

- INSTITUT -  
CHOISEUL



**CHOISEUL AFRICA ECOBAROMETER**

**The investors and Africa**  
Focus on African SMEs



# Summary

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## Pascal Lorot

President, Institut Choiseul

I have the pleasure to present the first edition of the *Choiseul Africa Ecobarometer*, a study conducted by the Institut Choiseul in order to faithfully depict the investment dynamics at work on the African continent.

For several years, Africa has continued its rise on the international scene and is now integrated more than ever in global economic flows in which it has imposed itself as a vital player. Thanks to the dynamism of its demography, to the sustained rate of its urbanization to the wealth of its natural resources, Africa continues to attract more international investors keen to seize the opportunities that the continent offers.

Whether they come from international banks, investment funds or large businesses evolving in strategic markets, numerous investors that are closest to what is happening on the ground have given us their perception of the continent: the most promising countries and business sectors, the factors that influence investment, African economic perspectives at different time horizons... All questions that were submitted to them to better grasp the determining factors and characteristics of the financing of African growth.

The results are unquestionable: Africa has glorious years ahead! The optimism regarding its future is quasi-unanimous for experts, who nevertheless point to the challenges that lie ahead of the continent, in order to make the most of its different development opportunities.

I am honoured to present here the results of this ambitious study and warmly thank the African Guarantee Fund, Bpifrance as well as Société Générale, partners of this project, because I am deeply convinced that it is thanks to sharing and exchange that Africa will rise to these challenges with great success!



## OUR PARTNERS



The African Guarantee Fund for Small and Medium Enterprises (AGF) contributes to the promotion of economic development vital for prosperity, stability and poverty reduction in Africa by enabling SMEs to have increased access to financing. AGF has two lines of work: the guarantee activity and the capacity building activity. Through their guarantee facility, AGF assists banks to partially cover the risks associated with SME lending and thus enable them to increase their portfolio in that sector. Through their capacity development facility, AGF assists banks to enhance their SME banking capabilities and thus be able to execute their SME banking strategies with ease.

Bpifrance finances companies – at each stage of their development – through loans, guarantees and equity. Bpifrance accompanies them in their innovation projects and in their international expansion. Bpifrance also insures their export activity through a wide range of products. Advisory services, a university, networking services, acceleration programs and international missions are also part of what we offer entrepreneurs.

Thanks to Bpifrance, its 48 regional establishments and its 8 international collaborators operating from Business France, entrepreneurs benefit from a close contact point, unique and efficient to solve their challenges.

Société Générale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of the world.

Present in 19 African countries, Société Générale enjoys a unique positioning allowing it to offer clients the expertise of an international bank and the proximity of a local bank. In Africa, the Group accompanies local economies and serves 3.8 million clients, including 150,000 businesses.



### Jules Ngankam

Deputy Chief Executive Officer & Chief Financial Officer, African Guarantee Fund

Private sector development is a vital condition to economic growth. Small and medium enterprises constitute the bulk of the private sector in Africa. They represent more than 90% of firms and hire more than 60% of the local workforce.

Sadly, African SMEs are still confronted to a number of challenges that slow and even prevent their emergence. These challenges can be sorted in four categories: the quality of infrastructures, the business climate, especially the legal and regulatory context, the ability to enter the market and the availability of financing

Considerable efforts have been made by African states and their development partners to overcome the first three challenges. However, the key challenge to the creation and growth of businesses remains the availability of financing for SMEs. Despite some advances that must be noted, the unwillingness of the banking system to finance SMEs, especially the investments that are necessary

for the development of this type of business, is still strong.

Indeed, the inability of SMEs to provide acceptable guarantees to reduce their associated credit risk, their limited equity and, sometimes, the quality of their human resources increase the reluctance of banks to fully support their business.

The African Guarantee Fund has gambled on giving SMEs the opportunity to stimulate the continent's economic development by contributing to unlock financing for SMEs, both in terms of volume and quantity.

Over 50% of the African population is under 25 and more than 900 million new workers will enter the workforce by 2050. More than ever, supporting the emergence of SMEs should be at the heart of African development strategies.

## OUR PARTNERS



### Nicolas Dufourcq

Chief Executive Officer, Bpifrance

I am delighted that Bpifrance has partnered with the Institut Choiseul to conduct the *Choiseul Africa Ecobarometer* survey which reports the perception that the international financial community holds on its investment perspectives in Africa.

The African continent is at the heart of Bpifrance's strategy to bring French companies into the international world.

The opportunities there are massive, as much in terms of market size - 2,5 billion people are expected to live in Africa by 2050 - as in terms of the infrastructure and equipment requirements in multiple sectors in which France wields powerful assets: healthcare, education, energy, water, transportation, etc. The growth of some countries is also bound to fuel the dreams of numerous European countries.

French companies cannot afford to miss the African meeting. From its inception, Bpifrance has decided to encourage them and accompany them in fulfilling this goal. All of our different lines of work, our 48 regional establishments

and our 2.700 collaborators, are mobilized to invest, lend, guarantee, insure and accompany! Bpifrance has struck numerous partnerships on the continent, with banks, such as Société Générale and Attijarawafa Bank, with investment funds and public institutions. From the beginning of the 2000s, Bpifrance has backed the best African teams of venture capital and growth capital by investing in their funds: Adenia, AfricInvest, Amethis, DPI, Investisseur & Partenaire, Mediterranean, Metier et Partech Afrique. These teams and the firms they back constitute a network of immeasurable value for any French company wishing to embark on an African adventure. EuroQuity, our digital networking platform, with its 23,000 subscribers, is now developing in Africa, partnering with already 2,500 African companies, and allows any registered company to find funding or commercial partners. Finally, because it is vital that Africans develop their own financing ecosystem for their economy, we accompany them, when they ask for it, to develop their tools. I do not forget, of course, to mention our partners at Team France Export, especially Business France, with whom we work to best serve our clients.



