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Foreign Direct Investment in Africa
Old tales and new evidence

EXECUTIVE SUMMARY AND MAIN CONCLUSIONS

After a decade of stagnation, real growth in Sub-Saharan Africa (SSA)[1] accelerated to 4.5% per annum in 1995-98. The resumption of growth has been accompanied by progress in political and macroeconomic stability, as well as in the implementation of structural reforms (Madavo & Sarbib, 1999) all conditions for attracting foreign direct investment (FDI). Until the mid-1990s, SSA received only a small share of FDI, relative to other developing regions, despite the fact that returns on capital were reportedly higher. Some studies suggest (UNCTAD, 1998, 1999, Collier 1999) that this outcome is in part due to negative perceptions about the African continent as a location for FDI. This negative image is reflected in poor scores on policy and financial risk rating assessments – measures utilized to some degree by foreign investors in evaluating investment decisions and hence a contributing factor to low levels of investment.

In an effort to help boost SSA's image as an investment location, the United Nations and World Bank are sponsoring an awareness initiative. The World Bank is contributing a series of papers aimed at providing updated information and analysis on FDI and at documenting Africa's progress in implementing the overall reform agenda particularly with respect to FDI. This paper will examine the magnitude, origin and destination of recent FDI flows to SSA, changes in the sectoral composition of FDI and the relationship between economic reform and FDI flows.

The analysis focuses on the last ten years, with particular emphasis on the most recent period 1995-98, which, for many African countries, represents a return to political and economic stability. It should be noted that the quality of FDI data is poor because of inadequate national statistics and under-reporting. Nonetheless, the analysis is based on several independent sources providing a degree of confidence about the veracity of recent trends. Through a systematic and comprehensive analysis of existing and new evidence the paper aims at reviewing 'old tales' claiming that African countries are unable to attract significant flows of FDI, except in natural resources sectors. The paper is constructed as follows: The summary of conclusions below will be followed by Section I (Recent FDI Trends) which concludes that SSA's share of FDI is increasing substantially; Section II (Impact of FDI on Development) which argues that historically the impact of FDI in SSA has been minimal and to be effective needs to be accompanied by good policies, Section III (Evidence of Policy Reforms) which concludes that while there has been some reform, relative to other regions Africa is still lagging; Section IV (FDI and the Privatizing and Reforming Countries) which describes how these have been catalytic in attracting FDI and South Africa in particular is mentioned; and Section V (Sectoral Pattern of FDI) which describes how the primary sector is still attracting a disproportionate amount of FDI. The paper finishes with conclusions.

[1] See E. Hernandez-Cata (1999).

Summary of Findings

SSA's share of FDI flows increased substantially in 1995-98. Globalization, liberalization and privatization have spurred the global growth of FDI in recent years and increased FDI flows to many low and middle income countries. FDI to SSA rose significantly after the mid-1990. Although still relatively low, SSA's share of FDI flows reached 4% of total flows to low and middle income countries during 1995-98. FDI as a share of SSA's GNP has tripled in a decade and is now higher than that of the South Asia and the Middle East and North Africa region (See Section I). This new important evidence contradicts the old view that Africa is unable to attract significant investment flows from abroad. The continuation of this trend depends in good part on the continued growth of global FDI. However, SSA countries can build on the trend of the past few years by continuing to implement good policies such as privatization and macroeconomic reform.

FDI is not inherently virtuous – its impact depends on the overall incentive and capability structure of the host country. FDI does not require host countries to maintain good policies. In fact, 41% of average inflows to SSA countries in 1995-98 and 33% of the increase in FDI between 1995-98 and 1987-90 went to four[2] oil exporting countries - Angola, the Congo Republic, Equatorial Guinea and Nigeria- which have some of the worst policy and financial risk ratings in SSA. In these countries the benefits from FDI have not been shared with their populations which remain largely affected by poverty and low human development. On the other hand, there are examples in SSA of positive outcomes derived from the presence of international firms in natural resources sectors. For example, Botswana, a long term recipient of FDI in the diamond sector has managed to incorporate FDI into its development strategies (See sections II and V). Policies have included promoting competitive markets, open trade and investment policies and reinvesting revenues from the taxation of international firms into infrastructural and social projects. In SSA, as elsewhere, host country policies, particularly in the area of competition, represent the crucial determinant for a beneficial impact of FDI.

Evidence of widespread policy reform is modest. A number of countries that have stabilized and reformed their economies during the last ten years are experiencing higher growth and lower inflation than the rest of SSA and a resumption in private investment (which, however, remains low by international standards). Sound policies and a better investment climate are reflected in a modest improvement in some of the indices measuring policy and financial risk (see section III). While important, the improvements are not as marked as in other regions thus, leaving SSA with the poorest ratings among developing regions. Moreover, liberalization and privatization have been associated, in most countries, with a **rise in corruption**. This phenomenon is typical of most transition economies where the private sector is small and market enforcement mechanisms are weak[3]. The challenge for African Governments remains enormous. In order to improve economic efficiency and national welfare, a potential outcome of privatization and

[2] Gabon also belongs to the oil exporting group but no comparable data on FDI are available for it.
[3] It may also reflect the fact that the liberalization process makes corruption more transparent, increasing the perception of a rise in corruption.

liberalization, they need to build institutions for improving governance and for dealing with corruption, as well as to strengthen the institutional base of the private sector.

Privatizing and Reforming Countries are Attracting FDI. Foreign exchange raised through privatization (i.e. FDI and portfolio flows) represented a higher proportion of privatization revenues in SSA than in other developing regions during the 1990s. Contrary to the early 1990s, when loss making enterprises were sold off, in recent years privatization has involved public infrastructures, particularly telecommunications (in South Africa, Ghana, Senegal etc.). Reforming countries are attracting large inflows of FDI (both in absolute and relative terms), particularly when compared to the early 1990s. **South Africa** is becoming a strong growth pole for the region and is attracting the largest inflows of FDI. It is also becoming one of the major sources of funds for many neighboring countries. Privatization of infrastructures presents many potential benefits and challenges. Experience suggests that it is a catalyst for additional flows of FDI in other sectors. However, for this to happen, appropriate institutional arrangements and regulatory frameworks safeguarding competition must be developed. Providing investors with a clear and predictable environment and protecting consumers from misuse of monopoly power is an important challenge for many SSA countries.

The sectoral pattern of FDI to SSA has not changed significantly. So far SSA has failed to attract a pattern of resource flows that would lead to a competitive upgrading of the productive or export structure. The only significant exception is South Africa, where about 40% of inflows during 1994-1997 have gone to the manufacturing sector. Even countries that have reformed their economies are still attracting the largest proportion of FDI to the primary sector or to infrastructures. It is possible that this is just a phase. For example, Yeats (1998) shows that over the period 1993-96 the exports of reforming African countries grew faster than world trade with manufactures the most dynamic component of all non petroleum exports. Foreign investors might be attracted in the near future to the expanding export sector. But it is also likely that many countries will first have to significantly improve the general investment and business environment. For example, in Uganda, investors' main concerns are the poor quality of physical infrastructure, the lack of a skilled labor force, the level of corruption and the weak financial system.[4] FDI can contribute to building some capabilities, but cannot be expected to upgrade the basic structure within which they have to operate. Besides stable macro-economic regimes – which many countries have now achieved- to attract FDI in the manufacturing sector Africa needs to improve market structures, lower transaction costs and improve skills and capabilities of the labor force.

I RECENT FDI TRENDS

The recent growth of FDI in SSA is truly remarkable considering that until very recently foreign capital was regarded with suspicion and deterred by many regulations. The socialist development strategy adopted by many post-independence SSA countries nationalized foreign companies and created state-owned industrial sectors. Foreign equity participation remained low throughout the 1970s and 1980s and was confined to import substituting industries (in countries with a sizable domestic market) and to natural resource sectors (mineral extraction and agricultural exports). Within the latter, foreign

[4] See Consorzio Italiano Consulenti, 'Uganda: Survey of Foreign Investors', CIC, Bologna, 1999.

investment often took the form of management, patent and technology licensing agreements or production sharing contracts. SSA's reputation as an unattractive location for competitive production was reinforced by perceived political and economic risk, a low-skilled labor force, weaknesses in infrastructure and distance from export markets. The debt crisis of the 1980s forced many countries in SSA to embark on stabilization programs and to initiate trade and other structural reforms. The reduction of trade protection squeezed profitability in import substituting industries, local demand declined and many manufacturing foreign subsidiaries operating in previously protected market were hurt and divested (Bennell, 1997).

Source and destination of FDI Flows

Globalization, liberalization and privatization have spurred the growth of foreign direct investment (FDI) in recent years. Balance of payment data suggest that between 1987-90 and 1995-98 average annual FDI flows to low and middle income countries increased from about $17 bn to $138 bn. (i.e. from 10% to 31% of world FDI). The ratio of FDI to GDP increased from 0.5% to 2.2%. Despite the recent financial crisis, East Asia continues to attract the highest share of FDI, both relative to other regions and with respect to GDP. Latin America receives the second largest share, followed by Europe and Central Asia. SSA's share of total FDI to low and middle income countries declined from 8.1% in 1987-90 to 3.1% in 1991-94 while the ratio of FDI to GDP remained approximately constant. However, in 1995-98 SSA's share of FDI to low and middle income countries increased to 4%, while the ratio of FDI to GDP tripled and is now close to that of Europe and Central Asia.

Box 1 FDI information on Africa

The quality of information on FDI in Africa is poor because of inadequate national statistics and under-reporting. A first source of information is the International Monetary Fund (IMF), which reports data based on recipient country balance of payment accounts. Despite efforts to improve the quality of information, many countries still record only some components of FDI (equity capital, reinvested earnings and inter-company loans) and even not consistently over time. A second source of information is from the balance of advanced investing countries. The OECD provides geographical details on outflows from all OECD countries to all regions, including SSA. Although this source covers major investing countries, data are not comprehensive as non OECD investors are excluded. Nevertheless, they are often higher than the data reported by host countries. Additional sources of information used in this paper include the Privatization data base of the World Bank, which provides details on the foreign exchange earned on privatization transactions and the Foreign Investment Promotion Agencies existing in Africa. Data from these agencies are based on "approved" rather than actual projects and typically over-estimate inflows of FDI.

Table 1 - FDI Indicators 1987-1998

	FDI Inflows (period average and percent share)						**FDI/GDP (percent)**		
	1987-90	1991-94	1995-98	1987-90	1991-94	1995-98	1987-90	1991-94	1995-98
World	175487	197646	440376	As % shares of world			0.9	0.8	1.5
High income	157525	139444	301829	89.8	70.6	68.5	1.0	0.7	1.3
Low and middle income	17962	58202	138547	10.2	29.4	31.5	0.5	1.2	2.2
as % shares of low-middle Inc.									
Latin America Caribbean	7516	17535	51861	41.8	30.1	37.4	0.8	1.3	2.7
South Asia	471	956	3794	2.6	1.6	2.7	0.1	0.2	0.7
East Asia Pacific	7379	29673	55892	41.1	51.0	40.3	0.9	2.5	3.0
Middle East North Africa	1250	3841	4887	7.0	6.6	3.5	..	0.9	1.0
Europe Central Asia	362	4808	20334	2.0	8.3	14.7	0.0	0.5	1.9
Sub-Saharan Africa	1455	1807	5513	8.1	3.1	4.0	0.5	0.6	1.8

Source: World Bank, IMF

Source of FDI

Data on net investment flows of OECD countries confirm the positive trends during the last 10 years that were identified with IMF-balance of payments data. As a ratio to total OECD investments, those addressed to SSA countries increased from 0.6% in 1987-90 to 0.82% in 1991-94 and 1.15% in 1995-96. The share of SSA in OECD outflows received by non OECD countries increased from 3.0% to 3.4% and to 5.2% during the three periods respectively.

