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FOREIGN DIRECT INVESTMENT IN AFRICA:

PERFORMANCE AND POTENTIAL

Summary

Foreign direct investment (FDI) is welcomed and, indeed, actively sought by all African countries. The contribution FDI can make to economic development and to the integration of countries into the world economy is widely recognized. Over the past decade, African countries have made considerable efforts to improve their investment climate. They have liberalized their investment regulations and have offered incentives to foreign investors. More importantly, the economic performance of the region had substantially improved by the mid-1990s. However, the expected surge in FDI has not occurred. Many African countries, especially the least developed ones, continue to be ignored by investors. Too often, potential investors discount the African continent as an attractive location for investment because a negative image of the region as a whole conceals the complex diversity of economic performance and the existence of investment opportunities. As a result, partly, of such perceptions, Africa remains marginalized in worldwide FDI stocks and flows.

One of the most urgent tasks is to change the prevailing negative perception concerning the investment climate on the continent by providing potential investors with correct and balanced information as regards the opportunities and risks of investing in African countries. At the same time, needless to say, African Governments need to continue their efforts to improve their investment climate and economic performance, or, if these are already sound, to sustain them, and they need to be helped in this by the world outside.

The present note has been prepared in response to a request by the Commission on Investment, Technology and Related Financial Issues at its second session that took place from 29 September to 3 October 1997 (TD/B/44/14 - TD/B/COM.2/7: Agreed Recommendations, para. 3).

Despite the efforts of African governments to attract foreign direct investment by improving their policy frameworks,

Many African countries have initiated economic reforms aimed at increasing the role of the private sector, e.g., through the privatization of state owned enterprises and other programmes to encourage commercial activity. In addition, they have taken steps to restore and maintain macroeconomic stability through the devaluation of overvalued national currencies, the reduction of inflation rates and budget deficits.

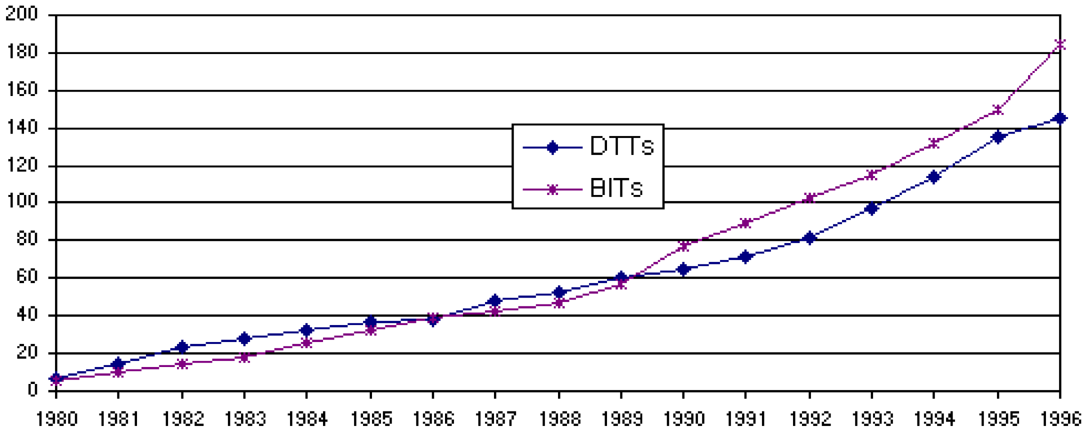
As a part of these reforms, African countries have also improved their regulatory frameworks for foreign direct investment (FDI), which are now far more open to FDI, permitting profit repatriation and providing tax and other incentives to attract investment. Twenty-six of 32 least developed countries in Africa covered in a 1997 survey (UNCTAD, 1997a)[1], had a liberal or relatively liberal regime for the repatriation of dividends and capital. Progress has also been made in other areas that matter for the FDI climate such as trade liberalization, the strengthening of the rule of law and improvements in legal and other institutions as well as telecommunication and transport infrastructure (WEF 1998, p.20).

Realizing that, because of a negative image of Africa as a whole, it may not be sufficient to improve the investment climate and have economic determinants in place to catch investors' attention, many African countries have established investment promotion agencies to change this image as well as facilitate investment in their countries. In the Southern African Development Community (SADC), for example, all 14 member states have established such agencies, 7 of which were set up only in the 1990s (Mwinga et al., forthcoming). Since 1995, investment promotion agencies from 25 African countries have by now also joined the World Association of Investment Promotion Agency (WAIPA) in order to benefit from an exchange of information on best practices in investment promotion among the member agencies. Some African agencies, such as the Uganda Investment Authority, are widely respected as successful agencies that adopt state-of-the-art practices in all areas of promotion (Tillett, 1996).

...concluding bilateral investment and double taxation treaties and other international agreements facilitating FDI,...

