

# **Foreign Direct Investment by African Countries**

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## Foreword

UNCTAD, supported by INWENT, brought together researchers and experts on foreign investment data in Africa to:

- assess foreign direct investment trends in Africa,
- highlight the role that timely and accurate FDI can play in supporting policy analysis
- discuss policy implications for strengthening FDI.

The first and third of these objectives, for good policy and for good understanding of trends, place significant demands on the data, which statisticians must satisfy. Good data must be not only accurate and timely, but relevant. But on the other hand, the data will not be good if the users and analysts do not see their relevance to policy. Statisticians and Investment Offices will not put in the necessary effort at collection, checking, and understanding, unless the data have a clear use and an identifiable user.

One of the points that came out of information about developed countries' experience in compiling data was how much particular policy concerns determine which data are important to policy makers, in different countries or at different times. One example: The importance of natural resources in investment in Africa means that correct identification of costs and benefits is both particularly important and particularly difficult, as the resources are exhaustible. It is an area where political interests and worries are always present. Statistics must respond to these needs; the standard tables that a country or international agencies require are attempts to guess what will be most important to most people, but will not fit any country exactly.

Other current policy debates, include regional integration, dependence on particular investors, and the potential vulnerability to unexpected inflows and outflows, particularly when liabilities are short-term. The one regional and seven country case studies included as annexes highlighted the relevance to particular countries, and attempt to use the data which are now available to contribute to some of the policy questions.

There are some clear priorities:

1. To identify the **substance** of a situation. Varying definitions and varying company structures may make it difficult to compare data. As well as conventional data, therefore, analysts must ask: who are the ultimate owners? What is the most appropriate sector for a complex company?
2. To identify the most **important investors**. Much information on FDI comes from surveys and interviews, where each company must be treated separately. How many must be included to get most of what policy makers need? This requires a cost-benefit analysis, but one done by judgement because, as always with a sample, it is only possible to deal with probabilities.
3. To ensure that companies **understand** what data are needed, and why. This is partly a question of substance, of explaining the uses demonstrated in these

papers, but also of understanding: both the words and the concepts of balance of payments data differ from company language. This requires trials and revisions.

4. To make companies willing and interested in providing good data (not giving the forms to the newest member of staff, or putting them at the bottom of the pile). This is partly a matter of showing how they are used, so explaining and talking. But it is partly a matter of presentation: asking only what is needed to know; asking only questions relevant to a respondent; finding technical solutions to organising surveys and requests for information (new electronic possibilities can alter old patterns, so this is not a one-off question).
5. To give attention to data problems such as **valuation** and **retained earnings**.
6. To understand the implications of **timing**: investment is a long term process, not an instantaneous one at the moment of announcement or of recording in company accounts
7. To use **multiple sources of data**, and to reconcile them. These include company data and balance sheets (where available, for example from subsidiaries), surveys, information from other government entities, information from other countries, information from other parts of a company.
8. To **check and find cross checks**. The papers presented at the meeting demonstrated how this could be important, with conflicts between country and multilateral data. The next step, as always, has to be to look at the sources, assess their reliability, and find supplementary sources. People for whom the data are important will make more effort, so if the source is from an organisation or country which really needs those data, it is more likely to be reliable.

Foreign investment is highly particular. It is lumpy. It is not like trade where the principal element is counting. In all countries, including the largest and most developed, the number of major companies is small enough that they can literally be listed. The importance of the major companies to the economy is large enough that each is a significant element in the data. This means a different approach, with much more direct contact. This raises questions of the role of trust on both sides: the companies need to learn to rely on the statisticians to use the numbers for statistics, and not for taxation or regulation. It means that the statisticians must learn how to interpret what they are told. It also means different ways of treating the data, with problems of confidentiality.

Closely related to the questions of trust are problems of bias. Can statisticians trust the companies to want to give accurate data (even before the problems of what they can do)? Do they trust governments not to use the data for taxes or will they underestimate? Or will they overestimate, perhaps for reasons of prestige? UNCTAD believes that most African data are underestimated, but we need more analysis to know if this is true and whether it is more true of African data than others. Many of both the methodological reasons, like lack of data on retained earnings, and the trust reasons apply as much in other areas as in Africa.

The exchange of experience in these papers and at the workshop suggests some ways of improving our information. There was much emphasis on the importance of **experience** and **trial and error**. But these can be supplemented by technical training, and by more systematic ways of learning from the experiences of others.

The questions asked by the participants and their answers to each other provided some practical information about what works, and what has not worked. The participants therefore decided to try to find ways of ensuring regular exchange of experiences, and as a first step to publish the presentations in this report.

# **I. Trends and determinants of FDI**

**by**

## **African Countries**

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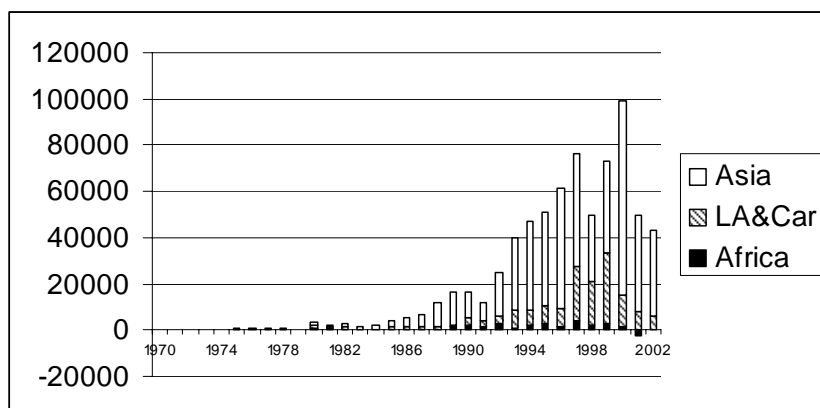
## 1 Introduction

Foreign Direct Investment (FDI) from developing countries has risen sharply over the past two decades. This has been noted by several authors since the early 1980s (Lall, 1983; Kumar, 1995; Page 1998; Aykut and Ratha, 2003, and UNCTAD, 2004). Most FDI has been by Asian firms establishing footholds in other Asian countries but there has also been investment in developed countries such as the EU. Total investment by developing countries began to rise from about 1% of total foreign investment flows in the late 1970s to 4% in the mid 1980s and 6% by 1990, and after a peak in the 1990s before the Asian crisis, has remained around 6-7% of the total. The rise coincided with the reduction in the large differential between developing and developed country growth found in the 1970s and with a reduction, in some cases a reversal, of relative protection in developed and developing countries (revival of protection in the developed countries; liberalisation in the developing). It also coincided with some reduction in the growth of outflows to developing countries, suggesting that the same influences were affecting flows in both directions. South-South flows are estimated (as a residual, and noting challenges regarding data and methodology) to have risen from 5% in 1994 to 30% in 2000 of the total FDI inflows to developing countries, see Aykut and Ratha (2003).

With the exception of South African investment, there is little FDI stemming from Sub-Saharan Africa. Accordingly, little has been written about African outward FDI. African investment is still only 0.2% of the total, and only about 3% of total developing country foreign investment (UNCTAD WIR 2004). Although Africa in total has a share of inward investment in total capital formation which is only slightly below average for developing countries, the ratio of outward investment to capital formation is low.

Some transnational companies have begun to emerge in developing countries, and they now account for about 7% of the total TNCs (UNCTAD WIR 2004). But again the chief investors are Asian (East and South), plus Brazil. Only South Africa has some companies represented among the top 50 developing country companies (7 in 2004, of which 4 are in the table for the first time).

**Chart 1 Developing country outward FDI (US\$ million)**



Source: *UNCTAD WIR 2004*

The faster growth and relative shortage of capital in developing countries would suggest that developing countries are more likely to be net recipients of investment than net investors, although more firm-based or industrial explanations for investment mean that this need not imply that there will be no outward flows. But Africa has, at least until recently, grown more slowly than other developing countries (table 1 and Appendix table 27) so that the implications for net investment flows were less clear. In the last few years, the revival of prospects for commodities (as a result of the emergence of China as a major purchaser) has transformed Africa's apparent prospects and relative position. Therefore, conclusions about both the size and the sectoral composition of African investment are likely to be more than usually provisional. Africa has gone from having the slowest growth in its exports of the developing regions (and slower than the average for developed countries) to being second only to East and South Asia, suggesting major potential changes for trade-related investment.

**Table 1 World output and export growth 1990-2004 (percentage)<sup>a</sup>**

World output growth, 1990-2004 <sup>a</sup>						
	1990-2000 <sup>b</sup>	2000	2001	2002	2003 <sup>c</sup>	2004 <sup>d</sup>
World	2.3	4.0	1.4	1.7	2.6	3.8
Developed countries/ regions	2.4	3.5	1.0	1.2	2.0	3.2
Transition economies	-2.5	6.8	4.5	3.9	5.9	5.9
Developing economies	4.9	5.6	2.4	3.5	4.5	5.8
Africa	2.5	3.2	3.6	2.9	3.5	3.9
Export volumes of goods, by region and economic grouping, 1990-2003						
	Export volume					
	1990-2000 <sup>b</sup>	2000	2001	2002	2003	
World	6.0		-0.2	2.6	4.9	
Developed economies	5.3		-0.9	0.6	1.5	
Developing countries	7.6		0.6	6.2	10.8	
Africa	3.4		2.2	0.8	7.5	
Latin America	9.3		2.7	0.2	5.2	
West Asia	5.3		3.3	-5.0	3.3	
East and South Asia	8.1		-0.8	10.5	14.0	
Transition economies	6.6		8.2	8.1	12.4	

Source: UNCTAD Trade and Development Report 2004

<sup>a</sup> Calculations are based on GDP in constant 1995 dollars

<sup>b</sup> Average

<sup>c</sup> Preliminary

<sup>d</sup> Forecasts

This paper will try to pull together what is known about African outward FDI. While many of the issues apply to total outward FDI, we will distinguish between intra Africa outward FDI and African outward FDI to outside the region. The next chapter will discuss the various motives suggested by theoretical analysis of the reasons for investing abroad, and the implications of these for what we might observe. The third chapter will present the data and some case studies on total African investment. Chapter 4 will describe African investment within Africa, analysing whether the explanations suggested by theory seem to apply. It will concentrate on the countries which are consistently the principal African investors by value: South Africa, Botswana, and Ethiopia, or by share of gross fixed capital formation: including Botswana, Ethiopia, Malawi, Mauritius, and South Africa. It will also look at the small number of cases where this is becoming an important economic force in the host

countries. These include Mozambique, Uganda, Tanzania, Malawi and Zambia<sup>1</sup> The following chapter will examine the much more limited evidence on African investment outside Africa, and whether that can be explained by general theory. The analysis can only be done qualitatively because of the lack of data and the limited number of investing countries. Finally, we will ask if some conclusions can be drawn on the most important explanations of African investment, and the implications of this for the directions and sectoral distribution of such investment.

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<sup>1</sup> Because of lack of data we cannot examine Nigeria, Liberia, and Libya which are becoming significant investors

## **2 Theoretical explanations of developing country FDI**

### **2.1 Explaining developing country foreign investment**

Neo-classical researchers regard FDI and international capital flows as closing the savings gap in developing countries (e.g. Chenery and Bruno, 1962). We would expect capital to flow from capital rich to capital poor countries, as is suggested by developments in the Heckscher-Ohlin approach to trade by Mundell (1957), because capital is scarce in developing countries which should lead to profitable investment opportunities for capital in developing countries. On this view there should be no outflows from Africa.

However, FDI represents control of production as well as a flow of capital, and it is influenced by other factors as well. In the traditional trade approach, trade and FDI might be seen as substitutes, but as other factors affect FDI, such as technology and firm-specific assets, they may also be complements (Markusen, 1984 and 1995). Examples of firm-specific assets are brand names (acquired through advertising) or firm specific knowledge (acquired through R&D). On this view African outward FDI would still be limited, because they do little research and spending on advertising, with the possible exception of South Africa.

Recognising that there are other reasons for FDI than differences in factor endowments and factor prices, trade economists have begun to embrace increasing returns, imperfect competition and product differentiation in addition to the traditional comparative advantage paradigm and where multinationals have been incorporated and made endogenous. The first attempts were by Helpman (1984) who integrated vertical multinationals and Markusen (1984) who integrated horizontal multinationals into the trade theory. Vertical multinationals separate production geographically into different plants to intra-industry trade. Horizontal multinationals are multi-plant firms selling similar products in different locations. Markusen (1997) presents a unified approach to vertical and horizontal multinationals. Horizontal Multinational Enterprises (MNEs) dominate if nations are similar in size and relative endowments and if transport costs are high. Vertical MNEs appear with headquarters in the skilled labour abundant country, provided that transport costs are high enough. National firms dominate if both trade costs are small and the home market is large enough: in this situation it makes sense to incur the fixed costs of setting up only one plant, from where to export. Within this framework it can be shown that trade and investment liberalisation are not substitutes and the two taken together may lead to a reversal in the direction of trade. Carr et al. (2001) provides a good empirical test of the framework, clearly showing the complexity and non-linearities affecting FDI and hence the relationship between trade and FDI. On this view, African outward FDI (particularly intra-Africa) will grow, but only in the future as incomes in Africa rise and their economic structures become similar.

International business economists (see Dunning, 1993) have explained the emergence of TNCs using an eclectic paradigm for FDI, the Ownership-Location-Internalisation (OLI) framework. Multinationals need to have some firm specific asset that differentiates them from domestic firms to compensate for the extra costs in terms of local knowledge that a foreign firm must incur to operate in foreign markets. The firm

specific asset is called an ownership (O) advantage. Multinationals should also have an internalisation (I) advantage to internalise business contacts, and not to outsource. The reason why a multinational invests in one country but not in another depends on the country's locational advantage (L). The OLI framework explains FDI on the basis of ownership-specific advantages of the firm, internationalisation incentives and locational advantages. Dunning then defines four types of TNCs:

- market-seeking (TNCs that serve market through investment rather than through exports)
- efficiency-seeking (e.g. TNCs using low labour costs)
- natural resources-seeking
- strategic asset seeking (seeking technology, skills or take over brand names)

Using this classification, African investors are more likely to invest in order to seek markets or for strategic reasons, and especially the latter is more likely to be out of Africa. African's are less likely to invest outside Africa for efficiency reasons (it has relatively low wages, though there is disparity as we will note later) or for natural resources (Africa has an abundance of natural resources). We also need to take into account policy factors (trade, investment, privatisation) as these have changed dramatically within Africa.

Aykut and Ratha (2003) also discuss factors behind the rise in South-South flows, and distinguish between pull and push factors but do not deal with the African context (with the exception of South Africa).

Push factors include:

- rising wealth in emerging markets
- rising cost of labour and non-tradables
- breaking up domestic monopolies
- new technology and communications improved information sharing and reduced transaction costs
- strategic, desire to procure inputs such as oil
- capital account liberalisation regarding outward FDI, changes in trade barriers, regional trade agreements, and government policies encouraging outward FDI.

Pull factors include:

- Large and growing markets
- Geographic proximity and ethnic and cultural ties
- Supply of cheap labour
- Abundance in raw materials
- Incentives in host countries, preferential treatment of foreign companies, and export markets through preferential treatment.

In this paper we will attempt to explain changes in outward FDI by Africa through the lens of the following factors (building on Page, 1998):

- 1 Relative growth rates. If Africa is now growing less slowly than other regions, then logically speaking investors would take advantage of that; or African

countries with faster growth rates should receive more African FDI than African countries with slower growth (e.g. due to conflict).

- 2 Relative market size. The size of Africa's markets is relatively small, individually and to some extent for Africa as a whole. There are large markets outside Africa which can be served by FDI (or trade). Outward investment should be relatively high, and within Africa should go to larger economies
- 3 Level and changes in relative protection. Tariff-jumping is said to be one motive behind FDI (Brazil to Europe, also from Asia to Europe, see e.g. Page 1998 and Kumar, 1995), and with tariffs for many African countries higher than in developed countries, this could lead to African outward FDI in other African countries. But the growing importance of regions in Africa which have reduced intra-African barriers could have reduced this incentive. although the high cost of transport in intra-African trade (estimated at equivalent to pre-liberalisation tariffs) may mean that there is still an incentive to invest near to markets.
- 4 Regional influences. Regionalisation both in Africa and in the potential destinations for its investment increases the size of markets, increasing incentives, but may reduce differences in growth rates, costs, or policies among neighbours, reducing incentives for investment.
- 5 Changes in policy and laws on inward and outward investment. Many African countries have seen changes in investment policy, including bilateral and regional investment treaties, and privatisation policy, almost all towards a more liberal stance towards FDI. This should have affected intra-Africa FDI
- 6 Changes in relative costs of production. If the level of wages or user costs of capital is higher in Africa, or if they were growing more rapidly than outside Africa this would lead to more outward African FDI.
- 7 Changes in strategy to obtain better access to technology, distribution channels or other inputs. This would lead to developing country outward FDI for competitiveness reasons (Kumar, 1995). Firm-specific assets, such as technology or management skills, may be emerging in some African firms, increasing their propensity to invest abroad.
- 8 Region specific knowledge: common characteristics are a well-studied positive influence on trading patterns, because they lower the information costs of entering new markets; this may also give African companies an advantage over non-African countries in African destinations. This is particularly important in Africa because conventional risk rating and country evaluation is less common and less comprehensive for African countries. Only South Africa is regularly rated, with some coverage at Mauritius and Botswana (African Development Report 2003).

