,4**
Equatorial Guinea	**659**	**28**	**18**	**17 462**	33 600	**20,3**
Eritrea	4 927	101	48	3 743	748	0,3
Ethiopia*	**80 713**	**1 000**	**79**	**68 307**	**802**	**6,8**
Gabon	**1 448**	**258**	**5**	**23 454**	**17 371**	**2,1**
Gambia	**1 660**	**10**	**171**	**1 587**	**905**	**5,1**
Ghana	**23 351**	**228**	**103**	**29 965**	**1 251**	**5,4**
Guinea	**9 833**	**246**	**38**	**10 691**	**1 117**	**3,0**
Guinea Bissau	1 575	28	60	905	519	1,4
Kenya	**38 765**	**569**	**66**	**81 832**	**2 123**	**3,9**
Lesotho	**2 049**	**30**	**66**	**2 862**	**1 417**	**4,0**
Liberia	**3 793**	**96**	**39**	**1 948**	494	**3,7**
Madagascar	**19 111**	**582**	**34**	**16 951**	**839**	**4,0**
Malawi	**14 846**	**94**	**148**	**8 602**	**602**	**3,8**
Mali	**12 706**	**1 220**	**10**	**14 649**	**1 152**	**4,6**
Mauritania	**3 215**	**1 031**	**3**	**6 488**	**2 025**	**4,4**

[5] I always tell the famous joke about the chicken: If one of two people having lunch together eats one chicken, in average, in statistic terms, the two people eat half chicken each, but in reality one of them eat the whole chicken and the other is still starving.

Table 1 – Sub-Saharan Africa Countries Basic Indicators, 2008 (2/2)						
Country	Population (thousands)	Land area (thousands of km²)	Population density (pop / km²)	GDP (PPP valuation, USD million)	GDP per capita (PPP valuation, USD)	Annual real GDP growth (average over 2000-2008)
Mauritius	**1 280**	**2**	**622**	**16 069**	**12 637**	**3,6**
Mozambique	**22 383**	**786**	**27**	**27 563**	**1 264**	**7,5**
Namibia	**2 130**	**823**	**3**	**12 869**	**6 122**	**4,8**
Niger	**14 704**	**1 267**	**11**	**9 795**	**665**	**4,4**
Nigeria	**151 212**	**911**	**162**	**315 823**	**2 085**	**8,4**
Rwanda	**9 721**	**25**	**395**	**8 837**	**883**	**6,8**
São Tomé and Principe	160	1	165	257	1 605	5,7
Senegal	**12 211**	**193**	**64**	**21 048**	**1 659**	**4,2**
Seychelles	**84**	**0,5**	**185**	**1 817**	**20 881**	**3,0**
Sierra Leone	**5 560**	**72**	**82**	**5 194**	**870**	**10,3**
Somalia	8 926	627	14	…	…	…
South Africa	**49 668**	**1 214**	**39**	**461 767**	**9 456**	**4,1**
Sudan	**41 348**	**2 376**	**16**	**87 020**	**2 206**	**7,6**
Swaziland	**1 168**	**17**	**67**	**5 397**	**4 700**	**2,5**
Tanzania	**42 484**	**886**	**46**	**48 229**	**1 163**	**6,8**
Togo	**6 459**	**54**	**121**	**4 884**	**722**	**1,3**
Uganda	**31 657**	**197**	**157**	**43 739**	**1 371**	**7,0**
Zambia	**12 620**	**743**	**16**	**17 374**	**1 429**	**5,0**
Zimbabwe	12 463	387	35	…	…	-5,5

Note: * Fiscal year July (n-1)/June (n)
Sources: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects, The 2008 Revision Special extract. For GDP data, authors' estimates, IMF World Economic Outlook (October 2008), World Bank World Development Indicators (March 2009).