Improvements in the regulatory framework for FDI have been buttressed in many countries by the conclusion of, or accession to, international agreements dealing with FDI issues. Most African countries (45) had concluded bilateral investment agreements with other countries that aim at protecting and promoting FDI and clarify the terms under which FDI can take place between partner countries. Egypt, for instance, had signed 43 BITs by 1998, more than any other Asian or Latin American country, except for the Republic of Korea (49) and Argentina (44). As of 1 January 1997, African countries taken together had concluded 184 bilateral investment treaties, the majority of them signed since the beginning of the 1990s (figure 1) which are contributing to the creation of a more secure environment for foreign investors on the continent.

Figure 1. Bilateral investment treaties and double taxation treaties in Africa,[a] 1980-1996[b]



Source: UNCTAD, FDI/TNC database.

[a] Including South Africa.

[b] Numbers of bilateral investment treaties and double taxation treaties concluded by African countries, accumulated since 1980.

African countries have also made progress as regards double taxation treaties (DTTs) (figure 1), the conclusion of which has accelerated in the 1990s. African DTTs are, however, still concentrated in a few countries such as Egypt, Mauritius and Tunisia most of which already have a long track-record in receiving considerable amounts of FDI flows. Nevertheless, other countries that only recently have become attractive destinations for FDI have developed dynamism in this area: Uganda, for instance, concluded 4 such treaties in 1997 alone, 3 of which with neighbouring Kenya, South Africa and the United Republic of Tanzania (Uganda Investment Authority, 1998, p. 6).

Finally, the majority of African countries have signed multilateral agreements dealing with the protection of FDI such as the convention establishing the Multilateral Investment Guarantee Agency (MIGA) and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) (table 1). With all these improvements, the policy framework for FDI of many African countries has come to resemble that of most other developing countries.

...and despite signs of renewed economic vitality in Africa,...

Over the past few years, the economic climate in Africa has improved perceptibly. For the first time in many years, the growth of domestic output has been greater than that of the population. The overall GDP growth rate for the continent reached 4.4 per cent in 1996 and 3 per cent in 1997, this being the second consecutive year of real per capita growth in Africa (United Nations, 1998). This recovery from decades of stagnating or even shrinking GDP figures for the African continent and -- in particular for sub-Saharan Africa -- was shared by the entire continent as the GDP growth of sub-Saharan Africa exceeded 4 per cent in both 1996 and 1997[2] and number of African countries achieved even higher rates in the 1990s (table 2). Even the group

Table 1. FDI framework of African countries: membership in international agreements and institutions concerning FDI, by 1 January 1998

Country	MIGA[a]	ICSID[b]	CREFAA[c]	WIPO[d]
Algeria	1996	1996	1989	1966
Angola	1989	-	-	-
Benin	1994	1966	1974	1967
Botswana	1990	1970	1971	-
Burkina Faso	1988	1966	1987	1963
Burundi	-	1969	-	1977
Cameroon	1988	1967	1988	1964
Cape Verde	1993	-	-	-
Central African Republic	-	1966	1962	1963
Chad	-	1966	-	1963
Comoros	-	1978	-	-
Congo, Republic of	1991	1966	-	1963
Congo, Democratic Republic of	1989	1970	-	1975
Cote d'Ivoire	1988	1966	1991	1963
Djibouti	-	-	1983	-
Egypt, Arab Republic of	1988	1972	1959	1951
Equatorial Guinea	1994	-	-	1997
Eritrea	1996	-	-	-
Ethiopia	1991	-	-	-
Gabon	-	1966	-	1964
Gambia, The	1992	1975	-	1992
Ghana	1988	1966	1968	1976
Guinea	1995	1968	1991	1982
Guinea-Bissau	-	-	-	1988
Kenya	1988	1967	1989	1965
Lesotho	1988	1969	1989	1989
Liberia	-	1970	-	1994
Libya	1993	-	-	1976
Madagascar	1988	1966	1962	1963
Malawi	1988	1966	-	1964
Mali	1992	1978	1994	1983
Mauritania	1992	1966	1997	1985
Mauritius	1990	1969	1996	1976
Morocco	1992	1967	1959	1917
Mozambique	1994	1995	-	-
Namibia	1990	-	-	-
Niger	-	1966	1964	1964
Nigeria	1990	1966	1970	1963
Rwanda	-	1979	-	1984
Sao Tome & Principe	-	-	-	-
Senegal	1988	1967	1994	1963
Seychelles	1992	1978	-	-
Sierra Leone	1996	1966	-	1977
Somalia	-	1968	-	-
South Africa	1994	-	1976	1947
Sudan	1990	1973	-	1984
Swaziland	1990	1971	-	1991
Tanzania, the United Republic of	1992	1992	1964	-
Togo	1988	1967	-	1967
Tunisia	1988	1966	1967	1884
Uganda	1990	1966	1992	1965
Zambia	1988	1970	-	1965
Zimbabwe	1992	1994	1994	1980
Total	41	42	26	40

Source: UNCTAD FDI / TNC database.

