

The 2016 results of the CIAN survey

Every year since 1979, CIAN has questioned the heads of foreign companies established in Africa about the prospects for their business: are they expecting profit growth? Are they planning new investment? They're also asked to assess the business environment in the country in which they're operating, based on 39 criteria, always the same. This allows us to measure the progress and weaknesses of the different countries as seen by investors.

The CIAN survey is carried out via an online questionnaire in French and English, which is sent to the heads of subsidiaries or foreign companies established in Africa. Every business sector is involved: primary to tertiary, small firms to the subsidiaries of large international groups. They survey is in two parts:

- **the first, cyclical**, concerning the company's performance and business prospects over a three-year period: earnings, investment, profitability, claims on the government and the local private sector;
- **the second, more structural**, concerns an assessment of the business environment in the country concerned: 39 criteria spread across seven major headings – infrastructures, administration, the economy and finance, social, socio-cultural, input costs and sustainable development. For this, the 28th year, CIAN has analysed over 500 responses, divided evenly between the four regions: North Africa, West Africa, Central Africa and Southern and Eastern Africa and the Indian Ocean (SEAIO). The results are incorporated into the country factsheets in this report if the number of responses for the country is significant for an analysis.

I/ Company activity 2015-2017

The business world remains confident despite the fact that Africa's global economic growth slowed significantly in 2016. Overall, fewer company heads (40%) consider that their company's revenues will increase over the current year than in the previous year (58% for the 2015 and 2014 surveys) but they anticipate better prospects for 2017 (half of them predict a growth in revenues in 2017). Indeed, more than a third of them state that they have resumed investment.

If we examine the geographical zones, West Africa appears to be the most dynamic region in 2016, followed by North Africa. However, North Africa is

given a very promising assessment for the following year: company heads believe that their volume of business is set to take off in every country in the region (Algeria, Mauritania, Egypt, Tunisia) after a less dynamic 2016. On the other hand, forecasts are much less optimistic for Central Africa, where half of company and subsidiary heads consider that their revenues for 2016 will be lower, particularly in the Congo, Gabon, and Chad, while DRC seems to promise growth. Southern and Eastern Africa and the Indian Ocean show contrasting situations, with a less dynamic South Africa, Angola completely at a halt and Mozambique and Zambia plodding slowly, while Kenya, Uganda, Djibouti and Ethiopia are on an upward curve (although Ethiopia is expected to fall back next year, which is unusual in the survey). Overall, the most profitable countries in terms of revenues in 2016-17 are the Ivory Coast, Kenya, Mali, Morocco, Mauritius, Uganda and Senegal. Investment forecasts are closely linked to this anticipation of profit. In West Africa, therefore, 40% of private company heads (close to 60% in Niger and Senegal,) are resuming investment in 2016 and are budgeting for them in 2017. Nigeria, whose economy is affected by the fall in the price of oil, is an exception: half of investors are looking to reduce their exposure. In the other three regions, only 26-29% are investing in 2016, although the idea appears to be to accelerate in 2017 in North Africa and SEAIO. Of note is the strong recovery in investment in Uganda, in line with the expected growth in business.

After revenues and investment, the survey goes on to examine anticipated profitability. Company heads are less optimistic than in previous years. 26% of them are even anticipating a year of losses linked to the contraction in growth that has occurred during the year. In certain countries, most of the companies have nevertheless maintained their margins, as in Mauritius (78% predict profits), Cameroon (65%), Djibouti (60%) and Kenya (65%).