A few countries - the U.K., France, the U.S., Japan, the Netherlands and Germany – continue to account for about 90% of total FDI flows although there have been some changes within periods and countries. In the 1990s new investment has flowed to South Africa in particular with the ending of apartheid and to the CFA countries after the 1994 devaluation. The U.K. remains the largest investor. SSA received about 14% of British outflows to non- OECD countries during 1995-96 (a decline from 18% in 1987-90). U.S. outflows to SSA represented 1.9% of American flows to non OECD countries, up from the negative outflows during the late 1980s. Other countries are becoming important sources of funds. SSA received in 1995-96 8.5% and 8.2% of non OECD outflows from the Netherlands and Switzerland outflows to non OECD countries respectively, a share twice as large what they received in the late 80s.

II IMPACT OF FDI ON DEVELOPMENT

The overall impact of FDI by multinational corporations (MNCs) is not easy to assess, because of the paucity of data, the difficulty in controlling for exogenous factors and conceptual problems in defining strategic counterfactuals – what would have happened if the foreign investment had not taken place. International experience shows that the impact of MNC investments depends on the overall incentive and capability structures within which such investments are made. Maximizing the benefits of FDI requires a stable macro-economic regime, export-oriented trade strategies, liberal internal competition policies and relatively open policies to international flows of services and knowledge. The capability structures that enhance investment efficiency are those that provide high quality skills, a supplier network that permits specialization and competitive costs, and a suitable physical, scientific and institutional infrastructure (Moran (1998), Lall (1999)). While the growth or welfare effect of FDI is difficult to calculate (see Box 2), many studies of SSA economies point to its limited or even negative impact. Cockcroft and Riddell (1991) suggest that during the 1980s the contribution of FDI to production was low in most African countries. In studies of countries such as Cote d'Ivoire (Mansini et al, 1979) or Nigeria (Onimode et al, 1983) where FDI were directed to import substituting firms, the value of imports was calculated to be greater than the value added produced. This type of FDI gave rise to a twofold foreign exchange cost in terms of outflows of investment income and the cost of imported inputs. Other studies show that FDI in Africa has made a modest contribution in terms of direct employment generation (Nzomo, 1971), or in developing management skills (Cambell, 1983, Kim, 1985). However, it is worth noting that most of these studies were undertaken during the 1970s and 1980s, when policies where highly distortionary. In Africa, like in many other countries, the negative impact of FDI derived primarily from lack of competition and from a distort regulatory and incentive framework (see Box 2).

Box 2 How does FDI contribute to development?

Empirical studies of the impact of FDI on development are concerned with either the overall effect (on growth or net welfare) or with specific aspects of the FDI impact on employment, technology, trade and so on. Econometric analysis relating FDI stocks and/or flows to host country rates of growth often concludes that the overall impact is positive. For example, cross-country regressions for the period 1970-89 (Borensztein et al., 1998) show that a 1 percentage point rise in FDI increased domestic investment in developing countries by 0.5-1.3 percent; and a one percentage point rise in the ratio of FDI to GDP increased the rate of per capita income growth of the host country by 0.3 percent to 0.8 percent. Wacziarg (1998) estimated that a one percent increase in the FDI/GDP ratio was associated with an increase in GDP per capita of 0.3-0.4 percent. By contrast, analysis of the *net social welfare effects* of FDI often lead to the opposite conclusion. Lall and Streeten (1977) found that a substantial portion of foreign investments in sample developing countries had negative net social effects on their host economies. Moran (1998) reviews several studies in 30 countries, covering about 200 FDI projects over a period of 15 years. He finds that a large proportion (up to 45%) had negative welfare implications on the host country. MNCs can be harmful when they engage in practices like tax evasion (by transfer pricing), predatory behavior against local competition, benefit from monopolistic power by raising entry barriers, crowd out domestic entrepreneurs, give inadequate attention to potential local suppliers, or fail to exploit the export competitiveness of the local affiliate. In most of the cases the negative effects arise not from foreign ownership *per se* but from the lack of competitiveness of input and output markets in the host country; and from distortions in the domestic incentive framework.

Employment and training Direct employment generation by MNCs depends on several factors: the nature of the investment - green-field sites, joint ventures, or mergers and acquisitions (M&As); trade and industrial policies; and the labor market institutions of the host country. Employment generation of FDI is normally higher in green field FDI, while M&As often lead to labor shedding. It is also higher within export-oriented regimes with abundant, cheap labor. In countries with import-substituting regimes FDI can also stimulate employment, but overtime growth tends to be slower as protection leads to inefficiencies and technological lags. By contrast, export oriented and competitive domestic policies tend to generate more sustainable growth, place less barriers to the entry of new firms and encourage greater flexibility. Similarly, the highest positive effect of FDI derives in a situation where labor can move easily to new jobs or enter new types of employment, and where information on job opportunities is transparent and accessible.

Indirect employment effects created by MNCs can be significant (ranging between 1 and 2 times the number of jobs created directly in affiliates), particularly for activities that involve a large number of input suppliers or subcontractors and service firms. The transfer of skills by training can also be significant. A minimum level of training is always provided by MNCs to ensure that technologies are deployed efficiently. In countries where the setting is competitive, the general education level is high and the labor market efficient, MNCs are likely to invest more in training..

Technology. Technology transfer is one of the most important benefits of FDI. However, the underlying assumptions have often been that technology is completely adaptable and factor markets are efficient. Recent studies have questioned these assumptions (Enos, 1989), criticizing MNCs for charging developing countries too much for technology and for providing inappropriate technologies. The central issue is *how well the transferred technology is absorbed, utilized and diffused in the host economy*, and the contribution that it makes to the *economy's own technological capability*. Developing countries may not be on the frontiers of innovation and some are not even able to utilize very modern technologies. In order to grow efficiently they need to develop new skills, knowledge, institutions and organizational structures to master the technologies they import.

Trade. The *promotion of exports* is an important contribution made by MNCs. Exports by MNC affiliates have been one of the fastest growing components of world trade in recent years. (Blömstrom, 1990). MNCs increase host countries' export competitiveness in many ways: by giving affiliates privileged access to the flow of goods, services and information within the corporate system; by raising skills and capabilities in the host economy; and by creating backward and forward linkages to local firms and restructure existing industries.

Linkages. MNCs can foster many types of linkages with local firms. Particularly important are backward linkages with local suppliers of parts, components and services. The main problem with local sourcing in developing countries lies in *supplier capabilities and information gaps*. For example, many MNCs have large scale requirements, often beyond the capabilities of local suppliers. Or they need high standards of quality, reliability and delivery in areas of high technology and export-oriented activities. Countries that have adopted policies to increase local linkages of MNCs have succeeded most when domestic capabilities were deliberately improved by targeted government action.

Source: Lall (1999)

III EVIDENCE OF POLICY REFORMS

The political and social instability that has historically plagued SSA is often given as one of the main reasons for the historically low level of investment (both private domestic and foreign). Collier and Gunning (1999) suggest that risk considerations are more important in SSA because of its lack of finance and asymmetric information and the virtual absence of second hand capital markets which make investment commitments nearly irreversible. On the other hand, there is evidence that high risk is compensated by high returns on investment: the return on investments made by U.S. companies ranged from 17 % to 35 % in 1995 (UNCTAD, 1999); net income from U.K. direct investment in the region increased by 60 % from 1989 to 1995 (Bennell, 1997); and the rate of return from African affiliates of US companies was considerably higher than the average for other country affiliates - both developed and developing during the same period).

In recent years a number of countries in Africa have achieved peace and macroeconomic stability. They have successfully reformed their economies and have also improved their national policy and incentive frameworks for FDI (see UNCTAD, 1999). Political stability has returned in South Africa, Mozambique, Namibia and Uganda, though other countries in central Africa have experienced conflict. The following section describes the indices used to measure changes in political and financial risk and how they have evolved to reflect recent political changes.

The World Bank's Country Policy and Institutional Assessment (CPIA) assesses the quality of countries' present policies and institutional frameworks as seen by World Bank country economists[5]. Ratings range from 1 (unsatisfactory for an extended period) to six (good for an extended period). The CPIA shows that Africa's rating have marginally improved since 1997 but remain the worst compared with other developing country regions. Only three countries in 1999, four countries in 1998 and one in 1997 reached a rating above 4 (indicating good policies).

The International Country Risk Guide Index (ICRG) is another measure of political risk and reflects the opinion of banks, multinational companies and other institutional investors. The index uses a 0-100 scale, with higher scores indicating less corruption, sounder political and judicial institutions and lower political risk. Table A7 shows that SSA countries have significantly improved their overall score since 1991 and Namibia, South Africa and Botswana are the SSA countries with the lowest political risk during 1995-98 Table A7 also shows two of the 13 components that construct the index: the first measures the degree to which business transactions involve corruption[6]; the second measures the 'rule of law', the degree to which the citizens of a country are willing 'to grant to the established institutions the authority to make and implement laws and adjudicate disputes'. Table A 7 suggests that SSA as a region has significantly improved its score in the 'rule of law' index and fares well relative to Latin America and South

[5] The overall rating (which is available from 1997) is a weighted sum of 20 elements, which can be grouped into four major categories: economic management; structural policies; policies for social inclusion; and public sector management and institutions.

[6] Lower scores of the corruption index indicates that "high-ranking government officials are likely to demand special payments" and "illegal payments are generally expected throughout lower levels of government in the form of bribes connected with import and export licenses, exchange controls, tax assessment, policy protection or loans" (see Knack and Keefer, 1995).

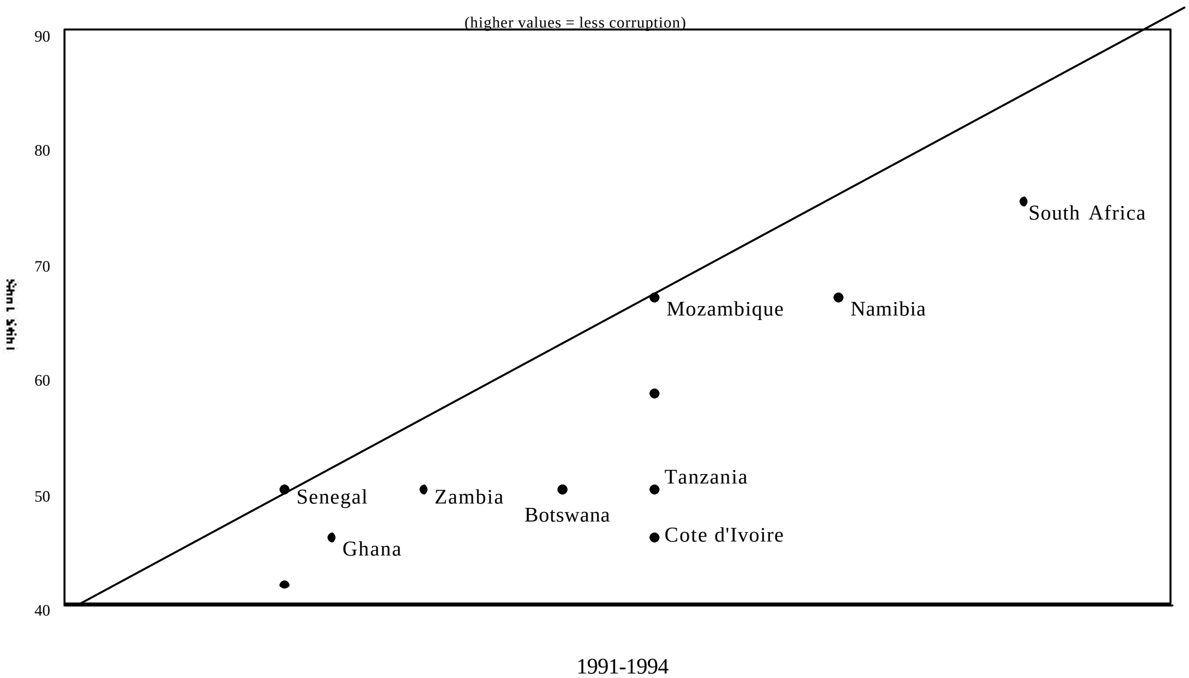
Asia**,** on the other hand, is endemic in some SSA countries, particularly where it is associated with rent seeking[7] behavior from the exploitation of oil and other natural resources. Only four countries report a rating above 60. South Africa[8] obtained the highest rating of 75 (out of 100) during 1995-98, a score lower than that obtained in previous periods, however.