[a] Multilateral Investment Guarantee Agency.
[b] International Convention on the Settlement of Investment Disputes between States and Nationals of other States.
[c] Convention on the Recognition and Enforcement of Foreign Arbitral Law.
[d] World Intellectual Property Organization.

of least developed countries in Africa have shown respectable growth rates in the past few years (1995: 3.3 per cent and 1996: 4.7 per cent) that were considerably higher than those achieved over the past 10 years (United Nations, 1998). This favourable development has been due to external factors such as increasing commodity prices as well as internal factors, notably economic reforms.[3] Growth prospects for many African countries -- supported by a return to more stable political and macroeconomic conditions in a number of countries -- have improved significantly.

Table 2. Annual average growth rates of real GDP of the 10 fastest growing economies in Africa, 1991-1997
(Percentage)

Country	Annual average growth rate of real GDP
Equatorial Guinea	25.6
Lesotho	7.1
Uganda	6.8
Mozambique	6.0
Sudan	5.6
Mauritius	5.2
Botswana	5.0
Malawi	4.8
Namibia	4.8
Tunisia	4.5
Total, Africa	2.5

Source: UNCTAD, based on African Development Bank 1998.

...Africa has been largely bypassed by the recent foreign direct investment boom.

As part of the recent positive economic developments in many African countries FDI in the region stabilized since 1994 at a somewhat higher level than at the beginning of the 1990s (figure 2), but the continent is still struggling to make up for the ground it lost during much of the 1970s and 1980s (figure 3).

In the past decade and a half, FDI inflows into Africa increased only modestly: from an annual average of $1.7 billion for the period 1981-1985 to $2.8 billion in 1986-1990 to $3.8 billion in 1991-1995. During the same period inflows to developing countries as a group more than tripled from less than $20 billion in 1980-1985 to an average of more than $70 billion in the years 1991-1995 (UNCTAD, 1997b). Thus, Africa’s share in global FDI inflows as well as in total inflows to developing countries dropped significantly (figure 4). From almost 9 per cent of flows into developing countries between 1981-1985 this share dropped to just over 5 per cent in 1991-1995, as did the share in global FDI inflows from 3 per cent in 1981-1985 to 2 per cent

Figure 2. FDI flows into Africa, 1970-1996
(Billions of dollars)

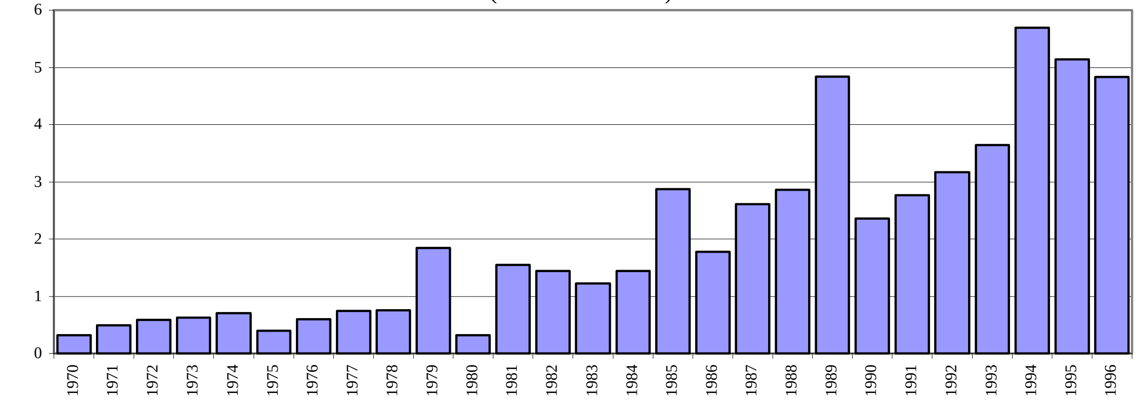


Figure 3. FDI flows into Africa, developing countries and selected regions, 1970-1996
(Billions of dollars)