ECONOMIC ANALYSIS BY ZONE AND COUNTRY

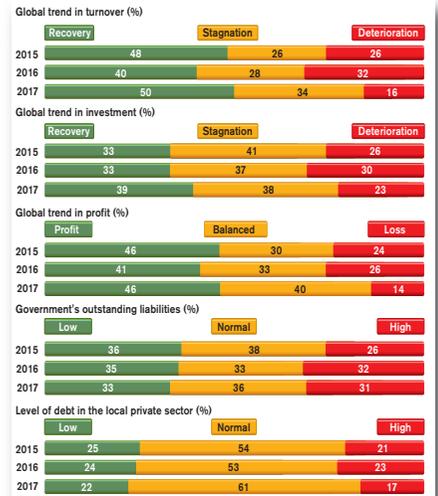
Company activity 2015-2017

The CIAN survey focuses on the trends shown by five indicators over the financial years 2015, 2016 and 2017:

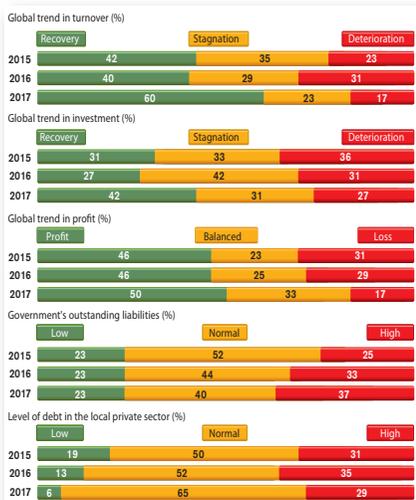
- revenues: growth, stagnation, decline;
- investment: recovery, interruption, reduction;
- results: in profit, break-even, deficit;
- level of claims on the State: high, normal, low;
- level of claims on the local private sector: high, normal, low.

The graphs show the trends by large geographical zones, which are then broken down for each of the 34 countries assessed this year.

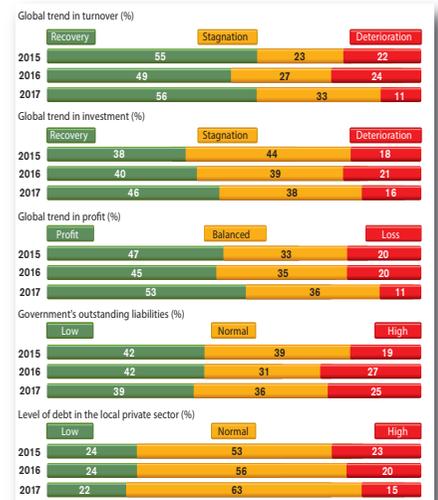
Africa (Continent)