### Philippe Heim

Deputy Chief Executive Officer, Société Générale

Established in Africa for more than 100 years, we put all of our expertise as an international group to the service of our clients and of local economies. Following years of slow evolution, we are witnessing today the acceleration of the continent's economic development. Local enterprises and especially SMEs are at the heart of this process. On their own, they represent 90% of private businesses. They are therefore an unavoidable player, especially concerning the emergence of the African middle class and for questions of employment. We have the ability to contribute to the rise of these African champions, notably by adapting our services to bring them solutions that are the most efficient and best suited to their needs.

African SMEs require billions of dollars in funding, a threshold that must be crossed to sustain Africa's dynamic trajectory.

In this context, I welcome the Institut Choiseul's initiative, the *Choiseul Africa Ecobarometer*. This study will help us both better understand the perception that international investors have of Africa but also highlight the issues and challenges linked to financing growth.

We all have our role to play in the rise of the continent, Société Générale is involved where the future is written.



# PRESENTATION OF THE STUDY

## Presentation of the study

Designed by the Institut Choiseul, the *Choiseul Africa Ecobarometer* is an annual study aiming to give a full account of the economic dynamics at work in Africa and depict the way the continent is perceived by the international investors who work closest to the financial issues at stake.

Whether they come from international banks, investment funds or large companies evolving in strategic markets, numerous investors active on the continent were surveyed in order to produce a barometer reflecting the investment dynamics in Africa.

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## Methodology

The realisation of the *Choiseul Africa Ecobarometer* was conducted by the Institut Choiseul between May and September 2019 and followed five successive steps:

- Conceptualization of the barometer and its methodology;
- Production of the survey;
- Survey of the identified international investors;
- Analysis of the responses;
- Realization the final study.

Only investors fulfilling the following criteria were surveyed:

- Working in an industrial group, an international banking or financial institution, or a public sector organisation with a strategic activity in Africa;
- Conducting regular investment activities in Africa;
- Benefitting from a well-established expertise of the economic and financial issues at stake on the African continent.

## PRESENTATION OF THE STUDY

86 international investors responded to our survey and took part in the production of the *Choiseul Africa Ecobarometer*. They hold positions in the following structures:

AGC – Vie, Adenia Partners, AFD – Proparco, Afrasia Bank, Africa Tracing, Africinvest, Allied Insurance Brokers Angola, Amethis Finance, Assurance Bleue CNAR SA, Attijariwafa, AXA Assistance, Baobad Tunisie, Bearing Point, BIAT Consulting, BPI France, Bureau Veritas, Bymaro, CAAT, CCIAF, CFAO, Co-face, Datatec, DB, Deloitte, DEX Capital, Ecobank Capital, ECP Investments, Egyptian Transport & Commercial Services, Emerging Capital Partners, Entbanc Group, Equity Bank Congo, Euromena II, FANAF, Fonds Afrique / Tech Dev, Fund for the Mediterranean, FGIS, Galileo Global Education, Gras Savoye Kenya, Groupe Avril, Groupe Caisse des Dépôts, Groupe Neovia, Helios Investment Partners, IETP, Emperial Logistics Limited, Kitea, Kohlberg Kravis Roberts, Lafarge Holcim Maroc, Massmart, MEDEF International, Meridiam, Mkoba Fund, Mobicash, Nedbank, NSIA Participations, One2Five, Paul Haddad Insurance Brokerage, Plastic Omnium, Qalaa Holdings, Radiant Insurance Company, Revelations Isambulo Holdings, SAPPI, SDMO Industries, Shell, Standard Bank, Strat Conseil, Suez, Summit Africa, The Mauritius Commercial Bank, Tiger Brands, UTICA, Vivendi, Wendel, Whitestone Finance, Yves Rocher.

### Thanks

In the context of the production of the *Choiseul Africa Ecobarometer*, the Institut Choiseul enjoyed the support of partner companies that we wish to thank: the African Guarantee Fund, Bpifrance as well as Société Générale. Their trust and backing were vital to the realization of our work, as well as to the publication and diffusion of this unique study.



# **CHOISEUL AFRICA ECOBAROMETER**

**The investors and Africa**  
**Focus on African SMEs**





**GENERAL PERSPECTIVES**



## A DURABLE AND QUASI-UNANIMOUS OPTIMISM REGARDING AFRICAN ECONOMIC PROSPECTS

Surveyed investors expressed quasi-unanimous optimism regarding the continent's economic perspectives within a five-year and ten-year time frame, making Africa one of most sought-after destinations for international investments in the next decade.

- ▶ Over nine out of ten investors (91%) believe that African economic prospects are favourable for 2024.
- ▶ This level of confidence remains high on a ten-year horizon (94%), ensuring the stability of the continent's ability to attract investments for the next ten years.
- ▶ Only 7% of investors have doubts regarding African perspectives by 2024, and 1% by 2029.

**Investors** are **optimistic** about  
Africa's economic perspectives

**91 %**

on a five-year horizon.

**94 %**

on a ten-year horizon.

