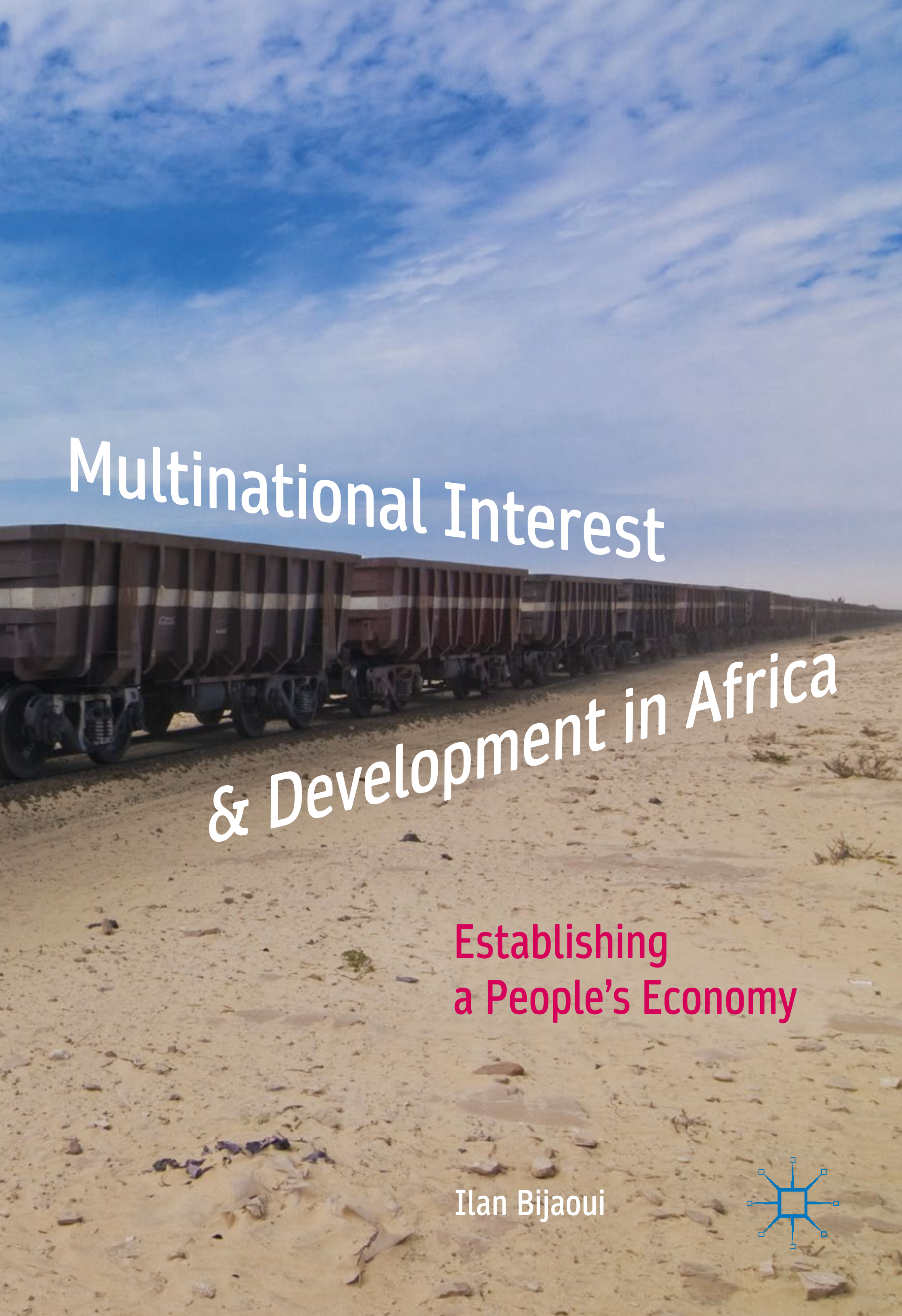

Multinational Interest & Development in Africa

Establishing a People's Economy

Ilan Bijaoui

Multinational Interest & Development in Africa

Ilan Bijaoui

Multinational Interest & Development in Africa

Establishing a People's Economy

palgrave
macmillan

Ilan Bijaoui
Graduate School of Business Administration
Bar Ilan University
Ramat Gan, Israel

ISBN 978-3-319-48913-1 ISBN 978-3-319-48914-8 (eBook)
DOI 10.1007/978-3-319-48914-8

Library of Congress Control Number: 2016962464

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Springer International Publishing AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Contents

CHAPTER 1

Introduction

GDP in Africa is growing on average yearly by 5 to 6% (World Bank 2015a), but most of the population remains at the subsistence level and below. Economic growth benefits few people in Africa.