There are also general potential influences on African investment which could help explain its direction

- 9 The links of complementarity with trade, suggesting that as African trade expands moves into markets, investment could follow.
- 10 The possibility that some African countries will emerge as particularly active in foreign investment, as some have done in Europe and Asia: the shares of FDI are much more concentrated than those of trade suggesting that there are special characteristics that make some countries more likely to be major investors
- 11 Foreign investment requires firms able to negotiate the differences in economic and legal conditions in the foreign country, or put differently, with prospective sales or cost saving sufficiently large to justify incurring the costs. Normally, such firms are larger than average. Firms must reach the critical size on the basis of home markets: this is likely to be a constraint in small economies (and most African economies are still very small compared to those of the major world investors), but as the economies grow, the number of potential TNCs will increase. The more barriers to investment come down, both direct barriers and differences in company legislation and standards, either within regions or in general, the smaller the required size for a firm to be internationally competitive.

Cost factors have reduced the relative attractiveness of developing countries, and Africa in particular, as destinations for foreign investment, although market factors have probably increased it. The importance of information and the relative lack of information about Africa outside Africa both suggest that any increase in investment in Africa may be preferentially by African investors. Policy presents fewer barriers (but perhaps also reduced incentives

## **2.2 Data requirements**

To examine how these theoretical predictions may help us to understand African investment, we need a broad range of data. We need to examine relative growth rates, market size, wage rates and costs of capital. We need information on policy stances towards FDI and towards trade, both amongst African countries and amongst African and non-African countries. We also need to know about the African companies which are investing abroad. But above all we need good FDI data on African outward FDI, to other African countries and to non-African countries, by sector and over time. As we will see in the remainder of this paper, not all data are available, and there are several difficulties with FDI data, pointed out e.g. by Aykut and Ratha (2003).

### 3 Total African outward FDI, flows and stocks<sup>2</sup>

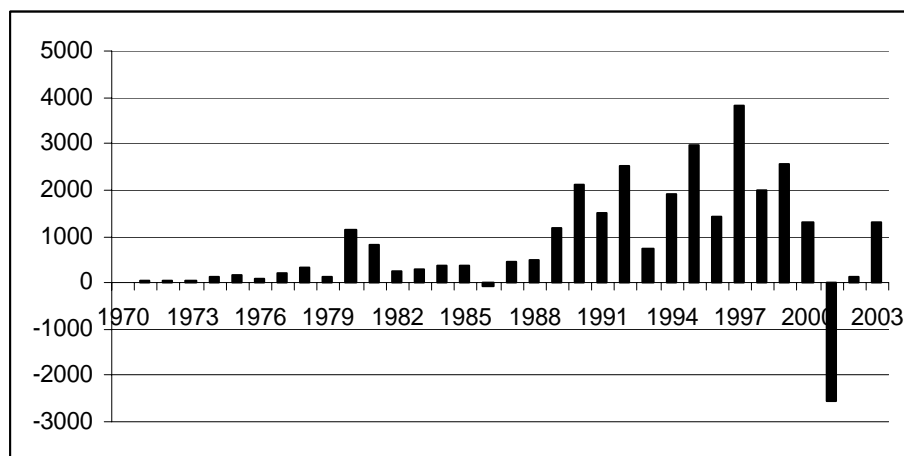
Total outflows from Africa are small, an average of \$2.2 billion a year from 1992 to 1999; \$1.3 billion in 2003 (chart 2). This is only 3.6% of total outward investment from developing countries (\$35.6 billion), and 0.2% of total world outward FDI. Almost all is from Sub-Saharan Africa, with only Libya in the last six years becoming a significant investor from North Africa (Chart 3). This is in sharp contrast to the pattern for inflows to Africa, where North Africa takes about a third (\$5.8 billion out of \$15 billion in 2003).

The figures for stocks are similar, with Africa accounting for 4.6% of stocks of outward investment in 2003, of which North Africa was responsible for about a tenth.

For all developing economies, outward stocks are equivalent to about 12% of GDP (and inward to 31%); For Africa, outward stocks are only 6.6% of GDP, although inward stocks are nearer the average at 35%. For North Africa, outward stocks are only 1.5%, while for sub-Saharan Africa they are 10%, much nearer to the developing country average.

Outflows were negligible until the 1990s when outflows began to rise. They were negative in 2001 and 2002, but were positive in 2003.

Chart 2 FDI outflows from Africa, 1970-2003



Source: [www.unctad.org](http://www.unctad.org); Appendix table 1

<sup>2</sup> Investment can be measured either in flows, the movement of capital in each period (normally yearly), or stocks, the total existing investment in a country (normally measured as the sum of previous years' flows). Flows are more likely to show any relationship to an influence that changes over time (relative growth rates, for example), but are also highly variable, particularly in small countries, because a single change by a large company can overwhelm all other flows in a particular year. Stocks are better for permanent (or slowly changing) relationships, such as relative size and relative costs of labour, and they may smooth out erratic movements, but as an indirect measure stocks derived as cumulative flows are seriously subject to measurement error.

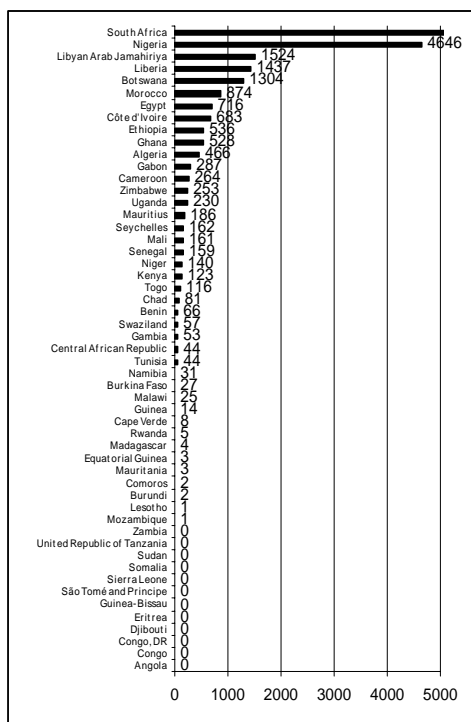
A number of charts and tables examine total outflows by country and show the following:

- In terms of FDI outward stocks, the top 5 countries in 2003 were South Africa, with more than 60% of the total, Nigeria, Libya, Liberia and Botswana (chart 3).
- In terms of FDI outflows in 2003, the top 5 include South Africa (56%), Liberia, Libya and Ghana followed by Nigeria, Botswana, Mauritius and Ethiopia (chart 3). The majority of countries invest less than US\$10 m abroad each year.
- Smaller countries are likely to have smaller flows, so we need to scale for domestic size. Chart 4 shows outward FDI flows as per cent of gross fixed capital formation in 2003. For Africa as a whole, the percentage is 1.1, slightly lower than the average for all developing countries of 2.1, because of the low figures for North Africa (average: 0.3%; Libya: 2.8%). (For south East Asia the average is 2.4%). For Sub-Saharan Africa, the average, however, is 2.8%. In 2003, the highest percentages were for Gambia (9.4%), Ghana 4.3%, Seychelles, 4%, and Botswana and Mauritius 3.2%. South Africa was 2.9%.
- Inflows are normally bigger than outflows in all countries except Liberia, Libya and Gabon (Appendix table 12).

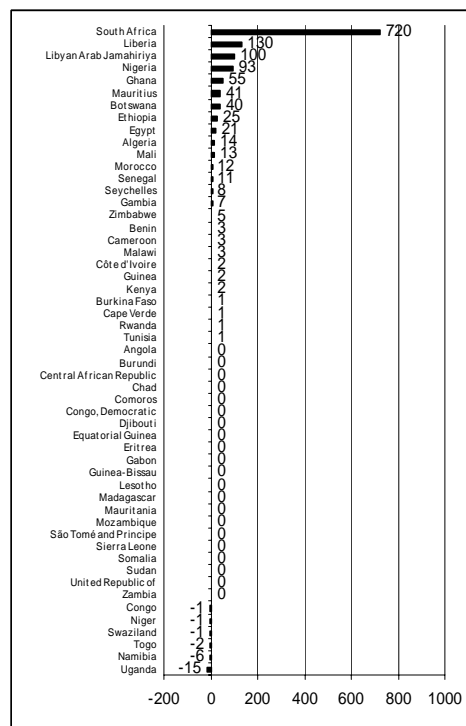
South African companies are also dominant in lists of developing country TNCs, with 1 in the top 10 and another 6 in the next 40 (UNCTAD WIR 2004). No other African company is in the list. South Africa has 941 parent corporations. Tunisia has 142, Mauritius 16, and Swaziland 12 (possibly dating from the period of sanctions when some South African firms relocated); no other African country has more than 8.

### Chart 3 Outward FDI by African countries

Stock (accumulated flows) at end 2003, US\$ million

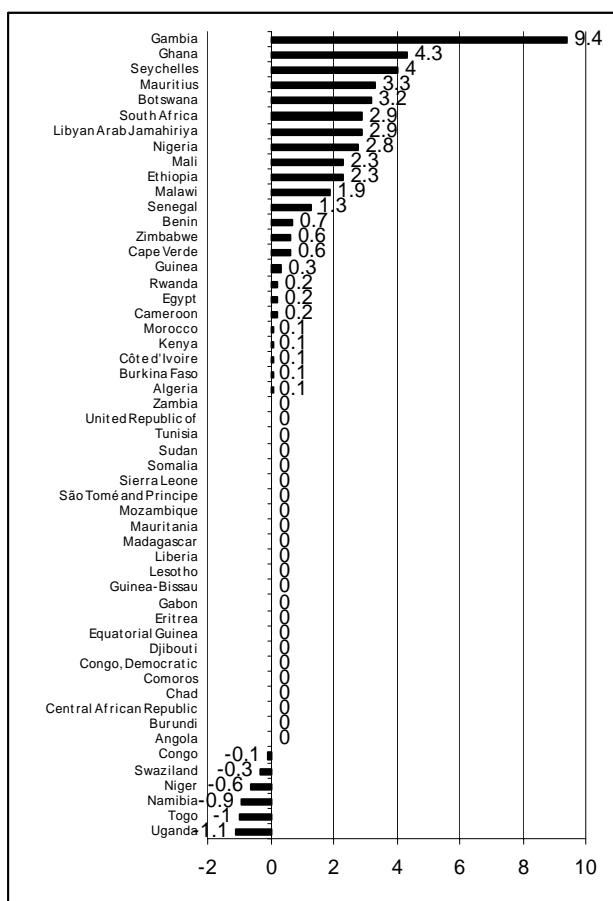


outflows in 2003, US\$ million



Source: [www.unctad.org](http://www.unctad.org)

**Chart 4 Outward flows as % of gross fixed capital formation, 2003**



Source: [www.unctad.org](http://www.unctad.org)

#### 4. African FDI outflows in Africa

Most investment in Africa does not come from other African countries, because of the important shares of the EU and the US. Total inward stocks are \$167 billion, dwarfing total African outward investment of \$40 billion. Perhaps more surprisingly, most African investment does not go to other African countries because of the very high share of South African investment which goes to the EU. This was \$15 billion in 2002, i.e. over 40% of total African outward stock. In addition, \$2.3 billion of South African investment was in the US and 0.7 billion in Australia, another 10%. Only \$1.4 billion of South African outward stocks were in other African countries, accounting for 3.6% of total African outward stock, and under 1% of total African inward stock (table 2).

**Table 2 South African outward stock of FDI (US\$ mn and %)**

	In Africa	In World	share Africa in total
1990	716	14864	4.8%
1991	635	15999	4.0%
1992	925	19052	4.9%
1993	867	18679	4.6%
1994	906	19071	4.8%
1995	1057	23433	4.5%
1996	1043	26537	3.9%
1997	1334	24563	5.4%
1998	1697	28452	6.0%
1999	1631	33213	4.9%
2000	1768	35276	5.0%
2001	1631	26899	6.1%
2002	1353	19286	7.0%

Source: Quarterly Bulletin, South African Reserve Bank

There is some evidence on what determines the allocation of investment among different African countries that is likely to be relevant to where intra-African investment goes. The African Development Report 2003 reported that, as well as the normal cost and growth variables, the ratio of public spending and of debt to GDP were negative factors, while privatisation revenues were positive (p. 106). On corruption, which it also identified as a negative influence, the highest ranked (least corrupt) African countries were Botswana, Namibia, and South Africa, but even these were well down the list (24<sup>th</sup>, 28<sup>th</sup>, and 36<sup>th</sup>). Ghana was at 50; Senegal 66, Malawi 68, and Zambia 77. Business Map (2000) attempted to classify some SADC countries according to the concerns raised by investors which it interviewed. Mauritius and South Africa 'scored' highest at about 75% (suggesting that these should be the major destinations, particularly for African investors which are the most aware of their neighbours' characteristics), followed by Botswana, Mozambique, Zambia, and Namibia, all around 60%, and then Tanzania, with Zimbabwe even then falling to 'unacceptable risk'.

The fastest growing African countries (Appendix chart 1 and Appendix table 27) include some of the major outward investors, Liberia, Mauritius, Botswana, Ethiopia, but not South Africa.

Some African regions have provisions which could be expected to affect intra-regional investment. In Central and West Africa, the common currency areas could be expected to promote investment as well as trade by reducing the costs of exchange risk, but none of their members appears in the principal investors. COMESA, the Common Market of East and Southern Africa (which includes most southern and Eastern African countries, but South Africa has not joined) has a long tradition of what would now be called ‘trade facilitation’ measures which have significantly reduced the cost of trading within the region (including common insurance and customs standards, agreements on air and other transport services, etc.) These might have reduced the need for barrier-jumping intra-regional investment, although increasing the ease of investment.

Much investment in Africa has gone into natural resources, much of it into mining and other exploitation of metals (including aluminium in Mozambique), and some intra-African investment has the same pattern. South African firms are particularly important in mining and other natural resources.

Table 3 summarises the sectoral focus of African investors, both in Africa and outside Africa based on information supplied so far.

**Table 3 Sectoral focus of African investors**

Home country	Total outward FDI	In Africa	Outside Africa
South Africa		Natural resources Infrastructure (energy, telecommunications) Financial Services Retail Tourism	Retail Media Paper / packaging
Mauritius	Finance (54%, 2000) Hotels (20%, 2000) Secondary (4%, 2000) Other (22%, 2000) ( <a href="http://www.unctad.org">www.unctad.org</a> )	Hotels, sugar in Mozambique Textiles/Clothing in Madagasgar	Trade Transport
Kenya		Beverages Trade Finance Mining	Services
Ghana Zimbabwe			Other Business services Trade

Source: own estimates from various sources

Overall in Africa, foreign investment has been increasing in services, notably telecommunications and privatised services. There has been significant South African presence in this (see below), but Egypt has also invested in telecommunications in Algeria, Chad, Congo, DRC, Tunisia and Zimbabwe (UNCTAD WIR 2003).

In order to understand the flows within Africa better, it is necessary to look at particular countries for which we have some data. This section will therefore look at South Africa, the major African investor in Africa, in spite of the low share that Africa represents in South African investment, Mauritius, Ethiopia, Uganda, Malawi, Tanzania, Nigeria, Mozambique, Botswana and Zambia. South Africa, Mauritius, Ethiopia, Nigeria, and Botswana are major investors; Uganda is a growing recipient; in Malawi, Mozambique and Zambia, South Africa is a major investor, starting to be seen as a major influence on the economy and policy more widely.

## 4.1 South African Investment in Africa

No other African country is a major investor in South Africa. South Africa is the third largest foreign investor in Africa following the UK (US\$20 billion in 2002, 1.9% of total UK investment stocks) and the US (US\$19.0 billion in 2003). Because FDI outflows are highly volatile, we show the stock of outward FDI from South Africa in the rest of Africa (table 2). Not only has the volume increased rapidly, the share of Africa in total outward FDI has also increased from 5 to 7%.

90% of South African FDI within Africa goes to Southern African countries. At the end of 2002, the stock of South African FDI was (Quarterly Bulletin)

- US\$700m in Mozambique, half the total
- US\$400m in Mauritius,
- US\$83 m in Namibia,
- US\$60 m in Zimbabwe
- US\$29 m in Botswana
- US\$27 m in Swaziland
- US\$17 m in Lesotho
- US\$15 m in Zambia.

Around US\$129 m, or just 9% of total stock of South African FDI in Africa, goes to other African countries than those mentioned above, much of it to Tanzania and Uganda (see Appendix chart 3 for other data).

