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Perceptions versus Brightening Reality: Unpacking Business Opportunities in Africa through Five Lenses

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Executive Summary

In 2022, the African Centre for the Study of the United States at the University of the Witwatersrand in Johannesburg, South Africa inaugurated the first annual U.S. Business in Africa Awards (USBAA). One of the goals of the award is to change the narrative on doing business in Africa by offering an accurate representation of the continent. This paper provides an evidence-based foundation for that narrative.

Risk perception is highly asymmetric across geographic regions of the world. Compared to other regions, the continued perception of Africa in the U.S. as a high-risk investment destination constitutes a major drag on value creation via two-way trade and investment between both regions.

Knowledge about business opportunities in Africa is limited in the U.S., giving rise to high transaction costs, disproportionate weighting of perceived risk, and asset mispricing. This has implications for private capital mobilization.

The potential for U.S. businesses to take advantage of Africa's investment opportunities is tremendous. However, to maximize existing opportunities, U.S. businesses must first address the issue of information asymmetry, which affects risk perception and decision-making regarding investment opportunities on the continent.

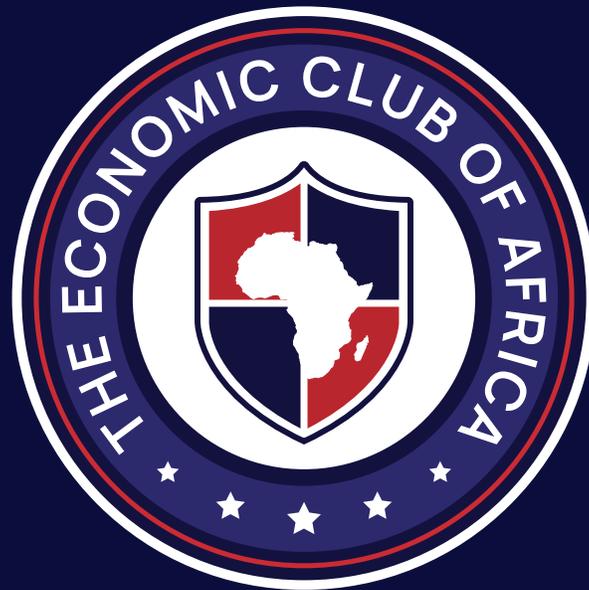
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We do not purport to provide an analysis that would allow any company to decide whether to enter a given African market – that would require detailed industry-, country-, and company-specific analyses. Instead, we provide a basic understanding of five broad areas that will be important to offer a balanced perspective for any business entering an African market to mitigate the information asymmetry associated with doing business on the continent:

1. Labor market
2. Spending and income
3. Governance performance
4. Investment
5. Africa's diaspora capital

While important advances have been made over the past decades, they have not translated into economic prosperity across countries on the continent. This variation in progress translates into variations in opportunities both within and between countries. Nonetheless, the opportunities for businesses looking for profitable investments are available and those companies that are able to capitalize on them are likely to open doors to some of the fastest growing economies in the world. This paper provides some insights into broad factors that will affect business decisions

Businesses considering opportunities to enter or increase investments in Africa will need more specific motivations. While some of the discussion in this paper centers on Africa as a continent, there are significant differences in the economies, governments, and people across the continent. Those differences and their implications are highlighted in much of the discussion.



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