The large public sectors in many SSA countries (as elsewhere in the world) have been a major source of clienteles and political corruption (Tanzi, 1998). It is often claimed that liberalization and privatization would lead to a better reallocation of resources and a reduction in corruption. In many SSA countries however, as in many transition economies (Kaufmann and Siegelbaum, 1996), corruption has been on the rise where liberalization and privatization have occurred. One reason is that insiders (often high public officials) have exploited their access to privileged information for private gain. It is also possible that the process of liberalization simply makes corruption more transparent, increasing the perception of corruption. Whatever the reason, table A7 shows how corruption has risen in most countries in 1995-98, compared to the early 1990s. Graph 1 shows that it has increased in the countries defined as 'best performers' (see Section IV). These countries, which in recent years have liberalized their economies and attracted large flows of FDI, have consistently lower ratings (indicating more corruption) in 1995-98, relative to 1991-94.

[7] Rent seeking behavior is defined as the effort to acquire access to or control over opportunities for earning rents (earnings in excess of all relevant costs). Some of these efforts can be legal, though in many cases they are associated with corruption, i.e. the misuse of public power for private gain. (Coolidge and Ackerman, 1996).

[8] The ranking of South Africa in the ICRG corruption index is consistent with the ranking by Transparency International. Transparency International data refer to perceptions of corruption ranging from 10 (highly clean) to 0 (highly corrupt). In 1998 South Africa's value was 5.20. Two African countries scored better-Botswana (6.10) and Namibia (5.3).

Graph 1: Best Performers: Index of Corruption



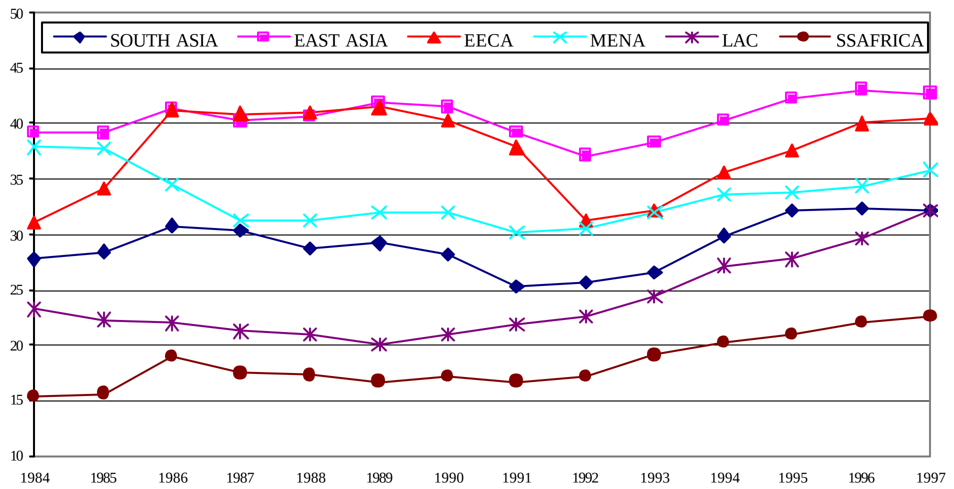
Institutional Investor is the last rating reported in Table A7. It is a measure of a country's creditworthiness which is mostly determined by economic variables.[9] Graph 2 compares SSA with other developing country regions and shows that SSA has been steadily improving since 1991. Nonetheless, the scores while improved, SSA still maintains the lowest creditworthiness in the world. For example, Uganda and Mozambique have seen big improvements over the past 10 years, but a tripling to 17.2 for the former and a doubling to 14.8 for the latter still leave them with extremely low scores considering that 100 indicates an absence of risk. With 50.4 and 50.2 respectively - Mauritius and Botswana represent the opposite end of the spectrum – and are associated with the lowest financial risk. Graph 3 shows how the financial and political risk ratings for SSA have improved, in a similar manner, since 1991.

Overall, it would appear that SSA continues to be viewed as a risky investment location despite reform. Both the CPIA and ICRG political risk indices have improved but it is difficult to determine whether these ratings correctly reflect policy changes in SSA. This would require more statistical and econometric analysis. The financial risk index is determined primarily by economic variables and not policy events. The slow pace of improvement may simply reflect the fact that structural and economic variables change less quickly than political variables. It is also questionable whether risk is a serious deterrent to foreign direct investment. Econometric analysis (Jaspersen et al., 1998, Collier and Dollar, 1999) find that risk ratings have an important influence on private investment and FDI. Survey evidence from Eastern Africa suggests a certain indifference of foreign investors to the higher risks associated with operating a business. Only less than 30% of foreign investors indicated the existence of a "risk adjustment factor", i.e. a

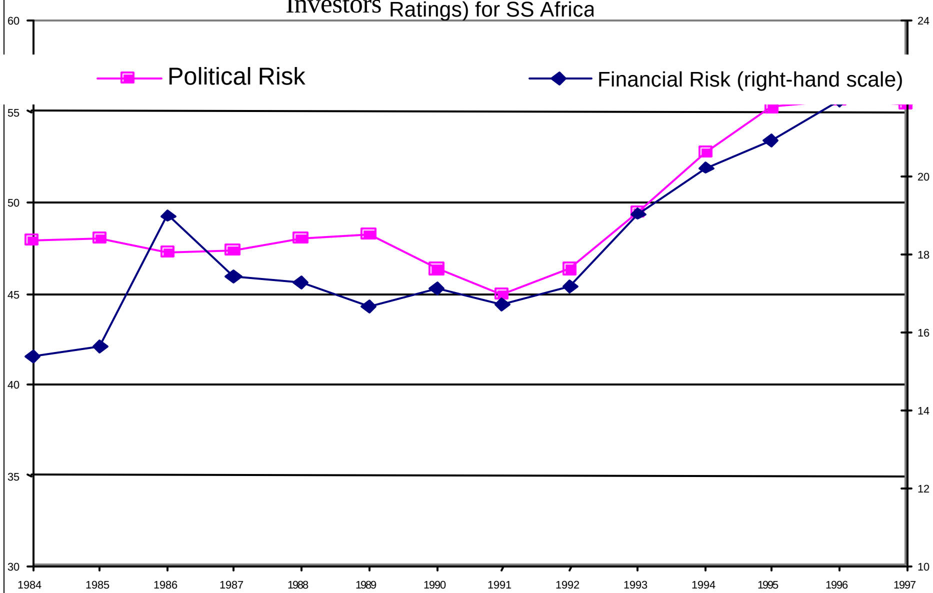
[9] The information for constructing the index is provided by 75-100 leading international banks who grade each country on a scale 0-100, with 100 representing the least chance of default. Individual responses are weighted using a formula that gives more importance to responses from banks with greater worldwide exposure. Haque et al. (1998) show that this index is determined primarily by economic events and not political variables.

premium required to invest in a risky environment. Most of these investors were newly established (for the already established investors non economic factors have a more substantial bearing in the decision to establish a business in East Africa (see Economisti Associati, 1994).

Graph 2 Financial Risk
Institutional Investors Ratings, by region



Graph 3 Political Risk (ICRG) and Financial Risk Investors Ratings) for SS Africa



IV PRIVATIZING AND REFORMING COUNTRIES ATTRACT MORE FDI

SSA leads in foreign exchange earnings through privatization

Privatization can be a very important instrument for improving the allocation of resources and stimulating private sector development. One successful example of privatization is reported in Box 3 – which describes how a loss making public enterprise, Tanzania Breweries Limited, has been transformed, through privatization, into a profitable and growing company. Privatization not only attracts FDI through the direct sell-off of enterprises, it also signals an improvement in the investment climate because of reduced government intervention. Estimates from Sader (1995) show that privatization initiatives are an important determinant of foreign investment decisions in developing countries.[10]

Box 3 Tanzania Breweries

Tanzania Breweries Limited, a 100% publicly owned enterprise since 1979, was privatized in 1992. At the time, the company was suffering heavy losses and was plagued by massive over employment, pilferage and thefts. Product quality was low because of low quality of raw materials, due to inadequate availability of foreign exchange; heavily infected water; inadequate cleaning and sterilizing systems and severe levels of contamination-bacteria; and extremely high ratios of air in the beer. With production declining and demand growing, the company had just 40% of the market for beer.

The GOT's 1992 decision to privatize the Parastatal sector opened the door to interested foreign partners. In 1993 a South African based Company - INDOL BV, a subsidiary of South African Breweries Limited, bought 50% of the shares in the Company for US $ 22.5 million. Additionally, INDOL BV took responsibility for managing the Company and constructed a new brewery in Mwanza, which came into operation by October 1995. While it has been provided with some degree of trade protection (tariff rates on imported beer have averaged 25%) the privatized company has succeeded in engineering a tremendous turnaround in performance : output increased from 4.2 million cases in 1993 to 12 million cases in 1998; plant capacity utilization rose from 40.3% in 1993 to 82.8% in 1998; employee remuneration and fringe benefits grew; and product quality improved. Retrenchment was unavoidable (about 1000 employees were laid off overnight in 1992), as the breweries was grossly over-manned. The ratio of output per employee increased dramatically: from 181 annual hectoliters of beer/employee in 1993 to 1090 in 1999. In 1998 the company was listed on the Dar es Salaam Stock Exchange and nationals have purchased a 10% equity stake. In addition, TBL now owns 100% of Tanzania Distilleries Limited and 60% of Darbrew. By 1998 the company could claim 82% of the market for beer in Tanzania.

Foreign exchange raised through privatization (in the form of both FDI and portfolio flows) represented about 47% of total revenue generated by privatization in developing countries during 1990-98 (up from only 8% in 1980). In SSA the foreign exchange contribution to privatization revenue was 58% in the 1990-98 period (see Table A8). In 1997, foreign exchange represented 84% of privatization revenue in SSA compared with only 43% in developing countries. Partial information suggests that while in other regions, notably East Asia, only 50% of this foreign exchange is in the form of FDI, the proportion is much higher- around 80-90%, in SSA. This reflects both a success of privatization programs and the fact that the domestic private sector is smaller in SSA then in other developing countries; foreign participation would therefore tend to be higher.