While South African FDI to Africa is not very important in terms of South Africa's total FDI (7%), South African FDI *is* important for Southern African countries. South African FDI (accumulated over 1994-2003) represents the lion's share of total inward FDI for countries such as Lesotho (86%) and Malawi (80%), see table 4. South African is the top foreign investor in seven SADC countries. In 1999 South African FDI was responsible for 49% of the inward FDI stock in Botswana of which 60% was through a De Beers Diamonds subsidiary located in Luxembourg), see UNCTAD's *Investment Policy Review Botswana*. In 2003, 25% of SADC FDI was from South Africa (African Development Report, 2003)

**Table 4 South African investment in other SADC countries**

Country	SA FDI as a percentage of total FDI in the country 1994 to 2003	SA ranking as foreign investor in the country
Lesotho	86%	1
Malawi	80%	1
DRC	71%	1
Swaziland	71%	1
Botswana	58%	1
Tanzania	35%	2
Mozambique	31%	1
Zambia	29%	1
Zimbabwe	24%	3
Namibia	21%	3
Angola	1%	6
Mauritius	-9%	3

Source: The BusinessMap Foundation, reported in Humphries (2004)

Naidu and Lutchman (2004) find that South African companies have a presence in the African continent in almost all sectors of the economy (Appendix table 21).

Most South African investment in SADC is in natural resources followed by basic industries and utilities. Table 5 shows some large investments in the SADC resources sector.

**Table 5 South Africa's largest investments in SADC resources sector 2001-2003**

Year	Target Company	Target Country	Source Company	US\$m	Type
2001	Pande & Temane gas fields	Mozambique	Sasol Oil	581	New
2001	Skorpion zinc project	Namibia	AngloGold	454	New
2003	Zimbabwe Platinum Mines	Zimbabwe	Impala Platinum	85	Expansion

Source: The BusinessMap Foundation in Humphries 2004

South African companies have also been important in mining in Tanzania, DRC, Angola, and, outside SADC, in Ghana, Guinea, and Mali (mainly gold). In its immediate neighbours, including Angola and Botswana, and Namibia, diamonds remain important. 8 of 21 major investments by South Africa in Africa in 2000-3 were in natural resource sectors; 8 in services, 1 in utilities (electricity), and 2 in basic industries (UNCTAD WIR 2004).

In recent years, South African has also become prominent as an investor in telecommunications in the rest of Africa, including Tanzania, DRC, Cameroon, Nigeria, Rwanda, Swaziland, Mozambique, and Uganda. The rapid expansion of fast food outlets and supermarkets in Africa has been led by South African companies (African Development Report 2003). These are less likely to appear in lists of major investments, because they are less capital intensive industries, but are more prominent within the host economies, and hence have attracted increasing attention, and occasional opposition.

Table 6, shows some of South Africa's investments in Africa

**Table 6 South African subsidiaries in Africa**

South Africa	Zambia	Mining and quarrying	Chambishi Metals		560
	Zambia	Finance	Stanbic Bank Zambia		
	Tanzania	Beverages	SA Breweries	186	1266
	Tanzania	Banking	NBC		1100
	Mozambique	Paper	Cartanagem de Mocambique	3.0	200
	Mozambique	Chemicals	Emprese Quimica de Mocambique		
	Malawi	Finance	Commercial Bank		763
	Kenya	Finance	Stanbic Bank		125
	Uganda	Telecommunications	MTN		200
	Uganda	Finance	Stanbic Bank		99

Source: [www.unctad.org](http://www.unctad.org)

South Africa hosts a number of other TNCs, with major holdings in other African countries, see table 7. These include the South African supermarkets. Appendix table 14 gives further information on South African investments in SADC in recent years.

**Table 7 Other emerging TNCs from South Africa**

Company name	Host country	Sector
Eskom enterprises	Offices in Uganda, Nigeria and Mali; links with 32 countries	Infrastructure and energy
CS Holdings	Tanzania and Ethiopia	IT service provider
Illovo Sugar	Malawi, Tanzania, Zambia, Swaziland, Mauritius and Mozambique	Africa's leading sugar producer
Italtile	Namibia, Botswana, Swaziland, Tanzania, and Australia	World's largest buyer of ceramic tiles
Metro Cash & Carry's	Botswana, Namibia	Wholesale discounters and hypermarkets
Pick 'N Pay	Africa, Australia	Supermarkets
Protea Hotels	Nigeria, UK, Zambia and Gulf	Africa's largest hotel group
Shoprite	Zambia and Namibia (and 11 other African countries), plans for India	Supermarkets

Source: Company websites and Goldstein (2003)

Anglo Gold acquired Ashanti Goldfield in Ghana in February 2004. Ashanti had significant stakes in operations in Guinea, Zimbabwe and Tanzania. AngloGold is listed on securities exchanges in Johannesburg, New York, Australia and the London Stock Exchange, Euronext Paris and Euronext Brussels. It produces gold from 19 operations in 8 countries in the US, Latin America, Africa and Australia ([www.anglogold.com](http://www.anglogold.com)). As part of Anglo American, it has other mining interests in other African countries.

The MTN Group has so far limited itself to telecommunications in the African continent with operations in Cameroon, Rwanda, Uganda, Nigeria, Mauritius and Swaziland. MTN South Africa was awarded a national GSM 900 license in 1993 and began to expand in Africa from 1997 onwards ([www.mtn.co.za](http://www.mtn.co.za)).

In 1996, Vodacom, a cellular telephone company, began to expand into other SADC countries, including Lesotho, Tanzania, DRC, and Mozambique

Naspers, founded in 1915, has internet operations in Africa, China and Thailand through subsidiaries such as M-Web, SportsCn.com and controls satellite/pay television in Sub-Saharan Africa using various subsidiaries, joint ventures and agents. It has also expanded into Europe via MultiChoice (renamed MIH Holdings), [www.naspers.com](http://www.naspers.com).

Barlow was founded in 1902, and by the 1960s had expanded into many areas such as motor vehicle retailing, steel and building materials handling equipment, consumer electronics and steel manufacturing and selling. Based mainly in South Africa, Barlow also acquired trading interests in the UK, Zimbabwe, Botswana and Namibia. In 1969 Barlow lists its shares on the London Stock Exchange. By 1979 it acquired Wrenn Brungart in the US. The 1980s and 1990s saw further expansion into UK, US, Australia, Spain, Belgium and Portugal. Sectors include Equipment, Industrial Distribution, Motor, Cement and Lime, Scientific, Coatings, Steel Tube and others. ([www.barloworld.com](http://www.barloworld.com))

Nampak Limited, Africa's largest packaging manufacturer, has interests in major packaging companies in several African countries (Ethiopia, Kenya, Malawi, Mozambique, Nigeria, Namibia, Swaziland, Tanzania, Zimbabwe and Zambia).

In banking, Standard Bank has investments in 16 African countries, of which 10 are in SADC, including Namibia, DRC, Lesotho, Mozambique, Tanzania, Zimbabwe, Swaziland, Zambia, Malawi, and Botswana. ABSA has taken over banks in Tanzania and Mozambique. In retailing, Shoprite is in all SADC countries except DRC and the Seychelles, while Metro Cash and Carry is in Botswana and Namibia, and Pick 'n' pay in various African countries. For both, the major period of expansion came after 1995. The expansion of supermarkets came at the time when African countries were making the transition to supermarkets, and in contrast to the similar transition in Latin America and Asia, a few years earlier, European and US supermarkets did not have a role, either in South Africa, which had already made the transition, or in the other African countries in which South Africa invested. This is, therefore a clear example of a sector in which there is an abnormal weight of intra-regional investment. Hotels, airlines, and IT are other new services investments. (Rumney, Pingo 2004, Goldstein 2003, Games 2004).

There has also been investment in agriculture. Illovo sugar (discussed further in IV on Malawi) has investments in Malawi, Tanzania, Swaziland, Mauritius, Zambia and Mozambique. South African Breweries (SAB) is also a major investor in other African countries, including Mozambique and Tanzania.

As indicated above, most of these investments are in SADC, but South Africa does have some investments in the rest of Africa, notably Nigeria, which is also a major trading partner (Games 2004), Ghana, and Mali, and is starting to look at North Africa, in particular Morocco. In North Africa there has been investment in electricity by Eskom and initial interest by mining companies.

South Africa has seen itself as a political leader in Africa, and particularly in southern Africa, and would include a major economic role in this. Humphries 2004 notes that 'the official view is that such expansion provides the necessary mobilisation of inward [to other African countries] capital flows, which is seen as an important resource for President Thabo Mbeki's realisation of the Africa Renaissance and New Partnership for Africa's Development (NEPAD).' But (*ibid*) it is also the case that 'the expansion of corporate activity in Africa is generated by the reality that it offers good business prospects'. The more rapid growth, and better expected prospects for Africa, both help to explain the increase in South African investment in other African countries. Returns are now higher (Games 2004). Some of the investment in recent years could be explained as catching up, after the years of apartheid and sanctions (and some of course may be reclassification of investments which did not want to stress their South African origin prior to 1994). There has also been gradual liberalisation of South African policy on capital outflows; although some capital controls still remain, these do not obstruct direct investment. And it has signed increasing numbers of Bilateral Investment Treaties within its region (UNCTAD WIR 2004). The regional agreements plus some bilateral ones have increased access by exporters in its neighbours, and these have stimulated some investment abroad to reduce costs; wage costs in South Africa remain significantly above those of other countries within SADC. In contrast, liberalisation to South Africa within SADC was deliberately

subject to a transition period (because it was seen as more likely to dominate the other countries), and unlike most of its neighbours, it is not a member of COMESA so it has seen much less liberalisation in its markets than the others. This suggests that it has much more motive to invest abroad to 'jump barriers' than its trading partners have had to invest in it.

South Africa has the largest economy in Southern Africa, increasing the probability of both high inward and high outward investment. It has, however, been among the slowest growing (Appendix table 27) and its own domestic investment rate has been relatively low for Africa (16% compared to an average of 20% African Development Report 2004 and see Appendix chart 2), suggesting a need to import capital. Its share of outward investment in total capital formation is higher than the average for Africa, but not among the highest: interestingly, the shares of inward and outward investment are similar, implying little net foreign investment.

It has bilateral investment treaties with Ghana and Mauritius in Africa, and a double taxation agreement with Mauritius (UNCTAD South Africa fact sheet), but most of its treaties are with non-African countries.

Although general fears of a major South African presence in other African countries ('financial colonisation', Goldstein 2003 p. 3) are clearly not supported by the evidence of its very small aggregate role, its position in a few countries is more controversial (especially the five where it accounts for more than half of foreign investment) (Table 4). This will be discussed in more detail in the country sections on Mozambique and Zambia. Some South African firms which have invested in other African countries have been parastatals, notably ESKOM in electricity, which has activities in 32 African countries (Games 2004), as well as in rail, airports, and airways and this contributes to concern.

## 4.2 Mauritian investment in Africa<sup>3</sup>

Over 1990-1999, Mauritius invested a total of US\$119 m abroad. Mauritius is also a major recipient of FDI. Its average inflows are \$70 million, and outflows 40 million, giving it one of the highest ratio of outflows to fixed capital formation. Of its outward investment, 16% went to Comoros, 5% each to Madagascar, and Mozambique, 1% each to the Seychelles and South Africa (UNCTAD *Investment Policy Review Mauritius*). There have been recent increases to Mozambique, Madagascar and Seychelles, see case study examples. The stock of Mauritian FDI in Tanzania was US\$84.4 m in 1999, see UNCTAD *Investment Policy Review Tanzania*.

Mauritius is the nearest parallel to South Africa. Its companies also began as national companies and invested abroad in the same activities. The difference is that for South Africa, production at home and abroad was for local consumption. In Mauritius it was for export. Mauritius is cited as the country most welcoming to foreign investors, having signed 29 double tax treaties (Goldstein 2003; Bank of Mauritius), and with a *de facto* export zone covering the whole country. Most of the double taxation treaties are with developed countries, but 8 are with other African countries. Of its 17 bilateral investment treaties, 4 are with other African countries (South Africa, Namibia, Swaziland, and Zimbabwe), but most of those awaiting signature are with other African countries.

It has a high per capita income (\$4000), second only to the Seychelles, and 50% higher than South Africa, but its small size means that it attracts FDI mainly as a platform for exports. This was not an obvious role, as it has few natural resources and rising labour costs, but it has used its political and trading position to attract particular types of production that depend on preferences (notably sugar and clothing), and then expanded into other areas. It increasingly attracts investment from South Africa. The first major investments from South Africa were in 1997 and 1998. It was responsible for just over 50% of investment in 2003 (see Appendix table 15). The second investor (9%) is Reunion, which could be included with France (8%). The UK is 9%. (The Asian investors are no longer important.) Most of the South African investment seems to be in banking. Its own investment abroad goes principally to the Seychelles and Mozambique, with a little to Madagascar and South Africa. It thus has a very different pattern for its inflows and outflows. It has invested in sugar in Mozambique, clothing in Madagascar, and tourism in Tanzania: in all three cases expanding an industry that it has developed at home by taking advantage of lower costs and (for sugar and clothing) similar preferences in large neighbouring countries. Its foreign investment now is principally in finance (or unspecified).

Table 8 shows some of its subsidiaries.

**Table 8 Subsidiaries of Mauritian TNCs in Africa**

Mauritius	Madagascar	Textiles	Floreal Madagascar	7	4100
	Madagascar	Textiles	NCS International	2	2300
	Madagascar	Finance	Banque SBM Madagascar		21
	Madagascar	Finance	Union Commercial Bank		81

Source: www.unctad.org

<sup>3</sup> See also section V on Mauritius

**Box Mauritian FDI in Mozambique: relative market size and resource seeking**

Mauritian companies have also invested in Mozambique, mainly in services and agri-business. The operations for subsidiaries in Mozambique are often their most important operations abroad. This is the case for instance for Sena Holdings, a four-company consortium which controls the Companhia de Sena operating sugar plants in Marromeu and Luabo (the government retains a 25% stake). Other planned investments include investments in rice, cotton and the hospitality industry.

Source: Goldstein, 2003

**Box Mauritian FDI in African textiles and clothing: efficiency seeking FDI**

Mauritius has grown rich on the basis of building up a large textile and clothing sector using Export Processing Zones. Mauritius relied on bulk products for the EU and US markets. While attempts to upgrade into higher quality products proved difficult, Mauritius tried to compete on costs by investing in lower cost locations such as Madagascar and Mozambique, although the quality of infrastructure and productivity was lower than expected. While still receiving FDI in the clothing sector, AGOA has also boosted Mauritian FDI to countries such as Senegal.

Source: Goldstein, 2003

### 4.3 Ethiopia<sup>4</sup>

Ethiopia received African FDI worth US\$145 million over 1993-1998, 11% of the total. Most came from the Middle East (66%) and EU (16%). Unlike other investment, African investment in Ethiopia takes the form almost exclusively of wholly owned subsidiaries rather than joint ventures. Its outward investment was 2.3% of gross capital formation in 2003, slightly above the average.

In the last 4 years its investment from other African countries has risen from virtually 0 to an estimated 10% in 2004 (Appendix table 16). Kenya is involved in five investments; the Sudan in three; South African firms in two; and Libya in one. Asia and developed countries remain more important. Its Commercial Bank has started to invest in neighbouring countries (see box).

It is one of the poorest countries in Africa, and its total national income is also low, in spite of its large population, but it has grown more rapidly than the average in recent years.

It has BITs with 18 countries, of which 4 are African, Sudan, Algeria, Libya, and Tunisia. In 2003-4 it relaxed restrictions on the private sector in some sectors and improved information for foreign investors (UNCTAD WIR 2004).

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<sup>4</sup> See also section III on Ethiopia

#### 4.4 Uganda<sup>5</sup>

Over the period July 1991 – December 1996, Africa was responsible for 142 out of a total of 629 FDI projects (23%) in Uganda.

Uganda has very low per capita income, but has attracted increasing amounts of foreign investment: it has accounted for about 20% of gross fixed capital formation in the last 6 years. It has been disinvesting abroad, supporting high net inflows.

The principal investors in Uganda have been developed countries, led by the UK and Bermuda (possibly also UK based). The principal African investors have been South Africa, Mauritius and Kenya (Appendix table 17). South African investment was about 10% of the total from 1996/7 to 2000/1, although it has now fallen back. In stocks, South Africa is still almost 10%, with Mauritius and Kenya about 5% each. The principal South African firms are in breweries, telecommunications and banking, including South African Breweries, MTN, Stanbic Bank, Standard Chartered bank, with Kenya important in breweries and chemicals (Section VIII).

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<sup>5</sup> See also section VIII

**Box African FDI in Ugandan textile and cotton: privatisation**

Privatisation has played an important role in attracting FDI in Uganda. Some of the firms privatised (e.g. Cotton Ginneries), have shown that with new capital, change in policy and by operating in a COMESA regional setting, the industries can become competitive. For example, Ex Ken Limited of Kenya was set up in Uganda and is subcontracted by the parent company in Kenya to produce for the USA market under AGOA. Cotton Clark from South Africa is a new investor in cotton ginning operating in Soroti 400km from the Capital City, Kampala in the Cotton Belt. They procured an existing Ginning mill under the privatisation programme in August 2001. Cotton Clarks has operations in Zambia, Malawi and South Africa.

