



Market Expansion Africa 2017

Regional overview

– what investors need to know

October 2017





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Market Expansion Africa Trends



Market expansion Africa Trends



Africa market expansion trends

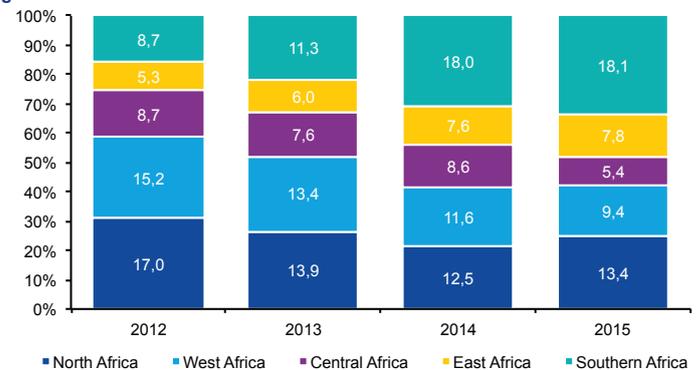
Global commodity prices, on aggregate, recorded their first annual increase in six years during 2016. A relatively long period (2011-2015) of uninspiring commodity prices have weighed on investment and expansion in Africa's hydrocarbon and mineral sectors – traditionally the key sectors for export and government revenues.

According to the latest data from UNCTAD, the lower commodity prices has largely contributed to a decrease in foreign direct investment (FDI), with into West Africa during 2013-2015. The region received \$15 billion in FDI during 2012 and less than \$10 billion in 2015. Due to weakness in the commodities sphere, recent investment trends have included an increased focus on the manufacturing (food, beverages and automotive) and services (utilities, transport, construction and retail) sectors. Manufacturing in particular is receiving increased attention from a policy perspective, with many African governments looking to diversify economic activity away from primary commodities. Several countries, including Ethiopia, Ghana, Kenya, Mozambique and Nigeria, have in recent years revised their GDP data to account for growing non-resource sectors.

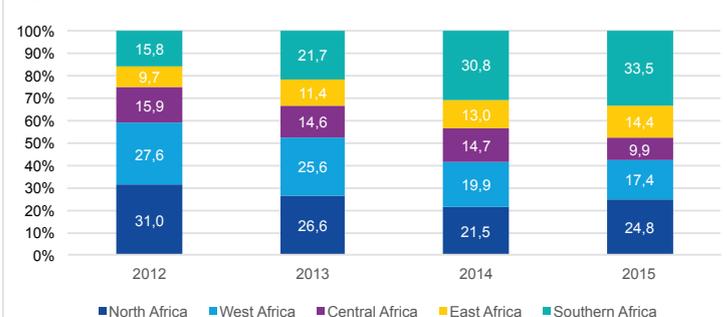
The East Africa Community (EAC) – consisting of Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda – is finding particular favour amongst investors in the secondary and tertiary sectors. The grouping has made significant strides in regional integration on many fronts and offers a market of 150 million customers. The majority of Africa-based Investment Promotion Agencies (IPAs) surveyed by the United Nations Conference on Development and Trade (UNCTAD) during 2016, identified China as their most promising investor, followed closely by the United States of America.

Other Asian countries – specifically India and Japan – are also prominent investors. This is associated with an export-oriented approach to investment in Africa due to the proximity of certain economy (in particular in East Africa) to Asian markets. Middle Eastern countries are using a similar approach. However, hydrocarbons remain an attractive investment over the long term. Tanzania is the largest recipient of investment in the EAC due in part to its vast natural gas riches discovered over the past few years. The country received almost 30% of regional FDI during 2012-2015. Similarly, Mozambique is a regional leader in FDI in Southern Africa due to its nascent offshore gas wealth.

Regional FDI inflows

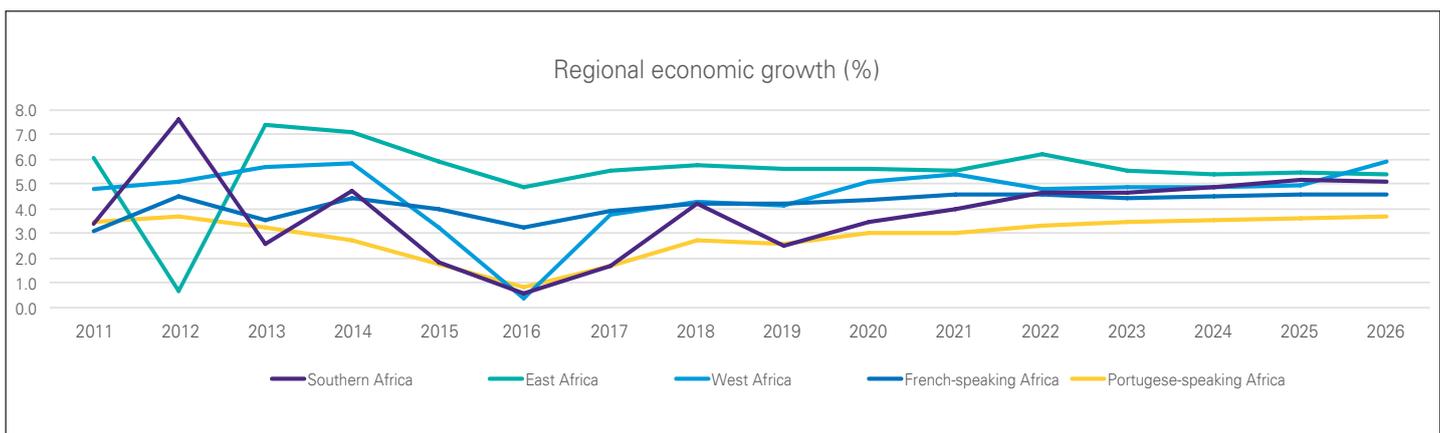


Regional FDI inflows (% of total)



From a political perspective, there was no clear correlation between the level of political risk in a country and the value of FDI receipts during 2015. High-risk countries such as the DRC and Sudan received large amounts of FDI – each around \$1.7 billion – while many countries with lower risk assessments did not do as well. Another important point to note from an African market entry perspective is that the continent's largest economies are no longer the default options as gateway economies. Continued improvements in port and other transport infrastructure elsewhere on the continent is a strong contributing factor. South African ports, for example, are seeing increasing competition from rivals in Mozambique and Namibia.

Market expansion Africa Trends



>> Southern Africa

The dependence of many Southern African economies on trade with and remittances from South Africa makes the region highly dependent on Africa's second-largest economy. Unfortunately, South Africa has deteriorated into a slow-growth trajectory due to a myriad of economic and political factors. While there are bright spots in the region – Zambia and Namibia in particular – the regional economy will underperform over the medium term.

>> East Africa

Recent growth performances and the outlook for economic growth in East Africa makes this region the current star performer on the continent. The East African Community (EAC) - which has achieved the highest level of regional integration in Africa – is increasingly relying on secondary and tertiary sectors for GDP growth and job creation, thereby weaning their economies from commodity dependence.

>> West Africa

The outlook for countries in West Africa is closely linked to that of oil markets. Nigeria – the continent's largest economy by GDP and population – is highly dependent on crude exports, while Ghana and Ivory Coast also counts the commodity amongst their key exports. Economic growth is expected to recover going forward following a slump in oil prices during 2014-2015 caused negative GDP developments in these economies.

>> French-speaking Africa

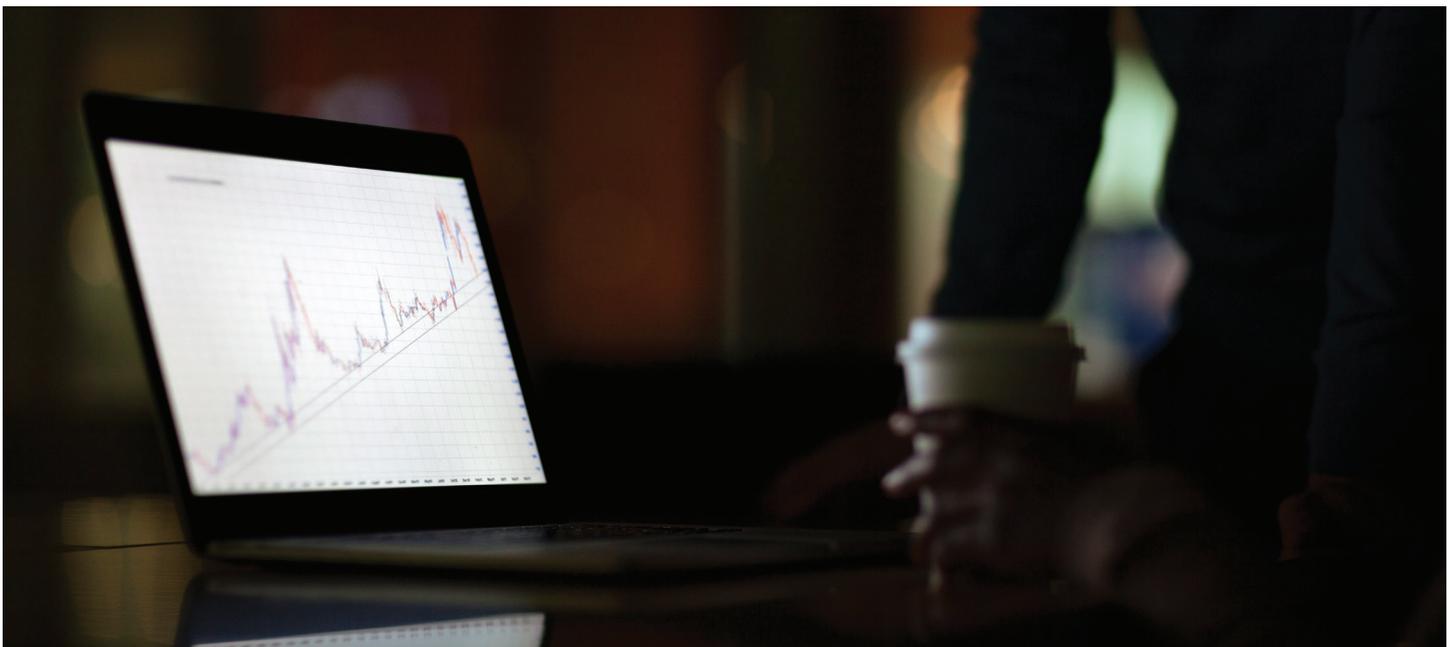
The diverse economies within this grouping have a (combined) favourable economic growth outlook. Many countries are, of course, growing off a small (an narrow) economic base. Algeria and Morocco account for almost half of the region's GDP, with the latter having an increasingly diversified economic structure. Many of the other countries in this region have small and underdeveloped economies and remain vulnerable to political and commodity price risk.

>> Portuguese-speaking Africa

This grouping is dominated by the sheer size of Angola and Mozambique, together accounting for 87% of this six-country grouping. The former is highly dependent on the fate of oil prices for its economic and fiscal health while the latter is still benefitting from significant levels of foreign investment into the nascent natural gas sector. The current outlook for a slow rise in oil prices as well as pressure on Mozambique's fiscus places limits on the pace of economic growth in the region over the medium term.



Market expansion Africa Trends



>> Regional GDP (% of total 2016)

Southern Africa		West Africa		East Africa		French-speaking Africa		Portuguese-speaking Africa	
Angola	16.6	Benin	1.5	Burundi	1.0	Algeria	31.3	Angola	76.7
Botswana	2.9	Burkina Faso	1.8	Djibouti	0.7	Burkina Faso	2.2	Cape Verde	1.4
Lesotho	0.4	Cape Verde	0.3	Eritrea	1.3	Burundi	0.6	Equatorial Guinea	10.5
Malawi	1.4	Cote d'Ivoire	5.9	Ethiopia	21.9	Cameroon	5.8	Guinea-Bissau	0.7
Mauritius	1.9	Gambia	0.2	Kenya	26.1	Cape Verde	0.3	Mozambique	10.5
Mozambique	2.3	Ghana	7.7	Madagascar	4.8	Central African Rep.	0.4	Sao Tome and Principe	0.1
Namibia	2.3	Guinea	1.4	Rwanda	4.2	Chad	2.0		
South Africa	65.4	Guinea-Bissau	0.2	Seychelles	0.6	Congo (DRC)	7.2		
Swaziland	0.8	Liberia	0.2	Somalia	0.6	Cote d'Ivoire	1.9		
Zambia	4.2	Mali	2.9	South Sudan	5.3	Equatorial Guinea	2.3		
Zimbabwe	2.0	Niger	1.3	Tanzania	21.4	Gabon	2.8		
		Nigeria	72.7	Uganda	12.1	Guinea	1.8		
		Senegal	2.7			Madagascar	1.9		
		Sierra Leone	0.5			Mali	2.9		
		Togo	0.7			Mauritania	0.8		
						Mauritius	2.4		
						Morocco	20.2		
						Niger	1.5		
						Senegal	2.9		
						Togo	0.9		
						Tunisia	8.1		

Source: Business Monitor International (BMI), KPMG research

Market expansion Africa Trends



>> Fast Growing Industries

Geography	Indicator Name	CAGR 2011-2016 (%)	Sector GVA 2016, \$bn	CAGR 2017-2022 (%)
Southern Africa				
Namibia	Construction	12.0	0.71	14.0
Zambia	Construction	7.4	5.02	9.4
Mauritius	Other' services	7.7	1.42	13.8
Zimbabwe	Tourism	6.4	2.00	9.1
West Africa				
Ghana	Mining	15.3	1.67	-0.5
Sierra Leone	Agriculture	13.1	2.87	17.0
Burkina Faso	Mining	7.8	1.02	10.2
Togo	Agriculture	5.4	1.78	7.2
Nigeria	Construction	6.4	15.12	11.8
East Africa				
Tanzania	Construction	17.9	6.38	11.4
Kenya	Agriculture	12.9	20.57	7.8
Tanzania	Agriculture	6.9	13.55	9.8
Uganda	Manufacturing	6.3	2.68	5.4
French-speaking Africa				
Cameroon	Construction	10.3	2.16	9.5
DRC	Manufacturing	11.2	6.63	9.2
Rwanda	Wholesale & retail	5.3	0.64	11.2
Gabon	Construction	9.7	0.94	6.2
Portuguese-speaking Africa				
Angola	Mining	1.1	34.77	-0.6
Mozambique	Mining	21.7	0.52	9.2

Sources: BMI, KPMG research

REGIONAL GROWTH DRIVERS – Methodology

Methodology – With a few exceptions, highlighted sectors were selected based on growth in the gross value added (GVA) in the industry averaging at least 5% p.a. in US dollar terms during 2011-2016. Alternatively, the GVA for other selected industries – where growth is not so rapid - must be at least \$1 billion in order to identify countries with large enough industries to attract foreign investment.