Table 1 above provides important information on the Sub-Saharan Africa countries and emphasis the big gap that exists among them. As an example we may refer to GDP per capita numbers in 2008. At the top of the 2008 GDP per capita numbers we have Equatorial Guinea with 33,600 USD while Congo Democratic Republic had 329 USD in the same year, which means that their population had less than 1 USD (i.e. 0,90 USD) per day for living. It also worth mentioning that the population of seven Sub-Saharan Africa countries have less than 2 USD for living per day (Burundi, Congo Democratic Republic, Guinea Bissau, Liberia, Malawi, Niger and Togo). And if we compare land and population of the same two countries, Equatorial Guinea has a land surface of 28 000 km^2 and a population of 659 000 people while Congo Democratic Republic has a land surface of 2 267 000Km^2 and a population of 64 257 000 people, which means a much bigger and poor country.

Table 2 - Sub-Saharan Africa Countries Demand Composition and Growth Rate, 2007-2010 (1/2)

Countries	2007						2008 (e)				2009 (p)				2010 (p)			
	Final Consumption		Gross Capital Formation		External Sector		Total Final Consump-tion	Gross Capital Formation - Total	Exports	Imports	Total Final Consum-ption	Gross Capital Formation – Total	Exports	Imports	Total Final Consum-ption	Gross Capital Formation - Total	Exports	Imports
	Private	Public	Private	Public	Exports	Imports												
	% of GDP						Real % Growth				Real % Growth				Real % Growth			
Angola	32,6	21,2	2,2	11,6	71,3	39,0	17,7	48,2	10,2	18,4	7,1	-34,1	-4,4	0,5	7,3	6,0	5,8	3,4
Benin	75,8	12,3	12,6	8,1	19,5	28,3	4,1	12,8	4,8	7,5	6,7	11,6	-2,6	6,7	6,9	13,0	-0,1	9,9
Botswana	40,3	20,2	19,4	7,5	49,5	36,9	3,9	11,9	1,3	6,0	4,2	6,1	-1,0	2,9	4,7	8,3	-0,2	5,9
Burkina Faso	76,2	22,9	9,5	5,7	10,5	24,8	3,7	10,1	4,8	6,2	3,4	4,5	5,9	-2,4	3,7	8,0	4,9	4,9
Burundi	85,1	30,7	2,3	9,3	6,8	34,2	2,7	6,2	0,6	1,9	0,9	6,6	3,7	-3,2	2,1	10,0	0,5	2,0
Cameroon	71,3	10,1	14,5	2,2	24,2	22,4	2,6	6,9	6,6	3,2	3,1	4,7	1,7	3,0	2,9	4,7	4,0	3,2
Cape Verde	75,7	18,5	40,5	4,9	17,7	57,2	4,3	14,6	14,9	12,1	4,5	8,2	-16,7	2,4	2,5	9,3	10,1	6,5
Central Afr. Rep.	91,3	6,2	6,1	3,8	14,8	22,3	4,9	16,7	-11,9	6,9	3,7	18,1	-8,9	4,0	4,3	13,4	1,7	4,7
Chad	28,2	23,4	12,0	4,0	54,7	22,4	-2,1	-35,7	1,3	-31,8	0,4	1,0	-1,5	1,0	4,8	5,2	3,7	14,7
Congo	52,5	18,6	15,6	10,6	80,3	77,6	-1,2	5,8	9,0	1,7	0,4	5,9	6,8	0,6	0,9	5,2	4,7	1,3
Congo Dem. Rep.	76,0	9,4	15,9	2,3	46,0	49,5	0,9	11,9	18,6	6,4	0,7	-9,0	-6,9	-5,8	0,1	5,5	5,9	0,9
Côte d'Ivoire	75,2	8,7	6,1	2,7	47,7	40,5	1,7	14,7	1,5	3,3	2,7	12,9	2,0	2,4	3,8	15,0	3,8	6,4
Djibouti	50,1	27,3	42,3	11,5	62,2	93,4	3,6	17,5	6,1	10,9	5,1	10,1	5,5	7,0	4,4	6,9	6,3	4,6
Equatorial Guinea	6,9	2,7	11,3	19,9	95,8	36,5	1,7	7,1	6,3	3,0	4,7	5,0	0,2	0,2	3,0	5,6	1,6	2,7
Ethiopia*	84,0	10,5	9,3	15,7	12,8	32,2	13,9	7,0	17,2	23,1	7,5	3,9	3,9	6,3	7,7	7,2	8,6	9,4
Gabon	32,1	12,2	17,4	6,2	65,0	32,9	7,4	4,5	3,2	4,0	6,7	1,4	1,7	2,6	7,4	3,2	2,3	4,2
Gambia	80,2	10,7	13,1	11,9	53,8	69,7	17,5	10,3	-6,1	22,4	-0,6	9,5	4,4	-4,7	3,5	7,2	3,0	1,4
Ghana	74,4	18,4	19,5	14,2	39,8	66,3	3,2	4,5	5,8	1,6	6,5	5,1	3,2	4,8	4,2	5,0	6,9	3,8
Guinea	78,7	6,7	17,2	2,7	27,5	32,8	0,8	13,7	5,6	2,4	4,9	-8,6	3,2	-7,6	2,5	7,6	5,7	2,3
Kenya	74,8	17,2	15,5	4,6	26,6	38,8	4,2	10,5	-2,0	5,3	4,8	8,0	1,2	3,5	5,8	9,0	1,6	7,2
Lesotho	99,0	33,8	20,6	3,7	55,6	112,8	2,2	4,3	2,3	1,2	2,6	4,2	0,9	0,9	1,1	5,2	6,5	1,4
Liberia	70,3	30,1	57,3	12,5	50,4	120,6	6,2	7,1	5,9	6,1	6,0	7,2	1,4	2,8	5,5	13,5	8,8	8,2