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[10] Sader considers a cross section of 36 countries for the period 1988-93 and estimates the determinants of FDI flows (after subtracting FDI from privatization). The size of the privatization program was found to be an important element in the decision to invest. Each dollar in privatization investment generated an additional 88 cents in new investment independently of the actual privatization transaction.

Table 2 SS Africa: Sectoral Composition of privatization Revenues, 1988-1998
(US$ million)

	1988-1993	1994-1997	1998	Total
Infrastructure	10	2040	404	2454
Telecommunications	0	1850	84	1934
Power	..	..	65	
Manufacturing	102	72	246	420
Steel	..	..	0	
Chemicals	..	..	0	
Construction/cement	..	..	48	
Other manufacturing	..	..	198	
Primary sector	599	1339	616	2554
Petroleum (note: oil+gas)	533	18		551
Mining	8	876	515	1399
Financial services	80	158	55	293
Banking	..	..	24	
Other Services + Other	1529	310	36	1875
Total	2391	4233	1357	7734

Source: World Bank Privatization Database

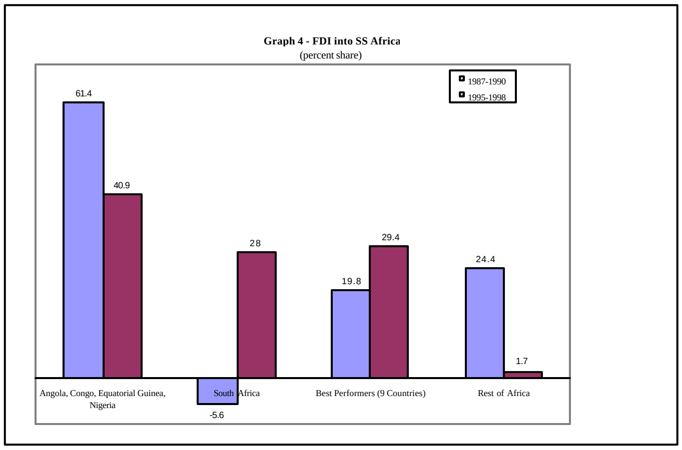
Table 2 shows how the sectoral distribution of privatization revenue in SSA has changed since the late 1980s. In the earlier period privatization concerned mostly [11] small and medium size enterprises, most of which were loss making. The institutional environment in most countries was weak, structural adjustment was ongoing and capital markets were non-existent. Since the mid-1990s privatization is more widely accepted, while information flows and capital markets have improved. The round of privatization during 1994-97 has involved large enterprises, particularly utility industries: power, railways, electricity, water and especially telecommunications. Foreign investors with the necessary capital and technical skills have been attracted by large equity stakes and management control. For example, in the case of Ghana Telecom[12] a 30% equity stake was sold to a consortium led by Malaysian Telecom. Similarly, 30% of South African Telkom was sold to a consortium formed by Malaysia Telecom and SBC International of the U.S. in 1997.

As already discussed, privatization has been associated with an increase in corruption. As in many transition economies, there are many obstacles to reaching the benefits of privatization, improved efficiency and alignment of private and social gains. This would require choosing methods of privatization that align control and cash rights, building the institutional base for the private sector (including bankruptcy procedures, a functioning judiciary and efficient financial institutions), enhancing competition at all levels and creating institutions that deal with corruption (Nabli, 1999).

[11] With the exception of a large transaction (i.e. US$ 500) in the petroleum sector which occurred in 1992 with the sale of Nigeria NNPC oil field to Elf Aquitane.
[12] See J. L. Sarbib (1997), “Privatization in Africa: Present and Future Trends”, Speech at the ADB 1997 Annual Meeting Symposium in Abidjan.

Privatization of utilities, particularly of infrastructures, may improve the economic environment by reducing transactions costs and infrastructural bottlenecks. However, for these benefits to be realized, there is a need for a competitive framework and effective regulations (particularly in the case of natural monopolies). Developing the necessary institutional arrangements and appropriate regulatory framework for utilities and infrastructures represents an immense challenge for many African countries.

The distribution of FDI in SSA is changing.



Graph 4 shows the distribution of FDI in SSA for the period 1995-98, and 1987-90 for four groupings of SSA countries. Four fuel exporting countries (Angola, Congo Republic, Equatorial Guinea and Nigeria) account for 41% of total FDI inflows during 1995-98, down from 61% during 1987-90[13]. South Africa has increased its share to 28% while a group of 9 reforming countries, which will be defined below as the 'best performers' attracted 29.4% of FDI inflows, a much higher share than in the previous period. The contribution of the rest of Africa is very low, 1.71%, down from 24.4%. Looking at the contribution of each group to the change in FDI inflows between 1995-98, and 1987-90 it appears that South Africa contributed more than 40%, the fuel exporting countries and the best performers accounted for one third of the change respectively.

South Africa has emerged as a strong pole of attraction for foreign investors.

South Africa's share of total FDI to SSA reached 28% of the total during 1995-98, from virtually zero during the 1980s and early 1990s. A large share of this FDI (more than 40%) in 1997 came from privatization (30% of South Africa Telkom brought about US$ 1.3 bn). Part of the increase in FDI in recent years reflects the return of companies that had established operations in neighboring countries during the apartheid period. Looking at the sectoral composition of FDI during the period 1994-99[14], about 16% went to the telecommunications sector, 15% to energy and oil, and more than 40% to the manufacturing sector. As to the type of investment, during the period 1994-1998, mergers and acquisition represented 60% of total investments, expansion of existing plants 17% and green-field investment an additional 16%.

[13] The declining share is due to a large extent to the inclusion of the Republic of Congo. FDI in Angola, Nigeria, and Equatorial Guinea has increased in the past few years.

[14] This information is from a private agency, Business Map.

A number of reforming countries have attracted significant flows of FDI

Besides South Africa, there are a group of 9 countries in SSA that have become attractive locations for FDI and that enjoy above average policy and risk ratings. They have been identified according to the following criteria:

- First, economic and quantitative criteria. We considered only the countries that during the period 1995-98 attracted FDI inflows above the region average (calculated excluding South Africa and the four oil exporting countries)[15]. Among these countries we considered those that during 1995-98 performed better than the region average[16] in at least three of these four criteria: i) the change in average inflows during the periods 1995-98 and 1987-90; ii) the ratio between FDI and GDP; iii) the ratio of FDI and gross domestic fixed investment and; iv) the ratio of FDI and total exports. The countries that pass this criteria include: Botswana, Cote d'Ivoire, Ghana, Guinea, Lesotho, Mozambique, Namibia, Senegal, South Africa, Tanzania, Uganda, Zambia.

- Second, policy and risk criteria. We made a separate selection of best performing countries looking at the CPIA rating, ICRG political risk, and the Institutional Investor ratings. To be chosen, a country's rating had to be higher than the region average in at least two of these indicators. The selected countries include: Botswana, Cote d'Ivoire, Ghana, Gabon, Gambia, Guinea, Kenya, Malawi, Mali, Mauritius, Mozambique, Namibia, Senegal, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe.

- We identify as "best performers" the subset of countries that receive FDI inflows (in both absolute and relative terms) above the region average; and that have better than average policy and risk ratings. These countries are: Botswana, Cote d'Ivoire, Ghana, Lesotho[17], Mozambique, Namibia, Senegal, South Africa, Tanzania, Zambia.

Only two countries, Uganda and Guinea, have attracted larger than average FDI inflows but have lower than average policy and risk ratings. However, while still low, these ratings have improved significantly. For example, Uganda's financial risk rating tripled in the last ten years. Guinea has relatively good policy rating but low credit worthiness.

A number of countries with above average policy and risk ratings do not attract above average FDI inflows. These countries include Mauritius, Zimbabwe, Swaziland, Seychelles, Kenya, Gabon, Malawi, Gambia, Mali. Most of these countries have either annual average inflows varying between US$ 19-45 million (just below the average); or fall short of the region average in one more of the relative indicators of FDI. Economic

[15] The region average (excluding South Africa and the four oil exporting countries) is US$ 46 million. Countries with average annual inflows below the average are: Seychelles, Mali, Burkina Faso, Mauritius, Eritrea, Kenya, Malawi, Cape Verde, Swaziland, Madagascar, Sierra Leone, Chad, Togo, Benin, the Gambia, Rwanda, Djibouti, Burundi, Sao Tome and Principe, Mauritania, Comoros, Democratic Republic of Congo, Ethiopia, Guinea-Bissau, Niger, Central African Republic, Gabon, Liberia, Somalia, Sudan.

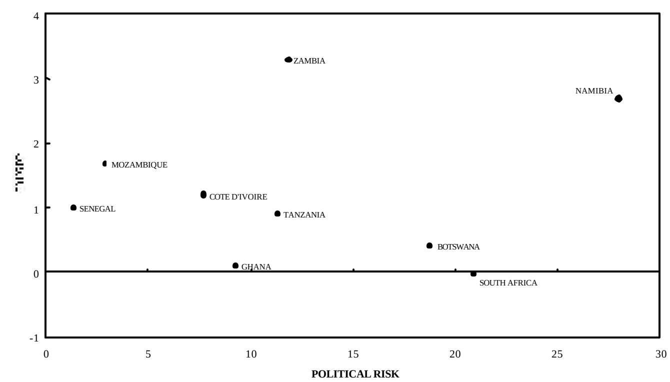
[16] The region average was calculated excluding the four oil exporting countries. In the case of the indicator 'increase in average FDI inflows between 1987-90 and 1995-98', also South Africa was excluded.

[17] Lesotho is considered a 'best performer' though but it is not rated by the Institutional Investor or ICRG because it has attracted significant inflows during 1995-98 and it has a high CPIA rating.

factors, such as size of the market, or competitiveness factors should be investigated to explain this performance.

Gabon is reportedly having outflows of investment. But there is a problem of missing and inaccurate information, as national sources suggest annual flows of about $ 200 million a year from France to Gabon. Mauritius is one of the early success in attracting FDI. This is traceable to economic and political stability, early adoption of export, oriented policies, and a substantial share of literate and entrepreneur population. With rising wages, however, most of the Asian investors in clothing have relocated and their place has been taken by local enterprises.

Graph 5: Best Performers: relative FDI/GDP and Political Risk Index 1995-1998, deviation from region's average



Graph 5 shows the relative position of the best performers with respect to the region's average ratio of FDI to GDP and political risk. Most countries score better than the average in terms of both FDI to GDP ratio and policy risk rating. South Africa. and Ghana receive approximately the regions' average ratio of FDI to GDP although their political risk rating is better than the average.

The best performers have a number of common characteristics:

- All countries have reformed their economies during the last 10 years, but the reform process has been difficult and has often followed a stop and go pattern. Ghana experienced policy reversal in 1992. Tanzania started reforms in 1986, back-slided in the early 1990s and re-started in 1995. In some cases reforms have been undermined by falling international prices of primary exports and by droughts. CFA countries adopted deep structural reforms only after the 1994 devaluation.

- Good policy performance has been associated with positive economic results. Real GDP per capita growth has increased in most countries. The ratio of gross private domestic investment to gross domestic fixed investment and to GDP has increased, doubling in some countries. The resumption of growth is being supported by a build up of productive capacity, rather than just increased capacity utilization.

- Overall, the best performers received twice as much aid (in terms of GDP) than the region as a whole. But there is no particular pattern in the amount of aid received. The ratio of Official Development assistance to GDP varies from 0.3 in South Africa (in 1995-98) to 35% in Mozambique.