Please see some growth drivers under each region section.

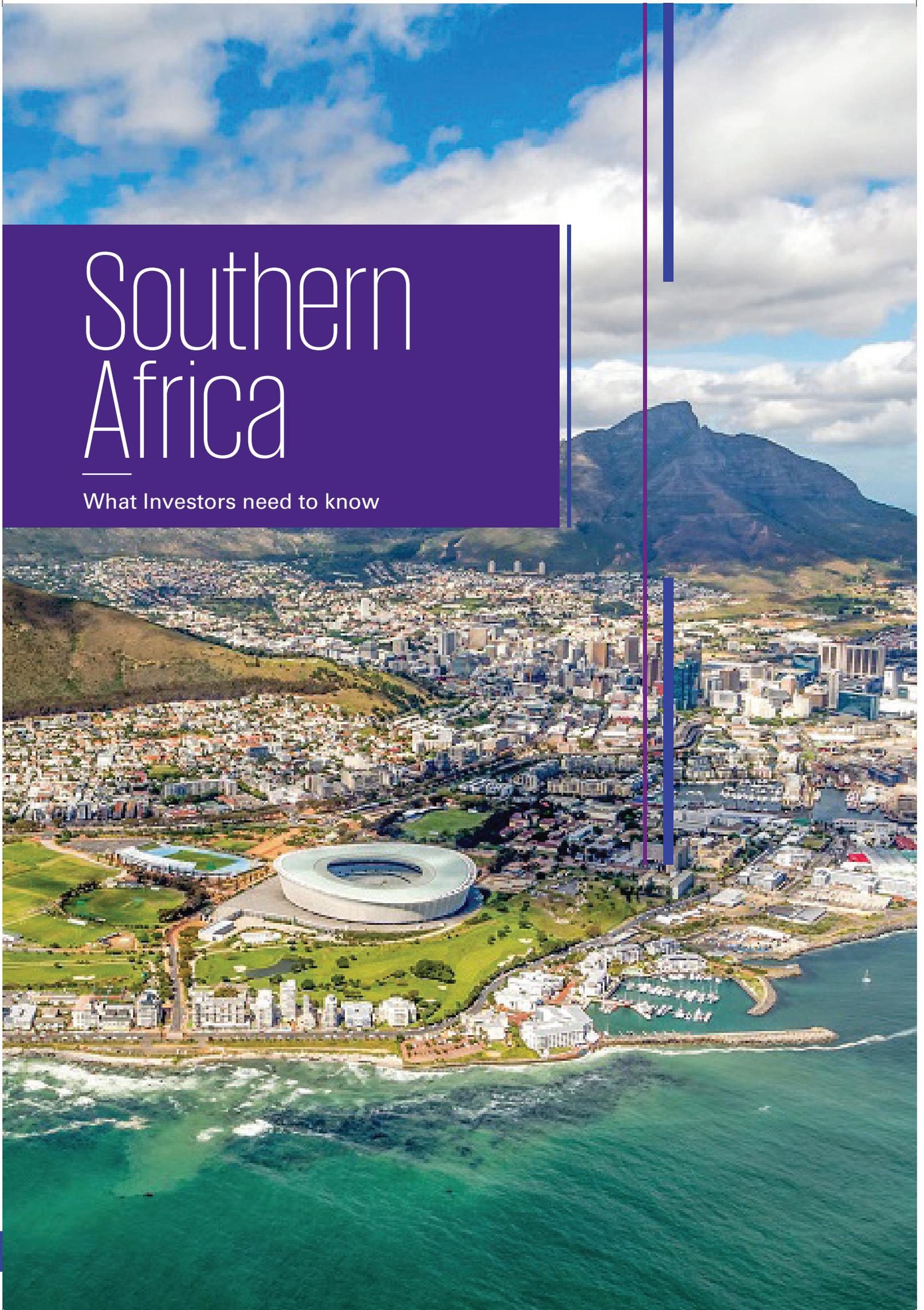
Regional Stats:

What Investors
need to know



Southern Africa

What Investors need to know



Southern Africa - market expansion



STRENGTHS

- Botswana, Namibia and South Africa have investment-grade sovereign risk ratings
- Relatively high quality of infrastructure
- Declining dependence on the South African economy for regional growth
- Lowest regional political risk
- Botswana, Namibia and South Africa have investment-grade sovereign ratings from some rating agencies

OPPORTUNITIES

- Large South African economy offers opportunities for regional companies
- Expanding port infrastructure (Namibia and Mozambique) improving regional logistical industry
- Untapped resources – massive gas fields of the shore of Mozambique and coal stocks in Botswana,
- Scope for greater regional integration in the Southern African Development Community (SADC)

WEAKNESSES

- Smallest regional population translates into a small market for goods and services
- Dependence on extractive resources of exports revenues and government income
- Pressure on healthcare systems and labour productivity from high incidence (compared to other regions) of HIV/AIDS and tuberculosis
- Several countries are ranked poorly for personal safety and crime

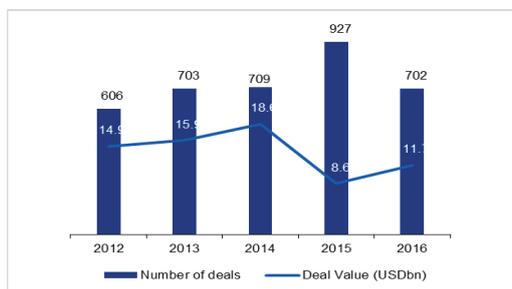
THREATS

- Climate risk - agriculture is vulnerable to periodic droughts and declining productivity
- Brain drain to South Africa which, in turn, sees a brain drain to Europe, North America and Australasia
- Problems with electricity supply reliability undermining the business environment and overall economic growth
- Downward pressure on sovereign ratings
- Heightened unease over political leadership changes (e.g. South Africa and Zimbabwe)

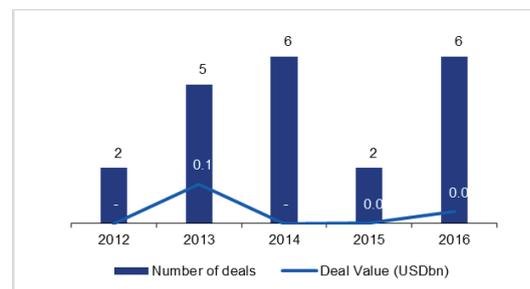
Southern Africa - M&As



Size and volume of total deals



Size and volume of cross-regional deals



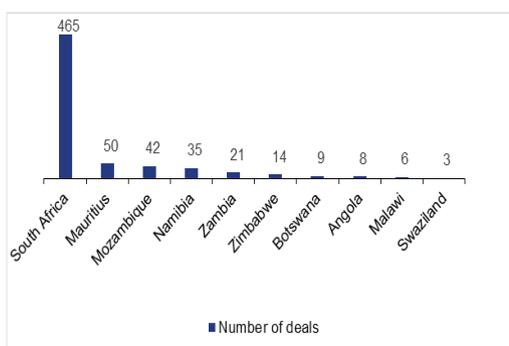
FDI Deals



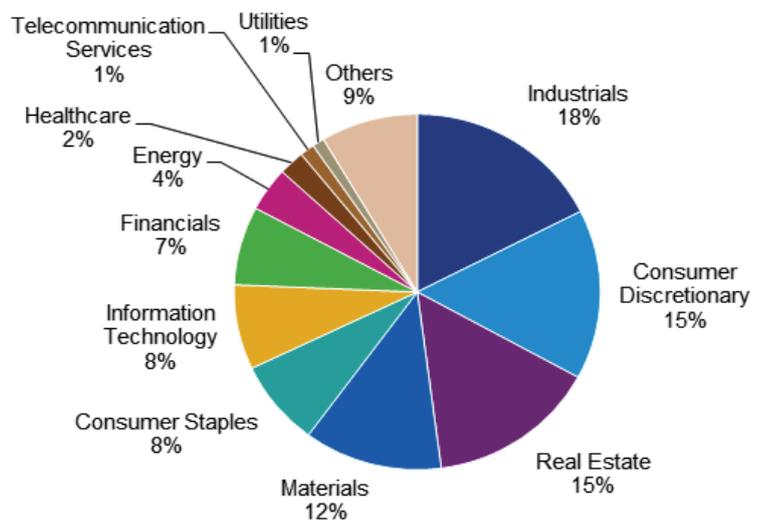
Top FDI countries



Top Targeted countries

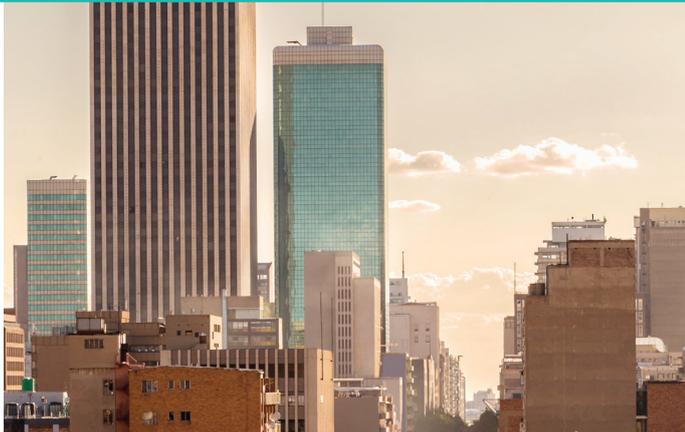


Industries



Source: Capital IQ

Southern Africa- Growth Drivers



Namibia - Construction

Namibia's construction industry is driven by state expenditure on infrastructure, private investment in real estate, and investment in mining. Government spending is focussed on transport infrastructure, with the country working towards becoming a transport hub for the Southern African region. The real estate sector is buoyed by a surge in prices linked to increasing foreign demand for property on the coast amidst a shortage of local residential property. The mining sector – generating around 50% of the country's export revenues through the production of diamonds and uranium – is an attractive foreign investment destination.

Zambia - Construction

Zambia's construction industry is supported by both public expenditure on general infrastructure and investment in the copper mining sector. The boom in construction activity also supports local industries associated with logistics, timber, steel and cement. Indeed, African industrial giant Dangote Cement, was expected to open a \$400 million cement plant in the Copperbelt early in 2017. Namibian copper mines produced more than 700 000 tonnes per annum during 2014-2016, while government expectations point to production of 1.5 million tonnes in 2017. This projection is based on new projects from First Quantum Minerals and Glencore as well as improved power supply to mines.

Mauritius - 'Other' services

Mauritius' overall services sector has been growing strongly over the past decade on the back of increasing activity in the broader financial sector. This has supported growth in industries that provide professional, technical, administrative and other support services.

The country's services economy currently benefits from a state-driven campaign to diversify economic activity. A generally positive business environment - ranked in the top 30% worldwide and first in Africa by the World Bank – is supportive of smaller service industries.

Zimbabwe - Tourism

Zimbabwe's tourism industry benefits from a wide range of attractions. These include the popular Victoria Falls and many private and public nature reserves. The post-recession period has seen an increase in international tourist arrivals, averaging two million per annum during 2009-2015. The country made strategic investments in tourism in recent years, including launching a multinational visa with Botswana and Zambia and expanding the Victoria Falls International Airport. Zimbabwe draws the majority of its foreign visitors from elsewhere on the African continent, in particular South Africa and Zambia.

RECENT DEVELOPMENTS

South Africa – while local currency economic activity has been rising slowly, currency depreciation resulted in a decline in the US dollar value of GVA in all its industries during the 2011-2016 period.

State Secretary for Foreign Trade Francisco José Fernandes said late in June that **Angola** is working on a new external trade law in order to ease the import and export process – the country is ranked 183rd out of 189 countries for trading across borders by the World Bank.

South Africa's Eskom signed a three-year supply agreement with the **Botswana** Power Corporation (BPC), offering its neighbour improved security of electricity supply and a window of opportunity to tackle some of the major problems facing BPC's generating capacity.

The Bank of **Botswana** (BoB) started 2017 with a revision of the pula basket of currencies used to determine the exchange rate: the South African rand now accounts for 45% of the basket (from 50% in 2016) while the balance is made up of IMF Special Drawing Rights (SDRs).

The **Lesotho** Highlands Water Project (LHWP) Phase II (the largest water project of its kind due for implementation in the world currently) is envisaged to be completed in 2025, and will benefit the national, regional and international interests of South Africa and Lesotho.

Southern Africa- market expansion



The International Monetary Fund (IMF) approved on December 5 another six-month extension of **Malawi**'s Extended Credit Facility (ECF) – the scheme is aimed at the achievement and maintenance of macroeconomic stability and implementation of pro-growth policies and structural reforms.

President Peter Mutharika said at the start of May that **Malawi** will raise a minimum wage from the current MK687.70 per day, responding to an appeal by the Malawi Congress of Trade Unions (MCTU) who argued that the rate does not reflect the rising cost of living in the country.

Mauritius released in March a 10-year master plan for the development of small- and medium-sized enterprises (SMEs), aiming to improve competitiveness and growth; foster high growth potential; upgrade skills and job opportunities, as well as improve design and value addition.

Tourist arrivals in **Mauritius** increased by 11% in 2016 to 1.28 million, driven by more arrivals from Europe - tourism earnings, a key source of hard currency for the Indian Ocean island state - is estimated at \$1.58 billion during 2016.

The National Wage Consultative Council (NWCC) of **Mauritius** announced that the National Minimum Wage (NMW) proposed for workers of both the public and private sector - calculated on a proportion of domestic median wage - will be introduced in January 2018.

The Banco de **Mozambique** (BdM) announced in mid-April a massive increase in the capital requirements for commercial banks operating in the country, raising the minimum share capital required from around \$1 million to more than \$25 million – banks have three years to comply.