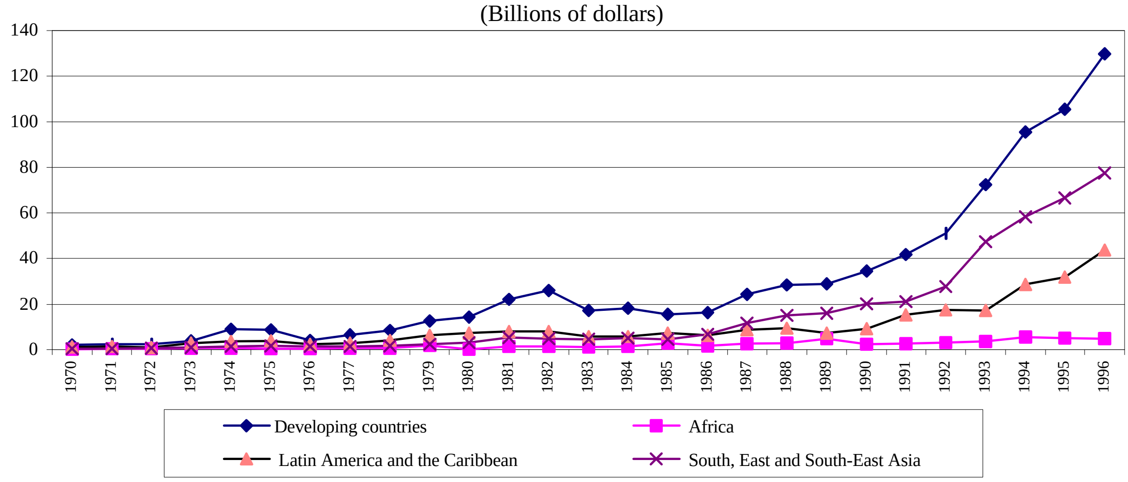
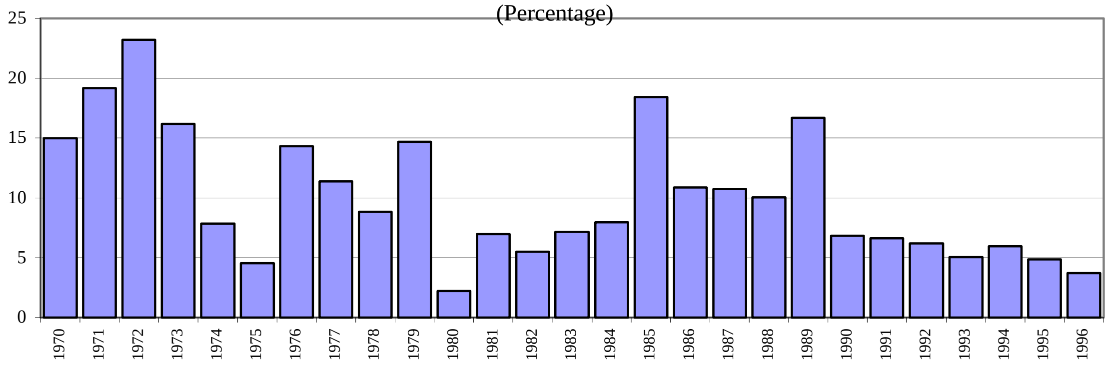


Figure 4. The share of Africa in total FDI flows into developing countries, 1970-1996
(Percentage)



Source: UNCTAD, FDI/TNC database.

in 1991-1995. This development is also reflected in FDI relative to GDP. In 1970, Africa had attracted in 1970 more FDI per $1,000 of GDP than developing countries in Asia and not much less than Latin America (table 3). Although both its FDI inflows in absolute figures and the ratio of FDI per $1000 of GDP grew between 1970 and 1996, by 1980, Africa had fallen behind other developing regions and has stayed behind since then. [4] The gap between Africa and other developing regions became even more pronounced during the 1990s, when the world-wide surge in FDI flows into developing countries bypassed the region. Africa's share in FDI flows to developing countries dropped from 11 per cent in 1986-1990 to just 5 per cent in 1991-1996. Its share in total outflows from the European Union, Japan and the United States -- the "Triad", the most important source regions for FDI flows generally -- has been very low in the period 1989-1996 (annex table 1) as other developing regions have gained in attractiveness as investment locations.

Table 3. The relative importance of FDI inflows: Africa, Asia and Latin America , 1970-1996

(FDI dollars per $1000 of GDP)

Year	Africa	South, East and South-East Asia	Latin America and the Caribbean
1970	5.2	2.6	7.4
1975	3.2	3.9	10.7
1980	0.9	3.8	9.9
1985	8.6	4.6	10.1
1990	6.3	12.2	8.6
1991	7.9	12.2	13.5
1992	9.1	14.2	14.3
1993	10.5	21.6	12.2
1994	17.5	24.8	17.8
1995	14.5	24.5	18.8
1996	13.2	27.5	23.7

Source: UNCTAD, FDI/TNC database.

However, put in a different perspective, this overall picture is misleading and conceals investment opportunities as evidenced by FDI stock figures,...