Mkandawire, 2004

#### **4.5 Malawi<sup>6</sup>**

Malawi is both poor and small, so has little ability to attract FDI for the domestic market. On inward investment, its share of gross fixed capital formation has been about average for Africa, with low outflows. Data on FDI are limited for FDI, and mainly based on reports by partner countries. Investors include South Africa, with the others being developed countries plus Malaysia (Appendix table 18).

The principal activities and exports and thus the principal destinations of foreign investments, are agriculture, notably tobacco and sugar. Sugar is dominated by a South African-owned firm (see box, contributed by Lizzi Chikoti). Its operations are thus part of the Illovo sugar groups total sugar production, in other African countries and also in the US. Malawi's sugar exports benefit strongly as the Case Study notes from preferential trading arrangements in both the US and the EU, and these provide the incentive to foreign investors to use it as an export base. The return on the shareholders' equity has been at least 30%, and often higher.

There is little outward investment, but some of its insurance companies are beginning to do business in neighbouring countries.

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<sup>6</sup> See also section IV

#### **4.6 Tanzania<sup>7</sup>**

The stock of African FDI in Tanzania (Appendix table 18 B) was US\$155.4 m in 2001, 44% of the total. More than half (24%) was from South Africa, and this will be higher now because South Africa has taken over Ashanti; Ghana then still had 5%; Mauritian and Kenyan FDI stocks in Tanzania were both about 5%, Uganda had a small share. For inflows of new investment (Appendix table 18 A), Africa again was responsible for 44%, almost entirely from South Africa. South African investment has been in mining (as noted), brewing, sugar, oil, banking, hotels, and the airport (see Appendix table 18D). It is therefore becoming a major influence on the economy, and this has been reflected in its external policy. Kenyan investment, though smaller in value, is responsible for more companies (Appendix table 18C). Tanzania, in spite of its location and its ties through the East African Cooperation to Kenya and Uganda, has remained a member of SADC, and left COMESA (Kenya and Uganda are in COMESA, not SADC). South Africa accounted for more than a third of FDI in Tanzania in the last decade (table 4).

Tanzania is a poor country, but with a large population so that its economy is comparable to Uganda and Mauritius. FDI has been a major source of investment for it in recent years.

#### **4.7 Mozambique**

Mozambique remains a poor country, and a small economy, but has grown rapidly in recent years because of the structural changes caused by South African investment. Total African inflows approved in 1999 into Mozambique was around US\$1 billion, around 30% of total Mozambican inward FDI. This was mainly from South Africa which accounted for 35% of inflows from 1990 to 2001 (Goldstein 2003). In 1999 Mauritius was the main African investor due to FDI in the tourism sector, which accounted for half of approved African investment, but the most important investment has been by South Africa in the Mozal aluminium smelter (a private South African investor holds 47%; the Industrial Development Corporation of South Africa 24%, the Mozambique government 4%, and Mitsubishi Japan 24%). This has transformed the Mozambique economy, now accounting for most of its exports and about 7% of its GDP (Business Map 2000). It is the largest employer (Games 2004) in Mozambique. Its success was closely tied to access to power from South Africa following the completion of a major dam. It has led to the building of a port and other infrastructure required by the smelter, as well as improving water and telecommunications infrastructure. Some has been essential to the operations, but there has also been a deliberate 'linkages' strategy to improve the impact of the investment on the rest of the economy. It has also changed Mozambique's rules on investment, with South African pressure leading to liberalisation (Goldstein 2003). There is important South African investment in electricity and gas. Some South African investment also came from privatisation, including purchase of the breweries, and both South Africa and Mauritius have invested in sugar. There is also South African investment in telecoms. From outside Africa, the major investors have been Portugal and Malaysia (Business Map 2000).

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<sup>7</sup> See also section VII

#### **4.8 Botswana**

Botswana (one of the original Least Developed Countries when the category was first adopted) has become one of the highest income countries in Africa (at \$3000 per capita), slightly higher than South Africa, although below Mauritius, and is thus a significant sized economy in spite of its small population. Its principal export success has been diamonds, through a South African-based firm, affiliated to De Beers. It is no longer a major recipient of FDI, but has started to send investment abroad.

South Africa accounts for almost 60% of FDI (table 4), with investment in clothing, insurance, banking, and agriculture (chicken production) as well as mining. Mauritius is also an investor, in clothing, and Zimbabwe, in shoes. India and Sri Lanka have made investments in garments, for export to the EU and the US, and India in car parts for the regional market.

#### **4.9 Zambia**

Zambia is small and poor, although less poor than Malawi, and with more important natural resources. While its copper mining looked like a weak base until recently, the doubling of the copper price has improved its prospects. Zambia has therefore been able to attract sufficient FDI to cover about 15% of its gross fixed capital formation. It has bilateral investment treaties with 6 countries, only one of them African: Ghana, with which it appears to have no investment.

Detailed data are not available, but the US and South Africa are major investors, as well as several EU countries, including UK, Netherlands, and Sweden, and some Asian: India and Japan. There is South African investment not only in mining, the major investment and the major Zambian export (about 60-70% of the total), but also in banking. There is some distribution investment from Zimbabwe.

South Africa acquired prominence as an investor in Zambia during the privatisation exercise, and especially with the purchase of the copper mines in 2000, then the decision to disinvest in them. It has also been more evident as an investor because of its operation of supermarket chains which in the last three years have started to shift Zambia to use of supermarkets instead of markets. It has invested in hotels and telecom, and it has holdings in sugar (Illovo Sugar, see Malawi), cotton, and horticultural products (Humphries 2004).

#### **4.10 Role of South Africa**

What is clear from these country notes is that South Africa is a major investor and a major influence on the economy in a significant number of southern African countries. In contrast, these countries are not important to it: Only Mauritius and Mozambique take more than a half percent of its total foreign investment. This gives a very asymmetric relationship of dependence on South Africa. While other regional leaders also have asymmetric relations, this is much starker than the role of the US in the Americas or of China and Japan in Asia.

## 5 African investment outside Africa

Much of African outward FDI is to the rest of the world and most of this is by South Africa (table 9). South African firms have increasingly invested in the EU, Australia and to a lesser extent in the US and Asia.

Table 10 shows the distribution of South African investment stocks at end-2002. Three quarters are in the EU, and the rest evenly divided between other developed countries and developing countries. Within the EU, Luxembourg and the UK, Austria, Belgium, and the Netherlands are the principal destinations.

**Table 9 African outward FDI stocks (US \$)**

	1996	1997	1998	1999	2000	2001	2002	2003
US							2298	2187
Germany			216	178	101	755		
UK			4502	2496	3016	1901	962	
Australia		93	127	271				
France		112						
Netherlands	160	76	51	55				

Sources: OECD, US BEA, UK ONS

**Table 10 South Africa: outward FDI stock, by geographical destination, 2002 %**

Region/ economy	2002 %
Developed countries	90
European Union	74
Austria	13
Belgium	9
Germany	3
Luxembourg	23
Netherlands	3
United Kingdom	22
North America <sup>a</sup>	11
Australia	3
Developing countries	10
Africa	7
Botswana	0.4
Lesotho	0.1
Mauritius	2
Mozambique	3
Namibia	0.4
Swaziland	0.1
Zambia	0.1
Zimbabwe	0.3
Asia	2.0
Hong Kong, China	1.8

Source: South African Reserve Bank 2004

## **5.1 Investment in developed countries**

At the end of 2002, the stock of African FDI in the UK was around US\$750 million, most of it from South Africa. The share of South Africa in total African FDI stock in the UK hovered around 75%, but declined more recently to 60%. In terms of flows, South Africa was responsible for 90% of total African FDI in the UK in 2002. African FDI is quite profitable in the UK, with South African firms performing very well in 2002, relative to other African investors (see Appendix table 19).

The stock of African FDI in Germany jumped to \$800m in 2001, 90% of the total is due to South Africa. There are 41 African affiliates in Germany, half of this from South Africa.

African FDI in the US reached US\$2.2 bn in 2003, but only a small part of this is due to South Africa.

South Africa is by far the most important African investor in Australia, and in some years in Belgium/Luxembourg (probably because of De Beers), but not or less so in France and the Netherlands.

## 5.2 Subsidiaries of African TNCs outside Africa

Table 11 shows subsidiaries of non-South African TNCs outside Africa. While it is clear that there *are* examples of other African TNCs in say the EU and US, the main finding is that these appear not to be large.

**Table 11 Subsidiaries of African TNCs (excluding South African) outside Africa**

Home country	Host country	Sector	Company name	Sales (\$ m)	Employment
Kenya	UK	Other business services	Mowlex	0.2	
	Italy	Transport	Kenyan airways		7
	UK	Other business services	Wavon International		
Mauritius	UK	Finance	Kq Leasing		
	Italy	Transport	Air Mauritius	17	10
	France	Trade	Bonair Paris	2	6
	UK	Trade	Hanway Stationary		12
	UK	Trade	New Star Traders		6
Ethiopia	France	Trade	Plastinax		4
	UK	Transport	Unitramp		
	UK	Transport and storage	Ethiopian Airlines Corp		
Zambia	UK	Mining and quarrying	Zambia Consolidateds Copper Mimes		
Mozambique	Germany	Transport and storage	Zambian airways		7
	Italy	Transport	Linhas Aereas De Mozambique		
Zimbabwe	UK	Food and Kindred Products	CSC Meat importers	24.8	5
	US	Agriculture	African Plantation Corporation		1
	UK	Other business services	Fleetness 136 limited		5
	UK	Other business services	Stevecourt		
	UK	Transport and storage	Affretair		
	Netherlands	Trade	CSC Meat importers		
	UK	Other business services	Zih		
	UK	Trade	Crewlane		
	UK	Trade	Alexanders Investments		
	UK	Other business services	South African Holidays		
Somalia	Italy	Transport and storage	Somali airlines		

Source:www.unctad.org

The major South African TNCs appear to have subsidiaries mainly in European countries and Australia, and a few in the US and more recently in Asia.

**Table 12 Major South African TNCs, ranked by foreign assets**

Rank in top 50 non-financial TNC from developing countries, by assets	Host country	Sector	Company name	Foreign assets (\$ mn), 2002	Foreign sales (\$ mn), 2002	Foreign employment, 2002
10	Mills in Africa, EU and US; sales office around world	Paper	Sappi Limited	3733	2941	9807
12	European and Asian and in Australia	Industrial chemicals	Sasol Limited	3623	3687	7107
18	Nigeria, Cameroon, Uganda, Rwanda and Swaziland	Telecommunications	MTN group	2582	729	1970
19	US, Africa, Argentina, Brazil and Australia.	Gold ores	Anglo gold	2301	831	30821
30	Europe, Asia and Africa	Media	Naspers limited	1655	412	1742
31	EU, US, Africa, Australia	Diversified	Barloworld	1596	1984	9973
44	Europe, Africa	Rubber and plastics	Nampak limited	782	328	10962

Source: [www.unctad.org](http://www.unctad.org)

Of the companies in table 12, only MTN operates mainly in Africa. It, and Anglo Gold, and Naspers which also have major activities are discussed in Chapter 3, section 3.2.1.

Sappi consists of Sappi Forest Products in Johannesburg, Sappi Fine Paper with subsidiaries in North America, Europe and South Africa and sales offices across the world ([www.sappi.com](http://www.sappi.com)). It is discussed in detail in Section VI.

Nampak has a blow moulding operation in the UK. Through MY Cartons it has subsidiaries in the UK, Netherlands and Belgium, and MY Healthcare in the UK, Italy, Germany, France, Ireland, and Luxembourg, and through Nampak Plastics in 13 sites across Europe. ([www.nampak.com](http://www.nampak.com)).

Two major South African Transnational Corporations (TNCs), Anglo American and South African Breweries (now called SABMiller) have invested extensively in the SADC, but were reclassified as UK based companies following their foreign listings and majority UK shareholding (Rumney and Pingo, 2004). Before its reclassification, South African Breweries bought a 64% stake in Miller Brewing (of the US) for US\$5.6 billion. After this acquisition, South Africa Breweries changed its name to SABMiller, which then acquired Birra Peroni (Italy) and Harbin Brewery (China) in 2003. Hence, a global player.

SAB had developed under sanctions with a domestic monopoly, but unable to expand abroad, so it had the scale to be able to invest abroad when the opportunity came (Goldstein 2003). In this pattern of growth behind barriers, followed by foreign investment, it was similar to the supermarkets that expanded within Africa, but chose to go into non-African markets as well.

**Box SAB Miller: relative market size and strategic asset seeking**

SAB Miller is a good example of how a South African firm turned into a global company, which is now listed as a UK company. South African Breweries was unable to expand during the apartheid period. But by the 1990s, it acquired privatised breweries in Mozambique, Tanzania and Angola, enlarging its market on the basis of profitable and efficient production. In the mid-90s it expanded into India, China and Central and Eastern European countries. But because SAB faced a shortage of hard currencies (all profits were in developing countries' currencies), it needed to expand to developed countries, eventually acquiring the US Miller Brewing Company. It has also acquired companies such as Italian Peroni.

Source: Goldstein, 2003

## 6 Conclusions

### 6.1 Results of the data overview

The data on African outward FDI are patchy. While there are relatively good data for aggregated outflows, there is no systematic coverage of outward FDI by country, except in the case of South Africa and Mauritius. This leaves many gaps:

- Where does all the outward FDI go from Nigeria, Liberia and Cote d'Ivoire?
- There is little information on destination of outward FDI from Francophone countries, but countries such as Togo and Mali invest abroad a sizeable part of their domestic investment.
- There is little detail on the sectoral focus of investors (except South Africa and Mauritius).

Some emerging findings include:

- Only a few countries are major investors at regional level, and only South Africa is significant outside Africa.
- African outward FDI does play a significant role in some other African countries, predominantly in Southern African countries where South African FDI is responsible for up to 60-80% of total FDI inflows.
- There are emerging South African TNCs: some are global players (Sappi, Sasol, MTN, Anglo Gold, Naspers, Barloworld and Nampak) while others are significant in the African context (such as Shoprite, Illovo Sugar and Eskom).
- South African FDI to outside Africa is more important to South Africa than intra-African.
- Non-South African FDI outside the continent is small and insignificant even to individual countries, though potentially important for individual firms such as UK establishments of Air Kenya/Mauritius.
- Within Africa there are many investment links, e.g. Mauritius in Tanzania, Madagascar, and Mozambique; Kenya in Tanzania and Uganda; Ghana in Tanzania; Zimbabwe in Mozambique. Of these, Kenya's role in East Africa is the most important, after South Africa's impact.

## 6.2 Explaining African FDI outflows

We will discuss the ten factors behind African outward FDI as discussed in chapter 2.

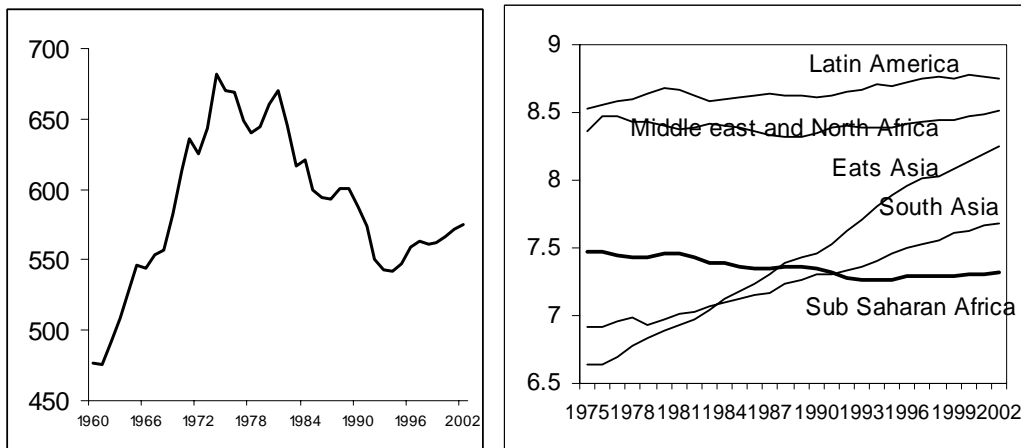
### 6.2.1 Relative growth rates

While Africa may have turned a corner with respect to its growth performance, it compares poorly with other regions such as East Asia and Africa. In particular some African countries have had negative growth even in recent years.

There is some evidence that African countries that have done worst have higher FDI outflows. For instance, over the past five years to 2002 Cote d'Ivoire, Kenya, Nigeria and South Africa are in the bottom half of chart 4 in terms of growth performances, but they are in top 10 of chart 3 on annual outflows. In addition, the country with one of the worst growth performances, Togo, has a high outward FDI - total investment ratio. However, the picture is not clear cut. Top performers such as Botswana and to some extent Ghana and Ethiopia feature as major African outward investors in chart 3 or chart 4.