- Privatization has played a new role in attracting FDI - particularly in Cote d'Ivoire, Ghana, Lesotho, South Africa, Tanzania, and Zambia. But natural resources sectors (diamonds in Botswana and Namibia, copper in Zambia, gold in Tanzania) remain an important source of attraction for foreign investors.

Table- 3 Best performers: Selected Indicators, 1987-1990 and 1995-1998

1987-1990 and 1995-1998 (period average, million of US$ and percent growth)

	FDI				Macroeconomic Indicators										Ratings							
	FDI inflows		FDI/GDP"		ODA/GDP		GPI*/GDFI		GPI/GDP		Real GDP		Inflation		ICRG						Instit. Inv.Rat.	
Country	million US$		percent share		percent share		Percent share		percent share		p.cap.growth		gdp deflator		Political Risk		Corruption		Rule of Law		Financial Risk	
	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98	87-90	95-98
BOTSWANA	73	89	2.80	1.60	5.6	1.9	..	..	..	..	7.1	3.9	12.4	9.4	69.4	74.5	72.9	50.0	83.3	75.0	35.3	50.2
COTE D'IVOIRE	51	255	0.50	2.43	4.2	8.5	57.8	69.7	5.9	10.8	-2.5	3.8	3.0	4.0	62.2	63.3	50.0	45.8	60.4	50.0	23.4	19.2
GHANA	10	92	0.18	1.32	10.6	9.4	35.3	41.1	5.2	11.0	1.4	1.7	32.8	27.7	50.1	65.0	50.0	45.8	33.3	50.0	20.3	30.1
LESOTHO	14	148	2.93	17.1	25.8	11.8	..	..	11.3	..	6.1	4.2	16.2	5.8	..	..					..	..
MOZAMBIQUE	6	99	0.25	2.90	36.9	35.3	18.0	48.2	6.0	9.3	6.7	6.1	61.3	19.1	47.1	58.6	66.7	66.7	43.8	45.8	7.4	14.8
NAMIBIA	7	127	0.33	3.93	2.4	5.5	56.5	63.8	10.0	..	-1.6	-0.2	12.9	9.1	37.8	83.7	50.0	66.7	33.3	100	..	36.9^
SENEGAL	24	104	0.48	2.23	14.1	12.0	68.2	69.9	8.9	12.9	0.1	2.5	1.5	3.2	56.6	57.1	50.0	50.0	33.3	45.8	19.1	21.6
SOUTH AFRICA	-81	1528	-0.09	1.21	0.0	0.3	64.1	71.9	13.2	..	-0.1	0.2	15.3	8.3	57.2	76.6	85.4	75.0	29.2	58.3	32.9	45.7
TANZANIA	..	138	0.00	2.15	23.3	15.3	..	81.4	..	14.0	..	0.7	5.1	21.1	55.0	67.0	56.3	50.0	58.3	81.9	9.8	18.4
ZAMBIA	134	160	4.02	4.56	13.9	30.9	46.4	52.6	4.0	6.9	-1.2	-1.1	65.5	27.1	46.6	67.6	33.3	50.0	31.3	62.5	9.8	16.2
" Best Performers " in FDI Indicators only																						
GUINEA	15	52	0.60	1.37	11.6	9.0	51.4	69.9	8.7	13.0	0.8	2.1	23.5	4.0	46.7	48.1	54.2	58.3	50.0	50.0	14.5	15.0
UGANDA	..	116	0.00	1.84	8.8	13.0	51.4	63.7	5.8	10.0	3.1	4.6	115	6.1	38.5	53.1	50.0	41.7	16.7	66.7	5.3	17.3
" the value is 1.8 for SSAfrica, and 1.2 for SSAfrica less fuel exporting countries																						
~ scale for all ratings : 0 - 100, with 100 = less risk																						
* Gross Private Investment / Gross Domestic Fixed Investment																						
* *GDP Deflator																						
Source: IMF, World Bank, Staff estimates																						

" Africa less fuel exporting countries is 1.2

~ scale for all ratings : 0 - 100, with 100 = less risk

* Gross Private Investment / Gross Domestic Fixed Investment

* *GDP Deflator

***Notice that the GDP ??? fell to single digits in 1999 fell to single digits in 1999

Source: IMF, World Bank, Staff estimates

V SECTORAL PATTERN OF FDI

Data on sectoral FDI are weak

There is very little information on the sectoral composition of FDI in SSA. The available information, which comes from national sources in industrial countries, is often inconsistent with OECD and IMF data. Looking at existing information on stocks and flows it appears that much FDI is either in the primary sector, particularly petroleum, or in infrastructures. And, with the exception of South Africa, other SSA countries have seen very little inflows in the manufacturing sector in recent years.

Resource rich/policy poor countries continue to attract FDI

Despite political and social instability, Africa has historically attracted a relatively large share of FDI because of its immense natural resources. Besides oil, gold, diamonds and copper, Africa possesses more than half of the world's cobalt, and manganese, one third of bauxite and more than 80% of world's reserves of chromium and platinum. This abundance of natural resources may have contributed, paradoxically, to low growth (Sachs and Warners, 1995). Resource booms tend to reduce the competitiveness of the non- resource sector and to exacerbate rent seeking behavior (for the appropriation of revenues from exploitation of oil and minerals). In particular, fuel is often dominated by foreign companies, because of high initial capital and technology required, and the longer time that is requested for the recovery of capital.

Three countries in Africa have long been significant petroleum exporters - Angola, the Republic of Congo and Nigeria. Equatorial Guinea has recently joined the club as new explorations increased crude oil production from 2,500 barrel per day in 1992 to 83,000 in 1998. Table 4 shows selected indicators for these countries. Aside from population which varies considerably, these four have many similar characteristics: oil represents more than 80% of total exports; they are among the top 10 SSA countries with respect to FDI/GDP, FDI/gross domestic investment and FDI/export ratios; they have relatively low social indicators; they have been involved in violent social conflict (Angola, Congo and Nigeria, though Nigeria elected its first democratic Government in 1999); and finally, corruption, political and financial risks indicators are all high.

Table- 4 Selected Indicators in Fuel Exporting Countries

	Angola	Republic of Congo	Equatorial Guinea	Nigeria
Economic and social indicators (1995-98 averages)				
% oil in exports	88	86	90	95
FDI inflows(millions)	570	361	314	984
FDI/GDP	8.5	16.2	103.7	2.7
FDI/GDFI	46.4	41.7	101.9	16.8
Population (1998, millions)	12	2.8	0.43	121
GNP per capita, 1998, $PPP*	840	1430	n.a.	820
Infant mortality rates (mid 90s)**	125	90	108	77
Gross primary enrolment rates (mid 90s)***	n.a.	114	85	98
Policy and risk ratings(1995-98 averages)				
Political risk – ICRG (scale 0-100, 100=best)	50.8	55.5	n.a.	51.7
Financial risk – Institutional Investors (scale 0-100, 100= less risky)	12.3	12.6	n.a.	15.7

* Purchasing parity GNP per capita in low income countries = $2130; SSA = 1430
**Infant mortality rates per 1000 births. Average low income countries= 69; SSA = 91
*** As % of school population. Average low income countries = 108; SSA = 77

In Nigeria, as well as in Angola and Congo, oil reserves, mostly under state control, have given rise to rent seeking behavior. The pay-offs from the exploitation of oligopolistic rents are so high that interest groups have been struggling for a share of the rents instead of engaging in productive entrepreneurship (Diamond, 1993). In this situation, international firms are often able to generate and share many of these rents with the ruling elite. FDI do not translate into higher economic and social development. This is not an inevitable outcome in resource-rich countries. For example, Botswana, despite its endowments of diamonds, nickel and copper (accounting for over 50% of its GDP) has not been plagued by endemic rent seeking behavior. A competent, non corrupt and relatively efficient political class and civil service have managed to ensure political and macroeconomic stability ever since independence. Foreign investments are large, particularly in the diamond sector and Botswana has one of the highest ratio of FDI per capita in Africa. The Government of Botswana has managed to share the benefits of FDI and growth (Coolidge and Rose-Ackerman,1998) with the population through appropriate competition, trade and taxation policies. A second example is Mauritius, a country where FDI has played a pivotal role in economic development. The implementation of export development strategies has succeeded in diversifying the economy away from primary products – particularly sugar- and in creating competitive advantages in manufacturing. And the labor intensive nature of this strategy has ensured the spreading of the benefits from growth.

FDI flows to manufacturing sector remain small

Table A6 indicates that during 1996-97, the stock of manufacturing FDI represented only 18% of the total FDI stock in SSA for the U.S., 22% for France and 53% for Germany. These percentages were slightly lower than in the late 1980s. Moreover, much of it was concentrated in South Africa. Thus, 80% of Germany's and over 50% of U.S.'s manufacturing FDI was invested in South Africa.

As to manufacturing inflows, during 1996-97 they represented only 12% of British FDI to Africa, of which 80% went to South Africa. Japan's manufacturing FDI represented 45% of its total FDI in Africa, but much of it went to Liberia (in the transport sector). Finally, U.S. manufacturing inflows represented less than 9% of total US FDI in Africa of which about 60% went to South Africa.

Studies suggest a significant withdrawals of French and British manufacturing investors during the late 1980s and early 1990s from SSA. French manufacturing investors withdrew from West Africa during the 80s, as reduction in protection in import substituting industries resulted in lower sales and profits (Cockcroft and Riddell, 1991). Analyzing British[18] manufacturing investment in the 14 anglophone countries in Africa during the period 1989-1994, Bennell (1995) finds a strong process of corporate disengagement from SSA during the early 1990s, particularly in Kenya, Nigeria, Zambia and Zimbabwe. Surveys conducted among British investors indicate that the main reason

[18] British corporate investment typically comprises between 50% and 80% of all manufacturing FDI in each country (and only less than 1% of total British manufacturing investment overseas).

was the deterioration of economic opportunities in these countries, including a rapid process of de-industrialization and restructuring following deregulation and trade liberalization. Investors were preoccupied by economic and market pitfalls, rather than Government policies and regulations (with the significant exception of concerns about persistent foreign exchange availability, dividend remittances and exchange rate stability).

Infrastructure receives largest share

Using information on private infrastructure transactions from FIAS, Sader (1999) estimates that during the period 1994-98 SSA received US$ 5.1 bn in infrastructure FDI inflows, up from only US$ 46 million during 1990-93. The overwhelming majority of these inflows (89%) were concentrated in the telecom sector, with the rest in the power (6%) and in the transport (5%) sectors. As to the type of transactions, 83% of infrastructure FDI during 1990-98 derived from privatization, with less than 8% from new green-field investments. A similar proportion of privatization transactions took place in Latin America and in Eastern Europe. By contrast, the emphasis in East and South Asia was almost exclusively on new green-field investment, rather than privatization.

POLICY CONCLUSIONS

This paper points to two policy conclusions which need to explored and verified in subsequent work. First, FDI in natural resources (oil, minerals) and in infrastructures are and will continue to remain important in SSA. Typically, these sectors have substantial barriers to entry and market concentration and investments are exposed to 'structural vulnerability'(Moran, 1998) because they require large sunk capital. As it is difficult to walk away from commitments, and in the absence of private insurance schemes, foreign investors need to extract quite favorable terms to compensate for the risk of policy reversal. In many cases, international firms, protected from competition, have been able to appropriate oligopoly rents deriving from barriers to entry. To maximize the benefits from FDI in these sectors, Governments need to promote competition, strengthen legal and regulatory frameworks and build institutions for corporate governance. There is also a need for international mechanisms to ensure the credibility of contracts through, for instance, insurance and guarantee schemes.