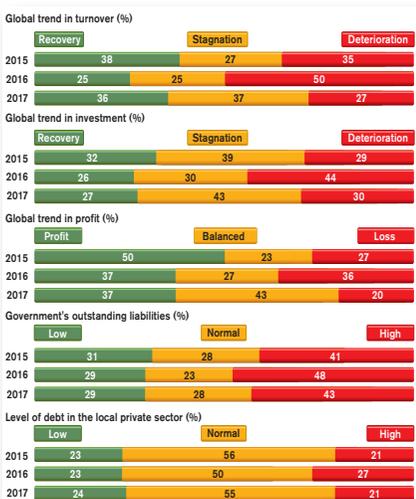
North Africa



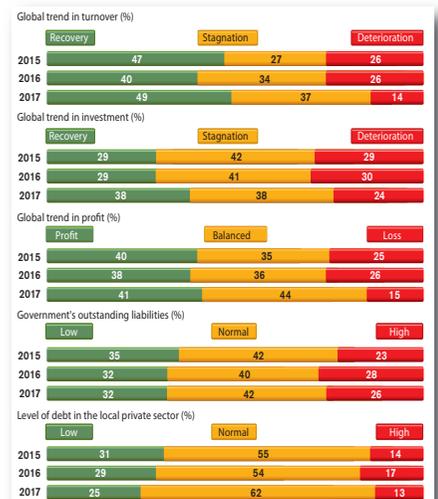
West Africa



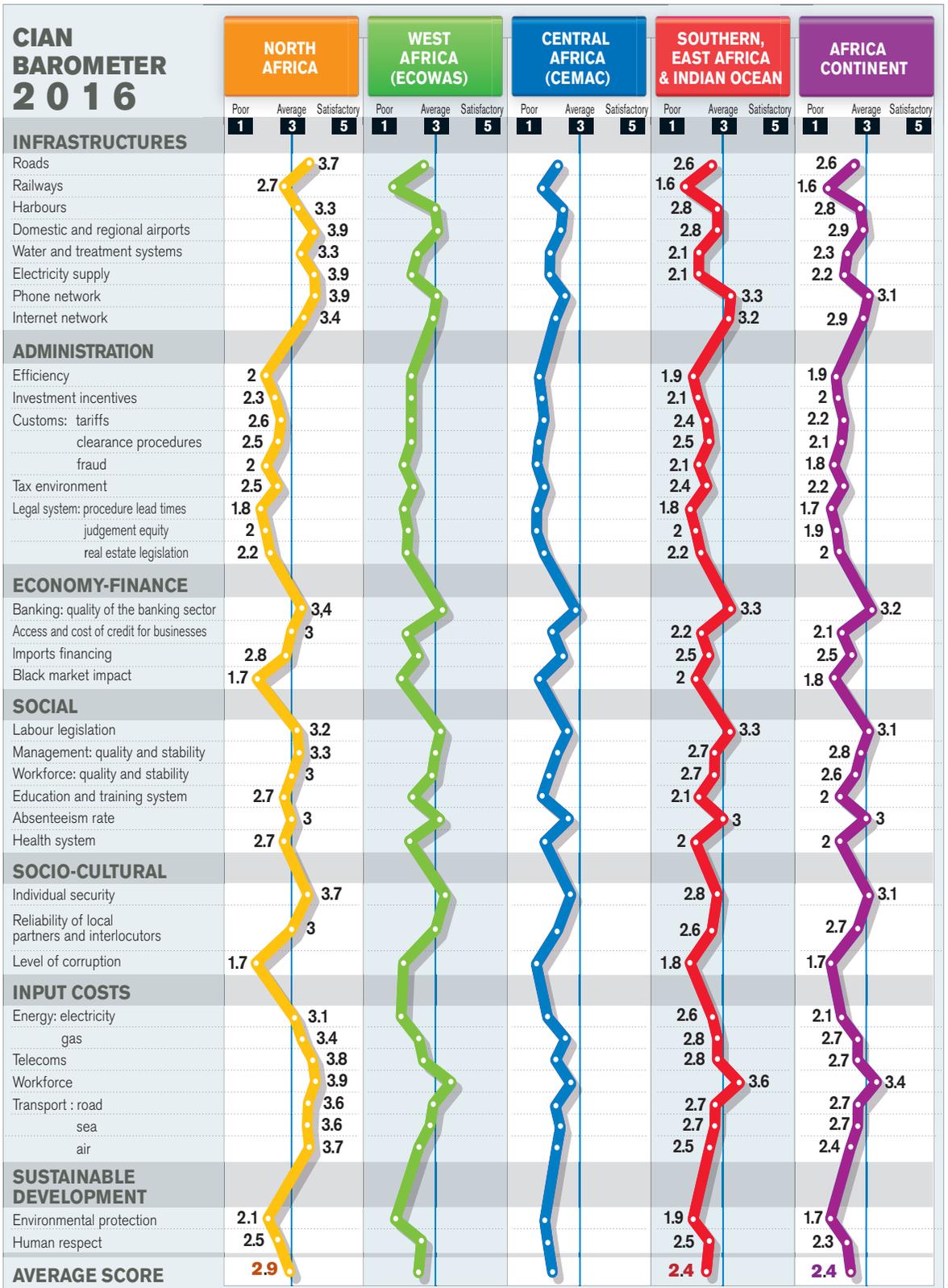
Central Africa



Southern and East Africa and the Indian Ocean



ECONOMIC ANALYSIS BY ZONE AND COUNTRY



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On the other hand, 41% of company heads in DRC and Angola are preparing for negative results in 2016, along with nearly all of them in Chad (86%).