Italian energy company Eni finalised plans to develop **Mozambique**'s Coral South offshore gas project, part of a larger scheme that will see the company and partners spend an estimated \$50bn – the project offers the country lucrative liquefied natural gas exports within the next decade.

Namibia's Fifth National Development Plan (NDP5) was launched in May and aims to create 250 000 jobs during 2017-2022 in order to make a marked impact on the country's unemployment challenges - the government has committed N\$164,2 billion to NDP5 over the next five years Makhado and Tubatse in South Africa's Limpopo province will be declared Special Economic Zones (SEZs), with the provincial government expecting R44 billion in investments and the creation of 22 800 direct jobs.

South Africa's 2017/18 fiscal budget introduced a new top personal income tax bracket of 45% for those with a taxable income above R1.5 million per annum as part of a combination of tax increases needed to help narrow the budget deficit.

South Africa's Department of Trade and Industry (dti), through the Production Incentives Programme (PIP) within the Clothing and Textiles Competitiveness Programme (CTCP), has approved R4.9 billion for the clothing and textile sector to create and save jobs.

South Africa was named the best country in Sub-Saharan Africa for debt management and sovereign bond issuance by Emerging Markets Newspaper, an affiliate of the International Monetary Fund (IMF) and World Bank Annual Meetings.

S&P Global Ratings and Fitch Ratings both downgraded South Africa's sovereign credit ratings to non-investment grade in the wake of a cabinet reshuffle in late-March – both organisations cited concern about changes to management of the country's fiscus as motivation for this move.

Swaziland's fiscal budget for 2017/18 includes the monthly grant for disabled people rising from E80 to E180 while the old-age grant rises from E240 to E400 – the state will also continue providing free education to orphaned and vulnerable children.

Southern Africa- market expansion



Zambia reversed a ban on the importation of vegetable and fruit products late in March after the Ministry of Commerce, Trade and Industry found ways of increasing local production capacity – the ban was initially implemented in order to boost demand for locally produced food items.

Zambia signed a four-year, \$2.3bn deal with the China Civil Engineering Construction Company for the construction of a 388 km railway that will enhance regional trade and transport competitiveness by providing an alternative trade route to the east coast of Africa via Mozambique's Port of Nacala.

The International Monetary Fund (IMF) reported that **Zimbabwe** settled its overdue financial obligations (\$108m) to the Poverty Reduction and Growth Trust (PRGT), and as of November 14 removed the suspension of technical assistance to the country.

Zimbabwe secured a syndicated loan from the African Export-Import Bank (Afreximbank) that will enable it to clear \$1.7 billion in arrears to the World Bank and African Development Bank (AfDB) – the country settled overdue obligations to the International Monetary Fund (IMF) in October 2016.

Zimbabwe had by the end of March rolled out R102 million worth of bond notes – hard currency shortages in the country and counterfeit production of this quasi-currency has seen them trade 10% weaker than the US dollar on the illicit market.

Finance Minister Patrick Chinamasa blocked at the start of April the further rollout of **Zimbabwe**'s bond notes, insisting that the country's only solution towards increasing money supply is increasing export earnings Afreximbank provided backing for \$200 million in issuance.



Latest Tax developments - Southern Africa



South Africa's recent budget (Feb 22) introduced a new top rate of personal income tax of 45% on earnings in excess of R1.5m (US\$115,600)

From a Corporate perspective the budget announced a significant relaxation in the exchange control rules on intellectual property transactions. Whilst the VAT rate remains unchanged at 14%, the Finance Minister formally announced that it would likely have to be increased in the next year and the base widened.

- A new top personal income tax bracket of 45% has been introduced with effect from 1 March 2017 for taxable income above R 1.5 million.
- Trusts, other than special trusts, will also be subject to income tax at the rate of 45%.
- The default rate, at which dividends tax is to be withheld, has increased to 20%, with effect from today.

Against a background of falling GDP growth and inflation of 3.8%, the Government of Botswana set corporate tax rates of between 15% (manufacturing) to 22% (mining excl. diamonds) for Resident Companies and a standard rate of 30% for all Non Resident Companies

The Finance Minister of **Namibia** in his 2016 budget confirmed the standard rate of Corporate Tax at 32% with a special reduced rate (for up to 10 years) for manufacturing companies at 18%. Diamond miners however will have to pay 55%. On the positive side Namibia does not impose Capital Gains Tax. Where 25% or more of the share capital of a company is held by a non-resident a dividends withholding tax of 20% is applicable. Withholding tax on services and royalties were reduced to 10%

Mauritius introduced a number of new tax incentives in the form of tax holidays for up to five years:

- entities holding licenses to operate or provide services as treasury management centres, asset and fund managers, international law firms, investment banking and corporate advisory entities, overseas family corporations
- Extension and expansion of existing provisions that allow certain manufacturing companies to offset their tax liabilities with 5% of their investments in new plant and machinery
- An enhanced investment tax credit of 15% for capital investment made by a company in its subsidiary engaged in certain activities
- A five-year tax holiday for foreign high net-worth individuals investing a minimum of U.S. \$25 million in Mauritius

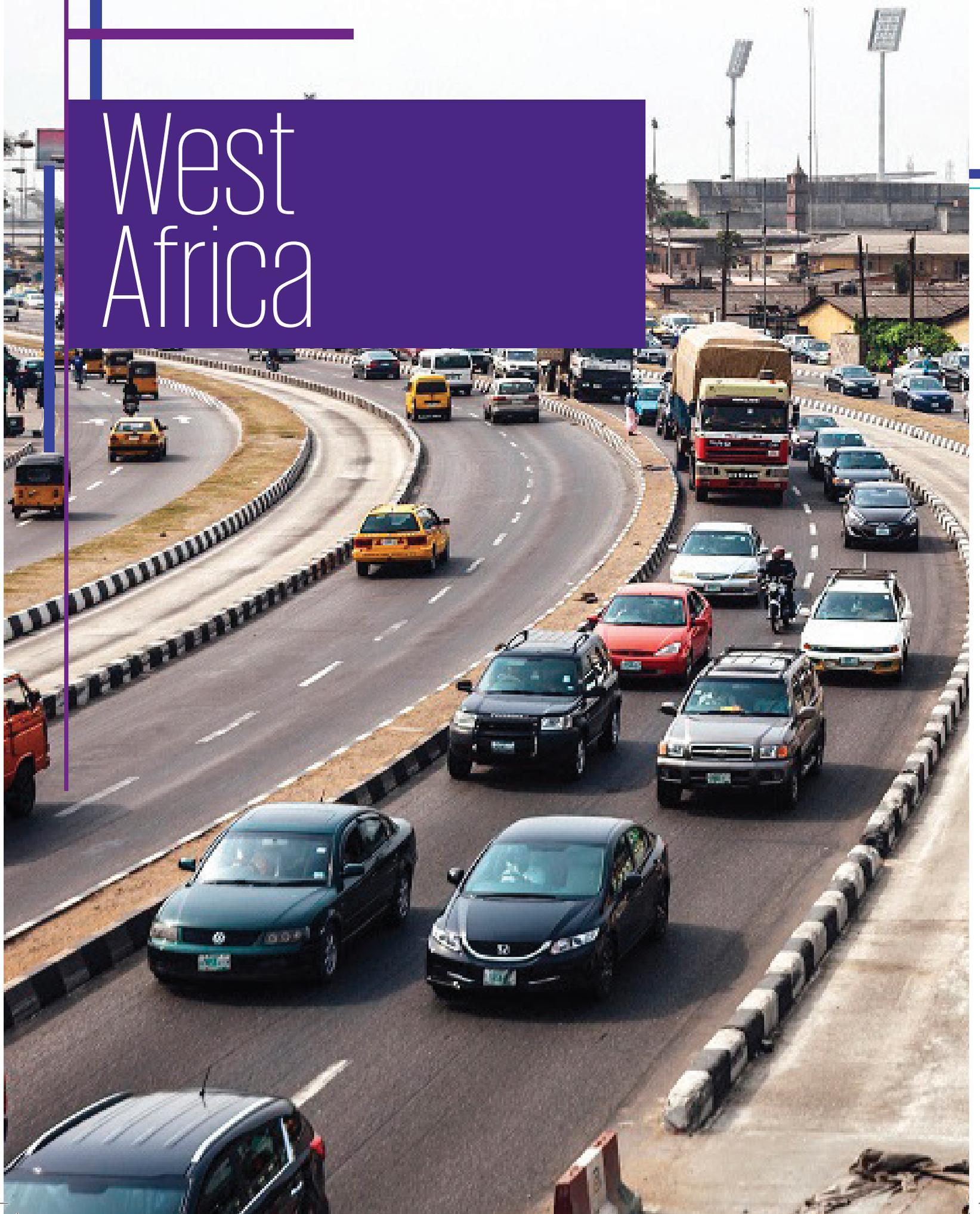
Zambia also introduced a number of new tax measures in recent months:

- An increase in the rate of advance income tax on imports of goods, from 6% to 15%
- Changes to the turnover tax regime, by introducing tax bands and presumptive amounts
- A levy imposed on employers for "skills development" payments made to employees
- A requirement that all financial institutions require bank account holders to have a taxpayer identification number
- A change to the date for filing income tax returns and for paying the balance of the amount of tax due (moved from 30 June to 21 June)
- Concerning the value added tax (VAT), a proposal to repeal the VAT group registration rules, to make input VAT incurred prior to registration a non-deductible amount, to make input VAT on petrol non-claimable.

For full country **Fiscal Guides** visit: <https://home.kpmg.com/za/en/home/insights/2016/10/2016-african-country-snapshots.html> or download our **KPMG Africa Business Guide** app free on your iStore or Playstore



West Africa



West Africa - market expansion



STRENGTHS

- Strong economic growth – 4 countries currently in Africa’s top 10
- Largest regional population (with Nigeria accounting for more than half of the total) = large consumer market
- Relatively low government debt levels
- Strong political rights and citizen participation (within an African context)
- 8 countries share monetary and banking regulating via the regional Banque Centrale des États de l’Afrique de l’Ouest (BCEAO)

OPPORTUNITIES

- Region will remain attractive to foreign investment over the long term, particularly from China
- Unprecedented opportunities for growth in agriculture but will be dependent on effective regional integration
- Critical infrastructure gaps and low government debt allows opportunities for capital deployment by foreign investors

WEAKNESSES

- Weak business environments - 13 out of 15 countries in the region ranks in the bottom 25% worldwide.
- Inadequate infrastructure for the size of population and economies
- Performs poorly in sanitation, health and education

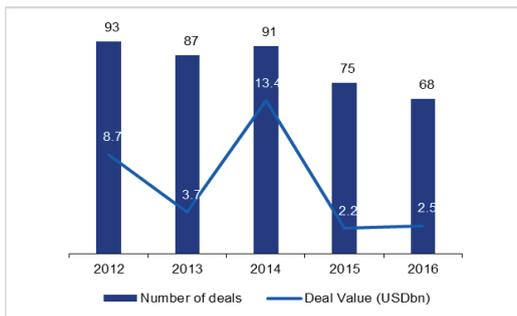
THREATS

- Terrorism and organised crime
- Political stability around upcoming elections
- Impact of climate change on rural populations could trigger new conflicts by redrawing the map of water availability and food security
- Risk of resurgence in piracy after several attacks in 2017 so far
- A re-emergence of the Ebola virus could affect the region and again take many months to contain

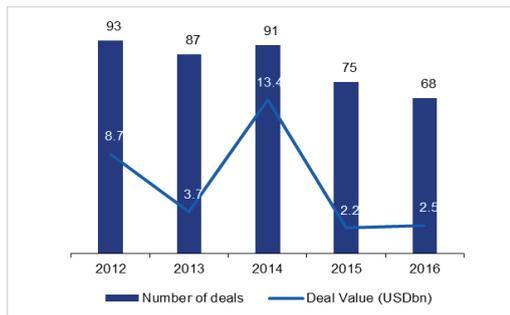


West Africa - M&As

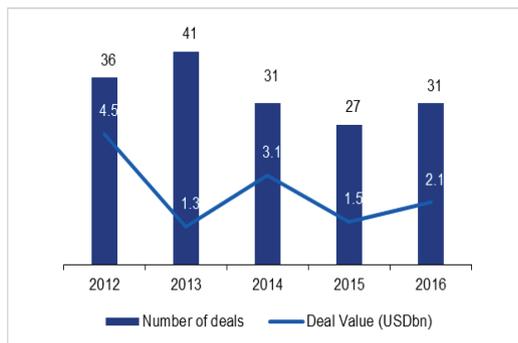
Size and volume of total deals



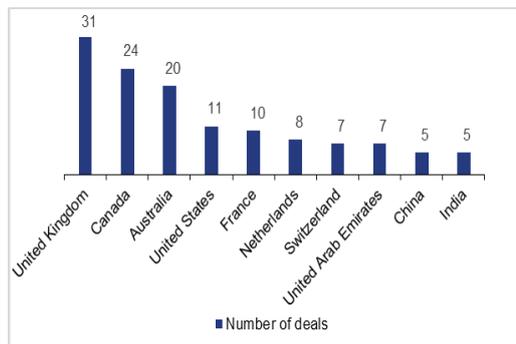
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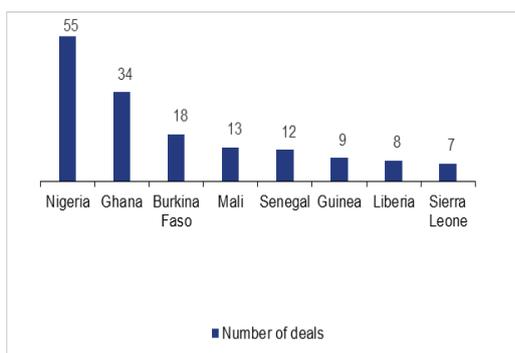
FDI Deals



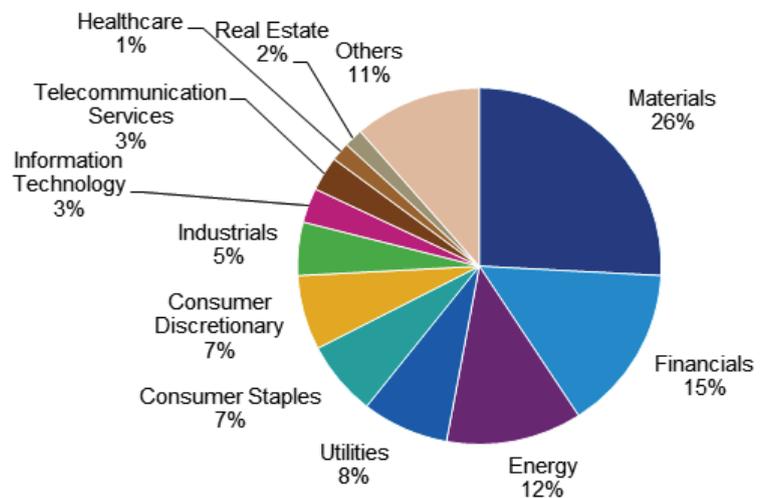
Top FDI countries



Top Targeted countries



Industries



Source: Capital IQ

West Africa- Growth Drivers



Ghana - Mining

Over the past decade, Ghana's mining industry attracted significant foreign interest in gold production, especially from companies diversifying their operations outside of South Africa. Foreign-owned companies now dominate the local industry – Africa's second-largest. Bullion accounts for more than 90% of mining revenues followed by manganese, diamonds and bauxite. Gold production averaged 86 tonnes per annum since 2010. Apart from gold majors like AngloGold Ashanti, Gold Fields and Newmont Mining, the industry recently also attracted the attention of smaller players, including Cardinal Resources, Azumah Resources and Perseus Mining. With South Africa's gold reserves dwindling, Ghana is growing in its prominence as African gold producer.