The main economic activity is still in the growing informal sector which employs most of the population under unsecured contracts without any social rights. Small businesses are not able to invest, grow and globalize.

The middle class is small and so local consumption cannot contribute to economic growth. Cars have hundreds of kilometres in the counter. Taxis fill the tank only when the customers enter the cab and pay for the travel. No running water or electricity is available for most of the population.

Peoples' economy means economic development that is population oriented, sufficient accommodation for many, less informal and more formal economy able to pay fair salaries with social rights such as medical insurance and pension, and a larger middle class which will be able to contribute to the improvement of the economic situation.

There is a growing interest in Sub-Saharan Africa countries not only from the United States, the European Union, Japan and Russia but also from developing countries such as China, India and Brazil. The common interests of those countries are oil, mining, natural resources such as wood, cocoa, cotton, coffee and arable land, and the growing local consumption. Industrialization is mainly based on unskilled manpower and local raw materials. Its impact on economic growth is very limited.

I. Bijaoui, *Multinational Interest & Development in Africa*,
DOI 10.1007/978-3-319-48914-8_1

Our objective is to propose economic development by improving the added value to the local population by generating common economic interests with multinational companies (MNCs) in the local and the global market.

Exports of raw materials generate revenues mainly for MNCs, few local formal firms, some workers and governments. This economic activity increases inequality between the few who receive the main share of the added value and the many who receive less and less because they are more and more numerous. More inequality generates a wider informal economy and more poverty. This vicious circle can be broken only if governments get involved in more investment in the local economy in order to be able to generate higher added value in local economic sectors such as agriculture, food processing and construction, supplying the basic needs of the population.

Reference

World Bank. (2015a). *Trade and competitiveness global practice*. Washington, DC: World Bank.

CHAPTER 2

International Trade and FDI

The evolution of international trade and foreign investment in Sub-Saharan African (SSA) countries expresses the ability to generate value and create the conditions for attracting new partners with the relevant knowledge required to globalize the economy.

Export and FDI followed by economic transformation could disseminate more added value to more people. It could be generated by investments in the whole value chain of each economic sector. I analyse the flow of international trade and FDI and their contribution to the SSA economy.

International Trade and GDP Growth

According to the World Bank, GDP growth in Africa was on an average 4.5% in 2014, which is greater than 4.2% GDP in 2013 (World Bank, 2015). It is weaker than the peak average rate of 6.4% during 2002–08. Performance in the three largest economies of the region was different: strong growth in Nigeria, subpar growth in South Africa and a decline in growth in Angola.

Sub-Saharan Africa's (SSA's) main export goods are crude oil, gold, natural gas, cocoa and different minerals. Crude oil is the main export of Angola, Cameroon, Chad, Republic of Congo, Gabon, Nigeria and

I. Bijaoui, *Multinational Interest & Development in Africa*,
DOI 10.1007/978-3-319-48914-8_2

Sudan. The export in oil is more than 80% of the total exports for all oil-abundant countries, excepting Cameroon. Extractive industries play a key role in various economies (World Bank 2015; IMF countries' reports). Iron ore is the top commodity export in Mauritania, copper in the Democratic Republic of Congo (DRC) and Zambia, aluminium in Guinea and tin in Rwanda. In other countries, agriculture is the most important source of the economy. Coffee is the main commodity export of Burundi and Ethiopia, cocoa in Côte d'Ivoire, Ghana and Togo and cashews in Guinea-Bissau.

The GDP per capita of most of the African countries remains lower than US$5000, and those above this threshold are either oil or mineral exporters, or more diversified economies such as South Africa. While SSA has 12% of the world's population and 18% of the world's land surface, it produces only 1.5% of the world's nominal GDP (and 2.3%in PPP) (EU parliament 2016).

Africa's manufacturing has lost its relative importance both globally and at a regional level and has not contributed to any structural transformation. Africa's share of global manufacturing had fallen from about 3% in 1970 to less than 2% in 2013. The share of manufacturing in total African GDP has decreased slightly over the past four decades and is much lower in SSA than in other developing regions.