# CONFIDENCE IN THE FUTURE STRENGTHENS INVESTMENTS IN AFRICA

The confidence expressed by the persons interviewed translates into a desire to increase their level of investment in Africa within a five-year and ten-year timeframe.

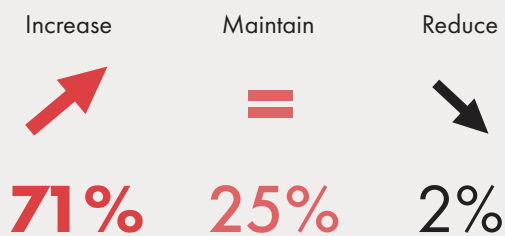
- ▶ 96% of investors say they are ready to maintain or increase their investments in the continent by 2020, with 95% by 2024.
- ▶ Only 2% to 3% of interviewed investors are looking to decrease their level of investment over the next five years.



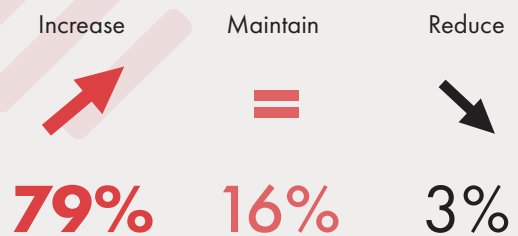
## Investment

on a five-year horizon.

on a ten-year horizon.



Do not know: 2 %



Do not know: 2 %

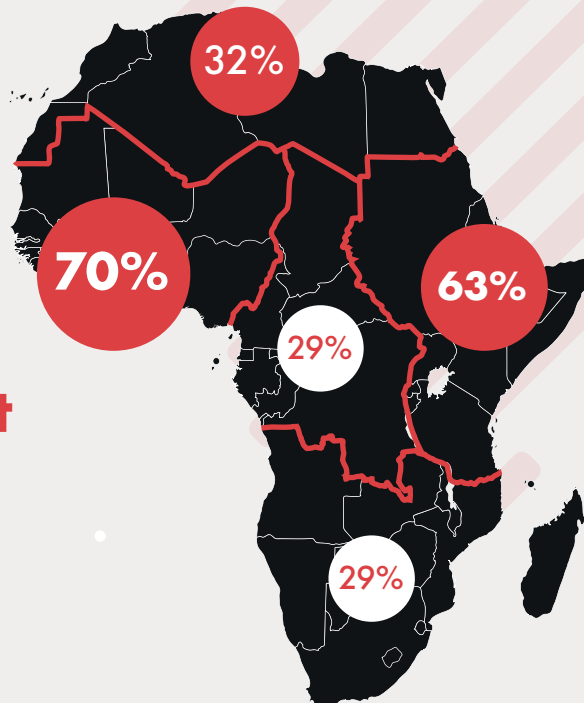


## WESTERN AND EASTERN AFRICA SEEN AS TOP INVESTMENT PRIORITIES

Investors' optimism varies according to the economic trends of the greater African regions. These lead to sizable disparities within the continent's investment prospects.

- ▶ Western Africa is the highest-priority region for investors (70%).
- ▶ Eastern Africa (63%) follows shortly Western Africa as a region where investors foresee an increase in investments.
- ▶ Less than a third of interviewed investors plan to increase their activities in Central Africa (29%) and Southern Africa (29%).