The unfavourable figures for Africa as a whole that seem to confirm the generally negative perception of the continent by foreign investors have to be seen in perspective. A more careful look reveals several positive developments that shake the assumption that Africa has no investment opportunities to offer. For one, although FDI flows into Africa have trailed FDI flows into other regions in recent years, they have been positive, and in consequence FDI stock in Africa has increased, indicating that many TNCs have found it worthwhile not only to maintain but to increase their investment in Africa even in politically and economically difficult times.

When FDI stocks rather than flows are related to GDP, Africa's figure for 1995 (13 per cent) is on a par or only slightly lower than the figures for Western Europe (13) and Asia (14). Moreover, in 1996, there were 11 African countries that had values of FDI inward stock per capita higher than the average for all developing countries.[5]

... and by FDI flows to some countries that have performed well in terms of FDI...

Aggregate inflows data tell only a part of the story, as the 54 countries of the continent display a diverse picture. While FDI flows to the region as a whole fared poorly, flows to a number of African countries were significantly higher, when measured by their absolute size, growth or relative size.

Traditionally, two large oil exporting countries, Egypt and Nigeria, have received significant inflows in terms of absolute size (though they have fluctuated from year to year) and they accounted for a high share of total inflows into Africa, though this share has declined from 62 per cent in the second half of the 1980s to 50 per cent in the 1990s (annex table 2). In 1997, Nigeria topped the list of the largest FDI recipients in the continent with estimated inflows of $1.0 billion, followed by Egypt with nearly $850 million, although the best performances of these countries took place earlier, when these flows reached $2.2 billion (1995) and $1.3 billion (1994), respectively.

During the 1990s, a group of African countries has emerged that have managed to attract rapidly increasing FDI inflows, reaching absolute levels never attained before and comparable to those of other well performing developing countries. They include Uganda and the United Republic of Tanzania, both of which have reached, in 1997, a record level of inflows of $250 million each -- an impressive increase since, only in 1991, their inflows were insignificant (in the range of $1-3 million). It should be underlined that, in both cases, inflows were increased gradually, so that their levels did not result from a one-off jump related to the concentration of large projects in one year (which may happen in small countries attracting FDI to capital intensive projects in natural resources). These examples are encouraging, because they show that countries with a very low income level can also become increasingly attractive to foreign investors. Morocco is a country that has been able to attract consistently increasing FDI inflows over a long period of time (box 1): its inflows in the second half of the 1980s doubled when compared to the first half of the 1980s and in 1991-1996 they were, on average, four times higher than in the preceding period (annex table 2). In 1997, Morocco was third on the list of the largest host countries in Africa, with inflows amounting to $500 million. Ghana is another recent success story: one of the largest host countries in Africa (in 1970 second and in 1975 third largest) in the 1970s, it lost its appeal with foreign investors in the 1980s, and could not regain it in spite of the vigorous implementation of an IMF structural adjustment programme. Beginning in 1993, the trend reversed and the country began to attract consistently high levels of inflows, bringing the average 1991-1996 inflows to the level more than ten times higher than those in the second half of the 1980s.

Success with respect to FDI inflows in Africa -- where there is not only minimal FDI in many countries but also prolonged disinvestment in some -- can also be measured in other ways. It can include countries whose inflows do not grow but stay at a consistently high level over a number of years (e.g., Swaziland), or countries that received substantial FDI in the past and, after a break, during which their inflows declined, are again receiving high levels of inflows (e.g., Mozambique). And last but not least, success can refer to countries that have been able to reverse a negative FDI trend, characterized by years with negative flows. For example, The Gambia, which experienced 7 years with negative flow during 1983/1990, has had consistently positive inflows since 1991. Though such flows did not grow, the reversal of the negative trend may be a precursor of future FDI growth. More generally, in 1996, not a single African country experienced negative FDI flows while, only in 1992, the number of countries with such flows was 11.

Box I. Morocco, sustained increase in FDI inflows

During the 1990s, broad macroeconomic reforms have created a favorable investment climate in Morocco. The privatization programme and the liberalization of the FDI regime have also contributed to making the country attractive to foreign investors. As a result, FDI inflows to Morocco increased, from an annual average of $95 million during 1985-1990 to an average of $402 million during 1991-1996. In 1997, they may amount to $500 million --according to the estimates of the International Monetary Fund (IMF)-- and $1 billion according to national sources. The single largest FDI project has been undertaken by Corral of Sweden which invested alone some $380 million in the petroleum sector when buying into the privatized SAMIR corporation. Another $270 million of FDI went into energy, while banking attracted some $178 million of investment.

Prospects for sustained FDI inflows are promising. Recent announcements of large investment projects included a $900 million investment by Daewoo (Republic of Korea), ACCOR's plans to construct 19 hotels, ABB-CMS' planned investment of $1.6 billion and SGS Thomson's plan to invest $400 million in micro-electronics.