**Chart 5 Sub-Saharan Africa's slow growth.**

*1995 international PPP per capita dollars*    *ln 1995 PPP per cap dollars*



Source: World Development Indicators 2004

### 6.2.2 Relative market size

Charts 3 and 4 show that some of the smaller African countries have felt a need to invest abroad: Seychelles, Mauritius and Swaziland are in the top half of African outward investors. South African firms see South Africa, and all of Africa, as too small and invest outside.

### 6.2.3 Level and changes in relative level protection

For this it will be important to compare tariff data, with trade and FDI, intra and out of Africa. Table 13 and Appendix table 22 present tariff data by country and over time. At first sight there does not seem to be an obvious relation between outward FDI to a country and its tariff rate, or over time, tariff reductions coinciding with increased FDI.

But South Africa has opened, relative to the past and to its neighbours, while there has been little change in the markets affecting it, so that at least a change to more outward investment by South Africa in other Southern African countries would be consistent with the evidence. Some South African investment within SADC has taken advantage of this. In other countries (Ghanaian investment in chocolate production in the EU, for example), foreign investment has been the result of trade barriers in export markets (EU sugar quotas).

What is probably more important is that the high costs of trading because of poor physical and institutional infrastructure mean that actual barriers to trade remain much higher than tariffs indicate, and therefore the incentive to satisfy African markets by FDI is much greater than the small size of their markets and low tariff barriers might otherwise suggest.

**Table 13 The pattern of tariff changes in Africa**

	Average 1980-1985	Average 1990-1995	Average 2000-2002
All Africa	32.8	23.6	16.1
North Africa	31.0	27.2	22.5
West Africa	38.5	22.8	14.2
Central Africa	30.0	21.7	16.7
East Africa	37.3	28.3	15.9
Southern Africa	19.5	19.7	12.7
Manufacturing	28.1	20.4	16.5
Agriculture	40.2	22.5	14.5
Mining/resources	50.5	18.4	13.2
Oil	30.7	25.2	20.2

Source: African Development Report 2004

#### 6.2.4 Regionalisation

The number of Regional Trade Agreements is increasing within Africa. Outside Africa, RTAs are deepening in scope and coverage. Several now include provisions for investment or trade in services (which also covers mode 3, investment). However, the scope of investment provisions in African RTAs (e.g. SADC and COMESA) is still limited and would score low compared to NAFTA or ASEAN FTA, see Appendix table 23. Trade provisions may have helped FDI. Although there are South African investments outside SADC, they are small so that there is a close correlation between that region and South African FDI. Other African investment is also normally within regions, for example, the high share of Kenya in its neighbours. The shift of Tanzania from the region which matched its trading interests (COMESA) to the region which matched its investment inflows (SADC) suggests a strong relationship between regions and investments. But in SADC, the cause may be in the inverse direction; the investment patterns may help to explain the region (as in the case of Tanzania). SADC was originally made up of the countries most strongly affected by the old regime in South Africa, the Front Line states, and it remains an association of the countries most closely linked to its economy.

Unfortunately, we do not have data on the African currency unions to see how they have influenced intra-union FDI, but total flows within them appear to be small.

#### 6.2.5 Changes in policy on inward and outward investment laws

The number of Bilateral Investment Treaties has been increasing recently (Appendix table 24), but overall the number of African BITs is low by world and developing country standard. The number of intra African BITs is usually a low share of total BITs, though South Africa is catching up. UNCTAD World Investment Report (WIR) 2004 emphasised regulatory frameworks and BITs in explaining South African investment, but these do not seem to give it a special advantage, in the countries where it invests or over other countries.

#### **Box African FDI in African Infrastructure: changes in regulation/privatisation**

Deregulation and privatisation of infrastructure in Africa has lagged behind other regions. However, South Africa and Mauritius privatised fixed line telecommunications and attracted extra African foreign investors; Tanzania also sold off fixed line telecommunications; Lesotho's Tele-Com was sold in part to South Africa, Zimbabwe and Mauritius.

In mobile telecommunications, South Africa's MTN and Vodacom followed different strategies. MTN has since the mid 1990s invested in foreign markets such as Nigeria, Rwanda, Uganda, Swaziland, Cameroon. While relying much more on the local South African market, Vodacom has also expanded into Mozambique, Lesotho, Tanzania, DRC and Zambia. Mauritius Telecom bought shares in Burundi's Africell.

These examples show that there are examples of intra-African FDI through liberalisation in infrastructure – so far most has been limited to telecommunications.

Source: <http://ppi.worldbank.org> and Goldstein, 2003

Privatisation is suggested (e.g UNCTAD WIR 2004) as an important influence and it has attracted some major intra-African investments into infrastructure (e.g. MTN in telecommunications and Eskom in power), but half is in South Africa most of which is by South Africa. As with the FDI data while the privatisations have been small in absolute terms in most African countries (Appendix table 25), South Africa's role may have been large.

The revenues of privatisation in Africa were less than 1% of total revenue in developing countries over the period 1985-1999 (Brune et al 2004). However, since then there have been some increases and some privatised assets have been taken over by South Africa companies (e.g. MTN, Sasol, Vodacom).

#### *6.2.6 Changes in relative costs of production*

This argument aims to explain FDI by relative unit labour costs and relative user costs of capital (measured by interest rates). For instance, labour costs are lower in Mozambique and Madagascar than in Mauritius, which is one for the reasons for Mauritian outward FDI to these countries. The major example is South African investment in other SADC countries which offer lower wages and (increasingly) good trade access. The aluminium investment in Mozambique depended on low cost energy.

#### *6.2.7 Changes in strategy*

Some South African companies clearly have a global strategy: e.g. SABMiller becoming a global player; MTN and Vodacom becoming important regional players.

Mauritius has systematically invested in other African countries in sectors which were becoming mature or facing cost or supply constraints within Mauritius (in sugar production in Mozambique, which has more land and improving access to protected markets); in Madagascar, which offers lower wages in clothing; and in Tanzania, which offers new opportunities in tourism. Illovo sugar from South Africa has invested in other African countries with more preferential trading arrangements with the EU and the US.

The South African companies which have invested in developing countries are in mining and low-technology manufacturing, so that there does not appear to be a motive of seeking access to new technologies, or of using company-specific technologies. Arguably, the growing South African role in telecommunications suggests that it is using a technological advantage, but it also has a capital cost advantage in these, and had the chance to develop a national industry in a larger market. Both South Africa and Mauritius appear to have the role of intermediary countries, receiving investment from developed countries, and investing in countries less developed than they are.

Where South African firms have a clear advantage is in the dual nature of the South African economy. This means that they have experience in dealing with economic structures and consumer preferences are similar to both the low income and poorly developed infrastructure countries where they invest in Africa and the more developed countries where most of their investment is.

### *6.2.8 Region specific knowledge*

South Africa would claim this as an advantage. There is also a more sensitive aspect to this: by its strong presence in most of the countries in which it invests, it has acquired influence over their economic policies. Particularly within a regional context, where new policies are being agreed regionally, this gives it a significant advantage.

### *6.2.9 Complementarity with trade*

This does not seem to be supported by the investment data. The dependence of South Africa's neighbours on it for investment is much greater than their trade dependence, and neither South Africa nor Mauritius has the same pattern for investment as for trade. The investment in most of the African countries is for local sales for example (in services including distribution) or for export to third countries (especially in natural resources), not to replace the home country's exports or to encourage trade back to it.

### *6.2.10 Emergence of key African investors*

South Africa and Mauritius may be emerging as disproportionately important investors, at least at regional level. Both have clear national economic strategies that depend on investment in their neighbours; both have national companies that are 'too large' for the domestic markets, and seeking outlets.

### *6.2.11 Steps towards a conclusion*

There is too little information to come to firm conclusions about whether there are special factors determining African investment. It is clearly possible to find explanations within the normal theory for most of what we observe, but there remains the fact that the very asymmetric role of South Africa and of South African investments is not paralleled in other continents or in other African countries, and as a single observation it is difficult to explain with any certainty.

For the non-southern African countries and for South African investment towards the developed countries, the sizes of the flows suggest no special explanations are needed. There are small, but useful markets, behind physical barriers, if not always behind policy barriers, and FDI is the normal response. Some have resources, particularly natural resources, which makes investment for export a reasonable prospect. Any permanent shift to higher commodity prices than have been experienced or expected in recent years could increase the number of African countries receiving this type of investment, as natural resources are their principal export.

For South Africa and its neighbours, a new economic structure seems to be emerging, with very high South African impact on a few economies. Some, the other members of the Southern African Customs Union, Botswana, Lesotho, Namibia and Swaziland are already closely tied to the South African economy by policy as well as economics. Mozambique could be moving in this direction, and a more closely integrated SADC could bring the other countries into that position. But the emergence of Mauritius as a

supplementary, if much smaller, source of investment in SADC, suggests that the pattern may be more complicated.

# Appendix

## Charts

Chart 1

*Annual growth in real per capita GDP  
(international PPP dollars, 1997–2002)*

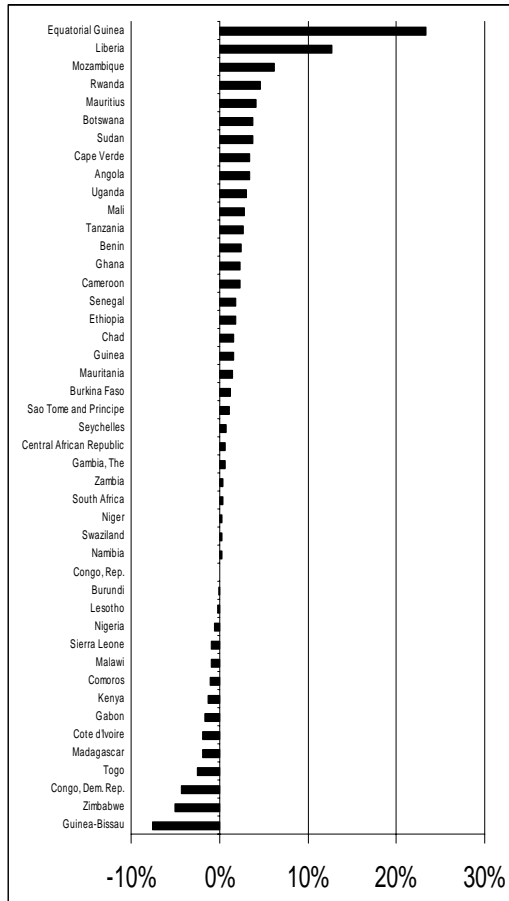
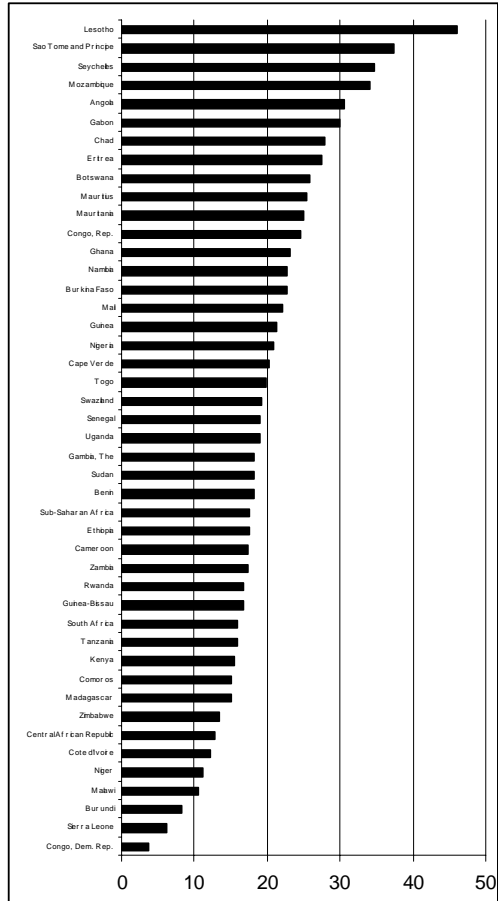


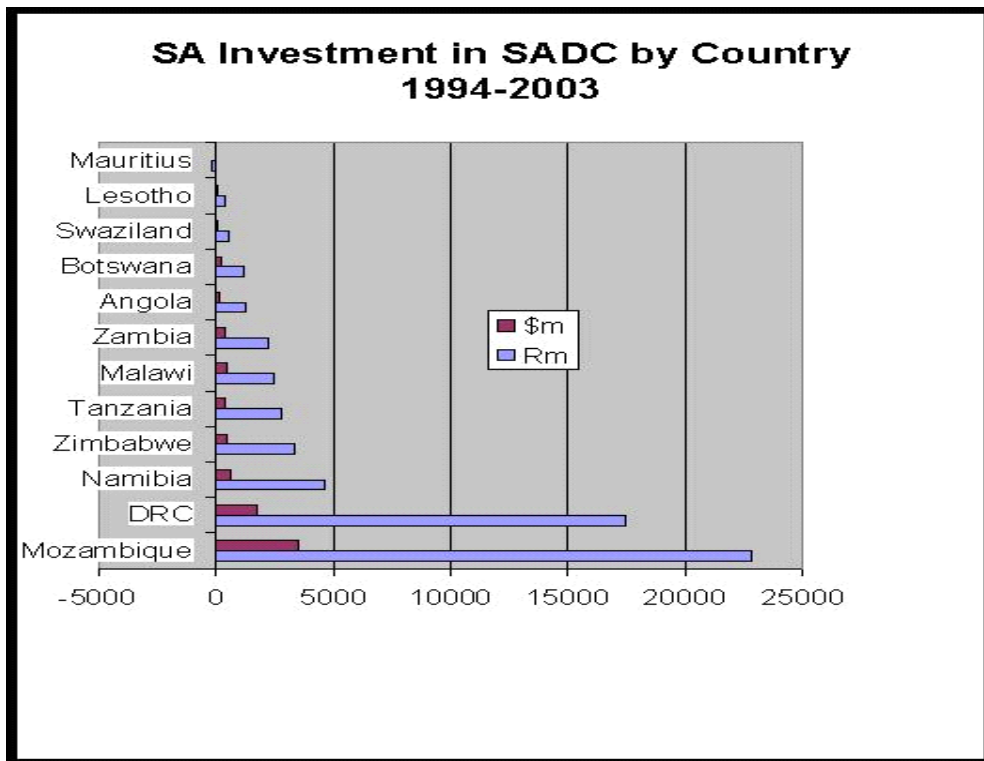
Chart 2

*Gross fixed capital formation, % of GDP  
(average 1997–2002)*



Source: World Development Indicators 2004

Chart 3 South African investment in SADC by country 1994-2003



Source: *The BusinessMap Foundation* in Humphries 2004

Chart 3 shows different data from table 4 taken from *BusinessMap* for South African investment SADC. This shows for instance that South African FDI in Mozambique amounted to US\$3 billion over 1994-2003. It should be noted that this is more than the FDI stock in 2002 on the basis of *Quarterly Bulletin* data. Part of the difference can be due to different time periods, but it is also possible that there are differences in measurement issues.