Payment arrears and debt (local public and private sectors together) are a little higher in 2016, with 32% of company heads considering they are too high, compared to 25% in 2015. However, the situation is bad in the Congo, Gabon, Equatorial Guinea, Kenya and DR Congo, where Government debt is considered to be high by at least 50% of the companies that responded.

2/ The business environment

The overall assessment of the business climate on the continent is stable at 2.4/5, i.e. below the average. Of the 34 countries studied, 16 obtain a score higher than 2.5, including all the North African countries except Mauritania, 4 out of 10 West African countries and two-thirds of the SEAIO countries assessed. All the Central African countries and 6 out of 10 countries in West Africa are below this average score.

Looking at the complete list of countries, Morocco is comfortably in the lead with an improved score of 3.8, followed by Mauritius at 3.7. Djibouti, Algeria and South Africa are close to the average (2.9) as is Angola, which has made strong progress in this year's survey. Chad, DRC and CAR obtain the

lowest score (1.6), with Chad seeing a considerable reduction in its score in the 2016 assessment compared to the previous year. The business climate in Burundi and Mauritania is also considered to be more difficult in 2016.

It's true that many of the items measured (quality of infrastructures, the efforts of the administrative authorities, social and socio-cultural environment, etc.) take a long time to change as they require heavy investment for the country and a change in public policies and even in society. However, we note North Africa's continued progress in terms of infrastructures. Following improvements to the road network from 2014, we are seeing a consolidation in all the infrastructures that we have assessed: transport networks, water and sewage systems, electricity supply, etc. The infrastructure profiles of the other three regions have changed little. The telephone network is considered to be satisfactory overall, with a more efficient Internet network in SEAIO and North Africa, whereas the rail network is a weakness virtually everywhere as it is underdeveloped. The coastal countries are generally given a positive assessment for their ports.

North Africa also stands out for the greater satisfaction expressed concerning its banking sector, whereas there is no change to the assessment for the other regions.

Assessment of the business environment

Average score per region/country

	Note > 2,5/5			Grade < 2,5/5	
	2016	2015		2016	2015
Morocco	3.8	3.5	Benin	2.4	2.2
Mauritius	3.7	3.3	Cameroon	2.4	2.4
South Africa	2.9	2.9	Ivory Coast	2.4	2.3
Algeria	2.9	2.6	Niger	2.4	2
Djibouti	2.9	2.7	Gabon	2.2	2.3
Angola	2.8	2.1	Equatorial Guinea	2.2	2.4
Ghana	2.8	2.7	Mali	2.2	2.2
Egypt	2.7	2.7	Mauritania	2.2	2.7
Kenya	2.7	2.7	Congo	2.1	2.3
Uganda	2.7	2.9	Guinea	2.1	2.1
Senegal	2.7	2.6	Madagascar	2.1	1.9
Zambia	2.6	2.6	Mozambique	2.1	2.4
Togo	2.6	2.7	Nigeria	2.1	2.2
Burkina Faso	2.5	2.5	Tanzania	2.1	2
Ethiopia	2.5	2.6	Burundi	1.8	2.3
Tunisia	2.5	2.9	CAR	1.6	1.6
			DR of Congo	1.6	1.6
			Chad	1.6	1.9

ECONOMIC ANALYSIS BY ZONE AND COUNTRY

The criteria linked to the administration are given low scores, with the highest below the average; they are even tending to decrease (apart from customs tariffs). Company heads are not satisfied with the efficiency of the administrative services, investment incentives, the customs, delays in the legal system, etc. In the free comment sections, some note that the reality is very different from what is put out in government statements and that there's a great deal of progress to be made. We should also mention the level of corruption, which is still an acute problem across the entire continent, except in Djibouti, Mauritius, Ethiopia and Morocco, according to those who responded to the survey. Considering that the continent is still largely in a development phase, one could expect to see relatively low operating cost factors favourable to companies. This is not the case in countries where infrastructures are inadequate. For example, the cost of electricity (particularly high in West Africa

and Central Africa, scoring 1.7 and 1.8), linked to availability and service quality, and the cost of transport, linked particularly to the journey time, weigh heavy on budgets. In certain countries, the only factor considered to be positive by company heads is the cost of labour.

