East and Central Africa
GLOBAL COMPETITIVENESS HUB

BearingPoint

Investment & Africa

   

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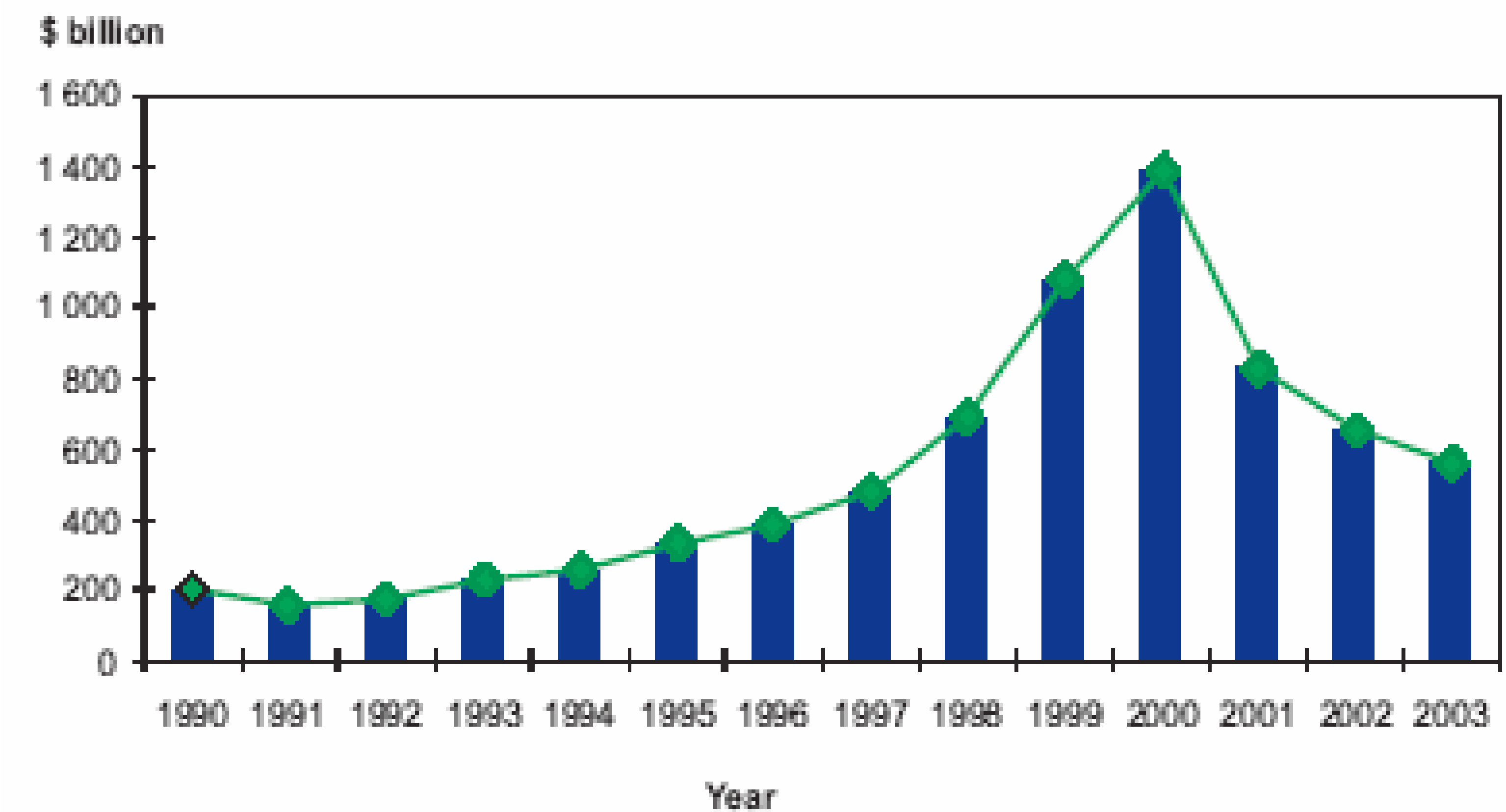
Agenda

- Overview of ECA Trade Hub
- Brief Overview of UNCTAD Investment Report
- Which Way Forward?

