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Johannesburg, London - Regulation and governance are key factors shaping investor experiences and business success across sub-Saharan Africa (SSA). This is according to a new report from leading global law firm Hogan Lovells.

The report - ‘Drivers of Growth and Investment in Sub-Saharan Africa’ - which was produced for Hogan Lovells by global analysis and advisory firm Oxford Analytica, explores the nature, scale and direction of SSA’s current growth phenomenon. It looks at what political, economic, social and business factors are driving or constraining current and future investment.

The report found that Africa’s reliance on raw commodities exports and on unpredictable portfolio capital flows means that the region’s outlook is more contingent on shifting global economic conditions than most other developing regions. This creates some vulnerabilities, including a job market that is highly cyclical. However, the report also highlights that the region has enjoyed sustained economic performance for over a decade, with average GDP holding at 4-6% a year. In addition, nine of the top 20 fastest growing economies globally are in SSA and the region has a rapidly expanding service economy.

Commenting on the report, Andrew Skipper, Head of the Africa Practice at Hogan Lovells, said: “This report demonstrates that there are still many potential constraints to growth in Africa but that the outlook for investment in Africa is optimistic overall. Despite the well-documented political risks, regulatory problems, shortfall in reliable electricity and the skills deficit the region is expecting average GDP growth rates to continue to attract investor interest. Moreover, investment in such a complex and challenging environment can lead to considerable innovations, as well as high rewards and yields for the right investments.

“The report makes it clear however that there is still considerable distance to be travelled in improving legal and regulatory frameworks, but that fairly dramatic improvements in the business and investment climate are possible with relatively few reforms. Regulatory reform
can act as a catalyst for growth. Investors will continue to need expert insights into the governance of particular sectors in order to fully understand the diversity and complexity of investing in Sub-Saharan Africa.”

The report focuses on trends in key sectors: mining, energy, private equity, agri-business, manufacturing and financial services. It found that:

- There is greater diversity of players in African business, even if regional business is dominated by Nigerian, South African and increasingly Kenyan firms and business people – the new map of business players goes well beyond the BRIC countries and Turkey and the Gulf countries are increasingly important to Africa
- Governments are putting considerable effort into formalising parts of the economy dominated by informal traders and providers
- Young, fast-growing and under-served urban populations in major markets are generating sustained home-grown demand for consumer products and services
- Most governments have failed to foster significant shifts in agricultural productivity
- Transformative gains are possible, especially where policymakers are able to create the conditions for sustainable development.

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