Table 2 - Sub-Saharan Africa Countries Demand Composition and Growth Rate, 2007-2010 (2/2)

Countries	2007						2008 (e)				2009 (p)				2010 (p)			
	Final Consumption		Gross Capital Formation		External Sector		Total Final Consump-tion	Gross Capital Formation - Total	Exports	Imports	Total Final Consum-ption	Gross Capital Formation – Total	Exports	Imports	Total Final Consum-ption	Gross Capital Formation - Total	Exports	Imports
	Private	Public	Private	Public	Exports	Imports												
	% of GDP						Real % Growth				Real % Growth				Real % Growth			
Madagascar	78,0	11,7	19,7	6,7	28,6	44,6	13,4	50,2	-2,9	47,1	11,2	-17,8	0,8	-4,4	7,2	-2,3	19,6	5,6
Malawi	86,1	12,2	10,2	14,1	23,0	45,7	7,3	18,8	19,0	16,3	7,4	7,8	-4,2	4,6	5,1	4,0	2,6	2,7
Mali	75,0	10,9	13,6	8,8	26,4	34,7	3,6	5,8	2,3	4,0	3,3	3,4	3,2	0,9	5,7	6,3	4,0	6,8
Mauritania	73,7	21,7	16,4	6,0	54,5	72,2	11,9	15,4	1,1	14,3	3,6	4,1	0,5	2,5	1,7	5,3	4,9	1,5
Mauritius	70,4	13,1	21,4	5,5	58,8	69,2	4,1	3,0	4,4	3,1	2,9	0,9	-0,2	-0,5	2,5	3,4	2,7	1,8
Mozambique	78,1	11,8	6,3	11,7	37,6	45,5	4,5	27,3	2,6	10,5	4,1	13,5	1,4	8,3	4,6	7,8	3,7	4,9
Namibia	61,8	19,2	14,0	6,9	47,9	49,7	6,6	13,0	-2,2	6,7	6,4	8,4	-3,5	5,2	3,7	9,8	2,5	6,4
Niger	71,9	17,2	17,9	7,3	19,0	33,4	7,1	4,6	1,4	8,6	2,8	4,2	-11,1	0,6	5,6	4,3	14,5	7,5
Nigeria	46,7	18,8	16,0	8,0	40,3	29,7	11,6	16,3	-2,1	12,8	3,9	7,3	2,4	4,5	4,5	7,3	2,8	5,1
Rwanda	86,3	10,9	12,4	8,8	10,0	28,3	9,6	13,3	2,3	14,0	9,4	1,9	1,4	12,0	6,4	6,6	5,8	9,0
Senegal	77,3	13,7	20,6	6,5	23,0	41,2	3,2	7,0	1,2	3,5	3,4	3,0	0,9	1,4	3,2	6,0	1,4	3,1
Seychelles	59,3	35,1	26,8	5,6	96,6	123,4	-4,6	-3,0	4,2	-4,1	-6,6	-4,5	-3,6	-11,0	3,2	1,6	1,0	0,9
Sierra Leone	83,4	10,5	10,0	3,5	20,9	28,3	7,9	5,0	-2,6	10,4	8,2	12,1	8,2	15,5	6,1	14,3	1,1	8,3
South Africa	61,4	19,7	15,8	6,2	31,5	34,6	1,7	7,1	1,7	1,1	0,4	1,9	-0,6	-1,3	3,2	8,4	2,0	4,9
Sudan	61,6	15,6	17,0	9,6	20,1	23,9	3,4	14,0	22,6	8,3	4,2	6,6	5,1	4,7	3,6	9,2	6,5	6,4
Swaziland	73,5	14,9	6,1	6,8	79,9	81,2	-1,8	11,0	2,6	-0,4	0,3	0,9	-0,8	-3,2	2,6	7,3	2,7	4,3
Tanzania	67,9	19,3	21,8	7,8	24,2	41,1	7,6	19,7	2,6	16,9	7,1	4,4	0,9	4,0	7,8	10,0	3,4	10,7
Togo	99,6	10,1	8,9	2,0	42,0	62,6	1,5	21,0	1,5	6,2	1,2	16,4	3,0	1,5	3,1	13,5	5,6	6,0
Uganda	80,4	11,9	17,5	5,1	16,1	31,1	7,7	16,5	2,5	13,3	5,3	3,0	1,9	0,7	7,0	10,0	2,4	9,6
Zambia	53,7	18,9	16,7	5,6	39,6	34,3	6,5	11,5	7,6	12,2	2,4	-1,3	-4,4	-5,2	3,7	5,0	4,1	4,0