The failure of industrialization in Africa could be explained by a weak infrastructure in electricity, water supply and transport, lack of skills, small market size and inefficient institutions.

Major commodities exported from SSA countries continue to feel the impact of weak commodity prices especially for SSA largest trading economies that include Nigeria, South Africa and Angola. The continent's merchandise trade contracted for the second consecutive year in 2014, shrinking by 3.79% from US$1.20 billion in 2013 to US$1.16 billion in 2014 (UNCTAD, 2015; ITC Trade Map 2015).

The continued slowdown of the Chinese economy, the impact of the European Union (EU) recession and uncertainty about the timing of the Federal Reserve's winding down of monetary stimulus in the United States continued to depress Africa's merchandise exports.

Africa's export revenues are still overdependent on primary commodities, which account for more than 75% of the continent's total merchandise exports. African energy exports, of which crude oil accounts for 75%, suffered the highest rate of decline during 2013 and 2014, contracting by 9.7% in 2013 and an estimated 10.5% in 2014.

African metals and minerals exports declined only marginally in 2014. The decline was the result of weak gold and silver exports and a strong US dollar, which reduced the reliance on these minerals as safe-haven assets.

African agricultural exports also trended downwards in 2013 and 2014 on account of low levels of production and exports of cocoa and coffee and weak prices of cotton, rubber, soybeans and tea. International cocoa prices rose substantially in 2014, but cocoa production and exports from the four largest-origin countries in Africa, Côte d'Ivoire, Ghana, Nigeria and Cameroon, are estimated to have declined by 4% from 3.1 million tonnes in 2013 to 2.97 million tonnes in 2014.

Much of the rise in SSA exports is due to an expansion of African trade with Asia, particularly China and India. Asian countries now take about 32% of African merchandise exports, compared to 29% in 2012; nearly two-thirds (62%) of these exports are of energy commodities. Asia has become Africa's largest source of imports of electrical and electronic equipment; imports in this category in 2014 amounted to US$22 billion from Asia, compared to US$16.47 billion from Europe.

The share of African exports going to Latin America and the Caribbean has trended downward during the last two years declining to 2.96% in 2014 from 4.14%.

Intra-SSA Trade

Regional integration plays a key role in intra-regional trade (Afrexim Bank 2015). As part of efforts to pursue regional integration, the following regional economic communities (RECs) were created:

- The Common Market for Eastern and Southern Africa (COMESA), established in 1994
- The Community of Sahara-Sahel States (CEN-SAD), established in 1998
- The East African Community (EAC), established in 1999
- The Economic Community of Central African States (ECCAS), established in 1983
- The Intergovernmental Authority on Development (IGAD), established in 1986

- The Economic Community of West African States (ECOWAS), established in 1975
- The Southern African Development Community (SADC), established in 1992

Intra-African merchandise trade grew by 11.46% in 2014, to US$183.87 billion from US$164.97 billion in 2013. Intra-regional trade remains by far the lowest in Africa of all world regions, 14% in 2014. The comparable share for Europe is 72%; for Asia 52%; for North America 48%; and for Latin America and Caribbean 26% (WTO 2014).

Most of the intra-African trade occurs within sub-regions, between countries that are members of RECs or customs unions. Countries within the SADC registered the highest intra-REC exports in 2014, at an average of US$41.8 billion, followed by members of CEN-SAD, ECOWAS, COMESA and ECCAS.

Cross-Border Trade in SSA Countries

The high cost of transporting goods is an important constraint to economic growth and poverty reduction in both Côte d'Ivoire and Burkina Faso. To address this challenge, the governments of both countries have developed ambitious reform programmes for the transport sector.

The World Bank Group's Board of Executive Directors approved a US$100 million Development Policy credit, to help the governments of Burkina Faso and Côte d'Ivoire to reduce trade and transport transaction costs as a step towards promoting the development of the private sector and improving global integration in the two countries (World Bank 2015b, c). The funds from the International Development Association (IDA) include a US$50 million credit for Burkina Faso and a US$50 million credit for Côte d'Ivoire to support the First Regional Trade Facilitation and Competitiveness Development Policy Operation.