As this broad review of the exogenous criteria affecting companies shows, the latter are doing business in a complicated environment that provides few incentives, but they cope with this by reaping rewards from the risk they have taken, as can be seen in the profitability assessment. The experience acquired over the long term and the business network that they have gradually developed are key factors for success that allow them to survive, even when the economic situation becomes strained, as in 2016.

*Survey and analysis by CIAN.
Sandrine Sorieul,
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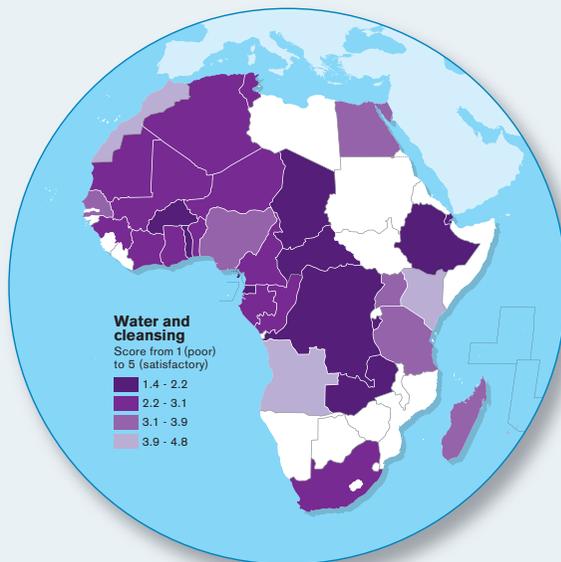
Business environment in 2016

In responding to the CIAN survey, the head of the company gives his perception of the business environment in the country in which he is operating, qualifying 39 criteria, spread across 7 headings, as poor (1), average (3) or satisfactory (5):

- infrastructures: 8 criteria
- administration: 9 criteria
- economy and finance: 4 criteria
- social: 6 criteria
- socio-cultural: 3 criteria
- input costs: 7 criteria
- sustainable development: 2 criteria

The overall CIAN Barometer graph presents the results by large geographical zones. The maps show the assessments given for a few major criteria. On the following pages, the country factsheets summarise the strengths and weaknesses of the business environment in the 34 countries assessed this year.