Note: * Fiscal year July (n-1)/June (n).
Sources: Authors' (e) estimates and (p) projections**,** Various domestic authorities and IMF *World Economic Outlook* (October 2008).

Table 3 - Sub-Saharan Africa Corruption Perception Index (1/2)

	1999		2000		2002		2003		2004		2005		2006		2007		2008	
Country	Index	Country Rank / 99	Index	Country Rank / 90	Index	Country Rank / 102	Index	Country Rank / 133	Index	Country Rank / 145	Index	Country Rank / 158	Index	Country Rank / 163	Index	Country Rank / 179	Index	Country Rank / 180
Angola	...	...	1,7	85	1,7	98	1,8	124	2	133	2	151	2,2	142	2,2	147	1,9	158
Benin	...	...	...	...	...	...	...	...	3,2	77	2,9	88	2,5	121	2,7	118	3,1	96
Botswana	6,1	24	6	26	6,4	24	5,7	30	6	31	5,9	32	5,6	37	5,4	38	5,8	36
Burkina Faso	...	...	3	65	...	...	...	...	...	...	3,4	70	3,2	79	2,9	105	3,5	80
Burundi	...	...	...	...	...	...	...	...	...	...	2,3	130	2,4	130	2,5	131	1,9	158
Cameroon	1,5	99	2	84	2,2	89	1,8	124	2,1	129	2,2	137	2,3	138	2,4	138	2,3	141
Cape Verde	...	...	...	...	...	...	...	...	...	...	...	...	...	...	4,9	49	5,1	47
Central African Republic	...	...	...	...	...	...	...	...	...	...	...	...	2,4	130	2	162	2	151
Chad	...	...	...	...	...	...	...	...	1,7	142	1,7	158	2	156	1,8	172	1,6	173
Comoros	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2,6	123	2,5	134
Congo	...	...	...	...	...	...	2,2	113	2,3	114	2,3	130	2,2	142	2,1	150	1,9	158
Congo, Dem. Rep.	...	...	...	...	...	...	...	...	2	133	2,1	144	2	156	1,9	168	1,7	171
Côte d´Ivoire	2,6	75	2,7	71	2,7	71	2,1	118	2	133	1,9	152	2,1	151	2,1	150	2	151
Djibouti	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2,9	105	3	102
Equatorial Guinea	...	...	...	...	...	...	...	...	...	...	1,9	152	2,1	151	1,9	168	1,7	171
Eritrea	...	...	...	...	...	...	...	...	2,6	102	2,6	107	2,9	93	2,8	111	2,6	126
Ethiopia	...	...	3,2	60	3,5	59	2,5	92	2,3	114	2,2	137	2,4	130	2,4	138	2,6	126
Gabon	...	...	...	...	...	...	...	...	3,3	74	2,9	88	3	90	3,3	84	3,1	96
Gambia	...	...	...	...	...	...	2,5	92	2,8	90	2,7	103	2,5	121	2,3	143	1,9	158
Ghana	3,3	63	3,5	52	3,9	50	3,3	70	3,6	64	3,5	65	3,3	70	3,7	69	3,9	67
Guinea	...	...	...	...	...	...	...	...	...	...	...	...	1,9	160	1,9	168	1,6	173
Guinea Bissau	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2,2	147	1,9	158
Kenya	2	90	2,1	82	1,9	96	1,9	122	2,1	129	2,1	144	2,2	142	2,1	150	2,1	147
Lesotho	...	...	...	...	...	...	...	...	...	...	3,4	70	3,2	79	3,3	84	3,2	92
Liberia	...	...	...	...	...	...	...	...	...	...	2,2	137	...	...	2,1	150	2,4	138
Madagascar	...	...	...	...	1,7	98	2,6	88	3,1	82	2,8	97	3,1	84	3,2	94	3,4	85

Table 3 - Sub-Saharan Africa Corruption Perception Index (2/2)