Morocco has established itself as one of the largest recipients of FDI in Africa and it is at the forefront of changing the image of Africa. According to the national investment authority the success is --among other things-- due to improvements in the macroeconomic framework, the establishment of a sound institutional and legal framework for FDI, including the liberalization and simplification of administrative procedures, incentives as well as the modernization of the stock exchange, reforms of the banking sector and the privatization programme.

Source: UNCTAD, based on national sources.

Countries do not seem to attract FDI inflows to outperform other countries in terms of the size of inflows but to achieve various desirable effects in their own economies such as more rapid growth as a result of the increased rate of investment or the increased production efficiency stimulated by foreign affiliates. The strength of these effects depends more on the size of inflows relative to the size of an economy than on their absolute size. This is especially important in Africa which includes many countries with economies that are small or very small. When FDI inflows are adjusted to take into account the size of the domestic market, and measured in terms of inflows per capita or per $1000 of GDP, several more African countries have fared considerably better than the average for Africa and even better than the average for developing countries. Notable examples include Equatorial Guinea, Seychelles, Angola and Botswana (UNCTAD, 1995, p. 26). By another relative measure -- inward FDI flows as a percentage of gross fixed capital formation -- Africa’s performance was comparable to that of developing countries as a group: for 1991-1996, this share was 7 per cent for Africa (and 11 per cent for sub-Saharan Africa) compared to 7 per cent for all developing countries (annex table 3). The higher share of Africa reflects partly the small size of many African economies, as well as inadequate domestic savings and investment. Whatever the reason, this also means that the same amount of FDI may have in Africa, and especially in small African countries, a much larger developmental impact than in other parts of the developing world.

...and high profitability of the existing investment.

Moreover, FDI in Africa is very profitable. A recent study (UNCTAD, 1995) analyzed data on investment profitability in Africa compared to other regions. To the extent that data for United States affiliates in Africa can be generalized, in the period from 1980 to 1993, the rate of return on FDI in Africa was considerably and consistently higher than for most of the time in between 1980 and 1993 in a number of other regions, and higher than the average for both developed and developing countries (figure 5). In 1996, the average rate of return of United States' FDI projects in Africa was 31 per cent compared with 12 per cent in Latin America, 13 per cent in the Asia- Pacific region and 17 per cent in the Middle East and West Asia (Duke and Hamilton, 1998, p.7). A recent study on the profitability of Japanese affiliates abroad showed by-and-large similar results (figure 6), with manufacturing industries (e.g. chemicals and steel) featuring among the most profitable industries for Japanese investors in Africa.

While there are signs that TNCs are becoming increasingly interested in Africa as evidenced by the broadening range of home countries investing in Africa...

Traditionally, most of the FDI in Africa originated in a few countries of Western Europe and in the United States. For example, France, Germany, the United Kingdom and the United States accounted for 80 per cent of inflows during 1982-1986. The situation was largely similar with regard to FDI stock with the difference that Japan took the place of Germany; in 1992 four countries accounted for three quarters of FDI stock (UNCTAD, 1995, p. 32). Although traditional investing countries as a group have increased their FDI in Africa since the early 1980s (annex table 4), these increases are not sufficient to sustain Africa's share in total FDI flows into developing countries which, as shown earlier, has fallen. Were it not for increased inflows from other, non-traditional investor countries, the fall would have been even deeper. These new investors, who have recently discovered the investment opportunities the continent has to offer, add to Africa's hope for additional sustainable sources of FDI. They include the following:

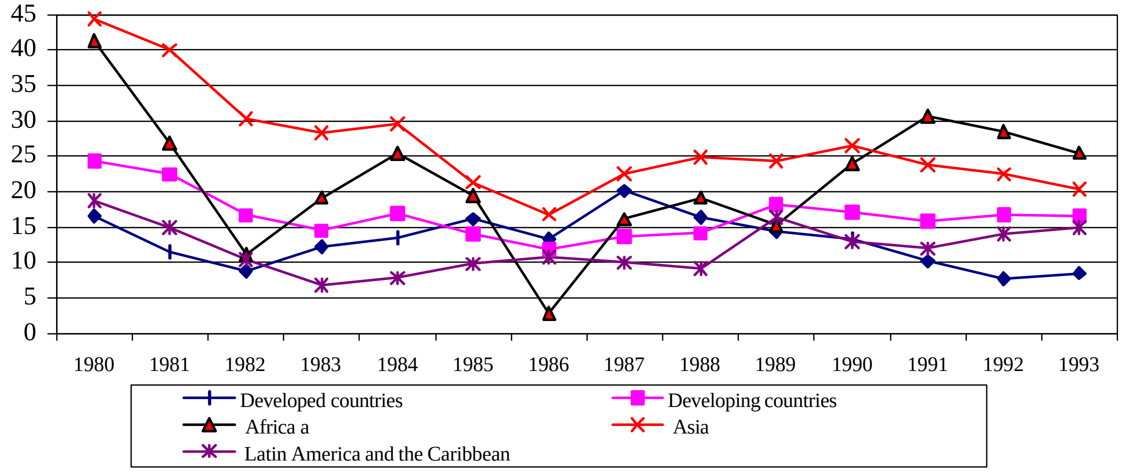
- Within the group of the OECD countries, a number of smaller countries such as the Netherlands, Switzerland, Portugal and Spain have emerged as important sources for FDI into Africa over the past 15 years (annex table 4): between 1982-1986 and 1992-1996, they increased their share in African inflows from some 2 per cent to 22 per cent, making up for the declining share of the traditional home countries from 80 per cent to 72 per cent.