WATER AND CLEANSING

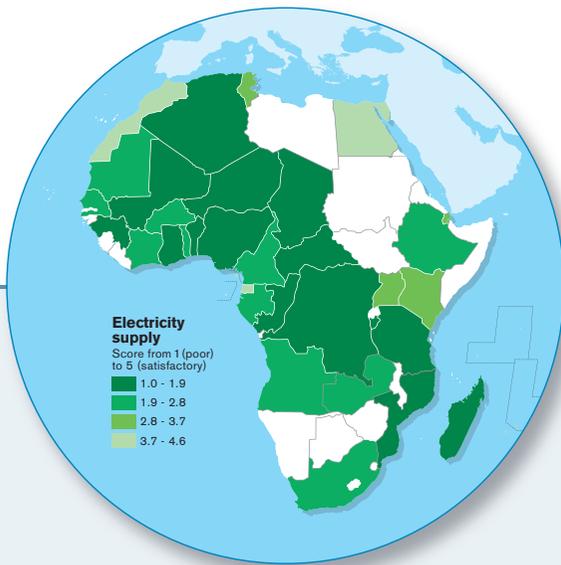


THANKS

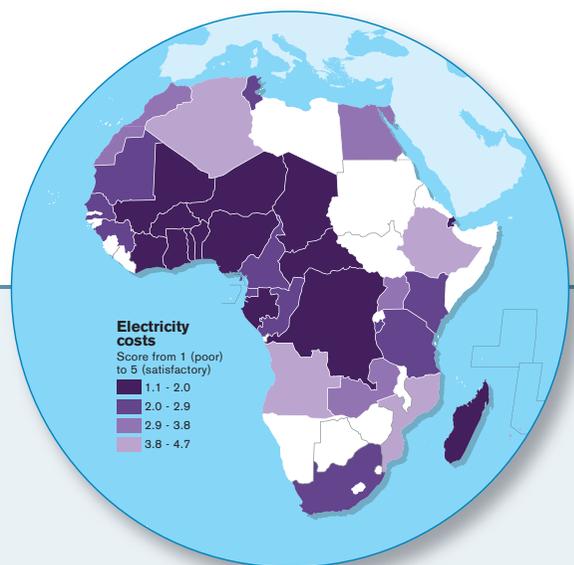
Many thanks to all the company heads who took the time to respond to the CIAN survey, along with all the organizations that helped to distribute it locally: CIAN members, external trade advisors, local French chambers of commerce and industry, employers' organizations and French economic missions and embassies.

This direct testimony from people working in the field is a vital source of information for investors, local authorities and international organisations involved in Africa's development. It allows CIAN to pass on the concerns of private companies to the French and international economic authorities.