Country	1999 Index	1999 Country Rank / 99	2000 Index	2000 Country Rank / 90	2002 Index	2002 Country Rank / 102	2003 Index	2003 Country Rank / 133	2004 Index	2004 Country Rank / 145	2005 Index	2005 Country Rank / 158	2006 Index	2006 Country Rank / 163	2007 Index	2007 Country Rank / 179	2008 Index	2008 Country Rank / 180
Malawi	**4,1**	**45**	**4,1**	**43**	**2,9**	**68**	**2,8**	**83**	**2,8**	**90**	**2,8**	**97**	**2,7**	**105**	**2,7**	**118**	**2,8**	**115**
Mali	**...**	**...**	**...**	**...**	**...**	**...**	**3**	**78**	**3,2**	**77**	**2,9**	**88**	**2,8**	**99**	**2,7**	**118**	**3,1**	**96**
Mauritania	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**3,1**	**84**	**2,6**	**123**	**2,8**	**115**
Mauritius	**4,9**	**36**	**4,7**	**37**	**4,5**	**40**	**4,4**	**48**	**4,1**	**54**	**4,2**	**51**	**5,1**	**42**	**4,7**	**53**	**5,5**	**41**
Mozambique	**3,5**	**56**	**2,2**	**81**	**...**	**...**	**2,7**	**86**	**2,8**	**90**	**2,8**	**97**	**2,8**	**99**	**2,8**	**111**	**2,6**	**126**
Namibia	5,3	29	5,4	30	5,7	28	4,7	41	4,1	54	4,3	47	4,1	55	4,5	57	4,5	61
Niger	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**2,2**	**122**	**2,4**	**126**	**2,3**	**138**	**2,6**	**123**	**2,8**	**115**
Nigeria	**1,6**	**98**	**1,2**	**90**	**1,6**	**101**	**1,4**	**132**	**1,6**	**144**	**1,9**	**152**	**2,2**	**142**	**2,2**	**147**	**2,7**	**121**
Rwanda	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**3,1**	**83**	**2,5**	**121**	**2,8**	**111**	**3**	**102**
São Tomé and Principe	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2,7	118	2,7	121
Senegal	**3,4**	**58**	**3,5**	**52**	**3,1**	**66**	**3,2**	**76**	**3**	**85**	**3,2**	**78**	**3,3**	**70**	**3,6**	**71**	**3,4**	**85**
Seychelles	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**4,4**	**48**	**4**	**55**	**3,6**	**63**	**4,5**	**57**	**4,8**	**55**
Sierra Leone	**...**	**...**	**...**	**...**	**...**	**...**	**2,2**	**113**	**2,3**	**114**	**2,4**	**126**	**2,2**	**142**	**2,1**	**150**	**1,9**	**158**
Somalia	...	...	...	...	...	...	...	...	...	...	2,1	144	...	...	1,4	179	1	180
South Africa	**5**	**34**	**5**	**34**	**4,8**	**36**	**4,4**	**48**	**4,6**	**44**	**4,5**	**46**	**4,6**	**51**	**5,1**	**43**	**4,9**	**54**
Sudan	**...**	**...**	**...**	**...**	**...**	**...**	**2,3**	**106**	**2,2**	**122**	**2,1**	**144**	**2**	**156**	**1,8**	**172**	**1,6**	**173**
Swaziland	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**2,7**	**103**	**2,5**	**121**	**3,3**	**84**	**3,6**	**72**
Tanzania	**1,9**	**93**	**2,5**	**76**	**2,7**	**71**	**2,5**	**92**	**2,8**	**90**	**2,9**	**88**	**2,9**	**93**	**3,2**	**94**	**3**	**102**
Togo	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**2,4**	**130**	**2,3**	**143**	**2,7**	**121**