Second, deeper analysis is needed to verify if Africa suffers from an 'image' problem. Preliminary evidence presented in this paper suggests that this is not the case. In recent years SSA has managed to increase its ratio of FDI to GDP more than other regions, while remaining at the bottom of the policy and financial risk ratings. But it has failed to attract the kind of manufacturing investment that provides technology, skills and market access. Attracting this type of FDI will be particularly important now, as trade liberalization has exposed domestic enterprises to international competition. Many of them have found adjustment difficult (Lall, 1999). With lagging skills, technology and competitiveness, they only have a limited ability to gear up to world competition by upgrading these factors on their own. Good macroeconomic policies and social stability are only one, though crucial, element for attracting manufacturing FDI. Lowering production and transaction costs, opening trade and competition policies, building a transparent regulatory and incentive framework and improving administrative efficiency, are areas where the attention of African Governments should concentrate in the future.

Annex A

Table - A.1 SS Africa: FDI inflows by Countries, 1987-1998
(period averages and changes on previous period, millions of US$)

	period averages			changes		
Country	1987-1990	1991-1994	1995-1998	1987-1990	1991-1994	1995-1998
SS AFRICA	1455	1807	5583	385	352	3776
ANGOLA	29	395	570	-285	367	175
BENIN	1	8	10	1	6	3
BOTSWANA	73	-87	89	20	-160	176
BURKINA FASO	4	16	36	3	12	20
BURUNDI	1	1	2	0	-1	2
CAMEROON	2	148	102	-112	146	-46
CAPE VERDE	1	1	21	1	0	19
CENTRAL AFRICAN REPUBLIC	3	-8	-1	-3	-11	7
CHAD	7	11	14	-16	4	3
COMOROS	4	0	1	4	-3	0
CONGO, Democratic Rep. of	0	0	0	0	0	0
CONGO, Republic of	-2	131	361	-34	133	231
COTE D'IVOIRE	51	20	255	12	-32	235
DJIBOUTI	0	2	3	0	2	1
EQUATORIAL GUINEA	2	22	314	6	20	292
ERITREA	..	0	26	..	..	26
ETHIOPIA	0	0	0	0	0	0
GABON	66	-113	-95	5	-179	18
GAMBIA, THE	7	9	8	6	2	-1
GHANA	10	100	92	6	90	-9
GUINEA	15	70	52	13	55	-18
GUINEA-BISSAU	0	0	0	0	0	0
KENYA	40	8	26	16	-32	19
LESOTHO	14	11	148	11	-3	137
LIBERIA	10	..	..	-4	..	..
MADAGASCAR	9	14	16	9	5	2
MALAWI	0	0	22	-1	0	22
MALI	3	4	42	1	0	39
MAURITANIA	3	8	1	-2	4	-7
MAURITIUS	29	-2	31	24	-32	33
MOZAMBIQUE	6	29	99	-33	23	70
NAMIBIA	7	85	127	7	78	42
NIGER	16	0	0	13	-16	0
NIGERIA	865	618	984	557	-248	366
RWANDA	15	4	3	1	-12	0
SAO TOME AND PRINCIPE	0	2	2	0	2	0
SENEGAL	24	20	104	31	-4	85
SEYCHELLES	21	7	45	10	-14	38
SIERRA LEONE	18	11	14	59	-7	3
SOMALIA	0	..	..	6	..	..
SOUTH AFRICA	-81	124	1528	-82	205	1404
SUDAN	1	..	..	-1	..	..
SWAZILAND	51	38	19	41	-13	-18
TANZANIA	0	37	138	0	37	101
TOGO	12	10	12	8	-2	2
UGANDA	0	3	116	0	3	113
ZAMBIA	134	10	160	103	-124	150
ZIMBABWE	-18	44	85	-19	62	42

Source: IMF, World Bank, Staff estimates

Table - A.2 FDI inflows as percent of GDP, GDFI & EXPORTS in SS Africa 1987 -1998

percent values	FDI/GDP			FDI/GDFI			FDI/EXPORTS		
Country	1987-1990	1991-1994	1995-1998	1987-1990	1991-1994	1995-1998	1987-1990	1991-1994	1995-1998
SS AFRICA	0.54	0.64	1.80	3.20	3.71	9.79	2.15	2.39	5.82
ANGOLA	0.53	6.05	8.45	2.73	35.76	46.43	0.95	11.31	13.05
BENIN	0.09	0.50	0.46	0.65	2.99	2.75	0.35	1.75	1.86
BOTSWANA	2.81	-1.93	1.65	8.57	-7.41	6.86	4.03	-4.06	3.38
BURKINA FASO	0.17	0.76	1.43	0.86	3.64	5.92	1.55	6.38	11.93
BURUNDI	0.10	0.05	0.23	0.57	0.38	2.62	0.99	0.56	2.71
CAMEROON	-0.03	1.36	1.17	0.10	8.62	7.26	0.11	6.89	4.52
CAPE VERDE	0.39	0.44	4.87	0.87	1.18	14.70	2.02	2.83	18.36
CENTRAL AFRICAN REPUBLIC	0.21	-0.77	-0.14	1.74	-5.88	-1.36	1.22	-4.55	-0.63
CHAD	0.56	0.79	0.65	5.81	6.26	4.81	3.38	5.24	5.04
COMOROS	1.86	0.19	0.27	11.47	0.91	1.42	11.30	0.88	1.48
CONGO, Democratic Rep. of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONGO, Republic of	0.03	7.16	15.38	-0.48	19.90	41.79	-0.18	11.77	24.14
COTE D'IVOIRE	0.50	0.16	2.43	4.80	2.26	15.86	1.58	0.61	5.46
DJIBOUTI	0.00	0.39	0.65	..	2.52	7.15	..	0.82	1.58
EQUATORIAL GUINEA	1.74	15.64	41.92	..	38.23	41.20	4.76	38.42	**48.84**
ERITREA	..	0.00	0.00	..	0.00	0.00	..	0.00	0.00
ETHIOPIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GABON	1.67	-2.33	-1.76	5.61	-9.94	-6.85	3.55	-4.57	-3.03
GAMBIA, THE	2.43	2.57	1.91	13.47	12.27	9.84	4.80	4.36	4.09
GHANA	0.18	1.76	1.34	1.49	8.88	6.05	1.04	8.86	5.25
GUINEA	0.60	2.15	1.37	3.56	12.90	7.28	2.02	10.90	6.81
GUINEA-BISSAU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KENYA	0.48	0.10	0.27	2.39	0.58	1.37	2.06	0.33	0.88
LESOTHO	2.90	1.57	17.10	5.05	2.06	22.10	18.23	8.04	**13.03**
LIBERIA	0.82	..	..	..	..	..	..	..	..
MADAGASCAR	0.31	0.47	0.43	2.56	4.20	3.61	1.96	2.60	1.98
MALAWI	0.00	0.00	1.10	0.01	0.00	9.72	0.01	0.00	4.28
MALI	0.15	0.29	1.62	0.84	0.75	7.49	0.95	0.84	7.27
MAURITANIA	0.35	0.75	0.07	1.50	3.80	0.36	0.72	1.69	0.15
MAURITIUS	1.30	-0.07	0.75	4.94	-0.26	2.91	2.06	-0.13	1.21
MOZAMBIQUE	0.25	1.32	2.92	1.75	8.07	15.30	3.23	10.02	23.09
NAMIBIA	0.30	3.04	3.93	2.00	15.25	18.47	0.62	5.65	7.13
NIGER	0.66	0.00	0.00	5.86	0.00	0.00	3.92	0.00	0.00
NIGERIA	3.56	2.39	2.68	20.66	10.70	16.81	10.77	5.63	7.10
RWANDA	0.66	0.20	0.20	4.50	1.79	2.14	10.10	3.92	3.45
SAO TOME AND PRINCIPE	0.00	3.72	4.98	0.00	7.63	9.40	0.00	15.82	23.33
SENEGAL	0.45	0.51	2.23	3.70	2.66	12.29	1.92	1.51	6.75
SEYCHELLES	7.18	1.57	8.49	31.41	6.72	24.77	11.14	2.91	13.54
SIERRA LEONE	2.11	1.32	1.59	19.22	15.72	38.74	12.17	4.86	9.73
SOMALIA	0.00	..	..	0.00	..	..	0.00	..	..
SOUTH AFRICA	-0.09	0.11	1.21	-0.45	0.64	6.95	-0.32	0.44	2.89
SUDAN	0.01	..	..	..	..	..	..	..	..
SWAZILAND	7.42	4.00	1.53	35.56	14.97	5.72	8.63	4.78	1.78
TANZANIA	0.00	0.84	2.15	0.00	3.16	12.27	0.00	5.70	11.33
TOGO	0.83	0.66	0.82	4.21	5.01	5.97	2.16	2.42	2.45
UGANDA	0.01	0.08	1.78	0.04	0.57	11.69	0.06	1.08	15.80
ZAMBIA	4.01	0.30	4.54	44.60	2.59	33.52	12.18	0.88	13.77
ZIMBABWE	-0.24	0.63	1.17	-1.40	2.76	4.75	-0.96	2.11	2.93

Source: IMF, World Bank, Staff estimates

Table - A.3 FDI Outflows from OECD Countries into OECD and non OECD

(period average, million of US$ and percent share)

	WORLD			OECD AREA			NON-OECD-AREA			NON-OECD/OECD		
	87-90	91-94	95-96	87-90	91-94	95-96	87-90	91-94	95-96	87-90	91-94	95-96
from Oecd Area	199146	219230	273543	160936	160533	214984	38165	58545	58559	23.7	36.5	27.2
from US	28857	56690	83454	20546	37617	60540	8311	19073	22914	40.5	50.7	37.8
from UK	30511	22245	39106	26867	17813	32222	3643	4431	6884	13.6	24.9	21.4
from Japan	51210	38200	..	39500	26823	..	11711	11377	..	29.6	42.4	..
from France	20562	24924	23077	15991	13835	..	4571	11089	..	28.6	80.1	..
from Germany	15203	18930	34259	14644	17104	27634	514	1684	6625	3.5	9.8	24.0
from the Nether.	8939	13652	20162	7748	11664	15165	1191	1988	4998	15.4	17.0	33.0
from Switzerland	6304	7946	14084	4787	6493	12666	1517	1453	1417	31.7	22.4	11.2
from Italy	4256	6242	6098	3411	4313	5313	845	1929	785	24.8	44.7	14.8
from Norway	1141	1354	4234	991	1274	3861	150	79	373	15.1	6.2	9.7
from Korea	542	1503	3704	292	697	1791	250	807	1913	85.5	115.8	106.8
from Canada	5547	6091	11603	4955	3824	8327	592	2267	3277	12.0	59.3	39.4
from Bel-Lux.	4599	5519	9886	3576	5276	9097	1024	243	790	28.6	4.6	8.7

Source: based on OECD, International Direct Investment Yearbook,1998

Table - A.4 FDI Outflows from OECD Countries into SS Africa and non OECD Area

(period average, million of US$)

destination	**SUB-SAHARAN** period average			**SOUTH AFRICA** period average			**NON-OECD AREA** period average			**SSAFRICA/NON-OECD AREA** percent shares		
Originator Country	1987-1990	1991-1994	1995-1996	1987-1990	1991-1994	1995-1996	1987-1990	1991-1994	1995-1996	1987-1990	1991-1994	1995-1996
TOTAL Area Oecd	1160	1995	3035	79	466	1276	38165	58545	58559	3.0	3.4	5.2
from United States	-222.5	334.0	428.5	..	140.0	241.5	8311	19073	22914	-2.7	1.8	1.9
from United Kingdom	659.7	590.0	965.7	..	287.0	348.0	3643	4431	6884	18.1	13.3	14.0
from Japan	536.8	464.5	..	0.0	4.5	9.0	11711	11377	..	4.6	4.1	..
from France	-12.8	199.9	478.1	-0.2	16.7	90.5	4571	11089	..	-0.3	1.8	..
from Germany	73.4	100.9	287.5	78.2	77.7	256.1	514	1684	6625	14.3	6.0	4.3
from the Netherlands	48.1	74.4	424.4	..	-0.7	36.8	1191	1988	4998	4.0	3.7	8.5
from Switzerland	46.5	69.5	115.7	..	15.0	101.0	1517	1453	1417	3.1	4.8	8.2
from Italy	..	19.9	53.1	..	1.1	7.3	845	1929	785	..	1.0	6.8
from Norway	23.9	18.8	53.5	..	0.0	..	150	79	373	15.9	23.7	14.3
from Korea	5.0	41.5	-18.0	..	1.3	4.0	250	807	1913	2.0	5.1	-0.9
from Canada	..	..	..	..	..	..	592	2267	3277	..	..	..