### Investment Priorities

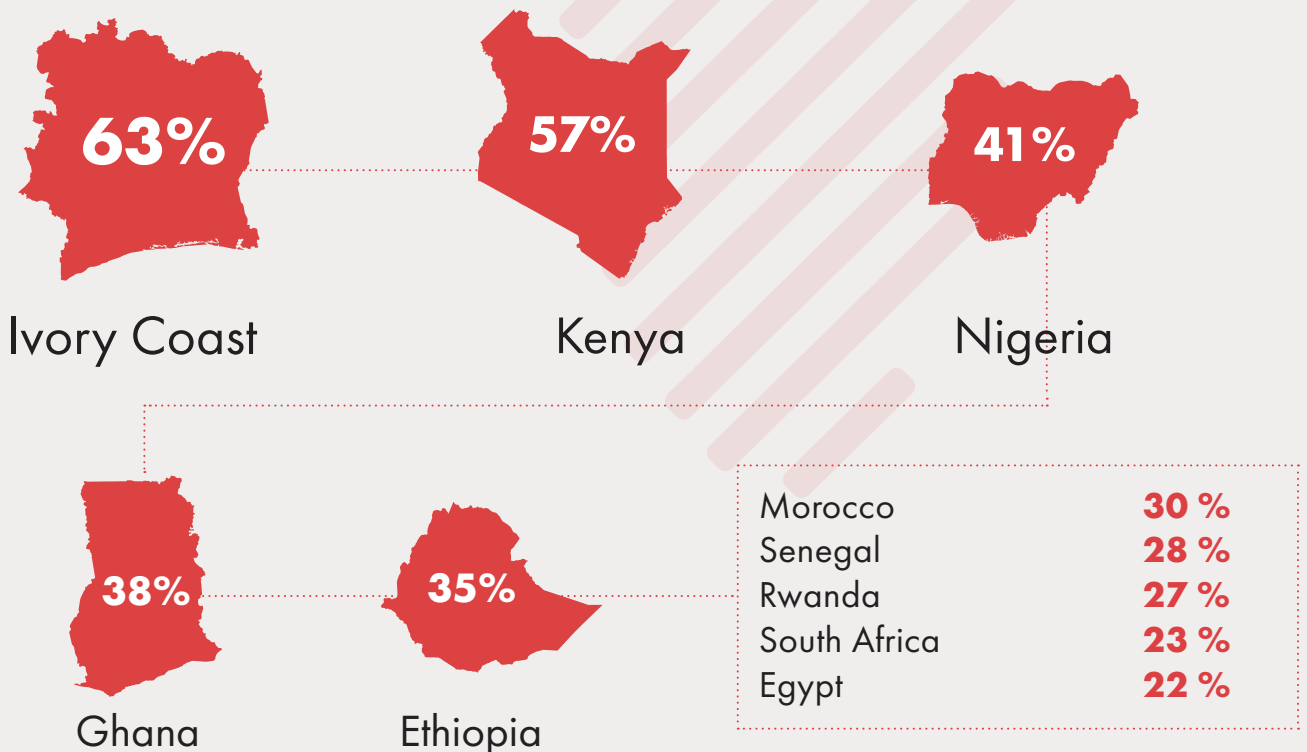


## COUNTRIES WITH DIVERGING ECONOMIC ATTRACTIVITIES

The respondents indicated which ten countries they believed offered the most investment opportunities. The countries perceived as most attractive are mainly concentrated in Western and Eastern Africa.

- ▶ The Ivory Coast (63%) and Kenya (57%) show the most encouraging investment perspectives.
- ▶ The only countries in the ranking to come from outside Eastern and Western Africa are Morocco (30%), South Africa (23%) and Egypt (22%).
- ▶ The countries considered least attractive by investors are those currently confronted with security and political crises.

The **ten** most **attractive** countries :

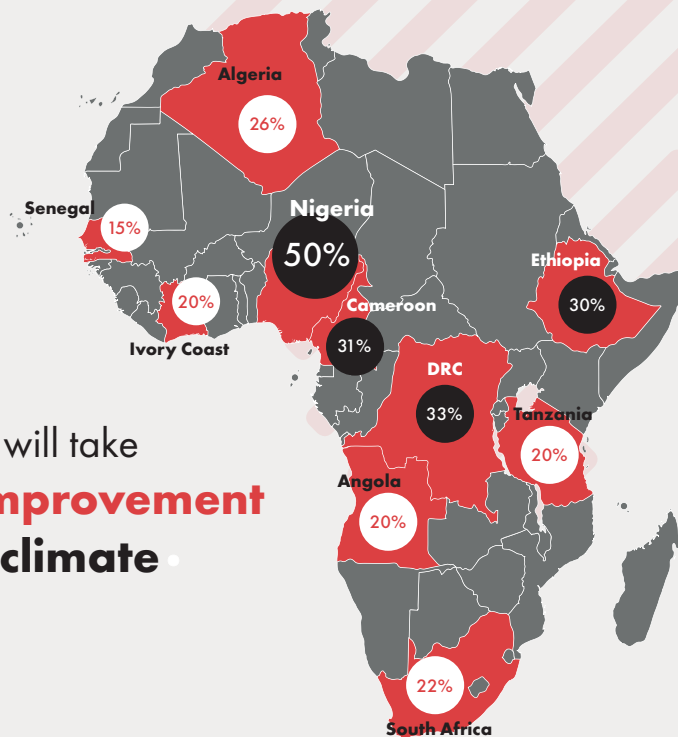




## THE ATTRACTIVENESS OF THE CONTINENT RELIES ON THE IMPROVEMENT OF THE BUSINESS CLIMATE

The interviewees were invited to choose the countries that would benefit the most from improvement of the business climate, a lever that would contribute to free the African potential in terms of investment.

- ▶ Nigeria is seen as the continent's main high-potential country. Many of the other countries chosen as the most attractive are also present in this ranking.
- ▶ The Democratic Republic of Congo (33%) and Cameroon (31%) are also part of the top three.
- ▶ Algeria (26%), Tanzania (20%) and Angola (20%) were highlighted by international investors for the strong potential of their economy.



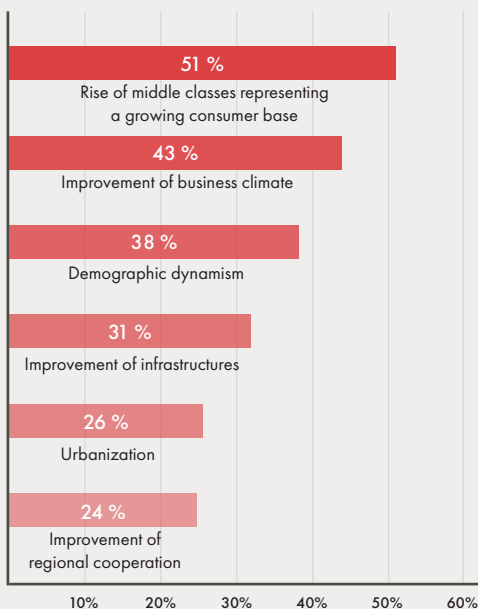
Ten countries which will take advantage of the **improvement** of their **business climate**.