Uganda	**2,2**	**87**	**2,3**	**80**	**2,1**	**93**	**2,2**	**113**	**2,6**	**102**	**2,5**	**117**	**2,7**	**105**	**2,8**	**111**	**2,6**	**126**
Zambia	**3,5**	**56**	**3,4**	**57**	**2,6**	**77**	**2,5**	**92**	**2,6**	**102**	**2,6**	**107**	**2,6**	**111**	**2,6**	**123**	**2,8**	**115**
Zimbabwe	4,1	45	3	65	2,7	71	2,3	106	2,3	114	2,6	107	2,4	130	2,1	150	1,8	166

Note : The Corruption Perception Index (CPI) Score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).
Source : Transparency International 2009.

3. Key Factors for attracting FDI to Sub-Saharan Africa countries

Many different factors influence the level of attraction of a specific country when it comes to FDI, i.e. economic, social, political and legal factors and ultimately depend on the decision of each foreign investor that will balance all factors in a different manner having in mind its own investment project. As already mentioned there are many differences among the forty nine Sub-Saharan Africa countries, but despite that it is possible to identify common factors.

From the economic point of view the key factors for attracting FDI are economic stability and lower inflation, easing tax burdens and reducing the cost of exporting and importing. Infrastructure development of a specific country may play also a role but it is not expected that Sub-Saharan Africa countries have sophisticated infrastructure systems. Lastly, a country with natural resources and the existence of a large domestic market can be considered as the cherry on the top of the cake.

From the social point of view an educated population plays a very important role in order to contribute with specialized domestic workforce for FDI.

From the political point of view political stability and less corruption provides the necessary background for FDI. In addition the quality of the host country's institutions also plays an important role.

From the legal point of view we may identify several important factors like a reliable legal system, openness to FDI and simplified business regulations, strengthening property rights and the existence of rules for protection of FDI.

This paper cannot address all key factors for attracting FDI, but let's choose one political and one legal and comment on those.

As a general conclusion we could say that the existence of natural resources and a large domestic market encourages FDI, like it is the case of Angola that has a population over 18 M people and its main export is oil. However, most countries don't have those conditions and therefore it is necessary to use different strategies for the attraction of FDI, like creating a good infrastructure system, lowering inflation, educating their population, simplifying business regulations, combating corruption, promoting political stability and building a reliable legal system.