Informal trade is a significant component of intra-regional trade across the African continent. Maur and Shepherd (2015) argue that only an estimated 20% to 25% of the actual regional trade volume in West Africa is recorded. Afrika and Ajumbo (2012) estimate informal trade in the order of 20% of Nigeria's GDP, and 75% of GDP in Benin. Similarly, Lesser and Moise-Leeman (2009) claim that, in Africa, informal cross-border trade (ICBT) is equivalent to 43% of official GDP. Support to formalization of informal trade could improve trade efficiency, stronger competition against dominant players and lower cost.

ICBT plays an important role in diversifying local economies, particularly in the presence of high barriers to formal trade. ICBT also has an important gender dimension—women represent between 70 and 85% of informal traders in SSA. Herewith I present the result of a statistical cross-border trade analysis of two countries, Uganda and Rwanda.

Cross-Border Uganda

Uganda cross-border export is evaluated by US$2.8 billion in 2013, of which, formal exports were worth US$2.4 billion and informal exports accounted for US$421 million (Bank of Uganda 2014). The overall export earnings rose by 0.6% in 2013, registering a much slower increase compared to that recorded in 2012 of 11.8%. Informal exports receipts reduced by 7.2% compared to an increase of 27.5% registered in 2012.

The reduction in the informal merchandise exports is the result of the war in the DRC. There was a reduction in exports of various commodities like maize grains, wheat flour and potatoes by 16%, 43% and 100% respectively. Some beverage and beer companies started exporting directly to the DRC and South Sudan through formal channels.

DRC was the leading informal exports destination during 2013, with exports from Uganda estimated at US$135.0 million representing a 32.0% share of total informal exports receipts. South Sudan followed with US$130.8 million (31.1%). Exports to Kenya amounted to US$69.69 million (or 16.5% of the total). Tanzania and Rwanda followed in that order representing 10.2% and 6.6% of informal exports in 2013 respectively.

The leading informal export commodities during 2013 were shoes, maize grains, fish, clothes, maize flour, beans, cattle, beer, goats, motorcycle parts, human medicine, eggs, wheat flour, bananas, soda, tomatoes, fruits, groundnuts and onions.

Cross-Border Rwanda

Official trade data for the formal and informal sector show that informal exports in 2011 were higher than formal exports to neighbouring countries, Rwf 33.2 bln informal exports compared to Rwf 21.9 bln formal exports. Over the same period informal imports were significantly lower than formal imports. Informal imports were just Rwf 11.5 bln in 2011 compared to Rwf 162.4 bln formal imports.

The export in 2011 was mainly to the DRC (40%), Burundi (8%), Uganda (5%) and Kenya (2%). Imports from Rwanda's four immediate neighbours were three times higher than exports in 2011 but accounted for a smaller portion of Rwanda's total imports—19%. Imports are mainly from Uganda, Kenya and Tanzania.

Informally Rwanda's Cross Border Trade (CBT) exports are dominated by local agricultural produce (40%) and livestock (26%). Manufacturing goods such as processed food, fast-moving consumable goods (FMCG) and re-exports of paraffin are also significant.

Livestock and petroleum exports—both significant informal exports—are much lower in the formal sector. Beverages, clothing and construction material tend to be exported more often through formal channels as opposed to informal.

The EU

Nigeria, South Africa and Angola are the main exporters to the EU and South Africa and Nigeria the main importers (EU 2014). EU exports mainly machinery and vehicles, energy products and chemicals. The main import is oil.

Recent WTO analysis has highlighted a range of areas where EU policies affect production and trade outcomes (Godison 2015). EU tries to minimize the negative external consequences of EU agricultural policies on food and agricultural sector development on SSA countries.

Since 2010, the African, Caribbean and Pacific (ACP)'s agro-trade surplus with the EU has fallen some 44.5%. Between 2009 and 2013, the value of EU agro-food exports to the ACP increased more than four and a half times faster than the value of EU imports from ACP countries.

This saw the ACP's agro-food sector trade surplus fall from over €5.13 billion to under €2.85 billion. ACP countries are an increasingly important market for EU agro-food exports, with African markets taking on a growing importance in specific sectors, particularly for poultry meat, bulk dairy and horticultural products such as onions commodity exports.

In 2014, imports from Europe of agricultural/mining equipment/machinery (including self-propelled bulldozers, graders and excavators) and energy-related machinery and parts (including turbo-jets, turbo-propellers and other gas turbines) and other forms of machinery amounted to US$31.7 billion, compared to US$24.5 billion from Asia. Europe is Africa's biggest source of iron and steel imports.