# A MULTITUDE OF FACTORS CONTRIBUTING TO AFRICAN APPEAL

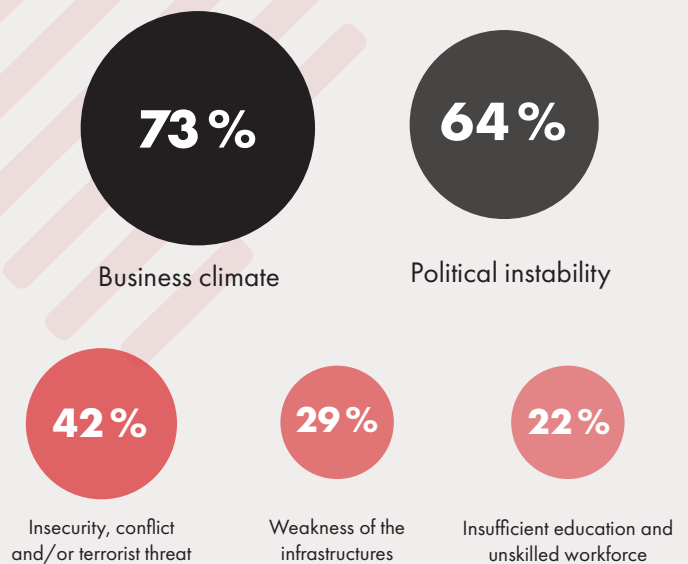
Investors' optimism is the result of several parameters that influence the attractiveness of the continent and condition the decision to invest in the African markets.

- ▶ Africa's main competitive advantage relies on its demography.
- ▶ The improvement of the business climate (43%) on the continental scale may be a trigger for the improvement and the continuity of the African appeal.
- ▶ Good governance is the greatest challenge Africa is facing.

## Main factors of Africa's attractiveness



## Main obstacles to investment in Africa



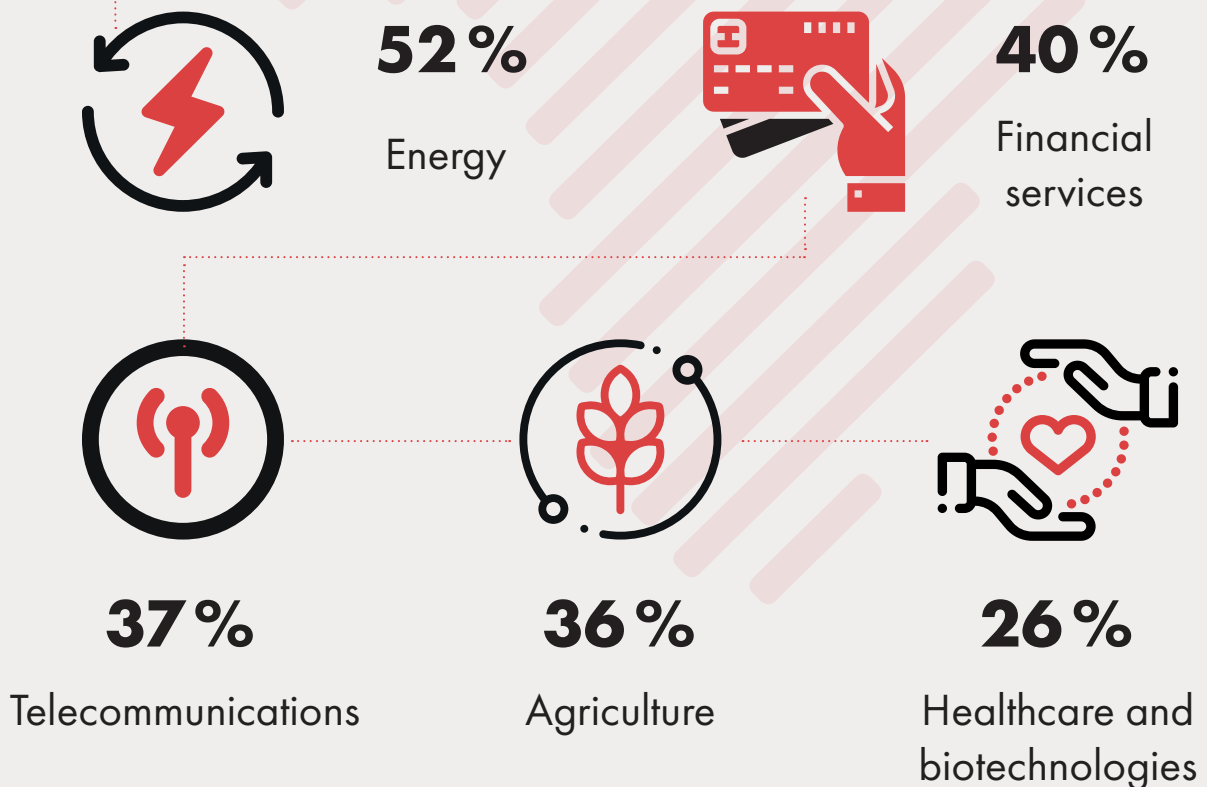


## ENERGY LEADS THE RANKING OF THE MOST BUOYANT SECTORS

International investors gave us their view of the business sectors that they believe hold the most promise.

- ▶ Energy is put forward by more than half of investors (52%) as the most promising sector in Africa.
- ▶ A sign of the continent's increasing modernisation, financial services (40%) and telecommunications (37%) complete the podium.