Sierra Leone - Agriculture

Sierra Leone's agriculture sector produces a large variety of food crops, including cassava groundnuts, maize, millet, rice, sorghum and sweet potatoes. Most farmers produce a combination of crops on their land. Around three quarters of the country's land area is arable. The area of land under cereal crops increased significantly from 200 000 hectares in 2000 to 750 000 hectares in 2016 due to national policies aimed at diversifying the economy and creating sustainable employment. This has led to the establishment of supply chains for seeds, fertilisers and pesticides, more post-harvest storage facilities, as well as access to rural credit.

Burkina Faso - Mining

Burkina Faso's mining sector is the fourth-largest gold producer on the continent and also produces small amounts of dolomite, granite, marble, zinc and phosphate rock. A total of seven new mines were commissioned over the past decade with exploration continuing – the country is underexplored compared to Ghana and Mali. Burkina Faso's bullion production increased from a mere one tonne in 2004 to 31 tonnes in 2015, with gold now accounting for 60% of export revenues. The national government encourages foreign investment in the mining sector, which accounts for the majority of international investment in the country.

Togo - Agriculture

Togo's agriculture sector consists of both small-scale and commercial farmers. Almost half of the country's land area is used to cultivate cocoa, coffee and cotton. Production of cocoa and coffee – the country's largest exports by value – increased by 40% and 65% respectively over the past decade. A small cocoa processing company was also established in 2013 to herald the first local value-addition to these crops. A key factor in the development of the cocoa and coffee sectors was the liberalisation of prices, marketing and exporting of the commodities during the 1990s. A subsequent supportive factor was the implementation of the government's National Agricultural Investment and Food Security Programme (PNIASA).

Nigeria – Construction

Booming construction activity in Nigeria consumed 27.3 million tonnes of cement in 2016 from just 5.1 million tonnes in 2008 – an average growth rate of 25% per annum. Some of the largest publicly funded projects currently underway include Centenary City in Abuja as well as the Coastal Railway Project and Eko Atlantic in Lagos. The largest privately funded project is the Dangote Refinery in Lagos's Lekki Free Trade Zone. Private investment in the industry is still small compared to public spending, though the refinery project – run by Africa's richest man, Aliko Dangote – is evidence of opportunities. While current economic conditions are challenging for the construction industry, the Nigeria's fundamentals – including having Africa's largest population – provide a long-term positive outlook for construction demand,



West Africa- market expansion



RECENT DEVELOPMENTS

The **West African Economic and Monetary Union (WAEMU)** is partnering with Dublin-based eCurrency Mint to create a regional digital currency - the eCFA – for test distribution in Senegal, with eventual rollout to the regional organisation's other seven members.

Under a new economic development programme, **Benin** is planning to spend \$15 billion during 2016-2021 on 45 major projects – the plan is in line with the government's aim to create 500 000 jobs in the long term.

The International Monetary Fund (IMF) commented in December that **Burkina Faso** – who last year launched an ambitious five-year economic and social development plan – has made important reforms to create the conditions for sustained medium-term economic performance and poverty reduction

The European Union (EU) resumed aid to **Gambia's** new government in mid-February following a two-year suspension of support – the new Barrow government has pledged to respect human rights after the previous administration introduced a tough law against homosexuality in 2014.

The International Monetary Fund (IMF) approved in June a one-year staff-monitored program (SMP) for **The Gambia** to guide policy implementation, which is seen as critical to restoring macroeconomic stability and help catalyse further donor financing.

The Bank of **Ghana** (BoG) lowered its benchmark interest rate by 100 bps to 22.5% on May 22nd as downside risks to economic growth outweigh the upside risks to inflation – interest rates have been lowered by a cumulative 350 bps since late 2016.

The International Monetary Fund (IMF) said in its latest review of a \$242 million Extended Credit Facility (ECF) with **Guinea** that all performance criteria for the 2012-2016 scheme had been met and that authorities emphasised their interest in a successor arrangement.

Ivory Coast plans to invest almost \$1bn in oil product pipelines and storage in a bid to create the largest fuel hub in Sub-Saharan Africa (SSA) - 1.5 million cubic metres of storage will be constructed by 2020, making Ivory Coast the 'Rotterdam' of Africa and the biggest oil product market in SSA.

Ivory Coast is demanding \$327 million in compensation from cocoa exporters after the latter defaulted on buying contracts: the country usually auctions the majority of its crop before the agricultural season starts, and exporters defaulted on their contracts after wrongly speculating that prices would rise.

The International Monetary Fund (IMF) said during October that despite the successful elimination of the Ebola virus, **Liberia's** economy is still not recovering due to continued weakness of commodity exports associated with lower-than-expected gold production.

The Central Bank of **Liberia** (CBL) issued a new regulation late in November stipulating that inward personal remittances received via money transfer institutions will henceforth be paid 25% in Liberian dollars and 75% in US dollars.

The International Monetary Fund (IMF) said in November that the political situation in **Mali** is broadly stable and that economic activity remains robust on the back of higher public investment, accommodative monetary conditions, subdued inflation, and favourable weather conditions.

Business Monitor International (BMI) warned that rapid population growth in **Niger** – at 4% per annum during 2010-15 amongst the fastest on the continent - will keep the risks of humanitarian crises and instability elevated for the foreseeable future.

Nigeria launched its long-awaited Economic Recovery and Growth Plan (ERGP) in mid-March, releasing a plan for 2017-20 targeting restoration of economic growth, human development and a globally competitive economy through increased volume and diversity of domestic production.

West Africa- market expansion



The National Bureau of Statistics (NBS) reported that Nigeria's economy contracted by 1.3% y-o-y in 2016Q4 after shrinking by 2.2% y-o-y during the third quarter – combined, this resulted in a 1.5% decline in real economic activity during 2016 which was the first recession in 25 years.

Statistician General Yemi Kale said during December that **Nigeria's** GDP – the largest on the continent during 2015 - could be up to 20% larger once the National Bureau of Statistics incorporated results from current censuses in the agriculture, industrial and other industries.

The International Monetary Fund (IMF) commented in a report released after its annual Article IV consultations with **Nigeria** that the organisation commended the country's reform efforts, including increasing fuel prices, raising the monetary policy rate and allowing the exchange rate to depreciate.

Nigeria returned to international capital markets during February (the first time in almost four years) with the sale of a 15-year, \$1 billion Eurobond – investors looked past the country's current challenges and the issuance was oversubscribed almost eight times.

The Central Bank of **Nigeria** (CBN) opened a foreign-exchange window for investors and exporters in late-April where the naira trades between the interbank rate and the black-market rate – a difference of around N80/\$ was seen at the time.

Fitch Ratings commented in June that **Nigerian** banks' ability to access foreign currency has improved considerably since the Central Bank of Nigeria (CBN) introduced a foreign exchange window at the end of April aimed at investors and exporters.

Nigeria's Federal Inland Revenue Service (FIRS) introduced six electronic solutions in June to enhance convenience, transparency, processing and payment of taxes – this includes taxpayer registration, filing tax returns, payment of taxes and receiving an electronic receipt.

UK-based Cairn Energy will soon start a third drilling programme in **Senegal** after the company made two sizeable discoveries off the country's coast in 2014 and successfully drilled six wells in the area – the company believes it has access to reserves of 473 million barrels of oil,

President Ernest Bai Koroma of **Sierra Leone** visited China late in 2016 and reached a commitment from Beijing toward a comprehensive strategic cooperative partnership – the highest level of cooperation at the diplomatic level – between the two countries.

The International Monetary Fund (IMF) approved a three-year, \$224 million Extended Credit Facility (ECF) for **Sierra Leone** in June – the program will build on the lessons from the previous ECF and aims to support policies targeted at reducing inflation and increasing domestic revenues.

The International Monetary Fund (IMF) said in November that **Togo**, in a bid to reduce its debt to sustainable levels, plan to reduce locally-financed capital spending and will instead partner with private sector partners to continue to improve infrastructure.

West Africa- market expansion



Nigeria has approved the ECOWAS Common External Tariffs (CET) for 2015 to 2019 alongside its 2016 Fiscal Policy Measures. Aside from the reduction of import duty for certain items in the 2016 Fiscal Policy Measures, the CET includes an Import Adjustment Tax, which would be gradually phased out until the 2020 deadline when the detailed provision of the ECOWAS CET would be in full force. Specific items originating from non-ECOWAS member states were added to the Import Prohibition List.

Effective 9 November 2016, the withholding tax (WHT) rate on construction-related projects was reversed from 2.5% to 5%. The WHT rate had been reduced from 5% to 2.5% in January 2015 by the previous administration.

In February 2017, the Federal Executive Council approved a revised National Tax Policy (NTP). The revised NTP, which replaces the old NTP issued in 2012, sets out the guidelines, rules and modus operandi that would regulate taxation in Nigeria going forward.

In March 2017, the National Economic Council approved the implementation of a Voluntary Assets and Income Declaration Scheme in respect of all taxes. The Scheme is scheduled to commence on 1 May 2017, and will offer a limited waiver for voluntary declaration of tax liabilities within a specified period.

The Federal Government (FG) has approved the resumption of the Export Expansion Grant (EEG) scheme by way of tax credits to non-oil exporters. Registered/interested exporters are required to submit their baseline data for 2013, 2014, 2015 and 2016 by 27 April 2017, for the purpose of determining their EEG rates for 2014, 2015, 2016 and 2017 non-oil exports, respectively.

The FG has also approved an interest rate spread of 5 basis points on unpaid taxes for 2017. The spread, which is to be applied from 1 July 2017, will be added to the current Central Bank of Nigeria Monetary Policy Rate (MPR) of 14%. Thus, interest will be charged at 19% on unpaid taxes rather than at 15% (fixed rate) which was applied in prior years. Future interest rates will modulate based on changes in MPR. We expect that the spread of 5 basis points will be applied until the FG approves a new spread.

The Nigerian legislature has recently set up an ad-hoc committee to investigate the abuse of the procedure for granting Pioneer Status Incentive (PSI) and the subsequent application of the incentives by beneficiary companies. Certain government agencies and companies have been invited to an investigative hearing commencing on Friday, **2 June 2017**. PSI entitles qualifying companies to income tax holiday for between 3 and 5 years. In addition to income tax holiday, pioneer companies enjoy other benefits, such as the exemption of dividends paid out of pioneer profits from withholding tax. However, the legislature is of the view that beneficiary companies have misapplied their tax-exemption status which has led to a reduction in tax revenue.

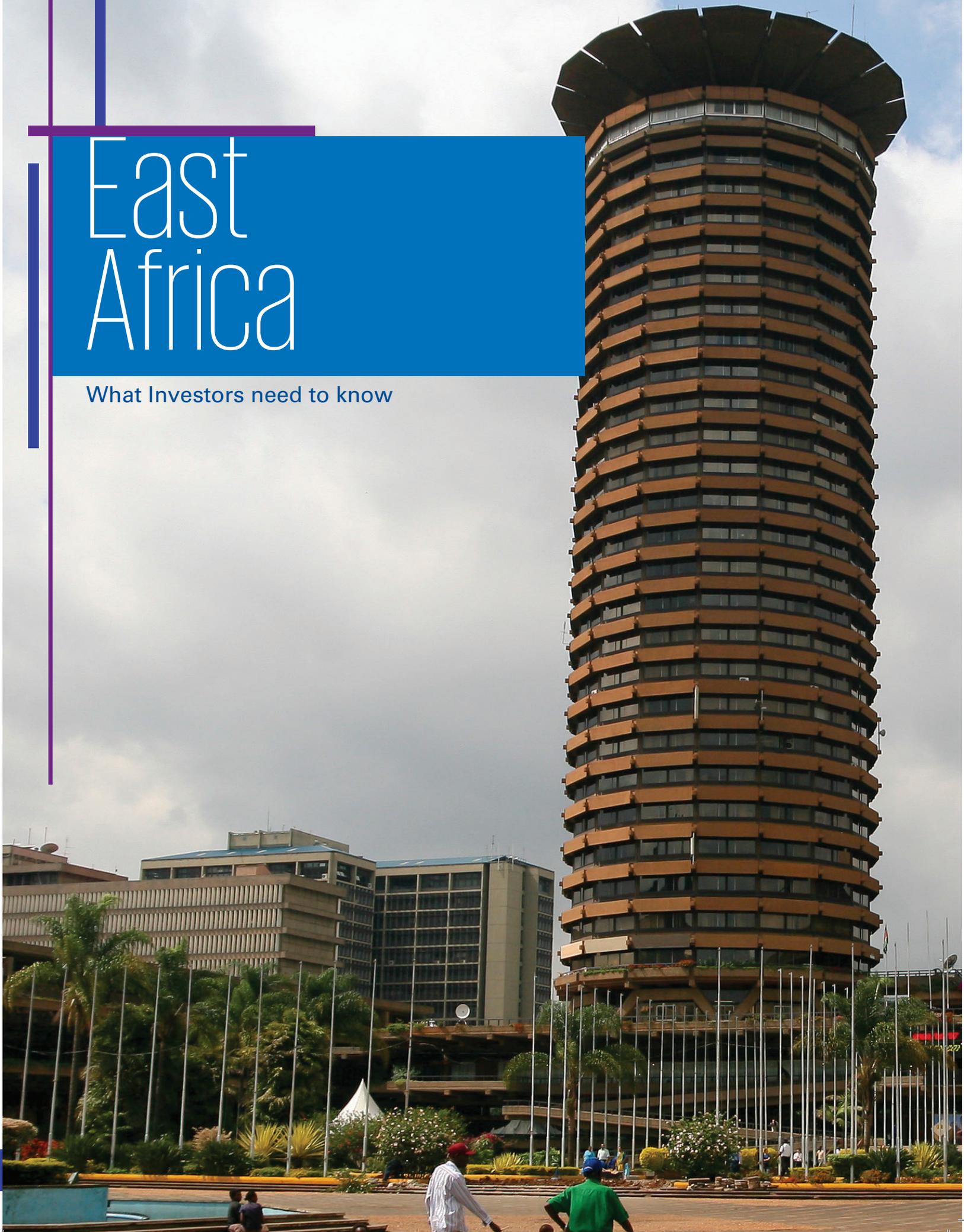
Over the years, significant domestic and foreign direct investments have been attracted to key sectors of the Nigerian economy through the grant of PSI. The expectation, therefore, is that the investigative hearing would be conducted in a manner that would not adversely affect Nigeria's credibility in the investing community, as the rights of investors who complied with due process to obtain the incentive must be respected.