West Africa

West Africa is the main destination for EU agro-food sector exports to ACP countries (taking 37.3%) and is also the main source of agro-food imports from ACP countries (taking 34.5%). Since 2010, West Africa's agro-food sector trade surplus with the EU has fallen to 95%. Between 2009 and 2013, the value of EU agro-food exports to West Africa grew to 75.6%, while the value of EU agro-food imports from West Africa grew only 3.5%. This saw West Africa's agro-food sector trade surplus fall steadily and dramatically from €1.6 billion to 85.5 million.

Southern Africa

In 2009, Southern Africa accounted for 35.8% of EU agro-food sector exports to ACP countries. Since 2010, Southern Africa's agro-food sector trade surplus with the EU has fallen 23%. Between 2009 and 2013, the value of EU agro-food exports to Southern Africa grew 60.4%, while the value of EU agro-food sector imports from Southern Africa grew only 32%.

Central Africa

Since 2009, the Central African region has moved from being a net agro-food sector exporter to the EU to being a net agro-food sector importer. The value of Central African agricultural exports to the EU showed a steady decline between 2009 and 2013, falling by 20.6% over this five-year period. In contrast, the value of EU agro-food exports to Central Africa rose 65.8%.

The EAC

While the EAC is the third largest source of EU agro-food imports from ACP countries, it is not a major market for EU agro-food exports (only 3.3% of total EU agro-food exports to the ACP). Between 2009 and 2013, the value of EU agro-food exports to the EAC grew 42.6%, and import values grew only 9.2%. However, the overall EU agro-food sector trade surplus of the EAC with the EU grew 4.2% between 2009 and 2013.

United States

US exports to SSA countries have been steadily on the rise and up 58% from 2009 to 2013 (US Department of Commerce 2014). Exports reached nearly $24 billion in 2013, an increase of $8.8 billion since 2009.

Imports from SSA have passed from more than $74 billion in 2011 to $39.3 billion in 2013. South Africa and Nigeria are the largest markets for US exports, contributing to the first and second highest dollar value of exports respectively in 2013.

In 2013, oil products represented 12.9% of the total dollar value of exports to the SSA region. Transportation-related exports with automotive and aircraft products are 9.5% and 5.5% shares of US exports to SSA respectively in 2013.

US imports from SSA declined by 16% between 2009 and 2013, mostly due to a decrease in crude oil and mineral fuel imports. The total value of imports decreased by US$12.6 billion, or 35%, between 2009 and 2013. Other top import sectors are passenger vehicles, platinum and diamonds.

Due to technological breakthroughs like hydrologic fracturing and a business-friendly environment, the United States has experienced a steady increase in unconventional sources of energy, specifically light tight oil and shale gas, over the past decade (Brune 2015). While global oil prices have declined more than 50% since mid-2014 (closing at below $50 in September 2015) and US production is off its recent highs, net increases in US production over the last decade have impacted economies and oil markets around the world and particularly in Angola and Nigeria. Coupled with the worldwide decline in commodity prices, the cuts caused a sharp reduction in the US share of Africa's exports, from 10.6% in 2012 to 7.89% in 2013 and 4.36% in 2014.

In order to boost the industrialization in SSA countries, Obama launched the Power Africa Initiative in 2013, in which he pledged $7 billion of investment over five years to increase energy production and access to energy in Nigeria, as well as Ethiopia, Ghana, Kenya, Liberia and Tanzania. Since its launch, Power Africa has awarded $700,000 for off-grid energy projects in Nigeria.

China

China's largest African trading partner in export is South Africa, constituting about 21% of China's annual export to Africa, followed by Nigeria with 12% and Ghana with 6%. In imports the leading partners are also South Africa with 42% of its imports from Africa, followed by Angola with 31.7% and Libya with 6% (RAND 2015).

China is the world's second-largest oil consumer behind the United States, consuming 10.2 million barrels per day (mbpd), of which around

5.6 mbpd is imported. China currently receives more than two-thirds of its imported oil from the Middle East and Africa: 2.6 mbpd from the Middle East (about 46% of imports) and 1.2 mbpd from Africa (21% of imports).

China's trade with SSA countries has expanded dramatically during the past decade (Ghosal 2016). China–SSA trade has grown by 26% per year since 1995, reaching a total value of US$170 billion in 2013.