## Appendix tables

**Table 1 FDI outflows from Africa 1970-2003 US\$ million**

	Africa	North Africa	Other Africa
1970	19	2	17
1971	31	1	30
1972	26	5	21
1973	61	3	58
1974	128	-1	129
1975	175	35	140
1976	94	4	90
1977	226	122	103
1978	334	81	253
1979	115	73	41
1980	1128	126	1002
1981	813	83	730
1982	248	78	171
1983	307	101	206
1984	368	92	277
1985	357	67	290
1986	-60	66	-126
1987	432	186	246
1988	473	109	363
1989	1200	106	1094
1990	2098	135	1962
1991	1515	313	1203
1992	2509	-100	2609
1993	742	-426	1168
1994	1913	138	1775
1995	2976	137	2839
1996	1418	101	1317
1997	3812	476	3336
1998	1982	367	1614
1999	2564	313	2252
2000	1319	227	1092
2001	-2535	202	-2738
2002	115	266	-152
2003	1288	148	1140

Source: [www.unctad.org](http://www.unctad.org)

**Table 2 Outward FDI by African countries, stocks 2003, US\$ million**

South Africa	24195
Nigeria	4646
Libyan Arab Jamahiriya	1524
Liberia	1437
Botswana	1304
Morocco	874
Egypt	716
Côte d'Ivoire	683
Ethiopia	536
Ghana	528
Algeria	466
Gabon	287
Cameroon	264
Zimbabwe	253
Uganda	230
Mauritius	186
Seychelles	162
Mali	161
Senegal	159
Niger	140
Kenya	123
Togo	116
Chad	81
Benin	66
Swaziland	57
Gambia	53
Tunisia	44
Central African Republic	44
Namibia	31
Burkina Faso	27
Malawi	25
Guinea	14
Cape Verde	8
Rwanda	5
Madagascar	4
Mauritania	3
Equatorial Guinea	3
Burundi	2
Comoros	2
Mozambique	1
Lesotho	1
Angola	0
Congo	0
Congo, DR	0
Djibouti	0
Eritrea	0
Guinea-Bissau	0
São Tomé and Príncipe	0
Sierra Leone	0
Somalia	0
Sudan	0
United Republic of Tanzania	0
Zambia	0

Source: [www.unctad.org](http://www.unctad.org)

**Table 3 Inward FDI Stocks in African countries, 2003, US\$ million**

South Africa	30373
Nigeria	23770
Egypt	20983
Tunisia	16567
Angola	13182
Morocco	11608
Algeria	6336
Côte d'Ivoire	4083
Sudan	4033
Equatorial Guinea	3808
Chad	2895
Liberia	2750
United Republic of Tanzania	2583
Congo	2480
Zambia	2341
Uganda	2042
Mozambique	1842
Ghana	1746
Cameroon	1730
Namibia	1176
Zimbabwe	1134
Ethiopia	1096
Botswana	1080
Kenya	1046
Senegal	992
Congo, DR	974
Mauritius	822
Seychelles	748
Swaziland	719
Mali	692
Benin	668
Togo	567
Mauritania	562
Madagascar	482
Niger	454
Lesotho	427
Malawi	376
Eritrea	355
Gambia	324
Guinea	303
Rwanda	268
Cape Verde	209
Burkina Faso	163
Central African Republic	119
Djibouti	52
Guinea-Bissau	50
Burundi	48
Sierra Leone	33
São Tomé and Príncipe	28
Comoros	23
Gabon	20
Somalia	5
Libyan Arab Jamahiriya	-4054

Source: [www.unctad.org](http://www.unctad.org)

**Table 4 Outward FDI by African countries, average annual flows 1999-2003, US\$ million**

Liberia	166
Libyan Arab Jamahiriya	120
Botswana	94
Nigeria	93
Ghana	60
Morocco	43
Algeria	38
Egypt	30
Mali	21
Mauritius	15
Côte d'Ivoire	13
Ethiopia	11
Senegal	10
Seychelles	8
Gabon	8
Benin	7
Togo	6
Zimbabwe	6
Gambia	5
Congo	4
Malawi	3
Cameroon	3
Guinea	2
Kenya	2
Burkina Faso	1
Tunisia	1
Rwanda	1
Cape Verde	1
Equatorial Guinea	0
United Republic of Tanzania	0
Central African Republic	0
Madagascar	0
Burundi	0
Swaziland	0
Mozambique	0
Lesotho	0
Guinea-Bissau	0
Comoros	0
Congo, DR	0
Djibouti	0
Eritrea	0
Mauritania	0
São Tomé and Príncipe	0
Somalia	0
Sudan	0
Zambia	0
Sierra Leone	0
Angola	0
Chad	0
Niger	-1
Namibia	-4
Uganda	-14
South Africa	-202

Source: [www.unctad.org](http://www.unctad.org)

**Table 5 Inward FDI by African countries, average annual flows 1999-2003, US\$ million**

South Africa	2140
Angola	1711
Morocco	1330
Nigeria	1104
Algeria	768
Egypt	739
Sudan	680
Tunisia	608
Equatorial Guinea	606
Chad	492
United Republic of Tanzania	356
Côte d'Ivoire	290
Congo	255
Mozambique	254
Uganda	252
Namibia	167
Ghana	133
Botswana	123
Zambia	108
Cameroon	108
Mauritania	93
Mauritius	92
Mali	83
Congo, DR	78
Senegal	75
Ethiopia	72
Swaziland	67
Seychelles	57
Madagascar	54
Kenya	48
Libyan Arab Jamahiriya	47
Gambia	46
Benin	46
Togo	43
Eritrea	33
Lesotho	32
Malawi	27
Zimbabwe	26
Cape Verde	24
Guinea	23
Niger	15
Liberia	12
Burkina Faso	12
Djibouti	5
Rwanda	5
Sierra Leone	5
São Tomé and Príncipe	5
Central African Republic	4
Guinea-Bissau	3
Burundi	2
Comoros	1
Somalia	0
Gabon	-6

Source: [www.unctad.org](http://www.unctad.org)

**Table 6 Outward FDI flows by African countries 2003, US\$ million**

South Africa	720
Liberia	130
Libyan Arab Jamahiriya	100
Nigeria	93
Ghana	55
Mauritius	41
Botswana	40
Ethiopia	25
Egypt	21
Algeria	14
Mali	13
Morocco	12
Senegal	11
Seychelles	8
Gambia	7
Zimbabwe	5
Malawi	3
Benin	3
Cameroon	3
Kenya	2
Guinea	2
Côte d'Ivoire	2
Tunisia	1
Rwanda	1
Burkina Faso	1
Cape Verde	1
United Republic of Tanzania	0
Madagascar	0
Burundi	0
Gabon	0
Equatorial Guinea	0
Central African Republic	0
Lesotho	0
Chad	0
Mozambique	0
Guinea-Bissau	0
Comoros	0
Congo, Democratic Republic	0
Djibouti	0
Eritrea	0
Mauritania	0
São Tomé and Príncipe	0
Somalia	0
Sudan	0
Zambia	0
Sierra Leone	0
Angola	0
Congo	-1
Swaziland	-1
Niger	-1
Togo	-2
Namibia	-6
Uganda	-15

Source: [www.unctad.org](http://www.unctad.org)

**Table 7 Inward FDI flows by African countries, 2003, US\$ million**

Morocco	2279
Equatorial Guinea	1431
Angola	1415
Sudan	1349
Nigeria	1200
Chad	837
South Africa	762
Libyan Arab Jamahiriya	700
Algeria	634
Tunisia	584
Côte d'Ivoire	389
Congo	386
Mozambique	337
Uganda	283
United Republic of Tanzania	248
Egypt	237
Cameroon	215
Mauritania	214
Congo, Democratic Republic	158
Ghana	137
Mali	129
Zambia	100
Botswana	86
Namibia	84
Kenya	82
Senegal	78
Mauritius	70
Ethiopia	60
Gambia	60
Seychelles	58
Gabon	53
Benin	51
Madagascar	50
Swaziland	44
Lesotho	42
Niger	31
Malawi	23
Eritrea	22
Zimbabwe	20
Togo	20
Cape Verde	14
Djibouti	11
Burkina Faso	11
São Tomé and Príncipe	10
Guinea	8
Sierra Leone	8
Rwanda	5
Central African Republic	4
Guinea-Bissau	2
Comoros	1
Somalia	1
Liberia	0
Burundi	0

Source: [www.unctad.org](http://www.unctad.org)

**Table 8 Outward FDI flows as % of gross fixed capital formation, average 1999-2003**

Botswana	8
Gambia	7
Ghana	4
Seychelles	4
Mali	4
Libyan Arab Jamahiriya	4
Nigeria	4
Togo	3
Malawi	2
Benin	2
Mauritius	1
Ethiopia	1
Senegal	1
Côte d'Ivoire	1
Zimbabwe	1
Gabon	1
Cape Verde	1
Morocco	1
Congo	0
Guinea	0
Algeria	0
Burundi	0
Rwanda	0
Burkina Faso	0
Cameroon	0
Egypt	0
Central African Republic	0
Kenya	0
Equatorial Guinea	0
Madagascar	0
United Republic of Tanzania	0
Angola	0
Comoros	0
Congo, DR	0
Djibouti	0
Eritrea	0
Guinea-Bissau	0
Lesotho	0
Liberia	0
Mauritania	0
Mozambique	0
São Tomé and Príncipe	0
Sierra Leone	0
Somalia	0
Sudan	0
Tunisia	0
Zambia	0
Chad	0
Swaziland	0
Niger	-1
Namibia	-1
Uganda	-1
South Africa	-2

Source: [www.unctad.org](http://www.unctad.org)

**Table 9 Inward FDI flows as % of gross fixed capital formation, average 1999-2003**

Equatorial Guinea	127
Chad	70
Gambia	64
Angola	55
Sudan	42
Nigeria	41
Mauritania	35
Congo	29
Seychelles	29
Mozambique	28
Swaziland	27
Namibia	25
United Republic of Tanzania	24
Côte d'Ivoire	23
São Tomé and Príncipe	22
Cape Verde	21
Uganda	21
Togo	20
Zambia	19
Congo, DR	16
Morocco	16
Mali	14
Malawi	13
Eritrea	12
South Africa	12
Tunisia	11
Sierra Leone	10
Botswana	10
Benin	10
Ghana	10
Lesotho	9
Senegal	9
Mauritius	8
Djibouti	8
Madagascar	8
Guinea-Bissau	8
Niger	7
Ethiopia	7
Cameroon	7
Algeria	6
Burundi	4
Egypt	4
Zimbabwe	3
Kenya	3
Guinea	3
Central African Republic	3
Comoros	2
Burkina Faso	2
Rwanda	2
Libyan Arab Jamahiriya	1
Liberia	0
Somalia	0
Gabon	-1

Source: [www.unctad.org](http://www.unctad.org)

**Table 10**      **Outward FDI flows as % of gross fixed capital formation, 2003**

Gambia	9.4
Ghana	4.3
Seychelles	4
Mauritius	3.3
Botswana	3.2
Libyan Arab Jamahiriya	2.9
South Africa	2.9
Nigeria	2.8
Mali	2.3
Ethiopia	2.3
Malawi	1.9
Senegal	1.3
Benin	0.7
Zimbabwe	0.6
Cape Verde	0.6
Guinea	0.3
Rwanda	0.2
Cameroon	0.2
Egypt	0.2
Côte d'Ivoire	0.1
Morocco	0.1
Algeria	0.1
Burkina Faso	0.1
Kenya	0.1
Gabon	0
Burundi	0
Central African Republic	0
Equatorial Guinea	0
Madagascar	0
United Republic of Tanzania	0
Angola	0
Comoros	0
Congo, Democratic Republic	0
Djibouti	0
Eritrea	0
Guinea-Bissau	0
Lesotho	0
Liberia	0
Mauritania	0
Mozambique	0
São Tomé and Príncipe	0
Sierra Leone	0
Somalia	0
Sudan	0
Tunisia	0
Zambia	0
Chad	0
Congo	-0.1
Swaziland	-0.3
Niger	-0.6
Namibia	-0.9
Togo	-1
Uganda	-1.1

Source: [www.unctad.org](http://www.unctad.org)

**Table 11 Inward FDI flows as % of gross fixed capital formation, 2003**

Equatorial Guinea	295.9
Chad	127.9
Gambia	83.6
Sudan	80.1
Mauritania	79.5
São Tomé and Príncipe	45.7
Angola	43.9
Congo	37.5
Nigeria	36
Côte d'Ivoire	34.2
Mozambique	29.9
Seychelles	28.9
Congo, Democratic Republic	23.6
Mali	22.4
Morocco	22.2
Uganda	20.9
Libyan Arab Jamahiriya	19.9
Swaziland	18.2
Djibouti	17.2
Zambia	16.2
United Republic of Tanzania	15.6
Niger	14.3
Cameroon	13.8
Cape Verde	12.8
Malawi	12.4
Namibia	12.3
Benin	10.8
Ghana	10.7
Tunisia	9.7
Lesotho	9.6
Togo	9
Senegal	9
Eritrea	8.9
Botswana	6.9
Guinea-Bissau	6.5
Sierra Leone	5.7
Mauritius	5.5
Ethiopia	5.4
Madagascar	5.3
Kenya	5.2
Gabon	4
Algeria	3.9
Comoros	3.8
South Africa	3
Central African Republic	2.8
Zimbabwe	2.5
Egypt	2
Rwanda	1.6
Burkina Faso	1.4
Guinea	1.2
Burundi	0
Liberia	0
Somalia	0

Source: [www.unctad.org](http://www.unctad.org)

**Table 12 Inward FDI flows minus outward FDI flows, average annual flows 1999-2003, US\$ million**

South Africa	2341
Angola	1711
Morocco	1287
Nigeria	1011
Algeria	730
Egypt	709
Sudan	680
Equatorial Guinea	606
Tunisia	606
Chad	492
United Republic of Tanzania	356
Côte d'Ivoire	277
Uganda	266
Mozambique	254
Congo	251
Namibia	172
Zambia	108
Cameroon	105
Mauritania	93
Congo, DR	78
Mauritius	78
Ghana	74
Swaziland	67
Senegal	65
Mali	62
Ethiopia	61
Madagascar	54
Seychelles	49
Kenya	46
Gambia	41
Benin	38
Togo	36
Eritrea	33
Lesotho	32
Botswana	29
Cape Verde	24
Malawi	23
Zimbabwe	21
Guinea	20
Niger	16
Burkina Faso	10
Djibouti	5
Sierra Leone	5
São Tomé and Príncipe	5
Central African Republic	4
Rwanda	4
Guinea-Bissau	3
Burundi	2
Comoros	1
Somalia	0
Gabon	-15
Libyan Arab Jamahiriya	-73
Liberia	-154

Source: [www.unctad.org](http://www.unctad.org)

**Table 13 African growth and investment performances**

	Fixed investment as % of GDP, 1998-2002	GDP per capita growth, 2002, actual and rank	1998-
Equatorial Guinea	91.6	23.8	1
Lesotho	46.3	-0.2	36
Angola	36.9	3.5	7
Mozambique	36.7	6.3	2
Sao Tome and Principe	35.2	1.1	25
Seychelles	34.8	0.9	26
Chad	30.7	1.7	21
Gabon	30.1	-1.6	43
Eritrea	26.7	-2.4	46
Mauritania	26.4	1.5	23
Tunisia	25.6	3.2	9
Algeria	24.5	1.9	17
Botswana	24.3	3.8	5
Mauritius	24.2	4.1	4
Congo, Rep.	23.8	0.1	34
Morocco	23.0	1.9	18
Mali	22.4	2.9	11
Ghana	22.4	2.4	15
Burkina Faso	22.2	1.2	24
Namibia	21.9	0.2	33
Nigeria	21.5	-0.6	37
Guinea	19.9	1.6	22
Cape Verde	19.9	3.5	8
Uganda	19.1	3.1	10
Swaziland	18.9	0.3	32
Gambia, The	18.5	0.7	27
Senegal	18.3	1.9	20
Egypt, Arab Rep.	18.2	2.5	13
Togo	18.2	-2.4	47
Benin	18.1	2.5	14
Cameroon	17.7	2.4	16
Ethiopia	17.6	1.9	19
Rwanda	17.4	4.7	3
Zambia	16.6	0.4	29
Tanzania	16.0	2.7	12
Guinea-Bissau	15.7	-6.6	50
Madagascar	15.5	-1.7	44
South Africa	15.4	0.3	31
Kenya	14.7	-1.2	42
Central African Republic	13.6	0.7	28
Sudan	13.3	3.7	6
Cote d'Ivoire	12.5	-1.8	45
Djibouti	12.3	-1.1	41
Zimbabwe	12.3	-5.0	49
Libya	12.3		
Comoros	12.2	-1.1	40
Malawi	11.5	-0.9	39
Niger	11.1	0.4	30
Burundi	7.2	0.0	35
Sierra Leone	6.5	-0.7	38
Congo, Dem. Rep.	4.0	-4.3	48

Source: WDI 2004; 2002 is the latest year for which data are available. There are missing data for some countries.