Ghana has set a theme for its budget, "Consolidating Progress Towards a Brighter Medium Term", which captures the determination of the ruling government to implement a transformational agenda which will not only consolidate Ghana's Middle Income Country (MIC) Status but also secure bright medium term prospects for the economy. The Government project GDP rising from 5.4% in 2016 to 9.3% in 2018. The tax changes were relatively modest, the most significant being an increase in the VAT registration threshold to GH¢200,000 which will ensure that only large and medium sized businesses have to register for VAT.

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East Africa

What Investors need to know



East Africa - market expansion



STRENGTHS

- Strong economic growth in the majority of countries – according to current estimates, East Africa will include 5 out of the top 10 African growth performances during 2015-25
- Several large urban areas despite an overall low level of urbanisation
- East African countries are among the top 30 African countries with a high literacy level.
- Greater regulatory harmonisation across the East African Community (EAC)
- The region has a large customer base with a population of 300 million people

OPPORTUNITIES

- Large population and high levels of economic growth results in significant potential for consumer market growth
- Geographic location makes the EAC a transit point between Asia and countries in Central and West Africa
- Strong political will behind regional integration of the East Africa Community (EAC) increases the scope for cross-border infrastructure development and financing

THREATS

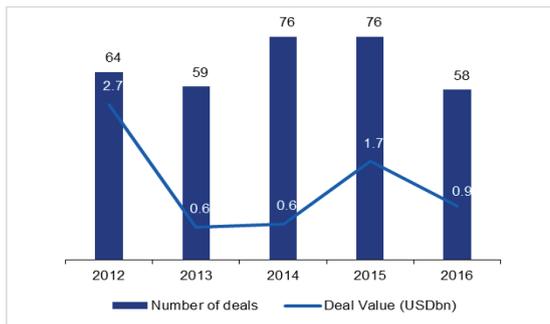
- Low average GDP per capita and household income
- Large dependency on smallholder agriculture
- Strengthening regulatory environment
- Landlockedness drives trade costs higher in certain countries
- Uneven inter- and intra-state economic development

- High levels of political risk in some countries could affect geographic neighbours
- Currency volatility and high inflation
- Political and social instability in some parts affecting foreign investor interest
- Somalia and South Sudan are rated “very high alert” by the Fund for Peace’s Fragile States Index



East Africa - M&As

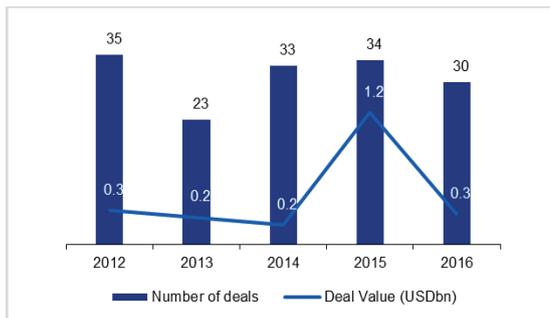
Size and volume of total deals



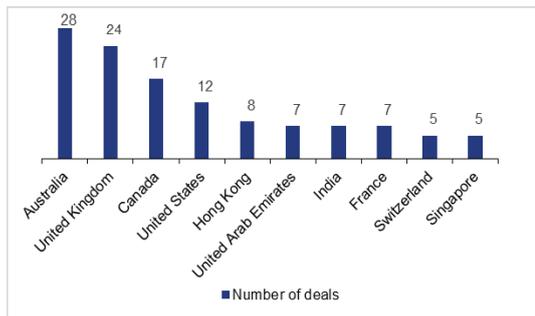
Size and volume of cross-regional deals



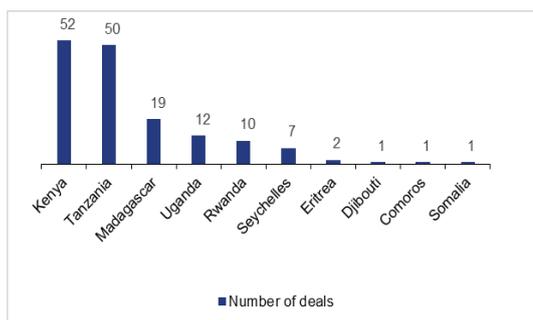
FDI Deals



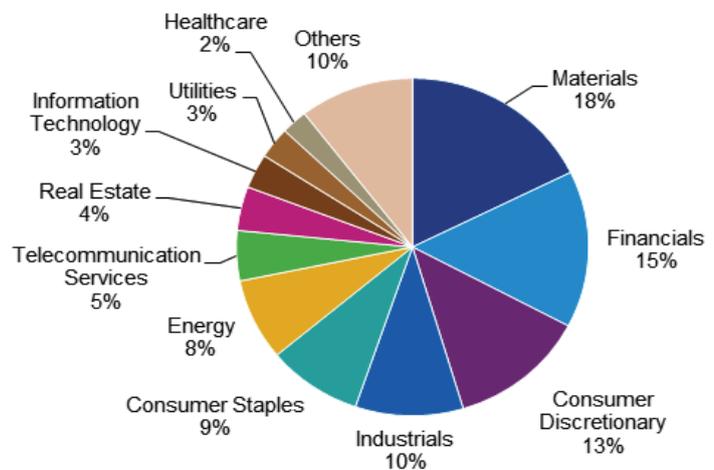
Top FDI countries



Top Targeted countries



Industries



Source: Capital IQ

East Africa- Growth Drivers



Tanzania - construction

Tanzania's large-scale public sector infrastructure investment has supported an expanding construction industry. The expansion of port facilities in Dar es Salaam (responsible for 95% of the country's external trade) will increase handling capacity from 15 million tonnes in 2014 to 28 million tonnes by 2020. The government, along with local investors, also worked hard to expanding local power supply capacity by more than 25% between 2011 and 2015. The positive results from state's spending on road infrastructure is evident in the annual World Economic Forum (WEF) Global Competitiveness Index (GCI): the country's score in this category improved from 2.48 (on a scale of 1 to 7) in 2008 to 3.44 in 2016, indicating increased quality of roads.

Kenya - agriculture

Kenya's agriculture sector is the country's largest industry, primary source of export earnings and the biggest contributor to economic growth. The industry benefits from a variety of climatic conditions across the country's geography, which allows for a wide range of goods to be cultivated. The main commodities include grains, sugar cane, coffee and tea. Mechanisation and technology advancements in the farming sector over the past decade has aided productivity. Regional demand for its produce has also increased while foreign investment is increasing throughout the associated value chain. The five-year, \$2.8 billion Galana Irrigation Project (GIP) is one of the country's most ambitious irrigation plans under development, and involves the construction of two dams that will feed agricultural irrigation projects.

Tanzania - agriculture

Tanzania's agriculture sector produces enough maize (corn) to make the country self-sufficient in this staple crop. Maize output increased by more than 10% per annum during 2007-2016 as the government worked - with international organisations, foreign governments and private firms - to address food security by increasing the area of arable land under cultivation. Land used for cereal production doubled from 2000 to 2015 to more than 6.5 million hectares. Apart from success in this area, there are multiple government and donor initiatives aimed to enhance investment and growth in the agricultural sector. These initiatives include public-private partnerships (PPPs) with local and foreign partners. The agricultural sector provides employment to 65.5% of Tanzanians and thus plays a big role in the alleviation of poverty.

Uganda - manufacturing

Uganda's manufacturing sector is focussed on producing processed foodstuffs, non-metallic minerals, wood and chemical products, as well as textile-related goods. According to the African Development Bank (AfDB), Uganda's manufacturing sector is more competitive than that of its regional counterparts Kenya, Tanzania and Rwanda. The industry has also benefited from regional integration in the EAC which opened up larger markets to local factories. Manufacturers are also benefitting from Uganda's Vision 2040, which seeks to transform the country from a low-income country to an upper-middle-income country, with industrial sector development a central focus. As part of this vision, the country wants to refine its own oil. The government has signed a deal with a consortium - including General Electric - to build a \$4 billion, 60,000 barrels per day oil refinery in the country.

East Africa- market expansion



RECENT DEVELOPMENTS

The **(EAC)** has established a 25-member committee tasked with revising the region's Common External Tariff (CET) and fine-tuning existing 'rules of origin' in order to boost intra-regional trade and attract new investments into the bloc.

The **(EAC)** reported in October 2016 that the creation of four key institutions needed to support the East African Monetary Union (EAMU) has started – the EA Monetary Protocol signed in November 2013 aims to eventually have a single currency for the EAC.

Member countries of the **(EAC)** agreed in June to grant garments and textiles manufacturers a three-year waiver of duties and value added tax (VAT) on inputs, fabrics and accessories not available in the region to boost local production and reduce the cost of production.

In December 2016, the International Monetary Fund (IMF) said it welcomes the arrival of new diesel power generators and a second telecommunications operator in **Comoros**, but warned that the country's financial system remains fragile.

Djibouti opened its Port of Tadjourah and Port of Ghoubet in June with the aim of making these facilities key terminals for potash and salt exportation, respectively. The country is undertaking a \$15 billion infrastructure development programme to make itself a multi-modal logistics hub for the Horn of Africa.

A 750 km railway between the Red Sea port city of **Djibouti** and Addis Ababa in **Ethiopia** was inaugurated on 5 October 2016. The line will reduce travel time between the destinations from several days by road to under 12 hours by rail.

The Bank of **Eritrea** recently announced that all Nakfa notes in circulation must be exchanged for new government-issued notes. The country's currency has seen a large disparity between official and unofficial exchange rates over the past few years.

Ethiopia and South Korea signed a deal for the installation of an electronic customs clearance system by 2020. Ethiopia joins Cameroon, Tanzania and nine other countries in implementing the UNI-PASS system developed by the Korea Customs Service.

Ethiopia, the world's fifth-largest coffee producer, has overhauled the way it markets the commodity in an effort to increase export earnings and clamp down on a thriving domestic black market – the reforms centre on improving traceability of beans and stimulating higher quality production.

The **Ethiopian** Investment Commission reported that foreign direct investment (FDI) into the country increased by 35% y-o-y during 2016H2 to more than \$1.2 billion. In response, the government plans to construct an additional 17 Integrated Agro Industrial Parks (IAIPs).

Business owners in **Kenya**, Rwanda and **Uganda** are expected to save on the cost and time of transporting cargo on the Northern Corridor (from the port of Mombasa to Kampala and Kigali) following the launch of a joint electronic cargo tracking system.

Kenya was the third-best reformer in the World Bank Ease of Doing Business 2017 report after improvements in the areas of registering property and a business, getting electricity, protecting minority investors and resolving insolvency. The country's overall ranking improved by 21 positions to 92nd in the 2017 report.

Kenya launched a mobile-phone-based government bond sale in March to broaden the pool of investors in government securities. Kenyans can invest as little as KSh3 000 in a move that could have a notable effect on the mobile-savvy country's saving culture.



East Africa- market expansion



Central Bank of **Kenya** (CBK) Governor Patrick Njoroge said at the end of March that nine foreign banks have showed interest in entering the country. Kenya currently has 43 banks and the CBK recently lifted the moratorium it had imposed on the licensing of new banks since November 2015.

The construction of the first three berths at **Kenya's** second international seaport of Lamu is due to be completed in 2020 and will offer a gateway to the landlocked areas of **South Sudan** and **Ethiopia**. The port will eventually have 29 berths.

In April 2017, Kenya started to offer tax incentives to textile and clothing manufacturers - the changes include allowing them to sell 20% of their annual production locally without sales taxes and without paying import duties on the materials and equipment used to produce the garments.

Real GDP growth in **Rwanda** slowed from 6.9% in 2015 to 5.9% in 2016. Strong growth in the industrial sector resulted in these industries representing 17% of GDP (from 14% previously) while the share of activity associated with agriculture declined to 30% (from 33% previously).

Following the opening of a manufacturing plant in Nigeria in 2015 and the reopening a facility in **Kenya** in December 2016, German automotive giant Volkswagen announced that it will start producing vehicles in Rwanda in addition to starting a ride hailing service before the end of 2017.

The **Rwanda** Development Board (RDB) announced in June some 14 business reforms aimed at boosting investments in the country and facilitating private sector growth. The reforms fall under seven pillars evaluated by the World Bank Doing Business Report.

Puntland (situated on the tip of the Horn of Africa) may award a concession to DP World Ltd. to develop the port of its commercial capital Bosaso – the semi-autonomous Puntland severed ties with **Somalia's** federal administration in August 2013.

The International Monetary Fund (IMF) said in mid-February it is supporting **Somalia's** plans to introduce new shilling notes this year. The new notes could be introduced as early as this year in order to dispense with the old money supply which, according to the IMF, is about 98% counterfeit

South Sudan has raised work permit fees for non-residents from \$100 to as high as \$10 000 – depending on skills level - in order to generate additional revenues to fill the gap in the 2016/17 fiscal budget.