- Then there are the investors from other developing country regions, particularly from South-East Asia that have emerged as new actors, particularly in South Africa. Telekom Malaysia, for instance, has formed a consortium with SBC International (United States) to invest $1.3 billion in the privatized South African Telekom. South-East Asian investors have also shown interest in other African countries. Thus, Hyundai of the Republic of Korea has begun building a new assembly plant in Botswana to make vehicles for the African market. Investors from Asia have also contributed to the recent FDI boom in Morocco, with TNCs from the Republic of Korea being on the forefront of

FDI boom in Morocco, with TNCs from the Republic of Korea being on the forefront of that development (box II). While the recent economic turmoil in Asia might have a temporary slowing down effect on its FDI in Africa, developing countries from that continent, and especially the newly industrialized countries, will remain a significant new source of inward FDI for Africa in the long run.

Figure 5. Rate of return on United States FDI, by region and country groupings, 1980-1993

(Percentage)

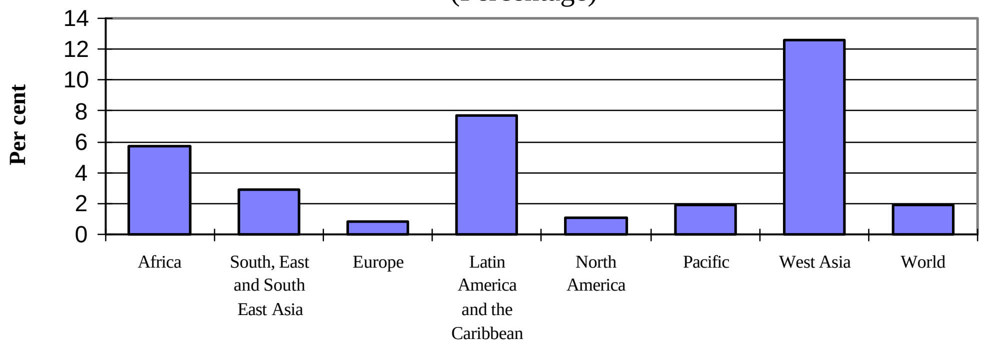


Source: UNCTAD, 1995.

[a] Excluding South Africa.

Figure 6. Profitability[a] of foreign affilitiates of Japanese TNCs, by selected host region, 1994

(Percentage)



[a] Current income/sales.

Source: UNCTAD, based on Japan, Ministry of International Trade and Industry, *Dai-25 KaiWagakuni Kigyo no Kaigai Jigyo Katsudo* (Tokyo: Ministry of Finance Printing Bureau, 1996).

Box II. South Africa: an emerging growth pole for southern Africa?

Since the beginning of the 1990s, economic liberalization and regional integration in the southern African region have been on the rise. Within the Southern African Development Community (SADC), currently comprising 14 African states, hopes have been high that post-apartheid South Africa could emerge as a "growth pole" for the region, contributing positively through both trade and FDI to the development of its neighbours. With GDP exceeding $125 billion in 1996, South Africa's economy is more than three times larger than the combined economies of the remaining SADC member countries: thus, a small increase in South Africa's import demand from its neighbouring countries has a disproportionally large economic impact. Initially, because of South Africa's political and economic isolation during the apartheid era, trade with its neighbours remained modest. However, after the first democratic election in South Africa in 1994 marking the end of this era, it has expanded rapidly, fueled by increases in South Africa's imports of primary and intermediate goods and the expansion of its manufactured exports. Its further growth may be affected by rising trade deficits incurred by many of South Africa's neighbours, unless FDI by South African TNCs offsets. In addition, FDI could also help growth in these economies through the provision of capital, technology transfer, contributions to human resource development and contributions to export revenues of these economies.

Box table. South Africa's FDI stock in selected African countries, 1993-1996

(Millions of dollars)

	1993	1994	1995	1996
Botswana	34	38	73	65
Lesotho	17	16	42	30
Namibia	32	37	204	180
Swaziland	26	28	48	48
Zimbabwe	35	35	43	30
Others	663	713	657	643
Total	**806**	**900**	**1 067**	**995**

Source: UNCTAD, based on data provided by the South African Reserve Bank, unpublished data.