### The five most promising sectors





## AFRICAN STOCK EXCHANGES, A KEY FACTOR IN ATTRACTING CAPITAL

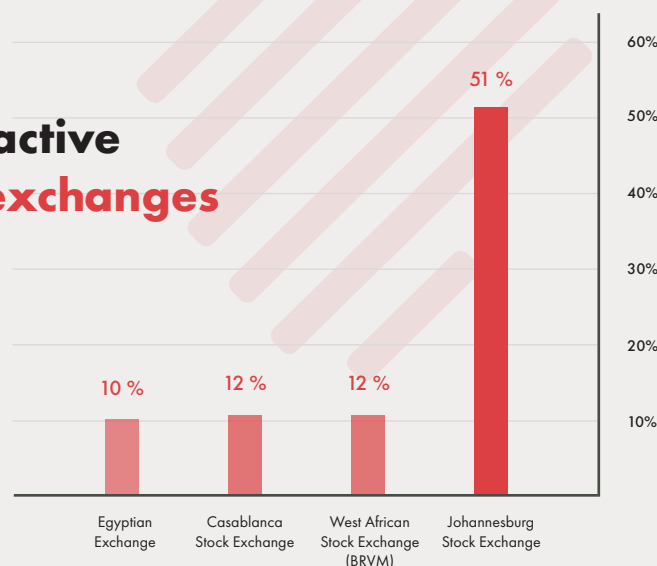
A majority of respondents consider the rise of African stock exchanges as a factor that contributes to the strengthening of the continent's international attractiveness.

- ▶ 62% of investors surveyed believe that the development of African exchanges contributes to attract capital to the continent.
- ▶ The Johannesburg Stock Exchange is seen by the majority of investors (51%) as the most attractive in Africa.

# 62%

perceive the **emergence** of **African stock exchanges** contributes to reinforcing **the attractiveness** of the continent

The four most **attractive**  
**African stock exchanges**





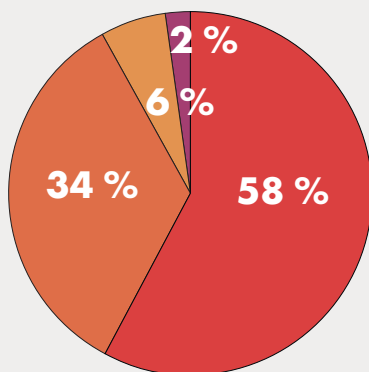
**FOCUS ON AFRICAN SMEs**

# AFRICAN SMEs, A DRIVER OF GROWTH WITH UNREALISED POTENTIAL

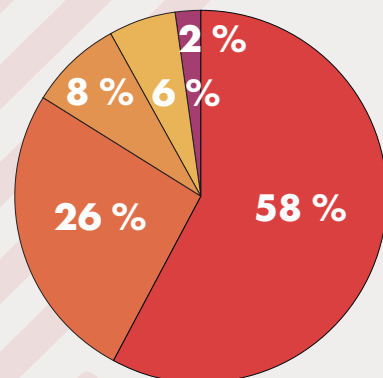
Despite the overwhelming majority of investors surveyed agreeing on the potential of SMEs in terms of wealth creation, their contribution to the African economy is perceived as insufficient.

- ▶ More than nine investors out of ten consider that SMEs have a good or very high potential over the next 5 years.
- ▶ However, over half of them believe their contribution to African growth is insufficient as of today.

The potential of the SME for the African growth?



The contribution of African's SME to African growth is...



- |  |  |   |   |   |
|--|--|---|---|---|
| <span style="color: red;">●</span> A very high potential | <span style="color: orange;">●</span> A good potential | <span style="color: orange;">●</span> High        | <span style="color: yellow;">●</span> Sufficient  | <span style="color: red;">●</span> Insufficient |
| <span style="color: yellow;">●</span> A low potential    | <span style="color: purple;">●</span> Do not know      | <span style="color: yellow;">●</span> Nonexistent | <span style="color: purple;">●</span> Do not know |   |

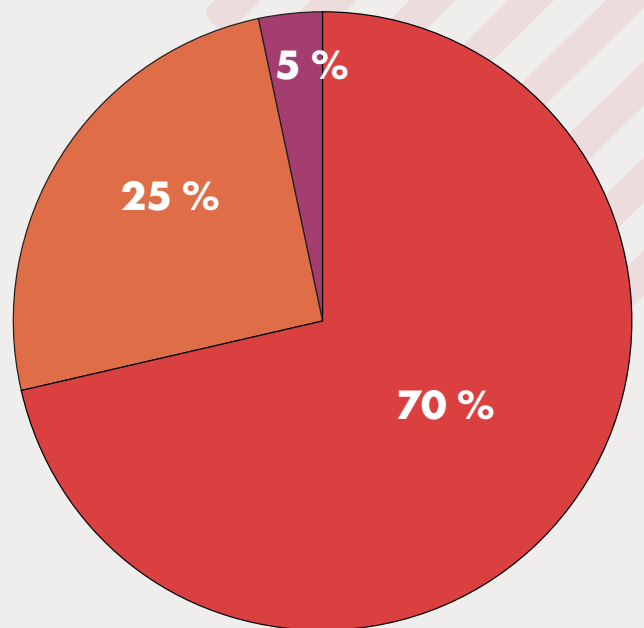


## IMPORTANT INVESTMENT PERSPECTIVES...

SMEs' favorable economic potential in the eyes of respondents translates into strong intentions of investment.

- ▶ SMEs represent an investment priority for 70% of investors surveyed.
- ▶ This number is still inferior to the proportion of investors that believe SMEs have strong growth prospects in the coming years.

Are African SMEs  
an investment priority?



● Yes      ● No      ● Do not know

## ...AND FIRST-ORDER SOCIETAL IMPLICATIONS

The interviewees highlighted the societal role played by SMEs, which they see as a vector of integration for women in the African business life.

- ▶ The overwhelming majority of surveyed investors (88%) describe African SMEs as a factor of economic inclusion for women.
- ▶ African SMEs contribute to the emergence of a more inclusive growth model, on a continent where women have a strong entrepreneurial presence.