East Africa- market expansion



President Salva Kiir has issued an executive order forming a high-level committee to make the necessary preparations for the relocation of South **Sudan**'s capital city from Juba to the newly proposed site in Ramciel – the latter currently has no public utilities.

The **Tanzania** Investment Centre (TIC) reported \$10 billion worth of investment in 2016 by 136 foreign companies. The TIC is marketing eight areas - manufacturing, infrastructure, agriculture, mining, tourism, fishing, power, and information and communication technology (ICT), to private investors as part of industrialisation efforts.

Tanzania's Minister of Finance and Planning Philip Mpango announced in late-January that the country will receive a \$305 million loan from the World Bank to expand Dar es Salaam's port. The harbour is a trade gateway for landlocked countries like **Burundi, Malawi, Rwanda, Uganda and Zambia**.

Research ICT Africa reported that Tanzania has the lowest mobile data costs on the continent as it reaps the benefits of the rollout of 4G LTE network by the state-owned Tanzania Telecommunications Company Limited (TTCL) as well as intense competition from numerous operators.

By January 2017, **Tanzania** had identified 19,708 ghost workers that was costing the state almost TZs19.8 billion in salary pay-outs to non-existent workers. Prime Minister Kassim Majaliwa said in May last year that 10 000 ghost workers had already been removed from public sector payrolls.

The Bank of **Tanzania** (BoT) reported a near 20% drop in the country's manufactured exports during 2016, with a particular decline in the shipment of edible oil, plastic goods, ceramics and glassware. Tighter credit conditions are amongst the main factors blamed for the factory sector underperforming.

The International Monetary Fund (IMF) commented in June 2017 that **Tanzania**'s performance under a Policy Support Instrument (PSI) programme has been satisfactory, its macroeconomic performance has been strong, and that the medium-term outlook remained favourable

The **Tanzania** Investment Centre (TIC) registered 242 projects worth \$2 billion between July 2016 and March 2017, with 43% being foreign direct investment (FDI). Key sources of FDI included China, India, Kenya, the United Kingdom, Mauritius, Oman, the United Arab Emirates (UAE), Canada and the USA.

Tanzania has started construction of a 300 km Standard Gauge Railway (SGR) from the Indian Ocean port of Dar es Salaam to Morogoro. The line is expected to be extended to Port Mwanza on Lake Victoria to link with **Uganda**.

Tanzania and **Uganda** signed an agreement in May on their proposed \$3.55 billion crude export pipeline, marking a key milestone for the project which is expected to start pumping oil from Uganda to international markets in three years and later from **Tanzania** as well.

In order to benefit from regional markets, the Government of **Uganda** is planning to construct border export zones that will serve as one-stop-markets. Traders from neighbouring countries will pick the goods having minimised the bureaucratic procedures.

State Minister for Privatisation and Development Evelyn Anite said in June that **Uganda** will lower power tariffs next year in order to reduce production costs for small and medium-size enterprises (SMEs). The cut could be as large as 50%.

The Bank of Uganda cut its benchmark lending rate by 0.5 percentage points in April to 11% as the effects of a drought hit the country's economic outlook. The central bank is looking to support economic growth, while inflation is expected to remain within the medium-term target.



Latest Tax developments - East Africa



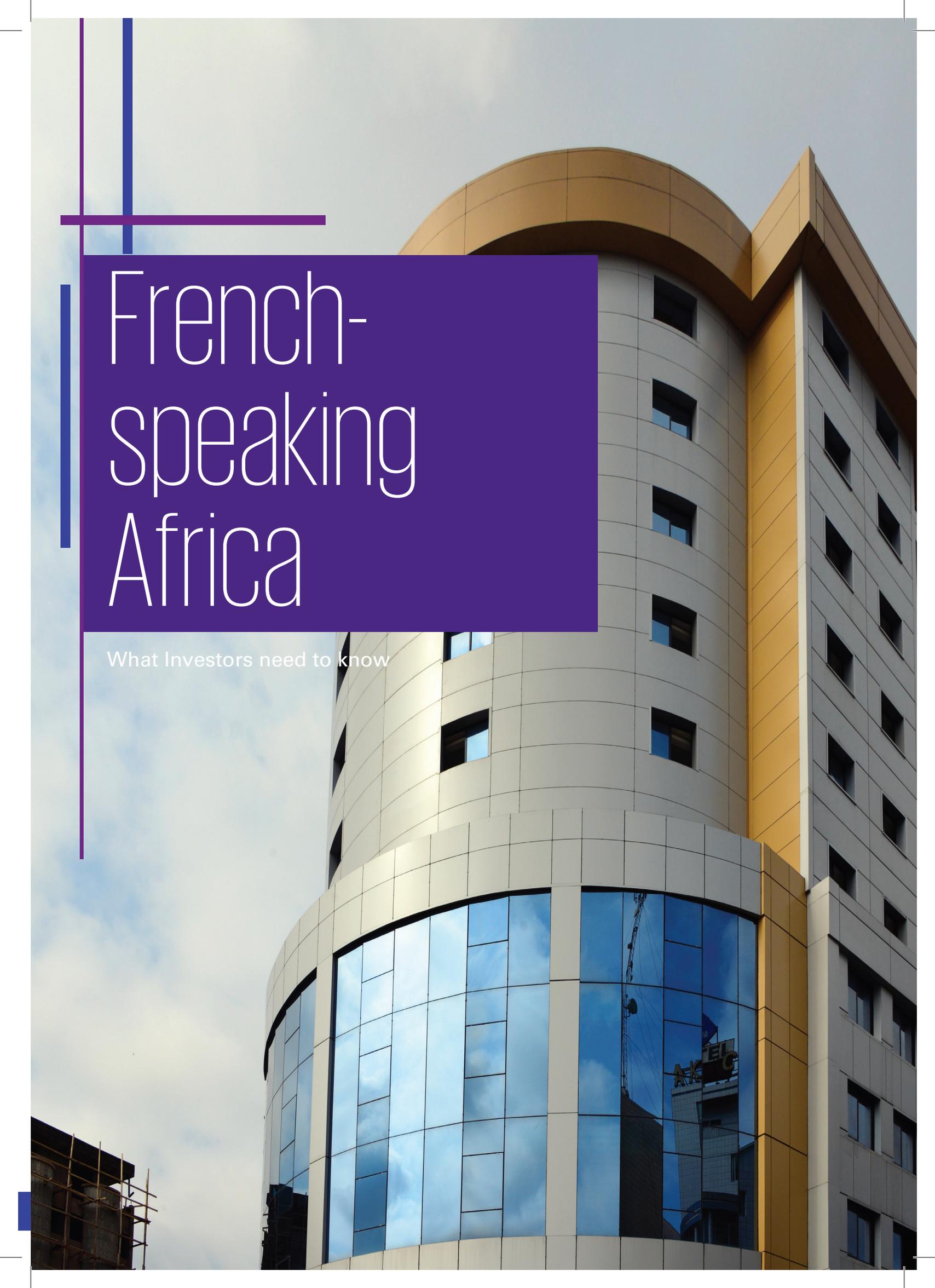
The Kenyan government presented its 2017/2018 budget in March due to the expected dissolution of parliament in preparation for the general elections in August 2017. The Cabinet Secretary proposed tax incentives to support growth and domestic production, reduce income inequality, promote job creation, improve tax administration and compliance and enhance social security and welfare. The Special Economic Zone (SEZ) Act provides incentives touching on ease of setting up a business, investment and investor protection, simplified tax regime, and favourable labour regulations among others.

In Uganda, new budget measures will limit the carry forward of losses for corporate tax purposes. Where there is a change of ownership in the company of 50% or more and for a period of two years thereafter, the entity does not carry on the same business as it previously did or engages in any new activities. A withholding tax obligation on payments made to non-resident persons was also introduced for telecommunications, and air transport and shipping services.

In an effort to attract foreign direct investment, Rwanda has introduced a seven-year tax "holiday" for any person investing more than \$50 million in Rwanda. The country also introduced a 15% income tax rate on certain "priority sectors" and increased capital allowances to 50% (up from 40%) for investments made in the country, whether made in or outside of Kigali in order to enhance and boost investment opportunities.

In Tanzania, the government has announced an income tax rate reduction to 9% for the lowest taxable band in a bid for the Government to reduce the tax burden. Tanzania has also proposed withholding tax on payments to approved retirement funds and exemption on non-investment assets.

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French- speaking Africa

What Investors need to know

French-speaking Africa - market expansion



STRENGTHS

- 13 member countries benefit from using the euro-pegged Central and West African CFA franc currencies, which keeps inflation and currency volatility low
- Aggregate economy is relatively diverse in activity (in an African regional context)
- Economic growth is primarily driven by private sector activity, with public sector growth lagging behind
- 15 French-speaking countries are members of the Organisation for the Harmonisation of Business Law in Africa (OHBLA) which has issued unified legislation for these states regarding commercial and company law, securities, insolvency, and arbitration.

OPPORTUNITIES

- Countries are diversifying their trade and investment decisions away from traditional premier partner France
- Public Private Partnerships (PPP) appear to be a preferred funding vehicle for large infrastructure projects in many member countries
- French is set to be the world's most commonly spoken language by 2050 as a result of soaring population growth in sub-Saharan Africa

WEAKNESSES

- Half of the countries on the continent as French-speaking, but they represent less than 30% of continental GDP
- Generally weak business environments (except for Mauritius, Rwanda, Morocco and Tunisia)
- Trading across borders is challenging, costly and time-consuming in a global context (again with the exception of Mauritius, Rwanda, Tunisia and Morocco)

THREATS

- Several group members (e.g. CAR, Chad, DRC, Equatorial Guinea, Guinea-Bissau, Mali and Niger) have amongst the highest (worst) political risk ratings on the continent
- The cost to private businesses of dealing with crime and violence is above the African average in this region
- Half of the group's countries are at various 'alert' levels from the Fund for Peace (FFP) for state failure

French-speaking Africa - M&As



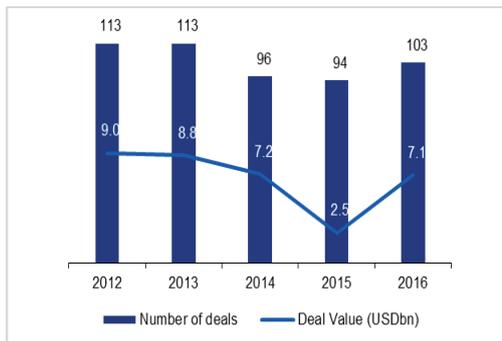
Size and volume of total deals



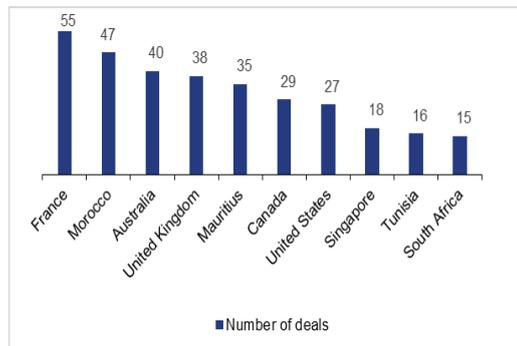
Size and volume of cross-regional deals



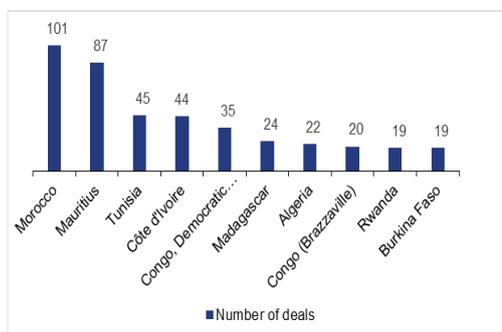
FDI Deals



Top FDI countries

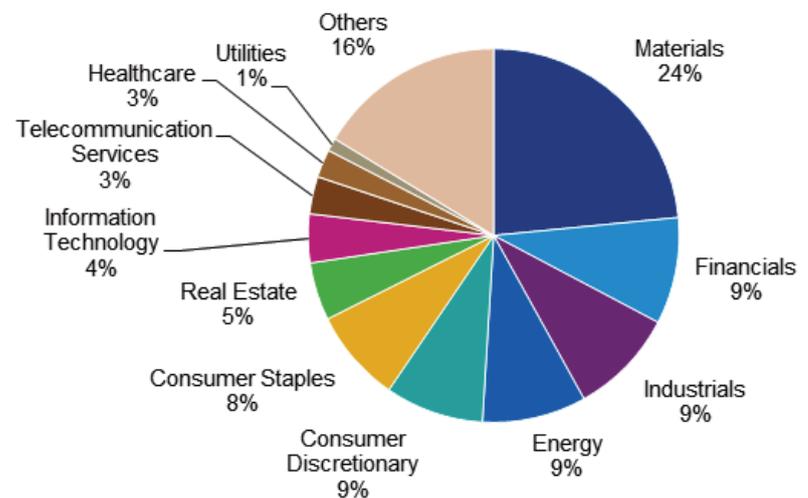


Top Targeted countries



Source: Capital IQ

Industries



French-speaking Africa- Growth Drivers



Cameroon - construction

Cameroon's construction industry is receiving significant income from the state's drive to reduce the country's infrastructure deficit – key indicators in this regard are weaker than that of regional peers. One key megaproject is the development, operation and maintenance of facilities at the Kribi deep seaport, seen as crucial for expanding the country's logistical and mining sectors. The \$675 million project is on track and continues to receive funding from China Exim Bank. Cameroon has a developed public-private partnership (PPP) policy framework in a Sub-Saharan Africa context: government passed legislation for PPPs over a decade ago and a created a dedicated agency to provide oversight. Foreign investment comes mostly from France, Italy and China.

Democratic Republic of the Congo (DRC) - manufacturing

The DRC's manufacturing sector produces food items and industrial products, including steel, chemicals and construction materials. Swiss food giant Nestlé opened a production facility in Kinshasa during 2011 (fully operational by 2013) that produces food products for local tastes. The company indicated significant sales growth following the opening of its first distribution centre in 2009. Domestic demand for building materials – 1.5 million tonnes of cement is needed annually - have been a key driver of manufacturing development over the past decade. A \$270 million facility capable of producing 1.2 million tonnes of cement (when at eventual full capacity) opened in the country during 2016. Factories are mostly located in Kinshasa and Lubumbashi.

