

Gauteng can be the FDI hub of Africa

Gauteng can be the foreign direct investment (FDI) hub for the continent, with Johannesburg being the "New York of Africa", because of the proportion of companies, both local and multinational, headquartered there and venturing out to the rest of the continent in search of growth.



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This was said by Professor Ronald Wall of Wits University and the University of Rotterdam in Holland, who addressed the Gauteng Infrastructure Investment Conference.

The key to changing the face of the continent's cities is an ability to attract FDI. According to the report by the *fDi Intelligence* magazine, between January 2011 and December 2016, Gauteng attracted a total of 460 FDI projects worth R150bn into its economy.

South Africa's FDI forecast for the four years to 2021 remains nowhere near the peaks reached before the 2008 global financial crisis and relative recovery in 2012, induced by infrastructure spending.

Wall said Gauteng and other African cities need to strengthen their urban core and improve food security and public transport to become viable investment destinations.

Wall has studied the top 2,000 investments across 200 cities in the world to understand FDI flows and what drives them.

The report forms part of the *UN State of the Cities Report 2018*, which is due for release towards the end of this year.

He notes that cities currently account for 70% of the world's GDP and in Africa, Johannesburg, Lagos and Nairobi are already examples of this. Wall also pointed out those cities like Johannesburg "need to leverage urbanisation for structural transformation - while supporting the sustainable transition of informal to formal economies".

Wall's research shows that between 2003 and 2016, Johannesburg was second to Cairo in Egypt in volume and growth in FDI, but Johannesburg is having positive growth ahead of the Egyptian capital. This is possibly partly due to the Arab Spring uprisings in 2010.

FDI between African cities has intensified between 2003 and 2016, with Johannesburg leading, followed by Casablanca in Morocco, Lagos, Nairobi and Cairo. The top destination cities are Cairo, Johannesburg, and Tangier in Morocco, Casablanca and Lagos.

Wall then assessed Joburg's true competitors for FDI. These include market size, the ease of doing business, education and skills level, wages and income distribution and the level of sophistication of its legal and financial system.

He found that Joburg's top competitors are Bogota in Colombia, Chicago in the US, Istanbul in Turkey, Delhi in India and Buenos Aires, Argentina. On the continent, its competitors in order are Cape Town, Casablanca, Nairobi, Cairo and Lagos.

Wall says the leading factors that attract FDI in Africa are domestic or regional market growth potential. Proximity to markets or customers and the regulatory climate are the second and third most important.

A skilled workforce and infrastructure and logistics rank above natural resources and lower costs as factors of attractiveness.

But Wall said Africa needs to raise its population skills level in order to attract production driven FDI.

Other factors that draw FDI to Africa and Johannesburg in particular are political stability, creditworthiness and credit availability and the participation of women in the mainstream economy, which gives Africa an edge over certain Arab Muslim countries, where theocracy stifles the participation of women in economic life.

Source: Business Day

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