**Table 14 Prominent South African investments in Africa since 1998**

Investment	Target country	Investor and project details	Type	Amount	Date
<b>Resources and resource-related</b>					
Gas to liquid plant	Nigeria	Sasol SA (construction commenced, main office located in Nigeria as well as Lusaka, Maputo, Harare and Gaborone)	new	not known	2003
Luarica and Fucauma alluvial diamond concession	Angola	Trans Hex joint venture with Angolan State Diamond Organisation	PPP	\$30m	2002
Kipushi Zinc Mine and Kamoto Copper Mine	DRC	Kumba Resources (Kamoto with IDC)	new	\$123,5m	2002
Navachab Gold Mine	Namibia	AngloGold	expansion	not known	2002
Mimosa Mining Company	Zimbabwe	Implats through ZCE Platinum (35 to 50% stake), joint venture with Aquarius Platinum	merger/ acquisition	\$12m	2002
Zimbabwe Platinum (Zimplats)	Zimbabwe	Implats (30 to 51% acquisition)	merger/ acquisition	R202m	2002
Independence Gold Mines	Zimbabwe	Metallon Corporation acquisition from Lonmin	merger/ acquisition	R161m	2002
Kamoto Copper Mine	DRC	Kumba Resources (expression of interest, with IDC)	interest	R1,339m	2002
Geita Gold Mine	Tanzania	AngloGold, with Ashanti Goldfields (AngloGold currently contemplating a merger with or acquisition of Ashanti)	new	\$400m	2000
Mozal II	Mozambique	Multi-state including IDC (24%)	expansion	\$860m	2001
Rand Air Mozambican operations	Mozambique	Withdrawal of Rand Air (air compressor and generator hire) – corruption and bureaucracy	disinvestment	not known	2001
Mererani Tanzanite Project	Tanzania	African Gem Resources (Afgem)	new	R173m	2001
Zimplats	Zimbabwe	Implats (30% acquisition, with ABSA Bank)	merger/ acquisition	R131m	2001
Ngezi opencast mine, Hartley Platinum	Zimbabwe	Implats (30% with Zimplats)	new	R240m	2001
Etame Oil	Gabon	Sasol SA	new	not known	..
Pande and Temane gas fields, Temane processing facility	Mozambique	Sasol SA (construction commissioned with \$64m worth of cross-border pipes to reach Secunda by 2004)	new	\$1,2m	2001
Bulk emulsion plant (mining solution)	Ethiopia	AECT (already manufacturing Dulux products in Botswana, Malawi, Mozambique, Swaziland and Zimbabwe, with operations in seven African countries outside South Africa)	new	R10m	200
<b>Investment</b>					
Chambishi Metals	Zambia	Anglovaal (Avmin) – privatization (withdrawal expected 2003)	privatisation	\$150m	1998
Kudu gas fields	Namibia	10% by Energy Africa, with Shell (also interests in Equatorial Guinea, Congo, Egypt, Gabon, Libya, Mauritania, Morocco and Uganda, and production in Congo and Gabon)	exploration	\$400m	licence expires 2005
<b>Retail/ consumer (selected major investments only)</b>					
Shoprite/Megasave distribution centre	Angola	Shoprite	new	R113m	2002
Protea Hotel Rhyalls	Malawi	Protea's new hotel in Blantyre(also expansion in Zambia, Tanzania)	expansion	\$4,5m	2002
Champion supermarket group	Madagascar	Shoprite	merger/ acquisition	not known	2002
Laurentina	Mozambique	South African Breweries through Cervejas de Mocambique (78% holding from Castel subsidiary)	merger/ acquisition	not known	2002
Vilanculos Sanctuary	Mozambique	Jordan Properties (concession)	privatisation	\$20m	2002
Afri-Ski Mahlasela	Lesotho	Afri-Ski & Leisure, first ski resort Ski Resort in Lesotho	new	\$10m	2002
Coca-Cola Bottling Luanda	Angola	South African Breweries (45%)	new	\$19m	2001
Zambian Falls Entertainment and Convention Centre	Zambia	Kersaf (through Sun International)	new	\$56m	2001
Royal Palm Hotel	Tanzania	Legacy Hotels and Resorts (intention)	new	\$25m	2001
Pep Stores	Malawi	Pep Clothing – withdrawal	disinvestment	(R100m)	2001
Holiday Inn	Tanzania	Sun International	new	\$13,2m	2000
<b>Financial services</b>					
Metropolitan Namibia	Namibia	20% by Pinnacle (local empowerment consortium) from New Africa Capital	disinvestment	not known	2002
African Life	Zambia	African Life (extending operations in Botswana, Namibia, Kenya and Ghana)	expansion	not known	2001
Uganda commercial bank	Uganda	Stanbic Bank Uganda	merger/ acquisition	not known	2001

Banco Austral (formerly Popular Development Bank)	Mozambique	80% by ABSA (re-privatisation)	privatisation	not known	2001
National Bank of Commerce	Tanzania	(70%, 15% of which sold to IFC) by ABSA	privatisation	\$10m	1999
Commercial Bank of Zimbabwe	Zimbabwe	ABSA (privatisation, but minority stake)	merger/ acquisition	\$8m	1999
Barclays of Swaziland	Swaziland	Standard Bank	merger/ acquisition	\$10m	1998
<b>Agriculture</b>					
Accuara de Xinavane	Mozambique	Tongaat-Hulett (49%, PPP)	privatisation	\$7m	2001
Mon Tresor and Mon Desert	Mauritius	80,25% stake from Illovo to local consortium	disinvestment	(R472m)	2001
<b>Telecommunications/ infrastructure</b>					
Hydroelectric project	DRC	Eskom (expression of interest)	interest	\$6,000m (expression of interest)	2002
Air Tanzania	Tanzania	SAA	merger/ acquisition	\$20m	2002
Caminhos de Ferro de Mocambique	Mozambique	Spoonet, Ressano Garcia Railway Company (15-year concession)	privatisation	\$78m	2002
Vodacom Mozambique	Mozambique	Vodacom, with 2% local consortium, Emotel and 23% warehoused (15-year licence)	new	\$90m	2002
Mobile Malawi	Malawi	Ubambo Investments	new	\$28m	2002
Vodacom DRC	DRC	Vodacom International (51%) in joint venture with Congolese Wireless Networks (CWN)	new	\$139m	2001
Vodacom Tanzania Ltd	Tanzania	65% by Vodacom International	new	\$150m	2000
MTN Cameroon	Cameroon	MTN International – GSM licence	new	not known	2000
MTN Uganda	Uganda	50% by MTN International – second national operator	new	\$80m	1998
MTN Nigeria	Nigeria	94% by MTN International – successful bid for GSM licence	new	\$285m	1998
MTN Rwanda	Rwanda	31% by MTN International – GSM licence	new	not known	1998
MTN Swaziland	Swaziland	Joint venture – GSM licence	new	not known	1998

Source: DBSA (2004)

**Table 15 Mauritius. FDI to and from Mauritius 2003 (%)**

Region/ economy	Inward	Outward
Developed countries	19	
European Union	17	
France	8	
United Kingdom	9	
United States	2	
Developing economies	76	100
Africa	61	
Reunion	9	0
South Africa	52	1
Madagascar	0	4
Mozambique	0	45
Asia	15	0
United Arab Emirates	3	0
China	2	0
India	7	0
Malaysia	4	0
Seychelles	0	49

Source: Mauritius country paper

**Table 16 Ethiopia**

**A FDI flows to Ethiopia, by geographical origin, 1992-2004 (millions of dollars and percentage)**

Region/ economy	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*	2004
	US\$ million													%
<b>Total world</b>	0.2	3.5	17.2	14.1	21.9	288.5	260.7	70.0	134.6	349.4	255.0	465.0	545.1	
<b>Developed countries</b>	-	-	0.1	-	0.5	69.8	17.0	45.6	19.5	103.1	48.8	209.2	264.5	49
European Union	-	-	0.1	-	-	67.2	12.7	12.3	8.0	36.0	26.4	75.0	123.7	23
Canada	-	-	-	-	0.1	-	0.0	-	-	-	-	48.2	6.8	1
United States	-	-	-	-	0.4	0.5	0.1	-	0.3	67.1	21.3	82.2	123.1	23
<b>Developing economies</b>	0.2	3.5	17.2	14.1	21.5	218.4	207.7	23.6	113.3	231.6	194.4	233.1	218.4	40
Africa	-	0.3	-	-	-	0.7	0.9	0.8	0.7	8.8	7.7	52.1	52.0	10
Asia	0.2	3.2	17.2	14.1	21.5	217.8	206.8	22.8	112.6	222.8	185.5	173.9	162.4	30

**B Major African Investments Operating in Ethiopia**

Name of Investor	Country of Origin	Value of Investment (Million USD)	Sector/Industry	Year of Establishment
ZAK Ethiopia Manufacturing & Trading P.L.C.	Kenya	4.19	Manufacturing	1994
Ethiopian Steel Plc	Kenya/Mauritus	7.76	Manufacturing	1996
Ali Mohammed Ali Ebrahim	Sudan	2.39	Construction	1997
Danie Oberholezen	South Africa	0.87	Other Businesses	1997
Ethiodream Plc	Italy/Yemen/South Africa	1.51	Agriculture	1997
Ethio-Libyan Agricultural Co.	Libya	1.28	Construction	1997
Jaffar Enterprise "Blue Nile Tannery" Plc	Sudan	1.50	Manufacturing	1997
Kalu-Works P.L.C.	Ethiopia Kenya	1.46	Manufacturing	1997
ROTO Plc	Kenya	0.50	Manufacturing	1997
Shoe Wind Industries PLC	Britain/Kenya	1.58	Manufacturing	1997
Sodere Investment Service	Sudan	0.77	Trade	2003

Source: Ethiopia country paper

**Table 17. Uganda**  
**A. FDI flows to Uganda, by geographical origin, fiscal year 1992/ 1993 to 2001/ 2002 (millions of dollars, percentage)**

Region/economy	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2002
	/1993	/1994	/1995	/1996	/1997	/1998	/1999	/2000	/2001	/2002	/2003	/2003 %
<b>Developed countries</b>	16.9	33.8	42.6	44.8	63.1	73.6	89.0	103.7	88.1	139.5	129.2	53
<b>European Union</b>	13.7	27.5	34.6	36.4	51.3	59.8	72.4	84.3	71.6	40.0	37.0	15
Netherlands	1.6	3.1	4.0	4.2	5.9	6.8	8.3	9.6	8.2	9.8	9.1	4
Sweden	0.8	1.5	1.9	2.0	2.8	3.3	4.0	4.7	4.0	5.7	5.3	2
United Kingdom	10.2	20.5	25.8	27.2	38.3	44.6	54.0	62.9	53.5	24.3	22.5	9
Canada	2.1	4.2	5.3	5.6	7.9	9.2	11.1	12.9	11.0	7.5	7.0	3
United States	1.0	2.1	2.7	2.8	3.9	4.6	5.5	6.5	5.5	92.0	85.2	35
<b>Developing economies</b>	21.5	43.1	54.2	57.0	80.3	93.6	113.3	132.0	112.2	43.2	40.0	17
<b>Africa</b>	10.9	21.8	27.5	28.9	40.7	47.5	57.5	66.9	56.9	34.0	31.5	13
Kenya	4.2	8.4	10.6	11.1	15.7	18.3	22.2	25.8	21.9	6.6	6.1	3
Mauritius	1.6	3.2	4.0	4.2	5.9	6.9	8.3	9.7	8.2	7.4	6.9	3
South Africa	5.1	10.3	12.9	13.6	19.1	22.3	27.0	31.5	26.7	2.5	2.4	1
Bermuda	9.2	18.4	23.1	24.3	34.3	40.0	48.4	56.3	47.9	5.6	5.2	2
<b>Asia and the Pacific</b>	1.4	2.9	3.6	3.8	5.3	6.2	7.5	8.7	7.4	3.5	3.3	1
India	0.7	1.4	1.8	1.9	2.7	3.1	3.8	4.4	3.7	3.5	3.3	1
Singapore	0.7	1.4	1.8	1.9	2.7	3.1	3.8	4.4	3.7	-	-	

**B. FDI stock in Uganda, by geographical origin, 1999 - 2003 (millions of dollars)**

Region/economy	1999	2000	2001	2002	2003
<b>Total world</b>	666.9	807.1	962.3	1164.6	1358.8
<b>Developed countries</b>	251.3	319.4	363.7	472.5	579.6
<b>European Union</b>	198.4	265.6	319.8	359.5	395.4
Belgium		19.9	21.4	21.2	20.9
France		19.2	20.7	20.7	20.5
Netherlands	18.3	34.8	43.4	53.7	63.1
Sweden	10.3	15.4	20.6	27.0	32.9
United Kingdom	169.9	176.3	213.6	237.0	257.9
Canada	35.3	35.9	45.8	53.9	61.4
United States	17.6	17.9	-1.8	59.0	122.9
<b>Developing economies</b>	322.5	403.7	467.0	478.5	487.9
<b>Africa</b>	159.4	208.8	240.7	245.2	249.4
Kenya	67.2	74.7	65.9	62.9	60.9
Mauritius	18.7	34.5	50.3	58.3	65.6
South Africa	73.5	99.6	124.4	124.0	122.9
Bermuda	139.7	170.2	198.3	203.1	206.2
<b>Asia and the Pacific</b>	23.4	24.7	27.9	30.2	32.3
India	11.9	12.2	13.5	15.8	18.1
Singapore	11.5	12.5	14.5	14.4	14.1

Source : Uganda country paper

Note: Data represent equity investment and are based on a survey of 326 companies.

**Table 18. United Republic of Tanzania****A. FDI flows in Tanzania, by geographical origin, 1999-2001**

(Millions of dollars)

Region/economy	1999	2000	2001	2001
	\$ million			%
Total world	541.5	282.0	467.2	
Developed countries	245.3	128.2	240.3	51
European Union	36.6	26.6	141.4	30
Netherlands	5.6	1.6	58.5	13
United Kingdom	31.0	25.0	82.8	18
Canada	79.7	-	21.5	5
United States	24.2	27.8	27.8	6
Australia	49.0	4.0	3.9	1
Others	55.8	69.8	45.6	10
Developing economies	296.2	153.8	226.8	49
Africa	261.6	145.0	211.9	45
Kenya	21.3	6.5	14.2	3
Mauritius	16.7	4.6	3.7	1
South Africa	44.7	132.4	189.5	41
Asia	34.6	8.8	14.9	3

Source: Tanzania Investment Report, December 2001 &amp; upcoming report

**B. FDI stocks in Tanzania, by geographical origin, 1998 - 2001**

(Millions of dollars)

Region/economy	1998	1999	2000	2001	2001
	\$ million				%
<b>Total world</b>	<b>1714.7</b>	<b>2 418.9</b>	<b>3 038.8</b>	<b>3 776.8</b>	<b>100</b>
<b>Developed countries</b>	1 081.2	1 487.3	1 769.4	2 032.0	54
European Union	630.3	877.7	752.8	880.3	1
Denmark	25.1	47.6	36.3	35.5	1
France	31.6	47.1	20.5	33.6	1
Germany	36.7	51.0	22.4	52.6	1
Italy	71.3	57.9	57.5	63.6	2
Netherlands	111.4	117.2	47.1	105.4	3
Sweden	25.7	34.2	24.6	29.7	1
United Kingdom	328.5	495.4	534.5	559.9	15
Norway	33.0	36.9	31.7	26.2	1
Switzerland	29.6	30.1	127.5	115.5	3
Canada	101.2	184.0	406.7	430.6	5
United States	127.9	161.7	177.2	170.0	11
Australia	111.3	177.7	43.4	49.8	1
Japan	6.8	3.7	190.9	172.2	5
<b>Developing economies</b>	613.9	905.9	1268.9	1744.8	46
Africa	472.7	737.6	1 100.6	1 549.3	
Ghana	277.6	418.7	149.9	174.9	5
Kenya	56.2	55.8	113.7	275.5	7
Mauritius	73.7	89.0	175.8	171.4	5
South Africa	33.9	140.3	640.6	912.2	24
Uganda	0.4	5.4	1.5	1.6	0
Asia					
United Arab Emirates	2.3	3.0	17.7	17.0	0
China	10.4	10.6	23.0	23.7	1
India	4.9	5.6	11.1	15.0	0
Malaysia	42.4	48.5	41.2	41.5	1

**C. The number of affiliates of TNCs in Tanzania, by geographical origin, 1990-2000**

Region/economy	1990-2000
<b>Total world</b>	603
<b>Developing economies</b>	244
Africa	97
North Africa	4
Egypt	2
Libyan Arab Jamahiriya	2
Other Africa	93
Ethiopia	3
Ghana	3
Kenya	62
Mauritania	3
Mauritius	6
Mozambique	1
Rwanda	2
Sierra Leone	1
Somalia	2
Uganda	5
Zimbabwe	4

**D. Largest affiliates of African TNCs in the Tanzania, 2000 (Millions of dollars and number)**

Company	Home economy	Industry	Sales	Employees
<b>A. Industrial</b>				
Ashanti Goldfields (Tanzania) Ltd.	Ghana (now South Africa)	Mining	284.4	<sup>a</sup> 20
Tanzania Breweries Ltd. (South African Breweries)	South Africa	Beverages	185.9	1,266
<b>B. Tertiary</b>				
C Mehta and Company Tanzania Ltd.	Kenya	Distributive trade	..	20
<b>C. Finance and Insurance</b>				
NBC (1997) Limited (Amalgamated Bank of South Africa)	South Africa	Banking	385.4	1,100
East African Development Bank	Uganda	Banking	151.1	..
Stanbic Bank Tanzania Ltd.	South Africa	Banking	140.5	159
Delphis Bank	Kenya	Banking	..	90

<sup>a</sup> Data refer to 1999.