Rwanda - retail

Rwanda's retail sector was in 2014 ranked the most attractive market on the continent by the respected AT Kearney Africa Retail Development Index report. The document indicated that retail spending per capita is increasing by 20% per annum. Retail growth in the country is based on the increasing offering of low-priced packaged consumer goods with international brand names – fresh products are still mostly sold at local markets. People from Uganda and the DRC travelling to Rwanda for shopping further support local sales. In turn, improved transport infrastructure is enabling the creation of retail supply chains that can reach rural areas in Rwanda, the eastern areas of Uganda and the western parts of the DRC.

Gabon - construction

Gabon's construction industry is dependent on the government's infrastructure spending which, in turn, relies on oil revenues and international financing. One such example is a combined \$86 million in loans from the International Finance Corporation (IFC) and the Agence Française de Développement to local railway concession holder Société d'Exploitation du Transgabonais. This loan aims to boost the capacity and efficiency of Gabon's rail network. The country's hosting of the 2017 Africa Cup of Nations (soccer) tournament has also contributed to overall construction activity. Infrastructure investment is a key part of the state's drive to diversify the economy. The National Infrastructure Master Plan launched in 2012 aims to deliver 114 projects (in education, housing and transport) by 2025.

French-speaking - market expansion



RECENT DEVELOPMENTS

Algeria was the highest ranked African country in the World Happiness Report 2017, placing 53rd overall – the country received good evaluations for the quality of family and home life, material deprivation, and educational experience.

Algeria launched an e-payment system during early-October with 11 banks and nine companies joining the initiative aimed at developing the banking sector – the system will enable the payment of phone and electricity bills before year-end, with more services set to join in 2017Q1.

The International Monetary Fund (IMF) commented that the revision of **Algeria's** Investment Bill will help the country attract an important flow of foreign direct investment (FDI) - administrative streamlining and better quality of institutions are expected to boost investor interest.

Oil major BP has signed a \$916 million joint agreement with US explorer Kosmos Energy to acquire a 62% interest in the latter's exploration blocks in **Mauritania** – the country has struggled to commercialise 950 million barrels of oil discovered in the Atlantic Ocean during 2016.

Morocco was readmitted to the African Union (AU) during February which is expected to boost the country's diplomatic influence in Sub-Saharan Africa (SSA); this bodes well for Rabat's ambitions to become a manufacturing and exporting hub SSA and the European market.

Morocco plans to start the process of floating its dirham currency by June, setting a tight schedule for a key part of an economic liberalisation programme agreed with international lenders – the process to full exchange rate flexibility might take 15 years, according to the central bank.

Tunisia approved a law in February to fight widespread corruption that has plagued the country since the 2011 revolution – the new legislation criminalises any retribution against whistle-blowers, including any disciplinary measures against civil servants.

The West African Economic and Monetary Union (WAEMU) is partnering with Dublin-based eCurrency Mint to create a regional digital currency - the eCFA – for test distribution in Senegal, with eventual rollout to the regional organisation's other seven members.

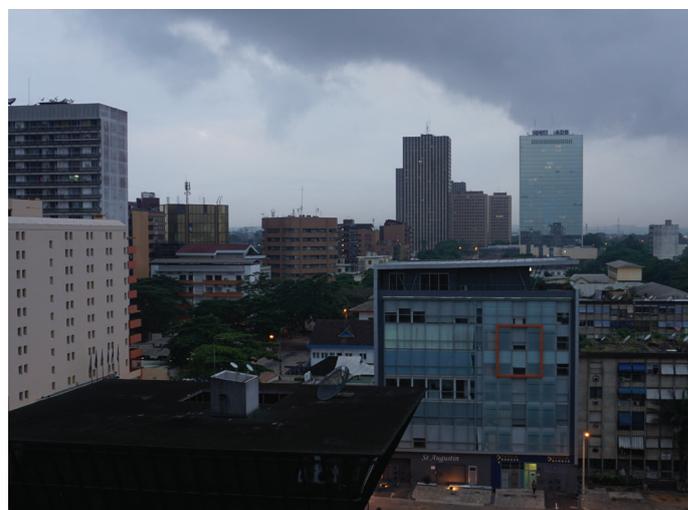
The International Monetary Fund (IMF) commented in December that **Burkina Faso** – who last year launched an ambitious five-year economic and social development plan – has made important reforms to create the conditions for sustained medium-term economic performance and poverty reduction.

The International Monetary Fund (IMF) said in its latest review of a \$242 million Extended Credit Facility (ECF) with **Guinea** that all performance criteria for the 2012-2016 scheme had been met and that authorities emphasised their interest in a successor arrangement.

Ivory Coast plans to invest almost \$1bn in oil product pipelines and storage in a bid to create the largest fuel hub in Sub-Saharan Africa (SSA) - 1.5 million cubic metres of storage will be constructed by 2020, making Ivory Coast the 'Rotterdam' of Africa and the biggest oil product market in SSA.

Ivory Coast is demanding \$327 million in compensation from cocoa exporters after the latter defaulted on buying contracts: the country usually auctions the majority of its crop before the agricultural season starts, and exporters defaulted on their contracts after wrongly speculating that prices would rise.

The International Monetary Fund (IMF) said in November that the political situation in **Mali** is broadly stable and that economic activity remains robust on the back of higher public investment, accommodative monetary conditions, subdued inflation, and favourable weather conditions.



French-speaking - market expansion



Business Monitor International (BMI) warned that rapid population growth in **Niger** – at 4% per annum during 2010-15 amongst the fastest on the continent - will keep the risks of humanitarian crises and instability elevated for the foreseeable future.

The International Monetary Fund (IMF) said in November that **Togo**, in a bid to reduce its debt to sustainable levels, plan to reduce locally-financed capital spending and will instead partner with private sector partners to continue to improve infrastructure.

The **Central African Economic and Monetary Community (CEMAC)** – comprising Gabon, Cameroon, the Central African Republic (CAR), Chad, the Republic of the Congo and Equatorial Guinea – have rejected the idea of a devaluation of the CFA franc as a solution to the region's economic challenges.

Donor nations meeting in late February pledged \$672 million to the Lake Chad region where 11 million people were in need of urgent humanitarian aid – the UN estimates \$1.5 billion is needed this year to meet humanitarian needs in **Nigeria, Niger, Cameroon** and **Chad**.

The **Democratic Republic of the Congo (DRC)** signed in April a five-year joint oil exploration agreement with Rwanda, including exemptions of duties and taxes paid on equipment, materials and chemical reagents imported exclusively for exploration activities under Lake Kivu.

The World Bank Group said in December it has pledged \$1.3 billion in support over the next three years to support **Madagascar's** national development plan: \$1 billion in grants and concessional loans for agriculture development, improve nutrition and access to education, and road network rehabilitation.

Mauritius released in March a 10-year master plan for the development of small- and medium-sized enterprises (SMEs), aiming to improve competitiveness and growth; foster high growth potential; upgrade skills and job opportunities, as well as improve design and value addition.

Tourist arrivals in **Mauritius** increased by 11% in 2016 to 1.28 million, driven by more arrivals from Europe - tourism earnings, a key source of hard currency for the Indian Ocean island state - is estimated at \$1.58 billion during 2016.



>> French-speaking Africa - market expansion

The National Wage Consultative Council (NWCC) of Mauritius announced that the National Minimum Wage (NMW) proposed for workers of both the public and private sector - calculated on a proportion of domestic median wage - will be introduced in January 2018.

The Abu Dhabi Airports Company (ADAC) has signed a deal with the Seychelles for the construction of a new international airport as the island nation aims to keep pace with growing demand and increased expectations of the global travel market.

>> Latest Tax developments - French-speaking Africa

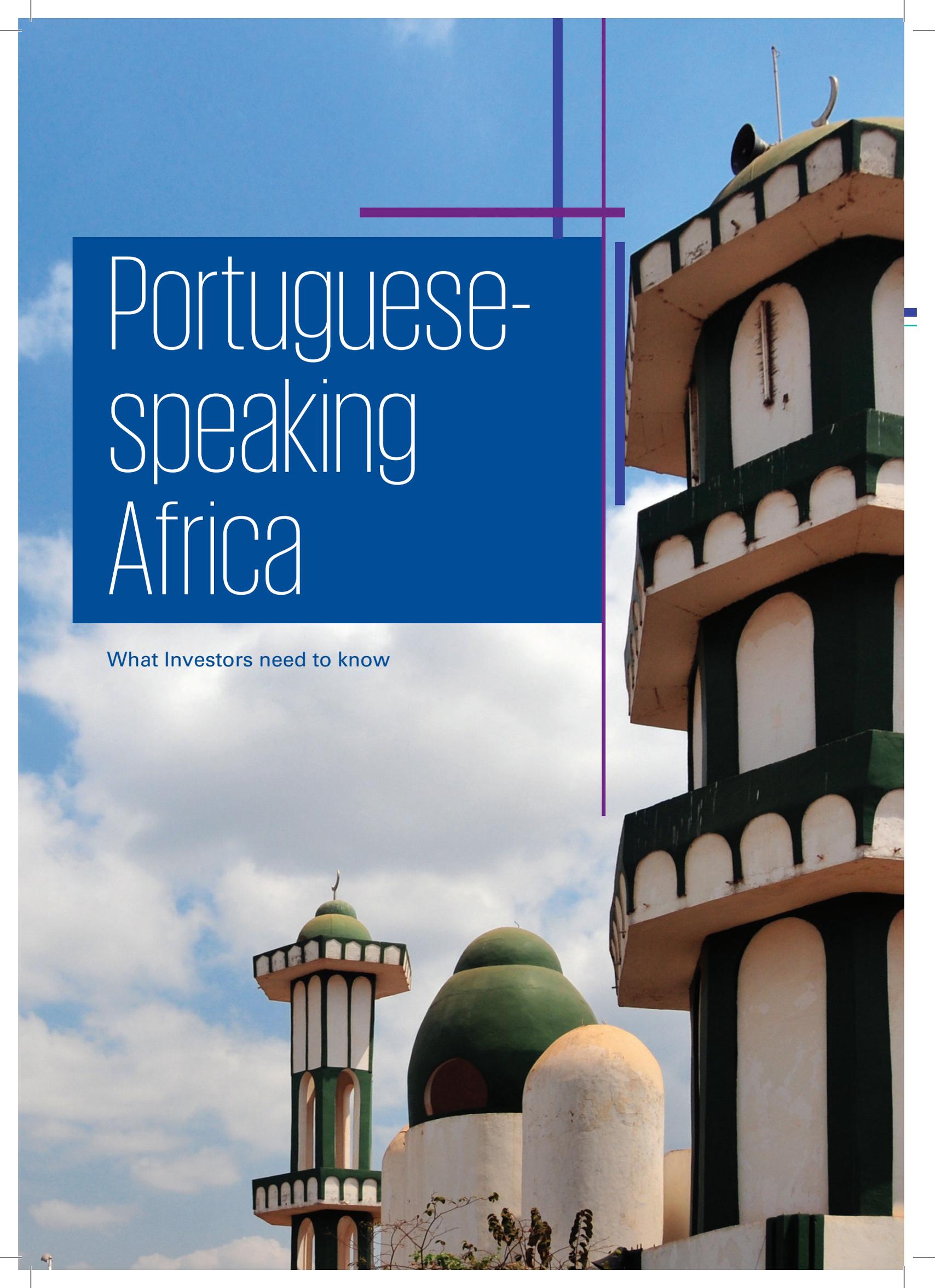
Algeria has reduced the amount of profits that need to be reinvested under the tax exemption provisions to 30% (previously 100% of profits earned had to be reinvested in Algeria). They also increased the VAT rate from 7% to 17% on certain goods & services, mainly in the energy sector.

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Portuguese- speaking Africa

What Investors need to know

Portuguese-speaking Africa - market expansion



STRENGTHS

- Robust political dynamics and institutions in most member countries reduce policy risks
- Political and diplomatic cooperation between its member states under the Community of Portuguese Language Countries (Comunidade dos Países de Língua Portuguesa; abbreviated as CPLP)
- Aggregate economic growth is least volatile compared to other regions

OPPORTUNITIES

- Highly dependent on hydrocarbon exports
- Limited economic freedom (except Cape Verde)
- Significant investment necessary in infrastructures
- Wide geographic dispersion of member countries
- Large disproportion in contribution to regional GDP - Cape Verde, Guinea-Bissau and Sao Tome and Principe account for less than 3% of regional trade

WEAKNESSES

- All member states have coastlines, ensuring direct access to ocean trade
- Vast natural gas reserves off the shore of Mozambique
- Demographic dividend: average regional population growth is expected to be above the African average towards 2050

THREATS

- Tourism sectors are highly dependent on arrivals from Europe
- Changes in European Union (EU) laws and regulations (e.g. trade and investment) in the post-Brexit period
- Increasing political pressure on the long-standing governments of Angola, Mozambique and Equatorial Guinea