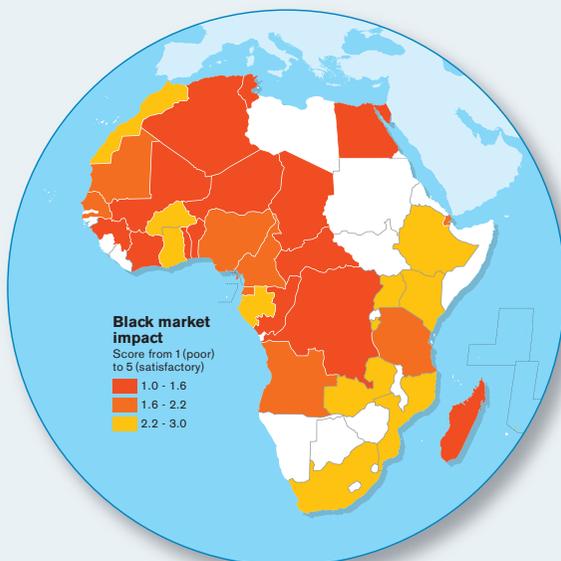
ELECTRICITY SUPPLY



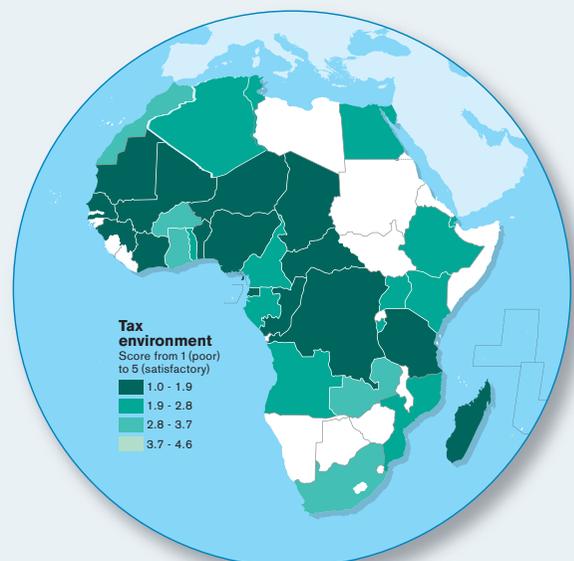
ELECTRICITY COSTS



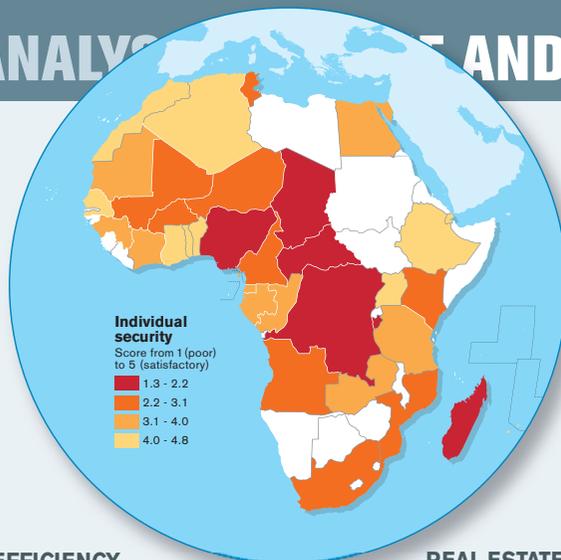
BLACK MARKET IMPACT



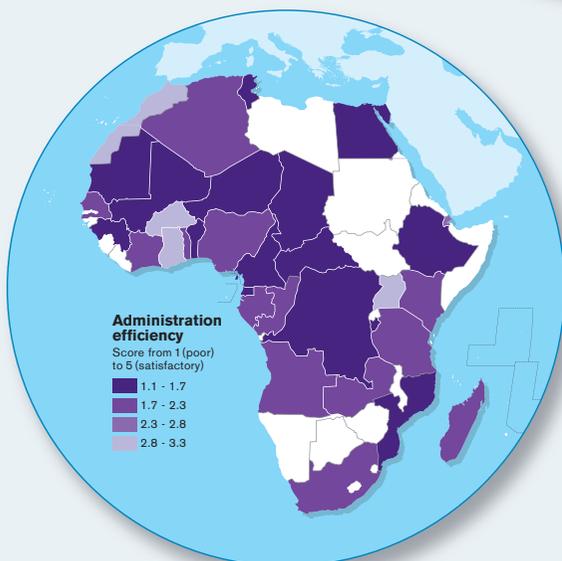
TAX ENVIRONMENT



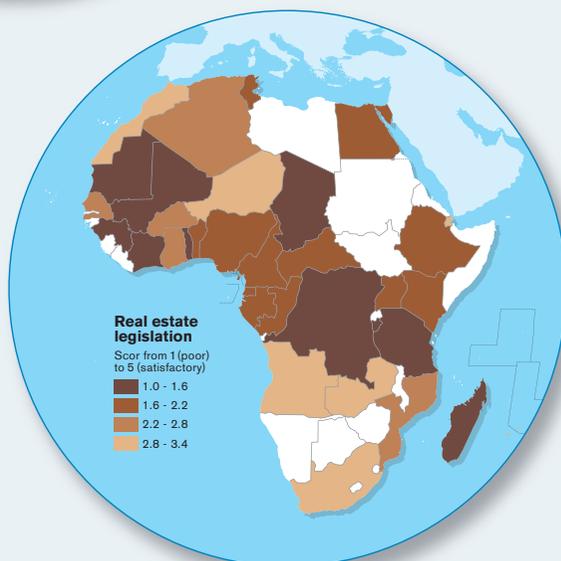
INDIVIDUAL SECURITY



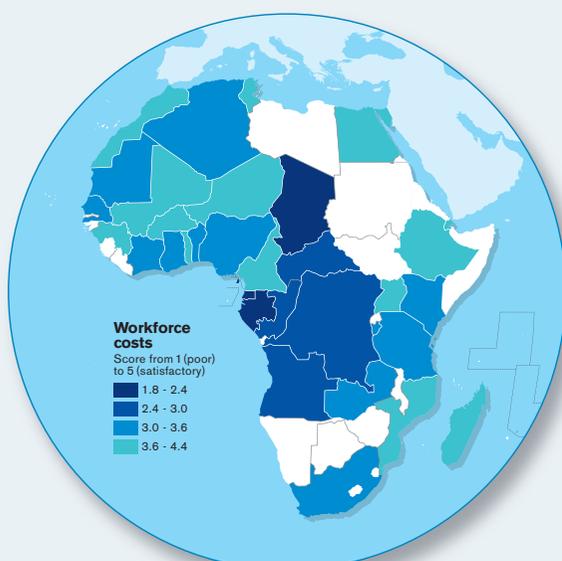
ADMINISTRATION EFFICIENCY



REAL ESTATE LEGISLATION



WORKFORCE COSTS



EDUCATION AND TRAINING SYSTEM