Source: Tanzania Country Paper

**Table 19 Characteristics of African extra regional FDI (mn US\$ for stocks and flows)**

Host country	Variable, source region	1996	1997	1998	1999	2000	2001	2002	2003
in US	FDI stocks in US -total								
	By Africa							2298	2187
	By South Africa							493	376
	Other Africa							1805	1811
	FDI stocks in US - manufacturing								
	Africa							663	653
	South Africa							-26	-37
	Other Africa						689	690	
In Germany	FDI stocks in Germany								
	Africa			216	178	101	755		
	South Africa			88	117	40	688		
	Number of affiliates								
	Africa			40	42	37	41		
	South Africa			11	20	17	20		
	Employment '000								
	Africa			2	3	2	3		
	South Africa			1	2	2	2		
	Sales								
	Africa			890	533	554	985		
	South Africa			334	320	185	537		
	In UK	FDI flows							
Africa				2217	374	956	131	160	
South Africa				1605	340	869	106	144	
Other Africa				612	34	87	25	16	
Share SA in Africa				0.72	0.91	0.91	0.81	0.90	
FDI stocks									
Africa				4502	2496	3016	1901	962	
South Africa				3369	2009	2227	1570	563	
Other Africa				1133	487	788	332	399	
Share SA in Africa				0.75	0.80	0.74	0.83	0.59	
Profits									
Africa				19	333	414	319	223	
South Africa				-63	299	384	253	219	
Other Africa				82	34	30	66	5	
Rate of return									
Africa				0.00	0.13	0.14	0.17	0.23	
South Africa				-0.02	0.15	0.17	0.16	0.39	
Other Africa			0.07	0.07	0.04	0.20	0.01		
In Australia	FDI flows in Australia								
	Africa	53		34	32				
	South Africa	53	2	58	32	70			
	FDI stocks in Australia								
Africa		93	127	271					
South Africa		45	129	271	270				
Belg. and Lux	FDI flows in Belgium and Luxembourg								
	Africa	40	19	103	49	19			
	South Africa	10	-7	79	22				
In Canada	FDI flows in Canada								
	Africa	19	43	39	27	56			
In France	FDI stocks in France								
	Africa		112						
	South Africa		1	2	1				
In Netherlands	FDI stocks in Netherlands								
	Africa	160	76	51	55				
	South Africa	6	5	13	11				

Sources: compiled from data from OECD, US BEA, UK ONS

**Table 20 Subsidiaries of other African countries' TNCs in Africa**

Home country	Host country	Sector	Company name	Sales (US\$ mn)	Employment
Kenya	Tanzania	Beverages	Kibo Breweries	348.4	250
	Uganda	Beverages	Uganda Breweries	328.3	1000
	Tanzania	Rubber	Treadsetters		125
	Tanzania	Beverages	Elvira Mineral Water		30
	Uganda	Plastics	General Mouldings	0.1	45
	Uganda	Trade	Transpaper	2.0	35
	Uganda	Food	Uganda Grain Milling		120
	Tanzania	Trade	Service and computer industries	0.7	33
	Uganda	Trade	Car and General	0.3	18
	Uganda	Trade	Cooper Motor Corporation		80
	Uganda	Trade	Lonrho Motors		52
	Tanzania	Trade	Metha and Company		7
	Tanzania	Trade	Car and General		
	Egypt	Other business services	Menamet Communication s		
	Tanzania	Finance	Trust Bank		90
	Tanzania	Banking	Delphis Bank		90
Tanzania	Finance	Diamond Trust Bank		45	
Ghana	Tanzania	Mining	Ashanti Goldfields (merged with Anglo Gold in 2004)	284	20
Nigeria	Sierra Leone	Finance	Guaranty Trust Bank		
Djibouti	Ethiopia	Finance	Commercial Bank of Ethiopia		
Tanzania	Kenya	Insurance	Phoenix of East Africa Assurance		90
Zimbabwe	Zambia	Trade	Insor Distribution Zambia		15

Source: [www.unctad.org](http://www.unctad.org)

**Table 21 Major South African corporates in Africa by sector**

Sector		SA Corporation and number of countries invested
<b>Aviation and airport services</b>		Airports Company of South Africa (9 countries)
<b>Airlines</b>		South African Airways (SAA), stakes in Air Tanzania and Eagle Airline
<b>Banking and financial services</b>	Private enterprises	Stanbic (9 countries)
		ABSA (4 countries)
		Stanlib (Standard Bank / Liberty Bank joint venture) (9 countries)
		First Rand plus subsidiary Rand Merchant Bank (3 countries)
		Nedbank (7 countries)
		Investec Ltd (4 countries)
		Metropolitan Life (5 countries)
	State-owned enterprises	DBSA (7 countries)
		IDC (20 countries)
	<b>Construction</b>	
	Group 5 (13 countries, contracts)	
	Concor (9 countries, contracts)	
<b>Energy</b>		Sasol (4 countries, contracts)
<b>Manufacturing</b>		Nampak (10 countries)
	Sappi (3 countries)	
	SABMiller (13 beer breweries 10 countries, 35 sorghum breweries in 5 countries)	
	Illovo Sugar (5 countries)	
	Tongaat Hulett (3 countries)	
	Barloworld (7 countries)	
	AECI subsidiaries AEL and Dulux (7 countries)	
<b>Media and broadcasting</b>		Multichoice (services in 21 countries)
<b>Mining</b>		De Beers (3 countries)
	Anglogold (8 countries)	
	Goldfields (operation in 1 country )	
	Randgold Resources (3 countries)	
<b>Retail</b>		Shoprite (outlets in 15 countries)
	Massmart (Makro, Game, Dion, Cash & Carry, Builders Warehouse), 300 outlets in SACU	
	Metcash (3 countries)	
	Wooltru / Woolworths (19 countries)	
	Steers Holdings (Steers, Debonairs, FishAways, Church's Chicken, Pouyoukas Foods) (9 countries, franchises)	
	Pepkor Holdings (Pep Stores, Ackermans) (6 countries)	
	Ellerine Holdings Limited (Ellerines, Town Talk Furnishers, Furn City, Rainbow Loans, CPI, Foreign, Wetherlys, Osiers, Roodefurn) (5 countries)	
	JD Group (Abra, Barnetts, BoConcept, Bradlows, Electric Express, HI-FI Corporation, Joshua Doore, Morkels, Price and Pride, Russells) (4 countries)	
<b>Research &amp; Development</b>		V&A Waterfront (contracts in 3 countries)
<b>Telecommunications</b>		MTN/M-Cell (5 countries)
	Vodacom (contracts in 5 countries)	
	Transtel (A division of Transnet)	
	Eskom Enterprises Telecommunications	
<b>Transport</b>		Transtel (9 divisions with African involvement including Spoornet Joint Ventures and its subsidiary Comazar, Transwerk and Transtel), 20 country contracts
	Unitrans (7 countries)	
<b>Tourism and Leisure</b>		Protea Hotels (9 countries)
	Southern Sun (6 countries)	
	Sun International (4 countries)	
	Imperial Car Rental (8 countries)	
<b>Utilities</b>	<b>Power</b>	Eskom Enterprises (28 country contracts)
	<b>Water</b>	Umgeni Water (3 country contracts)
<b>Information Technology</b>		Arivia.com (state-owned) (offices in 3 countries)
	Mustek (Mecer brand), 8 countries	

Source: Naidu and Lutchman (2004)

**Table 22** Average Tariff rate by sector in SSA and other regions (1990s)

Country	Year	Tariff Rate (% , unweighted)		
		All Goods	Agric.	Man.
Benin	1996	13.1	13.7	12.8
Botswana	1996	11.1	12.3	11.0
Burkina Faso	1998	31.1	37.0	29.1
Cameroon	1996	18.1	24.3	17.8
Central Africa Rep	1997	7.0	7.6	6.8
Chad	1997	15.8	17.0	15.5
Congo Rep.	1997	17.6	18.0	17.5
Cote d'Ivoire	1996	19.2	21.2	18.8
Gabon	1998	20.6	25.1	19.7
Ghana	1995	15.0	20.1	14.1
Guinea	1998	16.4	16.6	16.3
Kenya	1999	18.0	16.7	18.2
Madagascar	1998	6.8	6.4	6.9
Malawi	1998	15.7	15.6	15.7
Mali	1999	11.2	16.1	10.4
Mauritius	1998	19.0	14.9	19.5
Mozambique	1997	15.6	16.9	15.3
Nigeria	1998	23.4	23.0	24.0
Rwanda	1993	34.8	58.0	31.1
Senegal	1996	12.3	13.5	12.1
South Africa	1999	8.5	8.0	8.6
Tanzania	1999	16.1	17.4	16.2
Togo	1997	13.3	13.6	13.3
Uganda	1996	13.2	23.7	11.6
Zambia	1997	13.6	15.9	13.0
Zimbabwe	1998	22.2	27.0	21.7
Averages for Regions (number of countries)				
All developing countries (96)	1993–99	13.1	17.0	12.4
East Asia (15)	1994–99	9.8	13.9	9.4
South Asia (5)	1996–99	27.7	26.3	28.0
Sub-Saharan Africa (26)	1993–99	16.5	19.2	16.0
Middle East & N. Africa (11)	1995–99	14.4	20.8	13.2
Transition Europe (15)	1996–99	9.6	15.7	7.8
Latin America (24)	1995–99	10.1	13.8	9.5
<i>Notes:</i> Agric refers to agriculture products and Man to manufactures.				
<i>Sources:</i> WTO, IDB CD ROM 2000 and Trade Policy Review, various issues, 1993–2000; World Bank, World Development Indicators, 2000 and UNCTAD, World Investment Report 2000				

Source: African Development Report 2004

**Table 23 Summary table of investment related provisions in RTAs**

	NAFTA	MERCOSUR	CARICOM	ANDEAN	ASEAN	SADC	COMESA
<b>INVESTMENT RULES</b>							
What year did investment provisions come into force at regional level	1994	1994	1982 & 1997	1991	1987 & 1998	Few provisions	1994
<b>1 Scope and coverage</b>							
a Applicable to non-parties (when or when not)	Yes	Yes	No	Yes	AIA National Treatment		No
b Positive or negative list approach	Negative	Colonia – Negative Buenos Aires - positive	Positive	Positive	1987 – positive AIA-negative		Positive
c Main exceptions (safeguards, sectors etc.)							
<b>2 National Treatment</b>							
a Pre-establishment (all sectors?)	Yes	Yes	No	Not specified	Yes	No	No
b Are there restrictions on ownership rules? (e.g. min equity share)	Yes	No	No	No	Yes	No	No
c Operations by MNEs in the country	Yes	Yes	No	Not specified	Yes	No	No
<b>3 Most Favoured Nation and fair and equitable treatment</b>							
a granted to parties	Yes	Yes	No	No	Yes	No	Yes – fair & equitable
b non-parties	Yes	Yes	No	No	No	No	No
<b>4 Performance requirements</b>							
a Are they banned for new and existing investment?	Yes	Yes	No	Yes	No	No	No
b Do they go beyond TRIMs?	Yes	Yes		No			
<b>5 Transfers of funds</b>							
a Are transfer of funds across borders allowed	Yes	Yes	Yes	Yes	Yes	No	Yes
<b>6 Do provisions with respect to expropriation exist (nationalisation ,etc.)</b>							
	Yes	Yes	Yes	Yes	Yes	No	Yes
<b>7 Settlement of Disputes</b>							
a State-to-state	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b Investor-state	Yes	Yes	Yes under certain conditions	No	Yes	No	No
c Access to International Dispute Settlement (ICSID, UNCITRAL)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>TRADE RULES</b>							
<b>9 Rules of Origin</b>							
a Do rules of origin exist	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b Value Content Criterion: Domestic/Regional Value Content (RVC)	RVC 50-60%	MC40% RVC60%	N/A	MC: 50%	MC: 60%	MC: 70-35%	MC:60% RVC:35%
c Are there roll-up arrangements?	Yes	Yes	-			Yes	Yes
d Are drawback allowed?	No	Yes	-		Yes		Not after 10 years
e Mean/median value of restrictiveness	4	3			4	4	3
<b>10 Tariff structures</b>							
a Does a Common External Tariff exist.	No MFN varies from 5.5% - 16.5%	Yes since 1995	Yes since 1991	Yes since 1993	No	No	No. Plans for CET
b Level of intra-regional tariffs and plans	0-2%	Duty free	Duty free	Duty free	0-7%	Mixture of duty free and SACU CET	Different levels of tariff elimination
c Exceptions	Yes	Yes	Yes				
<b>11 Other relevant provisions (regional enterprise schemes, regional investment funds, etc.)</b>							
			Free movement of people	Andean Multinational Enterprises Andean development Cooperation	Asean Industrial Co-operation Regional Investment Promotion Events		
				Andean Business Advisory Council	Asean Investment Portals		
Investment relevant integration index (1= no; 2=middle;3=integrated) INV	3	2	2	2	2/3	1	1
Investment relevant integration index (1= no; 2=middle;3=integrated) TRADE	2	3	3	2	1	1	1

Sources: Te Velde and Fahnbulleh (2003).

**Table 24 Intra African Bilateral Investment and Double Taxation Treaties**

Reporting country (1995-2003, unless otherwise stated)	BIT (total)	BIT intra Africa	Year	DTT (total)	DTT intra Africa	
	Total number	With		DTT (total)		
Angola	4	Cape Verde	1997	0		
Senegal	7	Mauritius	2002	5	Mauritius	2002
		South Africa	1998			
Zimbabwe	21	Mauritius	2002	14	Mauritius	1992
					South Africa	1965
Burundi	2	Comoros	2002	0		
		Mauritius	2002			
Uganda	8	South Africa	2000	12	Zambia	1968
					South Africa	1997
					Kenya	1999
					Tanzania	1999
					Mauritius	2003
Zambia	6	Ghana	2001	19	South Africa	1965
					Kenya	1968
					Tanzania	1968
					Uganda	1968
Chad	9	Benin	2001	0		
		Burkina Faso	2001			
		Mali	2001			
		Mauritius	2001			
Sierra Leone	4			4		
Somalia	1			0		
Rwanda	3			0		
Mozambique	9	Zimbabwe	1990	2		
		Mauritius	1997			
		South Africa	1997			
Malawi	3			8	South Africa	1971
Mali	11	Benin	2001	2		
		Cameroon	2001			
		Chad	2001			
		Comoros	2001			
		Guinea	2001			
South Africa	29	Ghana	1998	29	Lesotho	1995
		Mauritius	1998		Mauritius	1996
		Mozambique	1997		Seychelles	1998
		Senegal	1997			
		Uganda	2000			

Source: [www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)

**Table 25 Country-level privatisations in Africa, 1985-1999**

	Revenues (1985 US\$ bn)	Revenues as % of 1985 GDP	Transactions	Size state owned sector in 1980
Burkina Faso	0.02	0.9	35	medium-high
Cameroon	0.09	0.9	31	medium
Congo, Dem. Rep	0.00	0.0	23	high
Congo, Rep.	0.04	1.6	67	high
Côte d'Ivoire	0.68	7.8	96	high
Ethiopia	0.35	8.9	162	medium-high
Gabon	0.03	0.8	8	medium-high
Gambia	0.01	4.1	32	medium-high
Ghana	0.90	21.6	227	high
Guinea-Bissau	0.01	2.8	21	medium-high
Kenya	0.23	3.7	190	high
Malawi	0.06	5.5	73	high
Mali	0.07	3.2	68	medium
Niger	0.00	0.3	29	medium
Nigeria	0.85	4.4	95	high
Senegal	0.23	6.3	54	medium
South Africa	4.53	3.4	33	medium-high
Togo	0.06	5.4	55	high
Uganda	0.17	5.4	101	medium-high
Zambia	0.38	11.2	253	high
Zimbabwe	0.78	14.6	9	medium-high

Source: Brune *et al.* (2004)

**Table 26 Private sector investment in developing country infrastructure**

Year	Europe and Central Asia	Latin America and Caribbean	Middle East and North Africa	South Asia	SSA
1985		147			—
1986		10			0
1987		141			20
1988		320			0
1989		2480		18	24
1990	68	7831	10	267	40
1991	273	9942		640	1
1992	1094	12216	16	52	43
1993	869	15868	2932	1112	31
1994	3643	16610	298	2804	648
1995	8083	17597	120	3544	742
1996	10331	26611	342	4646	1431
1997	13531	50269	5069	5920	4326
1998	11845	70497	3066	2575	2397
1999	9268	36212	2982	2683	4388
2000	22220	39243	4165	4034	3263
2001	7119	34348	3870	4582	4963
2002	9694	17920	1558	5486	3542
Total (per cent)	98,039.10 (18%)	358,260.40 (66%)	24,426.80 (4%)	38,361.10 (7%)	25,858.10 (5%)

Source: [http:// ppi.worldbank.org](http://ppi.worldbank.org)

**Table 27 GDP growth in selected African economies, 1990-2004 (percentages)**

	1990- 2000	1998	1999	2000	2001	2002	2003	2004
All developing economies	4.9	1.3	3.6	5.6	2.4	3.5	4.5	5.8
Africa	2.5	3.1	2.8	3.2	3.6	2.9	3.5	3.9
Algeria	1.9	5.1	3.2	2.4	2.6	4.1	6.7	6.5
Cameroon	1.7	5.0	4.4	4.2	5.3	4.4	4.2	4.5
Côte d'Ivoire	3.3	4.7	1.6	-2.5	0.4	-1.8	-3.8	0.0
Ethiopia	4.3	-1.9	6.2	5.7	8.9	2.7	-3.8	6.5
Ghana	4.3	4.7	4.4	3.7	4.2	4.5	4.7	5.0
Kenya	2.1	1.6	1.3	-0.2	1.1	1.0	1.5	2.5
Morocco	2.3	7.7	-0.1	1.0	6.3	3.2	5.5	4.5
Nigeria	2.5	1.9	1.1	4.2	2.9	-0.9	6.0	3.5
South Africa	2.1	0.7	2.0	3.5	2.8	3.0	1.9	2.5
Tunisia	4.7	4.8	6.0	4.7	4.9	1.7	6.1	6.0
Zimbabwe	2.5	2.9	-0.7	-4.9	-8.4	-5.6	-13.2	-9.0

Source: UNCTAD Trade and Development Report 2004

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