88 %



of the interviewees think that African SMEs are a **driver for the economic inclusion** of **women**





Do you perceive the African continent's economic perspectives as favourable for the 5 years to come? *Total of the answers: 86*

Yes	91 %
No	7 %
Do not know	2 %

Do you perceive the African continent's economic perspectives as favourable for the 10 years to come? *Total of the answers: 86*

Yes	94 %
No	1 %
Do not know	5 %

Do you intend to \_\_\_\_\_ your level of investment in Africa in 2020?

*Total of the answers: 86*

Increase	71 %
Maintain	25 %
Reduce	2 %
Do not know	2 %

Do you intend to \_\_\_\_\_ your level of investment in Africa in the 5 upcoming years? *Total of the answers: 86*

Increase	79 %
Maintain	16 %
Reduce	3 %
Do not know	2 %

In which priority area(s) would you strengthen your investments, if any?

*Total of the answers: 197 / Total of the respondents: 86*

Western Africa	70 %
Eastern Africa	63 %
North Africa	32 %
Central Africa	29 %
Southern Africa	29 %
Do not know	6 %



If you decided to strengthen your investments in Africa, what would be the main reasons (three choices)? *Total of the answers: 228 / Total of the respondents: 86*

Rise of middle classes representing a growing consumer base	51 %
Improvement of business climate	43 %
Demographic dynamism	38 %
Improvement of infrastructures	31 %
Urbanization	26 %
Improvement of regional cooperation	24 %
Effort on innovation	17 %
Skills and productivity of the workforce	10 %
Effort on security	7 %
Effort on educational programmes	6 %
Labour costs	6 %
Improvement of tax system	5 %
Other	9 %
Do not know	1 %

In your opinion, what are the main obstacles to investment in Africa (three choices)? *Total of the answers: 246 / Total of the respondents: 86*

Business climate, corruption	73 %
Political instability	64 %
Insecurity, conflict and/or terrorist threat	42 %
Weakness of the infrastructures	29 %
Insufficient education and unskilled workforce	22 %
Uncertain ROI	19 %
Lack of regional cooperation	15 %
Lack of available capital to invest	12 %
Too little effort on innovation	5 %
Falling prices of raw materials	5 %
Demographic pressure	0 %
Other	7 %
Do not know	1 %

In your opinion, What do you think are the 5 most promising African countries to invest in? Total of the answers: 410

Ivory Coast	63 %
Kenya	57 %
Nigeria	41 %
Ghana	38 %
Ethiopia	35 %
Morocco	30 %
Senegal	28 %
Rwanda	27 %
South Africa	23 %
Egypt	22 %
Democratic Republic of Congo	16 %
Algeria	9 %
Angola	7 %
Cameroon	7 %
Uganda	6 %
Mozambique	6 %
Madagascar	6 %
Tunisia	5 %
Mauritius	5 %
Guinea	5 %
Mali	5 %
Burkina Faso	5 %
Tanzania	3 %
Zambia	3 %
Benin	2 %
Libya	2 %
Congo	2 %
Gabon	1 %
Togo	1 %
Sudan	1 %
Malawi	1 %
Djibouti	1 %
Zimbabwe	1 %

In your opinion, which high-potential countries should make the biggest efforts in terms of business climate to attract international investments? **Total of the answers: 373 / Total of the respondents: 86**

Nigeria	50 %
Democratic Republic of Congo	33 %
Cameroon	31 %
Ethiopia	30 %
Algeria	26 %
South Africa	22 %
Ivory Coast	20 %
Tanzania	20 %
Angola	20 %
Senegal	15 %
Kenya	14 %
Egypt	13 %
Ghana	10 %
Mozambique	9 %
Guinea	8 %
Gabon	8 %
Rwanda	7 %
Tunisia	7 %
Uganda	6 %
Sudan	6 %
Congo	6 %
Libya	6 %
Mauritania	5 %
Zimbabwe	5 %
Mali	5 %
Morocco	5 %
Benin	4 %
Togo	3 %
Burkina Faso	3 %
Zambia	3 %
Madagascar	2 %
Botswana	2 %
Chad	2 %
Equatorial Guinea	2 %
Central African Republic	1 %
Djibouti	1 %
Seychelles	1 %
Liberia	1 %
Namibia	1 %

In your opinion, does the emergence of African stock exchanges contribute to reinforcing the attractiveness of the continent? *Total of the answers: 86*

Yes	62 %
No	27 %
Do not know	11 %

Among these stock exchanges, which one seems the most attractive in your opinion? *Total of the answers: 86*

Johannesburg Stock Exchange	51 %
Casablanca Stock Exchange	12 %
West African Stock Exchange (BRVM)	12 %
Egyptian Exchange	10 %
Nigerian Stock Exchange	5 %
Central African Stock Exchange (BVM-AC)	1 %
Other	9 %

In your opinion, what are the most promising sectors (three choices)?