Portuguese-speaking - M&As



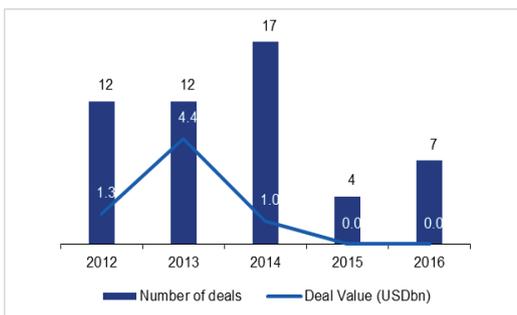
Size and volume of total deals



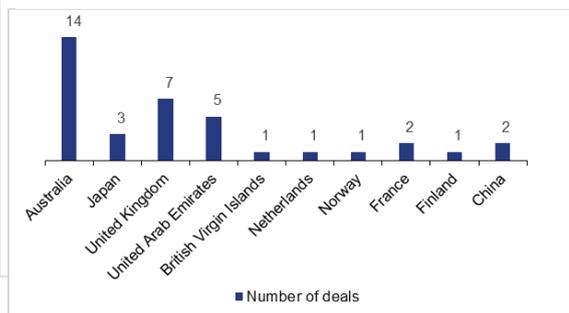
Size and volume of cross-regional deals



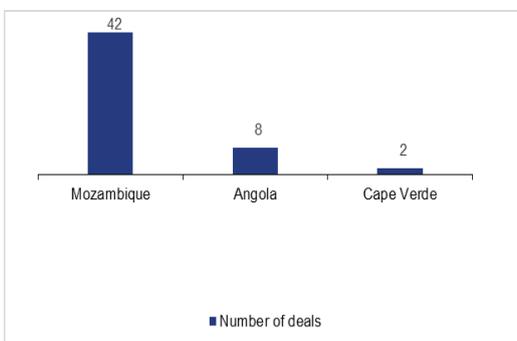
FDI Deals



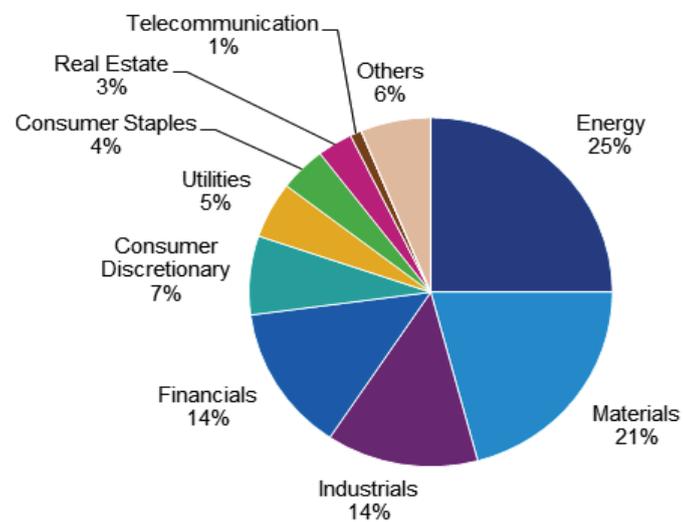
Top FDI countries



Top Targeted countries



Industries



Source: Capital IQ

Portuguese-speaking Africa- Growth Drivers



RECENT DEVELOPMENTS

The Association of Angolan Banks said in January that commercial banks in **Angola** are experiencing a liquidity crunch due to a shortage of foreign currency – due to low oil prices and weakness in the local currency, US dollars are in high demand and low supply.

Due to pressure on its revenues from oil and diamonds, **Angola** has sought to diversify its exports, shipping its first banana exports to Europe in more than 40 years during 2016 – this was followed by the export of mangos to Portugal early in 2017.

The Central African Economic and Monetary Community (CEMAC) – comprising Gabon, Cameroon, the Central African Republic (CAR), Chad, the Republic of the Congo and **Equatorial Guinea** – have rejected the idea of a devaluation of the CFA franc as a solution to the region's economic challenges.

Mozambique failed in January to pay a \$60 million coupon payment on its \$700 million Eurobond, making it the first Sub-Saharan African country to default on such a payment since Ivory Coast in 2011 – state-owned ProIndicus also missed a \$119 million debt payment in mid-March.

The Banco de **Mozambique** (BdM) announced in mid-April a massive increase in the capital requirements for commercial banks operating in the country, raising the minimum share capital required from around \$1 million to more than \$25 million – banks have three years to comply.

Italian energy company Eni finalised plans to develop Mozambique's Coral South offshore gas project, part of a larger scheme that will see the company and partners spend an estimated \$50bn – the project offers the country lucrative liquefied natural gas exports within the next decade.

Sao Tome & Principe Prime Minister Patrice Trovoada announced in October last year that foreign investors would henceforth be required to invest at least \$5 million in the country to be able to carry out commercial activity

Mozambique - mining

Mozambique's mining industry is dominated by coal production. The country's coal output had been hampered by logistical deficiencies, especially in rail and port facilities for years. However, the creation of the Nacala Logistics Corridor has improved train and ship transport facilities.



As a result, coal production increased from less than 700 000 tonnes in 2011 to eight million tonnes in 2016. The country is estimated to have more than two billion tonnes worth of coal reserves. Foreign investors dominate the industry and are the reason for rapid growth over the past five years. Brazilian company, Vale, operates the country's first and largest coal mine, the Moatize mine.

Angola – mining

Mining activity in Angola has been supported by government efforts to diversify the economy away from its dependence on oil. This has created a relatively favourable investment climate and business environment for the mining sector. For example, the Fraser Institute Survey of Mining Companies 2015 ranked Angola as a more favourable mining investment destination than Mozambique, Zimbabwe and Kenya. The government also plans to create new Mining Reserve Zones that will boost the growth of the mining industry as a whole. From a revenue perspective, diamonds have consistently contributed more than \$1 billion per annum in export revenues over the past five years. While current mining activity is focussed on diamonds, the country also has vast potential to develop its iron ore reserves and one of the largest coal reserves on the continent.

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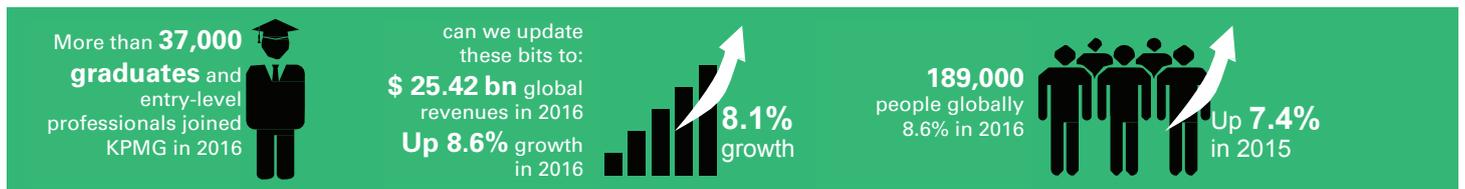
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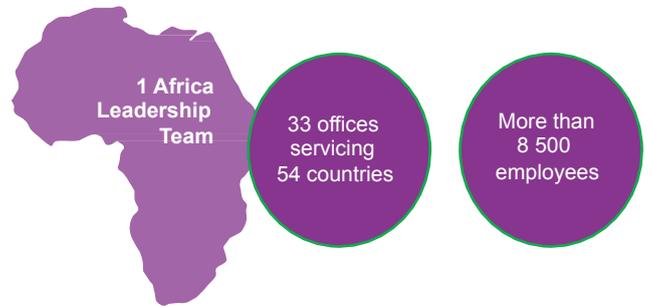
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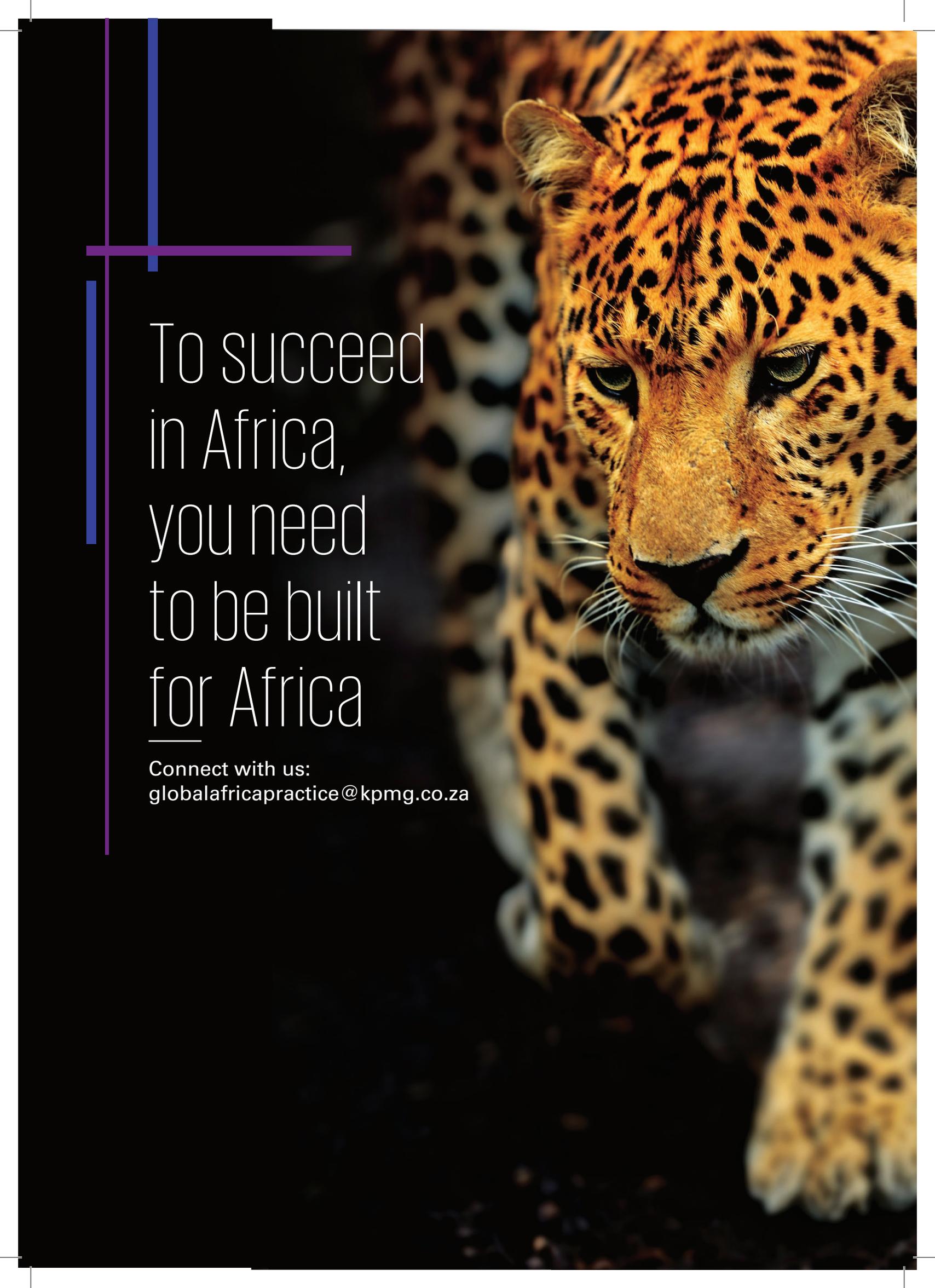
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- Nigeria services**
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- Ivory Coast services**
Burkina Faso, Guinea, Niger

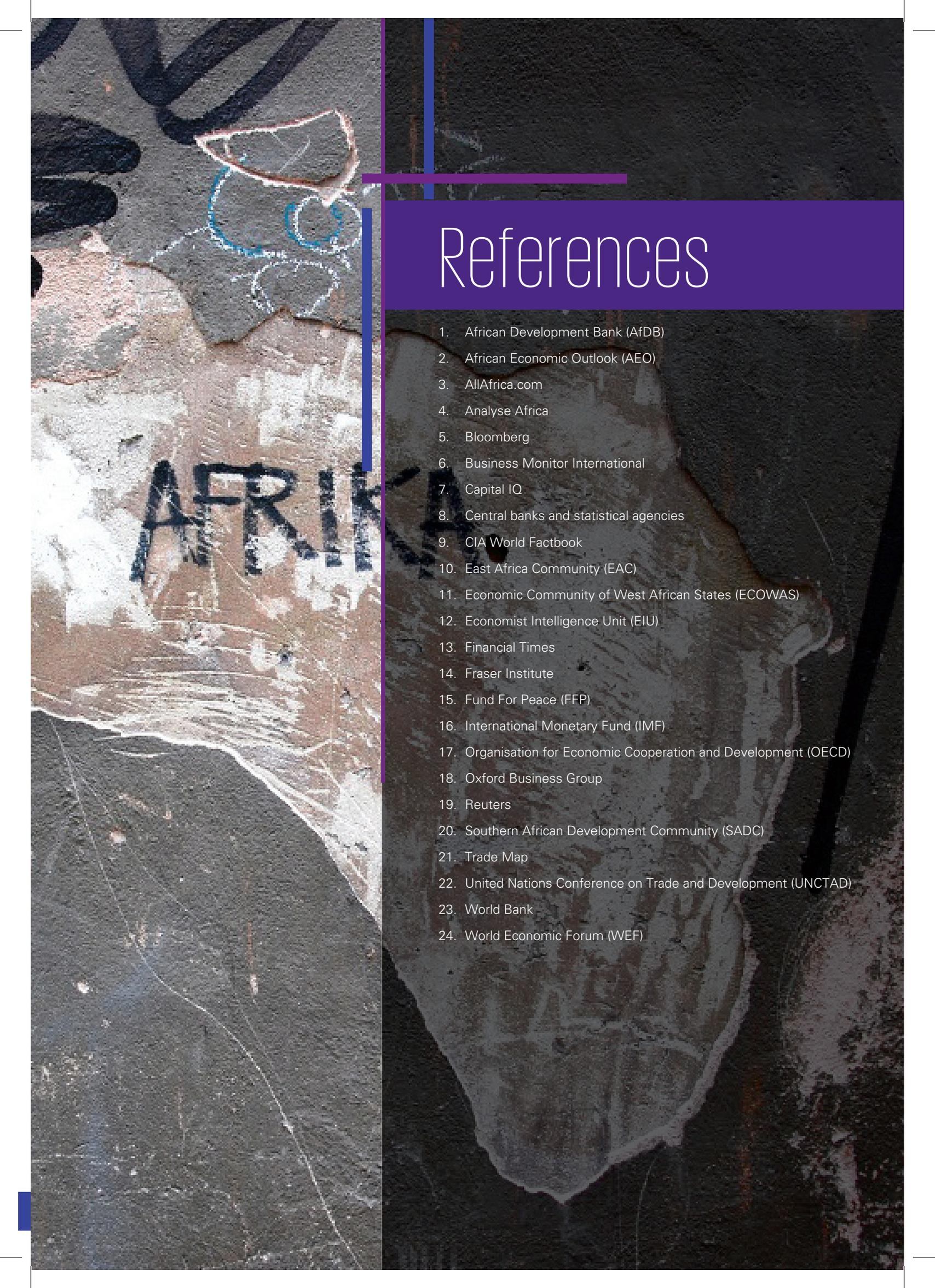
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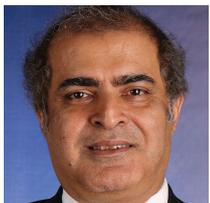
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