3.1. Political Factors: Corruption

Corruption is not a private phenomenon of developing countries such as Sub-Saharan Africa countries. In fact no country around the world can be considered as a full proof harbour when it comes to corruption but according to the economic data available most Africa countries have a high degree of corruption. Table 3[6] above establishes Corruption Index of Sub-Saharan Africa countries that range between 10, which mean a highly clean country almost without corruption and 0, which means a highly corrupt country.

Our analysis will be focus on the seven Sub-Saharan Africa countries (Angola, Cameroon, Cote d'Ivoire, Kenya, Mozambique, Nigeria and Tanzania) that will be covered by the presentations of the different speakers of the UIA Foreign Investment Commission of UIA working session. Among these seven countries the one that is considered to be more corrupt is Angola, despite the fact that it is becoming less corrupt between the 2000 year, with an Index 1.7 (number 85 of the ranking with 90 countries) and 2008 year, with an Index 1.9 (number 158 of the ranking with 180

[6] See Table 3 on pages 7 and 8.

countries). On the other side the country (among the same seven) considered to be less corrupt is Tanzania with an Index of 2.5 in the year 2000 (number 76 of the ranking with 90 countries) and an Index of 3 in the year of 2008 (number 102 of the ranking with 180 countries) that also demonstrates a favourable evolution.

In the Sub-Saharan Africa region the two countries that are considered less corrupt are first Botswana, with an Index of 6 in the year 2000 (number 26 of the ranking with 90 countries) and an Index of 5.8 in the year of 2008 (number 36 of the ranking with 180 countries) with an unfavourable evolution to become more corrupt and second best country is Mauritius with an Index of 4.7 in the year 2000 (number 37 of the ranking with 90 countries) and an Index of 5.5 in the year of 2008 (number 41 of the ranking with 180 countries) with a favourable evolution to become less corrupt.

If FDI Sub-Saharan Africa governments can effectively fight corruption, which is not an easy task, lift FDI restrictions, set clear rules for FDI and reduce red tape this will clearly promote FDI into their countries.

3.2. Legal Factors: Rules for Protection of FDI

When investing abroad in a foreign jurisdiction the degree of protection of FDI plays a very important role. Legal protection set down in a bilateral investment treaty between two countries guarantees a higher protection degree, in comparison with domestic law.

Bilateral investment treaties grant investments made by an investor of one Contracting State in the territory of the other Party a number of guarantees that usually include, fair and equitable treatment, protection from expropriation, compensation from losses derived from State intervention, free transfer of dividends and other income, full protection and security.

When investing in a country with which there is an investment treaty concluded, although governed by the laws of that country, the investment is protected under the terms of that Treaty.

In general terms all treaties concluded, exclude expropriation and/or nationalisation, unless permitted under the terms of that State law, and/or pursuing to public interest, but always without discrimination to FDI in opposition to domestic investments and granting the right of the investor to receive a fair compensation.

4. Investment Profitability

As already referred there are many different motives that influence a decision for conducting a FDI operation in a specific country but there is at least one motive that always plays a very important role, i.e. the expected profitability of the FDI. According to Kofi Annan, UN Secretary-General, *« Africa's profitability is one of the best kept secrets in today's world economy*[7] *»*.

One of the reasons for that is an impressive economic growth rate that Africa has experienced in the last few years. According to the economic data on Table 1[8], Sub-Saharan Africa countries average of GDP real growth between the years of 2000 and 2008 was 4.8%. This is indeed a good number due to the fact that this average is, of course, influenced by Zimbabwe negative value of -5.5%, but also by some impressive positive numbers of Angola with an average of 12.4%, Equatorial Guinea with an

[7] More details can be found on the article above referred on note number 2.
[8] See Table 1 on pages 3 and 4.

average of 20.3% and Sierra Leone with an average of 10.3%, just to mention the countries with an average of real annual GDP growth above two digits.

According to the above mentioned article "Africa's untapped investment potential"[9] based on the UNCTAD[10] study "The profitability of foreign companies in Africa has been consistently higher than in most other regions of the world, […]. Since 1990, the rate of return on foreign direct investment (FDI) in Africa has averaged 29 per cent, and since 1991 it has been higher than in all other regions, in many years by a factor of two."