SSA's exports to China have grown faster than its imports, generating a large, positive trade balance. SSA's exports are concentrated in primary commodities, especially extractable resources such as oil, uranium, aluminium, zinc, phosphates, copper, nickel and gold, as well as renewable resources and agricultural commodities such as timber, rubber, coffee, cotton, cocoa, fish and cashew nuts. While SSA's export mix is narrowly focused on the primary sector, Africa's imports from China are extremely diversified. Consumer goods represent the largest share, particularly textiles and clothing, footwear and consumer electronics, and also capital goods such as machinery, commercial electronics and transportation equipment. Chinese capital goods imports are boosted in the presence of large Chinese-financed infrastructure projects, which frequently include country-of-origin procurement rules.

In 2013, China became SSA's most important export partner. China now accounts for 27% of SSA's exports, compared to 23% for the EU and 21% for the United States. While India accounts for just 9%, the growth rate of SSA's exports to India is second only to that of China.

Overall, SSA has benefitted from China's increasing demand for SSA's exports of oil, minerals and metals (Roache 2012). Imports from China have had a negative effect on SSA's exports within the African regional market, and local producers and traders have faced serious competition from Chinese imports throughout SSA. In a study of 44 South African manufacturing industries during 1992–2010, Edwards and Jenkins (2014) show that labour- intensive industries were particularly badly affected by Chinese imports and the negative impact on employment was more than proportional to the output displacement. Edwards and Jenkins also found evidence that Chinese imports contributed towards lower producer price inflation in South Africa, which in turn contributed to a moderation in consumer price increases.

African firms do not appear to be positioning themselves within Chinese value chains. Trade with China is having a limited impact on economic transformation and export diversification. Input exports from China to

SSA for processing and subsequent re-export to the US consumer market have increased in recent years but remain extremely small as a share of total trade (Pigato and Gourdon 2014).

China's trade with SSA is highly concentrated in a few countries. Five countries, Angola, South Africa, the DRC, the Republic of Congo and Equatorial Guinea account for most of SSA's exports to China. South Africa, Nigeria, Liberia, Ghana, Benin are the main importers.

Reduced external demand and lower commodity prices caused a 13% contraction in Chinese imports in the 12 months to October 2015 over the same period a year earlier. By comparison, the value of imports from Africa over the period fell 32% (Romei 2015).

Some African countries are more exposed to the Chinese market. For seven, including Sierra Leone, Eritrea, Republic of Congo, Angola and Sudan; China accounted for 40% of their total exports.

The steep contraction in the value of Chinese imports from Africa is largely due to the fact that commodities and crude materials make up more than 85% of the total.

India

Trade between Africa and India more than doubled from US$25 billion in 2007 to US$57 billion in 2011 (Roy 2014). By 2014, trade figures had reached over US$75 billion, 34.6 export, 40.4 import (UNECA 2015).

In 2014 Africa accounted for 11% of India's exports and 9% of its imports. Since 2010, India's exports to and imports from Africa increased by 93% and 28%, respectively.

Indo-African trade is concentrated in a select few African countries such as South Africa, Nigeria, Angola and Tanzania being the top trading partners in 2014. Most of this trade entails primary commodities exported from Africa, while African countries mostly import manufactured goods from India. Exports from the extractive industries (mining, quarrying and crude oil) have seen the largest increase in the share of total exports.

India–Africa trade has grown steadily in the past years (Schaffnit-Chatterjee 2015). Bilateral trade amounted to US$65 billion (6% share of Africa's trade with the world) in 2014, up from US$7 billion (3% share) in 2000. Most of India's trade with Africa takes place in SSA countries. SSA's exports to India reached US$30 billion in 2014 (8% of total exports), overtaking the United States (share of 6%). Two-thirds of these exports are oil and gas, 16% gold and other precious stones. India's main trade partners in Africa are Nigeria (US$17 billion), South Africa (US$9 billion), Angola (US$6 billion) and Tanzania (US$5 billion).

India needs increasingly large amounts of raw materials. It imported US$195 billion worth of raw materials in 2014 and is particularly dependent on crude oil imports (34% of its total imports), precious metals, other minerals and agricultural products, such as cashews and cotton. India's total imports from Africa amounted to US$33 billion, a small share (6%) of its total imports compared to its main provider China, 13%. More than a quarter of India's oil and gas imports now come from Africa, particularly Nigeria and Angola, as part of an effort to diversify import origins. Nigeria recently replaced Saudi Arabia as the largest crude oil supplier to India (KPMG 2015).