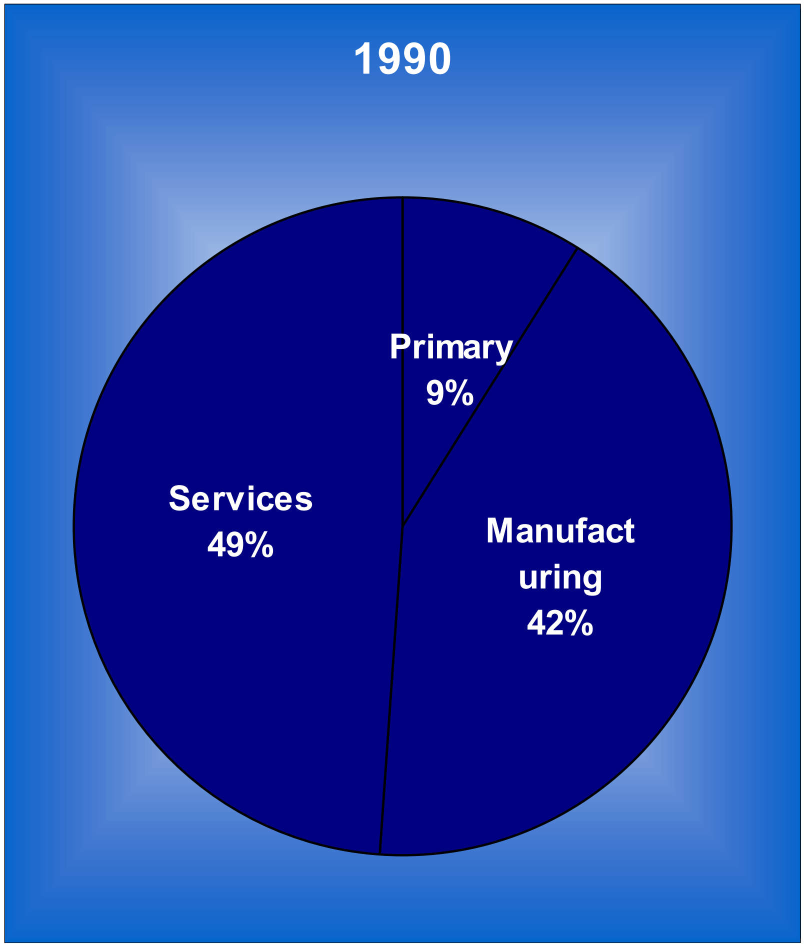
Hub Components

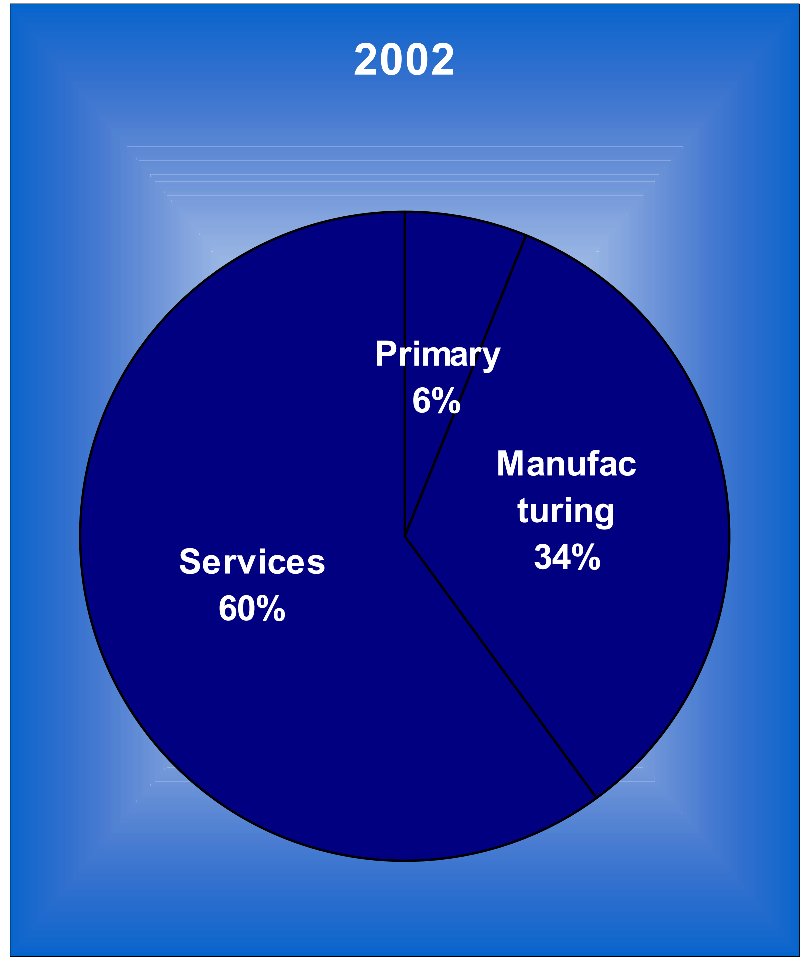
- Trade Policy & Capacity Strengthening
  - MFA Report
- AGOA
  - Trade Shows, Additional Programs
  - Technical assistance to textile & apparel firms
- Customs
  - COMESA Regional Customs Bond Guarantee Scheme
- Transport
- Cross-cutting Themes

Trends in Global FDI Flows



World Sectoral Distribution of FDI Stock





FDI in Africa

- **FDI inflows increased by 28% from $12 billion to $15 billion in 2003 in contrast to 40% decline in 2002**
  - An increase in 36 countries and decline in 17 countries
  - The bulk of the increase was due to oil – depending on the country, 50-80% of FDI is in natural-resource exploitation
  - Sudan was the only COMESA country in the top ten African recipients of FDI inflows
  - Inward FDI performance continues to be weak, which is hampered by high transaction costs, poor policy environment and low labor productivity
  - However, investment in services is increasing, particularly in telecommunications, electricity, management and trade.
- Only South Africa is a relative major source of FDI outflows