In addition the said article refers that "Between 1983 and 1997, the rate of return for US companies in Africa has been above 10 per cent, except in 1986. Net income from British direct investment in sub-Saharan Africa (excluding Nigeria) increased by 60 per cent between 1989 and 1995.".

If profitability is not an issue African governments should engage themselves in promotional efforts, highlighting business opportunities that may contribute for the change of their negative image, many times caused by armed conflicts and economic difficulties in some countries.

5. Investing in Sub-Saharan Africa: Development and or Protectionism

Development or Protectionism is nowadays a hot issue. Before the world economic downturn Development was really the right policy and no one would defend Protectionism. Now, the world economy has completely changed and some people start advocating Protectionism as a way out of the crisis.

As a preparation for the G-20 meeting held in London on April 2, 2009, UK Prime Minister Gordon Brown meet African leaders in mid-March, to hear Africa's case. Ethiopian Prime Minister Meles Zenawi[11] appealed to the self-interest of richer countries. He warned that if the crisis is allowed to worsen there could be total chaos in some countries and the cost of the resulting violence "is going to be much higher than the cost of supporting Africa." A report[12] prepared by a Committee of 10 African finance ministers and central bank governors, "urged donors to devote 0.7 per cent of their stimulus packages to assist poorer countries not able to afford similar stimulus measures.".

According to Tanzanian President Jakaya Kikwete, the current crisis "poses the greatest danger ever to Africa's development".

"We thought we were safe from the impact of the crisis on the financial sector," Nigerian Finance Minister Mansur Muhtar said in Lagos in March [2009], "but, today, no country is safe."

According to the same article[13] "There is a real risk that what started out as a financial crisis will rapidly become a humanitarian catastrophe as millions of people are thrust into deeper poverty".

Based on "The Global Plan for Recovery and Reform" (Global Plan) the answer from G-20 leaders meeting[14], was that "We have today therefore pledged to do whatever is necessary to: […] promote global trade and investment and reject protectionism, to underpin prosperity; …"[15].

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[9] More details can be found on the article above referred on note number 2.
[10] UNCTAD means UN Conference on Trade and Development.
[11] More details can be found on the article "World downturn squeezing Africa", Laishley, Roy, United Nations Africa Renewal, www.un.org/AR
[12] Same article referred on note 11.
[13] Same article referred on note 11.

In addition, the said Global Plan also refers that "The agreements we have reached today, to treble resources available to the IMF to $750 billion, to […] and to use the additional resources from agreed IMF gold sales for concessional finance for the poorest countries, […]"[16].

"Emerging markets and developing countries, which have been the engine of recent world growth, are also now facing challenges which are adding to the current downturn in the global economy. It is imperative for global confidence and economic recovery that capital continues to flow to them."[17].

"Falling demand is exacerbated by growing protectionist pressures and a withdrawal of trade credit. Reinvigorating world trade and investment is essential for restoring global growth. We will not repeat the historic mistakes of protectionism of previous eras."[18].

"We are determined not only to restore growth but to lay the foundation for a fair and sustainable world economy. We recognise that the current crisis has a disproportionate impact on the vulnerable in the poorest countries and recognise our collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential. To this end: we reaffirm our historic commitment to meeting the Millennium Development Goals[19] and to achieving our respective ODA[20] pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa; […]".

Being an optimist as I am, it seems that the G-20 leaders are united by common goals and soon the world will resume the right track and restore growth as a consequence of the implementation of the Global Plan. In practice let's hope things work that way...

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[14] More details can be found on "The Global Plan for Recovery and Reform" paper available on the website http://www.g20.org/Documents/final-communique.pdf .
[15] See number 4 of the document referred on note 14.
[16] See number 5 of the document referred on note 14.
[17] See number 17 of the document referred on note 14.
[18] See number 22 of the document referred on note 14.
[19] See note number 4.
[20] ODA means Official Development Assistance and is a statistic compiled by the Development Assistance Committee of the Organisation for Economic Co-operation and Development to measure aid.