Although India has lost out to Chinese oil giants in its search for oil supplies in Africa, Indian oil and gas companies are present on the continent. India is a significant market for a few African countries, including Tanzania, Nigeria, Botswana, Cameroon and Angola. It is now the largest buyer of Nigerian oil.

All African countries import pharmaceuticals from India (UNECA 2015). In 2014 pharmaceutical products accounted for US$2.8 billion, or 8% of India's total exports to Africa. The main export destinations were South Africa (17% of Indian pharmaceutical exports to Africa), Nigeria (15%) and Kenya (9%). Overall, Africa was a huge market for India's pharmaceutical exports in 2014, 25% of the total exports of this product group were shipped to Africa.

FDI with and in SSA Countries

Main Trends

Capital investment into the continent surged to US$128 billion in 2014, up 136% from US$54.2 billion in 2013. FDI created 188,400 new African jobs, a 68% increase (EY 2015). Africa attracted more FDI funding than North America, Latin America and the Caribbean, and Western Europe. The upsurge was driven by large, capital-intensive energy extraction and real estate.

Africa has more than doubled its share of global FDI flows, from 7.8% in 2013 to 17.1% in 2014. That made it the second-largest recipient of capital investment during the year, from sixth in 2013, and the fastest-growing destination for FDI funding.

Africa's FDI projects provide more capital than employment. In 2014, Africa attracted 17.1% of global FDI inflows (only Asia-Pacific performed better) but got only 8.7% of jobs.

A joint study by the African Development Bank (AfDB), Organization for Economic Cooperation and Development (OECD) and United Nations Development Programme (UNDP) estimates that external financial flows to Africa have quadrupled since 2000 (AfDB et al. 2015a).

FDI has grown almost fivefold since 2000. Official development assistance (ODA) has more than tripled in the same period to US$56.3 billion in 2014. Remittances from Africans working abroad have become the biggest source of foreign inflows to African states. FDI helps to build infrastructure and extracting and exporting natural resources.

Main Supported Sectors

A large part of the FDI supports big projects in electricity, roads and railways originally in order to improve the transportation of minerals, but they can generate also industrialization and higher productivity in other sectors (European Parliament 2016).

Electricity Projects

- River dams for electricity production as the Renaissance Dam in Ethiopia on the Blue Nile being the most exemplar. Already half built, the dam will be the largest in Africa when finished.
- The Grand Inga Dam on the Congo River in DRC is only in the concept stage, but if built, it would transform energy supply in the whole region.
- The Lake Kivu methane gas to electricity project in Rwanda is being built with the support of the US governmental aid agency (USAID). Kivu's methane could be used to add up to 960 megawatts (MW) of electricity-generating capacity, more than six times what Rwanda has now (Rosen 2015). The first phase of KivuWatt, a $200 million project owned by the US. energy firm Contour Global.
- Symbion Power is set to begin construction of a 50-MW project on the Rwandan side of the lake by the end of the year. In the

DRC's distant capital, Kinshasa, the Ministry of Hydrocarbons is reviewing bids for that country's first Kivu gas concession. Symbion Power Lake Kivu Ltd, a subsidiary of Symbion Power LLC, signed a 25-year power purchase agreement (PPA) with the Rwanda Energy Group (REG) for a 50-MW methane gas to power project (Symbion Power 2015).

– The Lake Turkana Wind Power Project (LTWP) financed by AfDB and several other development financial institutions (including by the EU with a €25 million grant), seeks to exploit wind power in Kenya. The project aims to provide 310 MW of reliable, low-cost wind power to the Kenya national grid, equivalent to approximately 20% of the current installed electricity-generating capacity (ltwp.co.kewebsite). The planned investment is of €625 million. The wind farm site, covering 40,000 acres (162 km^2), is located in Loyangalani District, Marsabit West County approximately 50 km north of South Horr Township. Completion is planned by July 2017, raising the country's installed capacity to 6700 MW (Genga 2016). Kenya was the first African country to begin developing geothermal power plants in 1956, when the government first drilled two 950-m-deep exploratory wells (Oxford Business Group 2016). The Kenya Electricity Generating Company (KenGen), a 70% state-owned company, is responsible for the majority of Olkaria's development. KenGen began commercial production at the 140-MW Olkaria IV plant, which was commissioned in August 2014, as well as the 140-MW Olkaria I Unit 4&5 plant, which started operation in January 2015. The private sector is also actively involved in the development of Kenya's geothermal resources, most notably at Olkaria III—a 110-MW plant developed and owned by Israel's Ormat Industries—which opened in February 2014. Retail electricity tariffs dropped significantly after these projects were brought on-line. In August 2015 the Kenya Power and Lighting Company announced that it is set to purchase 70 MW of geothermal power from Akiira Geothermal and Marine Power Generation, from its 140-MW Rift Valley plant. KenGen will receive a $387.2 million loan from the Japan International Cooperation Agency(JICA) to fund the construction of a geothermal power plant for the construction of Olkaria (Njini 2016).