FDI Prospects: 2004-2005

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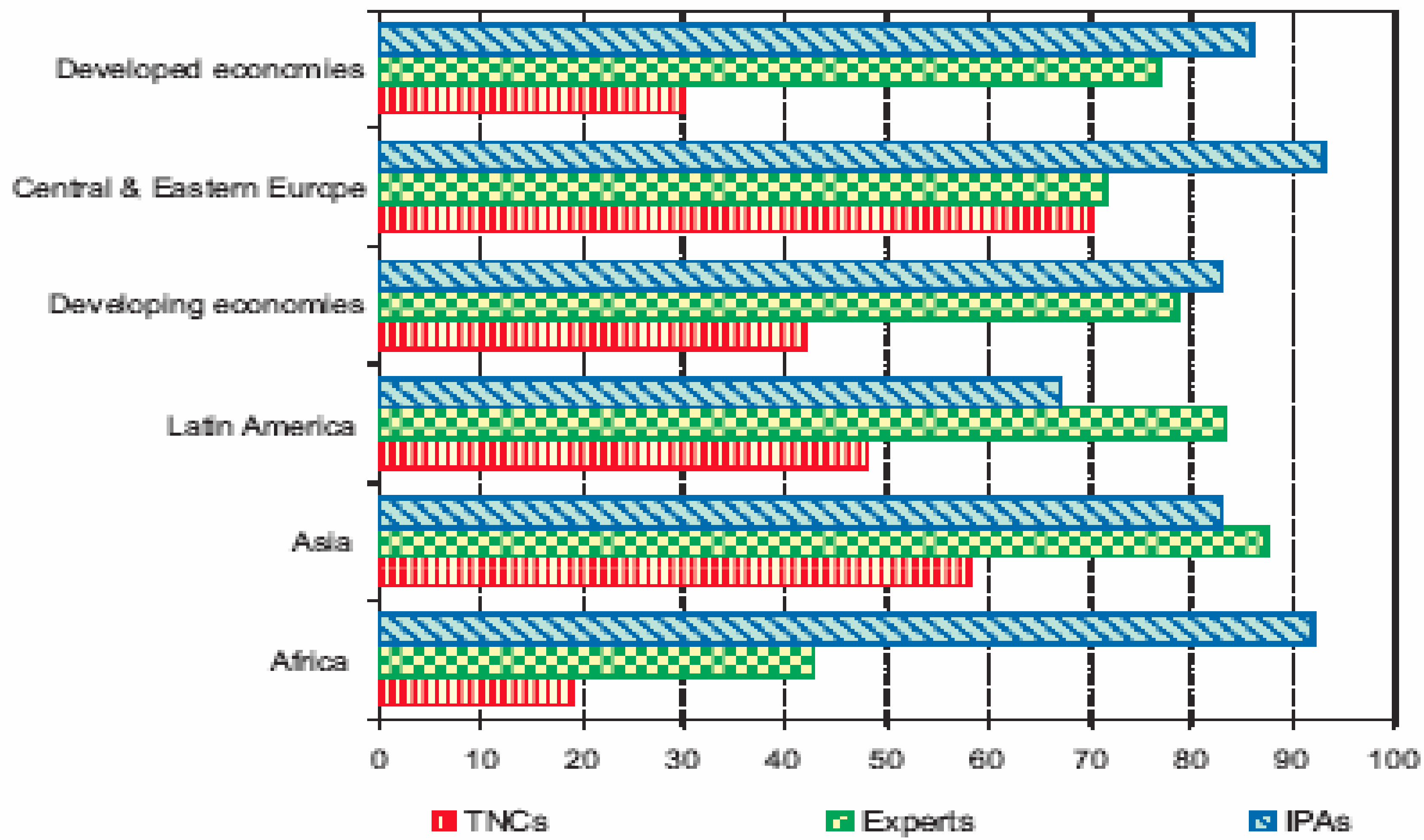

African FDI Prospects (IPA Surveys)

- **Prospects for global foreign direct investment (FDI) are expected to be positive in both the short term (2004-2005) and the medium term (2006-2007).**

- **The extent and the speed of the FDI recovery, however, will vary by region and industry.**

- **Despite the FDI recovery, competition for FDI is expected to remain fierce in the years to come.**

- **Asia, Central and Eastern Europe will be the most attractive destinations**

- **Africa will continue to be among the least attractive destinations**

FDI Prospects

- **Policy competition for FDI is becoming increasingly fierce**

- **Major risk factors**
  - Oil price volatility
  - Rise of new protectionism
  - Regional conflicts
  - Increased threats from terrorism and insecurity

Most Promising Sectors

- Services
- Retail and wholesale industries
- Tourism, hotels and restaurants
- Food and beverages
- Agriculture

Examples of Investor Treatment

- Tea Investor
- Garment Producer
- Wholesale Representative

Bottom Line

As long as many structural problems such as low labor productivity and insufficient infrastructure are not addressed, most African countries cannot expect a substantial increase in FDI inflows, in particular as far as export-oriented manufacturing is concerned.

Which Way Forward?

- **Key Issues**
  - Regional Vertical Integration?
    - Swim together or sink alone
  - Immediately tackle priority transaction cost issues?
  - Make the process transparent?
  - …

THANK YOU!

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