Source:based on OECD, International Direct Investment Yearbook,1998

Table - A5 FDI Outflows from selected OECD Countries

(percent shares relative to Non-Oecd-Area)

Countries	ECA			SS Africa			LAC			MENA			Asian Countries		
	87-90	91-94	95-96	87-90	91-94	95-96	87-90	91-94	95-96	87-90	91-94	95-96	87-90	91-94	95-96
from Oecd Area	0.5	3.2	5.6	3.0	3.3	5.2	45.3	33.7	39.0	1.5	3.1	3.2	25.1	29.6	29.2
from US	0.0	2.9	4.4	-2.7	1.8	1.9	86.7	57.6	57.7	-1.4	4.1	3.6	16.6	30.6	27.8
from UK	0.2	2.8	5.9	18.1	13.3	14.0	52.0	35.4	30.5	0.1	6.3	2.5	24.2	40.1	40.4
from Japan	0.1	0.8	..	4.6	4.1	..	41.9	31.5	..	0.9	2.9	..	50.6	60.6	..
from France	0.4	1.8	..	-0.3	1.8	..	1.5	3.1	..	6.6	2.7	..	3.7	2.8	..
from Germany	8.0	18.2	9.2	14.3	6.0	4.3	41.8	37.4	24.5	13.8	0.7	0.6	34.0	32.4	31.9
from the Nether.	0.6	5.8	4.6	4.0	3.7	8.5	41.5	59.0	47.4	4.2	0.6	0.8	24.7	40.5	27.3
from Switzerland	3.4	4.3	10.4	3.1	4.8	8.2	80.1	51.0	2.1	3.5	2.1	10.6	13.3	36.6	62.9
from Italy	3.5	2.3	6.6	0.0	1.0	6.8	0.0	-0.5	29.3	5.4	-1.5	3.4	0.0	3.2	16.1
from Norway	0.0	3.1	7.0	16.0	23.7	14.3	100.7	53.2	27.7	103.1	5.8	6.7	-22.4	-12.9	-1.3
from Korea	0.0	0.0	0.0	2.0	5.1	-0.9	10.9	4.5	5.1	20.1	8.8	3.9	57.9	75.3	88.0
from Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
from Bel-Lux.	1.1	34.1	3.6	0.0	-3.6	21.7	78.8	158.0	45.9	-0.4	-2.8	2.0	1.4	26.8	18.5

Source: based on OECD, International Direct Investment Yearbook,1998

Table-A6 Sectoral Composition of FDI, Stocks and Flows (US$ million)

FDI Stocks				
Originator	**Destination**			
US	**SS Africa**		**South Africa**	
	1989	**1997**	**1989**	**1997**
All Economic Activities	3936	10253	699	2347
Petroleum	2454	5872	..	..
Manufacturing	757	1899	396	1013
France				
All Economic Activities	1581	4115	..	..
Petroleum	304	1735	..	..
Manufacturing	441	938	..	..
Germany				
All Economic Activities	2387	2978	1597	1925
Petroleum				
Manufacturing	1393	1568	1180	1246
FDI Flows				
UK				
	total	manufacturing	total	manufacturing
1994	503	277	262	172
1995	1122	156	740	97
1996	877	195	-39	123
1997	1121	261	657	249
Japan				
	total	manufacturing	total	manufacturing
1996	446	213	230	..
1997	336	141	133	..
US				
	total	manufacturing	total	manufacturing
1993	837	158	72	50
1994	762	275	260	122
1995	352	104	289	110
1996	1678	458	194	181
1997	3371	436	1295	350

Source:

US Department of Commerce, Bureau of Economic Analysis, International Investment Division, 1999
Banque de France, Bulletin de la Banque de France, n.64, Avril 1999
Bundesbank International Link, June 1999
UK,Office of National Statistics, 1999: Overseas Direct Investment 1997.
Japan, Ministry of Finance, Direct Investment Section, Int'nl Capital Division

Table - A.7 Policy and Financial Risk Ratings

	ICRG Pol.Risk			ICRG corruption			ICRG rule of law			Instit. Investors R.		
	87-90	91-94	95-97	87-90	91-94	95-98	87-90	91-94	95-98	87-90	91-94	95-98
SOUTH ASIA										**29.1**	**26.8**	**31.8**
Bangladesh	29.7	45.0	58.3	0.0	27.1	33.3	16.7	29.2	50.0	18.0	18.9	26.8
India	43.3	51.2	64.7	43.8	41.7	50.0	29.2	45.8	66.7	48.1	39.1	46.1
Pakistan	33.9	41.7	57.4	33.3	33.3	41.7	29.2	29.2	54.2	30.6	28.0	28.1
Sri Lanka	34.4	43.2	56.9	50.0	50.0	58.3	8.3	18.8	58.3	23.0	25.5	32.8
EAST ASIA										**41.0**	**38.7**	**41.2**
Brunei	73.1	78.0	80.0	83.3	81.3	66.7	66.7	68.8	100.0	0.0	0.0	0.0
Myanmar	32.4	39.6	53.5	33.3	33.3	27.8	33.3	50.0	72.2	15.0	13.6	20.1
China	61.8	70.1	66.8	62.5	72.9	41.7	50.0	70.8	83.3	59.9	55.7	57.4
Hong Kong	69.7	70.3	80.9	83.3	83.3	77.8	79.2	72.9	94.4	67.9	65.1	64.4
Indonesia	38.9	57.4	63.4	0.0	43.8	37.5	33.3	58.3	62.5	45.0	51.0	47.3
Malaysia	62.8	70.1	77.8	66.7	66.7	62.5	62.5	60.4	83.3	57.0	64.3	65.6
Korea, Rep.	64.3	57.7	59.0	83.3	54.2	44.4	35.4	41.7	83.3	65.2	68.7	66.9
Korea, DPR	60.9	75.3	83.2							4.3	6.4	6.0
Mongolia	60.8	65.4	70.1	66.7	66.7	66.7	25.0	54.2	66.7	0.0	0.0	0.0
New Caledonia	42.7	48.8	61.9	33.3	33.3	33.3	27.1	25.0	50.0	0.0	0.0	0.0
Papua N Guinea	61.7	59.6	64.2	50.0	50.0	58.3	62.5	50.0	50.0	37.2	32.4	32.5
Philippines	39.3	51.8	65.6	33.3	43.8	54.2	16.7	41.7	66.7	24.6	27.7	41.2
Singapore	81.2	81.1	85.8	79.2	66.7	66.7	83.3	85.4	100.0	75.8	79.7	83.6
Taiwan	75.8	78.0	81.2	66.7	66.7	61.1	83.3	83.3	77.8	76.8	78.0	77.6
Thailand	58.0	63.5	73.5	50.0	50.0	45.8	62.5	72.9	83.3	58.0	62.0	58.6
Vietnam	48.7	59.1	71.8	47.9	50.0	41.7	50.0	54.2	83.3	..	20.5	31.3
EECA										**40.9**	**34.2**	**40.2**
Albania	66.5	60.6	66.8	66.7	62.5	54.2	66.7	50.0	62.5	11.7	11.5	12.6
Bulgaria	68.9	71.9	74.6	58.3	70.8	66.7	83.3	83.3	79.2	43.8	20.6	23.6
Cyprus	55.1	74.4	76.1	50.0	75.0	83.3	47.9	79.2	83.3	44.0	48.8	56.6
Czech Rep.	69.1	76.2	85.8	70.8	79.2	66.7	83.3	85.4	95.8	53.5	48.5	60.9
Hungary	75.3	77.0	84.3	70.8	83.3	83.3	83.3	83.3	100.0	45.0	43.6	48.4
Poland	58.6	74.0	83.8	70.8	83.3	83.3	66.7	89.6	87.5	18.3	27.7	46.5
Romania	51.4	65.0	72.7	39.6	66.7	58.3	37.5	68.8	83.3	31.9	25.5	32.2
Slovak Rep.	69.1	74.7	79.8	69.8	75.0	58.3	83.3	91.7	91.7	16.5	19.9	40.9
Slovenia	0.0	0.0	0.0				0.0	0.0	0.0	20.4	26.5	46.3
Russia	69.1	55.5	60.6	66.7	56.3	41.7	45.8	56.3	58.3	61.7	24.5	24.6
Yugoslavia	44.2	37.9	58.6	50.0	50.0	50.0	33.3	18.8	77.8	28.2	13.2	9.1
MENA										**31.6**	**31.6**	**35.2**
Algeria	61.3	47.6	43.5	66.7	56.3	41.7	35.4	31.3	45.8	40.2	28.7	24.0
Bahrain	51.1	68.2	65.7	50.0	66.7	61.1	66.7	87.5	83.3	54.6	50.6	50.5
Egypt	45.8	59.3	61.4	33.3	54.2	45.8	37.5	45.8	66.7	23.3	27.2	38.0
Iran	36.1	62.6	69.6	50.0	56.3	66.7	20.8	60.4	83.3	20.7	29.2	26.6
Iraq	33.1	25.9	35.2	41.7	16.7	16.7	27.1	25.0	33.3	16.2	8.8	8.1
Israel	41.2	66.8	65.1	83.3	83.3	72.2	29.2	72.9	83.3	34.8	39.3	51.9
Jordan	43.1	62.7	74.2	50.0	62.5	66.7	33.3	62.5	75.0	32.1	21.7	33.1
Kuwait	44.7	60.5	74.1	50.0	43.8	50.0	43.8	56.3	88.9	59.6	47.9	55.1
Lebanon	14.5	47.5	59.9	33.3	37.5	33.3	16.7	47.9	66.7	7.7	15.7	29.2
Libya	41.5	61.9	62.0	50.0	62.5	66.7	29.2	70.8	72.2	24.4	28.2	28.6
Morocco	48.2	62.7	68.9	45.8	50.0	50.0	33.3	62.5	100.0	25.4	32.4	40.4
Oman	56.6	67.3	72.3	50.0	50.0	50.0	62.5	68.8	83.3	51.6	50.2	52.7
Qatar	49.8	62.9	69.4	33.3	33.3	33.3	50.0	58.3	100.0	54.9	52.1	53.0
Saudi Arabia	52.6	65.4	65.8	37.5	33.3	33.3	64.6	72.9	88.9	60.5	56.9	55.2
Syria	42.1	61.1	69.8	33.3	54.2	66.7	33.3	52.1	77.8	18.1	21.5	24.5
Tunisia	56.8	63.7	71.0	50.0	50.0	50.0	33.3	58.3	77.8	35.7	39.5	46.6
Yemen, Rep.	40.7	57.9			50.0	50.0	31.3	41.7	61.1	0.0	0.0	0.0