Roads and Railways

- The rail connection between Angola, Zambia and DRC has been rebuilt. A new electric railway between Addis Ababa and Djibouti has been opened to freight in November 2015, and a major plan in East Africa to connect Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan by rail has started taking shape.
- The bridge at Voi, northwest of the port of Mombasa, is the latest construction frontline for the initial 327 billion-shilling ($3.2 billion) stretch of an ambitious railway project to link the East African country with landlocked neighbours including Rwanda and Uganda (Hill 2016).
- Kenya's rail line, is among the most advanced of the more than $30 billion of African rail projects planned or under way.
- Senegal signed an agreement in December 2015 with China Railway Construction for the renovation of 645 km of railroads. Projects are also planned in Tanzania, Mali and Egypt, while Ethiopia recently completed a line connecting Addis Ababa to Djibouti and has another 4000 km of projects planned.

FDI Distribution by Regions

Southern Africa

Southern Africa attracts about one-third of FDI projects in Africa, and their numbers have been growing at a compound annual growth rate (CAGR) of 10.8% since 2007.

Capital inflows more than doubled to US$33.6 billion in 2014, thanks to a massive energy sector deal, but there was a marked fall in FDI projects announced in South Africa. Companies from both the United States and the United Kingdom, South Africa's largest investors, announced fewer projects in 2014, like those from Germany and Spain.

East and Central Africa

Kenya, softened during 2014, after growing by more than 30% a year (CAGR) since 2007. Investors from the United Kingdom and Japan, who were Kenya's largest investors in 2013, started fewer projects in 2014.

The potential large natural gas deposits in Mozambique attract investors. Financial services attracted the most projects in 2014 as three foreign retail banks moved in, opening a total of 16 branches (fdiintelligence 2015). There was also a strong uptick in RHC and automotive projects.

The 32 projects launched in 2015 in Ethiopia 4.4% of the African total, involved relatively small sums but they provided 18.5% of FDI jobs in Africa. Ethiopia, now has slowly been opening up to foreign investment in manufacturing and retail.

Telecommunications and financial services remain the preserve of state-owned enterprises.

West Africa

Nigeria, attracted 49 FDI projects in 2014, 10 fewer than during 2013. However, the average project involved more than twice as much investment, though job creation continued to lag. It is also the case in Ghana where growth in project numbers has averaged 34.1% since 2007. In 2014, the number of inward investment projects fell to 39%, from 58% in 2013, even as capital investment rose 61.3%.

Sources of FDI

The EU

Western Europe accounted for more than half of all greenfield investment into Africa in 2014, with an estimated $47.6 billion invested, according to a report from fDi Intelligence (FDI Intelligence 2015; Fingar 2016).

France is the main source of investment in Africa with US$18.3 billion, 18% of the total FDI in 2014, followed by Greece with US$10 billion (10%) , United States with US$7.9 billion (9%) and China with US$6.1 billion (7%) (FDI Intelligence 2015). Angola attracted the bigger share of those FDI with US$16.1 billion in 2014 (19%), followed by Nigeria with US$10.7 billion (12%) and Mozambique with US$8.8 billion (10%), Those investments are mainly in four sectors: manufacturing 33%, mining 26%, construction 14%.

France's Total, an oil and gas major, plans to invest US$16 billion to develop the Kaombo offshore oilfield in Angola. The development will be established through a joint venture with Total as the main operator with a 30% share.

Greece's high position is explained by Mac Optic, a Greece-based company that announced plans for a multibillion-dollar refinery and petrochemical plant in Egypt.

Belgium saw the highest increase in capital investment into Africa in 2014 with its $5.2 billion, thanks to commercial real estate devel-