*Total of the answers: 255 / Total of the respondents: 86*

Energy	52 %
Financial services	40 %
Telecommunications	37 %
Agriculture	36 %
Healthcare and biotechnologies	26 %
New technologies	21 %
Transports and logistics	21 %
Construction industry	20 %
Manufacturing	17 %
Retail	17 %
Other	9 %
Do not know	0 %

How would you describe the contribution of African SMEs to the continent's growth? *Total of the answers / respondents: 86*

Insufficient	58 %
High	26 %
Sufficient	8 %
Nonexistent	6 %
Do not know	2 %

In your opinion, over a five-year horizon, African SMEs have: :

*Total of the answers / respondents: 86*

A good potential	58 %
A very high potential	34 %
A low potential	6 %
Do not know	2 %

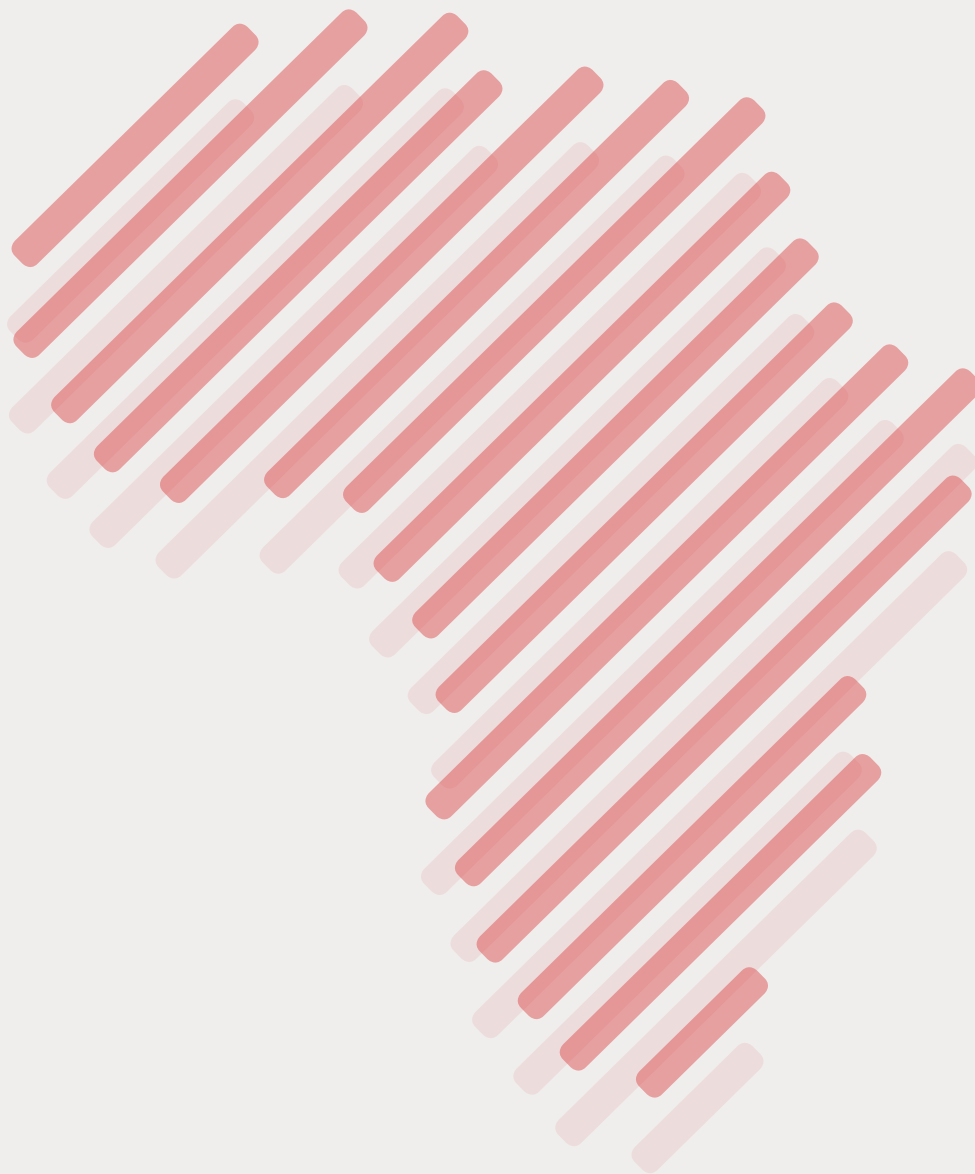
Are African SMEs a priority in your investment plans in the continent?

*Total of the answers / respondents: 86*

Yes	70 %
No	25 %
Do not know	5 %

According to you, are African SMEs a driver for the economic inclusion of women? *Total of the answers / respondents: 86*

Yes	88 %
No	6 %
Do not know	6 %



## About the Institut Choiseul

The Institut Choiseul is an independent think-tank dedicated to the analysis of contemporary strategic issues and international economic questions.

Based in Paris, its ambition is to create independent dialogue spaces at the crossroad of the political and institutional world, of the economic scene and the sphere of ideas, in order to enhance debates on today's key problematics.

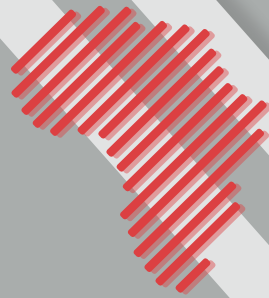
By organizing prestigious events and informal meetings between key executives in Paris, in Brussels, in Moscow and in Africa, by sharing its publications to decision-makers and influential opinion leaders, the Institut Choiseul continually nurtures the decisions of economics and politics actors.

Identifier of talents through including the *Choiseul 100*, the *Choiseul 100 Africa*, the *Choiseul 100 Russia*, the *Choiseul Hauts-de-France*, the *Choiseul Sport & Business* or the *Choiseul Ville de demain*, the Institut Choiseul actively contributes to the emergence of a young generation of leaders recognized world-wide.

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## **CHOISEUL AFRICA ECOBAROMETER**

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