Table – A7 Policy and Financial Risk Ratings

	ICRG Pol.Risk			ICRG corruption			ICRG rule of law			Instit. Investors R.		
	87-90	91-94	95-98	87-90	91-94	95-98	87-90	91-94	95-98	87-90	91-94	95-98
LAC										**20.8**	**24.0**	**30.5**
Argentina	62.1	72.4	77.2	66.7	58.3	41.7	50.0	60.4	83.3	21.5	29.1	40.2
Bahamas,The	66.5	71.1	78.1	0.0	29.2	66.7	66.7	66.7	66.7	85.0	85.0	88.8
Bolivia	43.9	52.7	60.1	29.2	35.4	50.0	16.7	27.1	50.0	10.0	18.0	25.3
Brazil	68.8	67.9	65.9	66.7	62.5	50.0	66.7	62.5	41.7	28.6	27.9	37.7
Chile	55.8	68.3	79.3	33.3	33.3	27.8	66.7	68.8	83.3	31.7	48.4	61.0
Colombia	54.7	59.6	56.5	50.0	50.0	58.3	16.7	18.8	33.3	36.9	39.7	46.7
Costa Rica	69.7	74.7	76.5	50.0	50.0	37.5	66.7	66.7	66.7	18.6	25.9	34.3
Cuba	57.9	62.3	68.0	83.3	83.3	83.3	83.3	83.3	83.3	12.0	8.2	10.8
Dominican Rep.	54.0	58.5	66.5	50.0	50.0	44.4	50.0	54.2	66.7	16.2	19.1	24.2
Ecuador	60.4	62.2	61.3	50.0	50.0	58.3	66.7	66.7	62.5	20.2	21.5	26.0
El Salvador	32.5	51.0	67.8	50.0	50.0	50.0	16.7	33.3	50.0	9.5	14.2	24.5
Guatemala	36.8	47.1	65.5	33.3	41.7	58.3	16.7	33.3	45.8	14.6	18.5	24.6
Guyana	42.2	55.0	71.9	33.3	33.3	50.0	16.7	29.2	66.7	0.0	0.0	0.0
Haiti	27.5	30.6	52.2	16.7	18.8	50.0	16.7	18.8	45.8	8.3	7.8	11.3
Honduras	41.8	51.4	54.3	16.7	16.7	37.5	33.3	45.8	41.7	13.8	15.2	18.4
Jamaica	62.4	69.5	75.1	33.3	33.3	33.3	33.3	41.7	50.0	17.1	21.8	28.2
Mexico	68.3	71.6	68.2	33.3	37.5	50.0	50.0	50.0	45.8	30.3	43.3	43.1
Nicaragua	41.4	52.7	63.5	50.0	50.0	50.0	33.3	41.7	66.7	5.2	8.5	11.7
Panama	45.1	50.5	60.0	83.3	83.3	75.0	33.3	41.7	50.0	22.7	20.2	31.7
Paraguay	48.2	66.9	70.8	33.3	33.3	33.3	33.3	58.3	66.7	27.2	27.8	32.3
Peru	40.3	45.0	56.4	0.0	35.4	33.3	16.7	31.3	50.0	11.9	15.4	31.0
Suriname	41.5	51.7	63.6	50.0	50.0	50.0	16.7	22.9	50.0	0.0	0.0	0.0
Trinidad&Tob.	57.0	61.5	66.6	39.6	50.0	50.0	66.7	66.7	66.7	34.6	30.0	39.6
Uruguay	62.5	65.9	66.4	50.0	50.0	50.0	50.0	50.0	50.0	29.0	33.6	41.8
Venezuela	69.9	67.8	68.0	50.0	50.0	50.0	66.7	66.7	66.7	34.1	37.5	33.7
SSAFRICA										**17.1**	**18.3**	**21.3**
Angola	43.1	40.7	50.8	50.0	50.0	41.7	29.2	20.8	41.7	11.9	13.1	12.3
Benin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.2	17.2	17.1
Botswana	69.4	72.6	74.5	72.9	62.5	50.0	83.3	83.3	75.0	35.3	40.7	50.2
Burkina Faso	50.7	47.1	54.4	66.7	54.2	41.7	50.0	54.2	66.7	17.5	17.5	18.6
Cameroon	50.2	47.6	52.9	37.5	50.0	41.7	50.0	37.5	50.0	32.1	21.3	18.7
Congo, Dem.	31.2	26.0	30.0	0.0	0.0	11.1	16.7	8.3	22.2	9.8	8.8	7.4
Congo	53.9	48.6	55.5	50.0	50.0	54.2	33.3	33.3	41.7	14.4	14.9	12.6
Cote d'Ivoire	64.5	66.9	63.4	50.0	66.7	45.8	60.4	50.0	50.0	23.4	16.7	19.2
Ethiopia	32.8	34.3	59.6	50.0	35.4	33.3	45.8	22.9	79.2	8.1	9.2	15.7
Gabon	61.0	59.2	60.6	33.3	18.8	16.7	33.3	54.2	50.0	31.4	26.9	24.9
Gambia	52.5	62.1	61.0	50.0	50.0	54.2	56.3	58.3	83.3	0.0	0.0	0.0
Ghana	50.1	60.2	65.0	50.0	52.1	45.8	33.3	50.0	50.0	20.3	23.6	30.1
Guinea	46.7	47.6	48.1	54.2	66.7	58.3	50.0	50.0	50.0	14.5	14.5	15.0
Guinea Bissau	43.3	43.7	43.1	33.3	33.3	33.3	16.7	16.7	16.7	0.0	0.0	0.0
Kenya	54.0	59.5	69.4	50.0	50.0	41.7	62.5	52.1	66.7	30.4	24.8	27.2
Liberia	23.4	16.0	34.0	8.3	2.1	16.7	31.3	16.7	25.0	9.8	6.7	6.9
Madagascar	60.2	54.0	59.7	66.7	66.7	66.7	64.6	37.5	50.0	0.0	0.0	0.0
Malawi	52.6	52.8	65.6	66.7	52.1	50.0	33.3	37.5	66.7	15.8	17.1	19.9
Mali	37.6	47.1	58.5	22.9	35.4	41.7	33.3	41.7	50.0	16.7	16.7	17.0
Mauritius	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	38.6	50.4
Mozambique	47.1	43.4	58.6	66.7	66.7	66.7	43.8	20.8	45.8	7.4	9.0	14.8
Namibia	37.8	67.2	83.7	50.0	75.0	66.7	33.3	66.7	100.0	0.0	0.0	0.0
Niger	55.3	40.5	45.1	64.6	50.0	25.0	62.5	33.3	33.3	0.0	0.0	0.0
Nigeria	42.8	51.0	51.7	33.3	33.3	29.2	16.7	45.8	50.0	19.0	19.2	15.7
Senegal	56.6	53.1	57.1	50.0	50.0	50.0	33.3	33.3	45.8	19.1	19.2	21.6
Seychelles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.9	19.4	27.2
Sierra Leone	49.6	30.4	39.0	33.3	18.8	33.3	50.0	35.4	37.5	7.2	6.7	7.2
Somalia	38.4	17.8	26.7	66.7	31.3	16.7	45.8	20.8	29.2	0.0	0.0	0.0
South Africa	57.2	66.0	76.6	85.4	83.3	75.0	29.2	52.1	58.3	32.9	38.8	45.7
Sudan	21.0	22.2	23.1	33.3	33.3	25.0	29.2	37.5	33.3	5.5	5.8	7.5
Swaziland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.2	22.6	31.2
Tanzania	55.0	62.6	67.0	56.3	66.7	50.0	58.3	66.7	79.2	9.8	13.3	18.4
Togo	45.2	38.6	50.9	33.3	33.3	33.3	33.3	37.5	50.0	16.7	16.7	17.1
Uganda	38.5	45.6	53.1	50.0	50.0	41.7	16.7	35.4	66.7	5.3	7.6	17.3
Zambia	46.6	60.3	67.6	33.3	56.3	50.0	31.3	41.7	62.5	9.8	11.4	16.2
Zimbabwe	50.4	64.1	67.6	50.0	62.5	50.0	33.3	50.0	66.7	25.7	27.7	31.8

Source: Institutional Investors rating, ICRG for Political, Corruption and Rule of law Index

Note: scale 0-100 a higher number means less risk

TableA8: SSA Privatization Revenues and Foreign Exchange Earned, 1990-1998

(US$ million and percentage values)										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
All Developing countries										
a)	12658	24242	26180	23663	21717	21903	25400	66573	49100	271060
b)	6994	9390	8791	11619	12378	9338	11271	28770	28014	126565
c)	55	39	34	49	57	43	44	43	57	47
Sub Saharan Africa										
a)	74	1121	207	641	605	473	745	2348	1356	7571
b)	38	5	66	566	453	275	299	1969	694	4365
c)	51	0	32	88	75	58	40	84	51	58
Cote d'Ivoire										
a)	..	2	10	5	19	74	103	263	94	570
b)	..	2	10	0	2	41	5	222	91	373
c)	..	102	101	0	12	56	5	84	97	65
Ghana								1		
a)	10	3	15	28	476	87	186	68	21	893
b)	10	2	9	27	399	66	179	64	13	769
c)	96	78	62	95	84	76	96	94	64	86
Kenya										
a)	12	1	12	10	19	13	137	24	30	258
b)	..	..	..	..	..	0	0	0	0	1
c)	..	..	..	..	..	1	0	0	1	0
Mozambique										
a)	3	5	9	6	2	26	38	21	29	139
b)	0	0	5	0	1	16	0	..	12	34
c)	5	0	58	0	25	60	0	..	43	24
Nigeria										
a)	16	35	114	541	24	..	..	..	..	730
b)	0	0	0	500	0	..	..	..	..	500
c)	0	0	0	92	0	..	..	..	..	68
South Africa										
a)	..	1073	..	..	..	..	122	1287	247	2729
b)	..	..	..	..	..	..	..	1261	164	1425
c)	..	..	..	..	..	..	..	98	..	46
Tanzania										
a)	..	..	3	27	5	77	13	16	111	252
b)	..	..	1	25	3	69	6	16	77	198
c)	..	..	22	94	69	90	48	100	69	78
Uganda										
a)	..	..	12	19	24	47	30	20	15	167
b)	..	..	12	13	21	19	10	44	11	129
c)	..	..	98	67	88	40	33	219	74	77
Zambia										
a)	..	..	..	3	14	69	30	302	409	827
b)	..	..	..	2	13	50	25	242	88	420
c)	..	..	..	67	94	72	83	80	21	51
Zimbabwe										
a)	..	..	..	..	13	75	..	110	0	198
b)	..	..	..	..	13	15	..	..	..	27
c)	..	..	..	..	96	19	..	..	..	14
Source: World bank privatization Database, Note: a) privatization revenue, b) foreign exchange earned on privatization, c) = b/a										

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