Note: FDI stock denominated in South African Rand increased much more than in dollars from 1993 to 1996 because of a significant devaluation of the Rand against the United States dollar since 1994.

So far, little information is available on the actual contribution of South African TNCs to the development of their host economies. However, in terms of capital contribution, South African FDI in Southern Africa had already increased significantly before 1994. Traditionally, most of these investments have been by mining companies, often accompanied by investments by financial firms providing financial services to them. More recently, South African TNCs also have been investing in food processing, retailing and other services in the region. Privatization programmes are also attracting investment from South Africa. South African Breweries, for example, purchased a major stake in Tanzanian Breweries when it was partially privatized in 1993.

/...

Box II, cont'd.)

South Africa's potential as a regional growth pole through trade and FDI is certainly not yet fully realized. A growth-pole strategy depends crucially on two factors: the first is free access to the South African market for exports produced in neighboring economies. Since 1995, when South Africa started a process of progressive import-tariff reduction in accordance with its WTO obligations, the country has taken some decisive steps in this direction as average import protection in manufacturing is due to be reduced from 19 per cent in 1994 to just 8 per cent in the year 2000. However, with some sectors to be excluded from this gradual liberalization, obstacles will still remain. As regards trade liberalization within SADC, all member countries signed in 1996 the SADC trade protocol that foresees the creation of a free-trade-zone among member countries until the year 2004. The protocol, however, only comes into effect 8 years after a sufficient number of countries have ratified it, which has not yet been the case (Business Map, 1998, p.31). The second condition is faster demand growth in South Africa. The GDP growth rates below 4 per cent in recent years have proven to be too modest to exert a significant influence on SADC partner countries.

Source: UNCTAD, 1997c.

- Following the example of developing Asia, where FDI from developing countries of the region had accounted for a significant share of the rapid growth of inward FDI, some African firms, particularly but not only from South Africa, are becoming TNCs and investing in other African countries (annex table 5). Although African TNCs remain relatively small in both number and size (including South Africa their total outward FDI stock was almost $25 billion in 1996) they have become important regional and sub-regional players, demonstrating that there are firms in Africa that can compete internationally, not only through trade but also through production in foreign markets. There is a small but growing number of mergers and acquisitions between firms from South Africa and firms from other African countries, leading to the emergence of new TNCs or an increase in the size of existing ones (UNCTAD, 1997c). Among the continent's biggest TNCs are Anglo American Industrial Corporation Limited and Barlow Rand Limited, both based in South Africa; Conserverie Chérifiennes, a Moroccan firm in the food business, Consolidated Copper Mines of Zambia and Ghana's Ashanti Goldfields Corporation (UNCTAD, 1997b), the first African company on the London and New York stock exchanges. The latter has become a TNC through acquisition. From having one gold mine in Ghana, it has gone to owning four more operating mines, two major mining projects and 35 properties in 12 African countries.[2]

..and the diversification of FDI flows into manufacturing and services ,...

The sectoral composition of FDI in African countries has changed in recent years and FDI is no longer concentrated exclusively in the primary sector. Even in oil-exporting countries, services and manufacturing have become key sectors for FDI. For example, the primary sector accounted for only a little over 30 per cent of the total FDI stock in Nigeria in 1992, while manufacturing accounted for almost 50 per cent and services close to 20 per cent. Almost half of the FDI inflows into Egypt (48 per cent) went into services in 1995, with a further 47 per cent going into manufacturing and a mere 4 per cent into the primary sector (UNCTAD, 1997b).

Considering some of the most important home countries for FDI into Africa individually, the picture as regard the sectoral composition of their FDI has also changed in the 1990s (figure 7). FDI from Germany is going increasingly into manufacturing and away from the primary sector, while British FDI stock in Africa -- and to some extent also that of the United States -- has shifted more towards services.[6] For all three countries, FDI in mining or oil played a relatively less significant role during the 1990s than during the 1980s.[7] The growing importance of "non-traditional" sectors for FDI from some of the major home countries is illustrated by FDI outflow figures for the United States as well, which show that FDI in manufacturing is almost as important in 1996 as the traditionally most important sector, petroleum. Among industries, food and kindred products, primary and fabricated metals as well as "other manufacturing" have been primarily responsible for the significant upward trend in FDI in manufacturing (U.S. Department of Commerce, various years).

France was the only major home country for which the share of FDI stock in the primary sector in total FDI stock in Africa increased in the 1990s. However, it should be noted that during 1990-1995 this share was fluctuating significantly and -- although the share of services declined in relative terms -- FDI stock in both manufacturing and services increased in absolute terms.

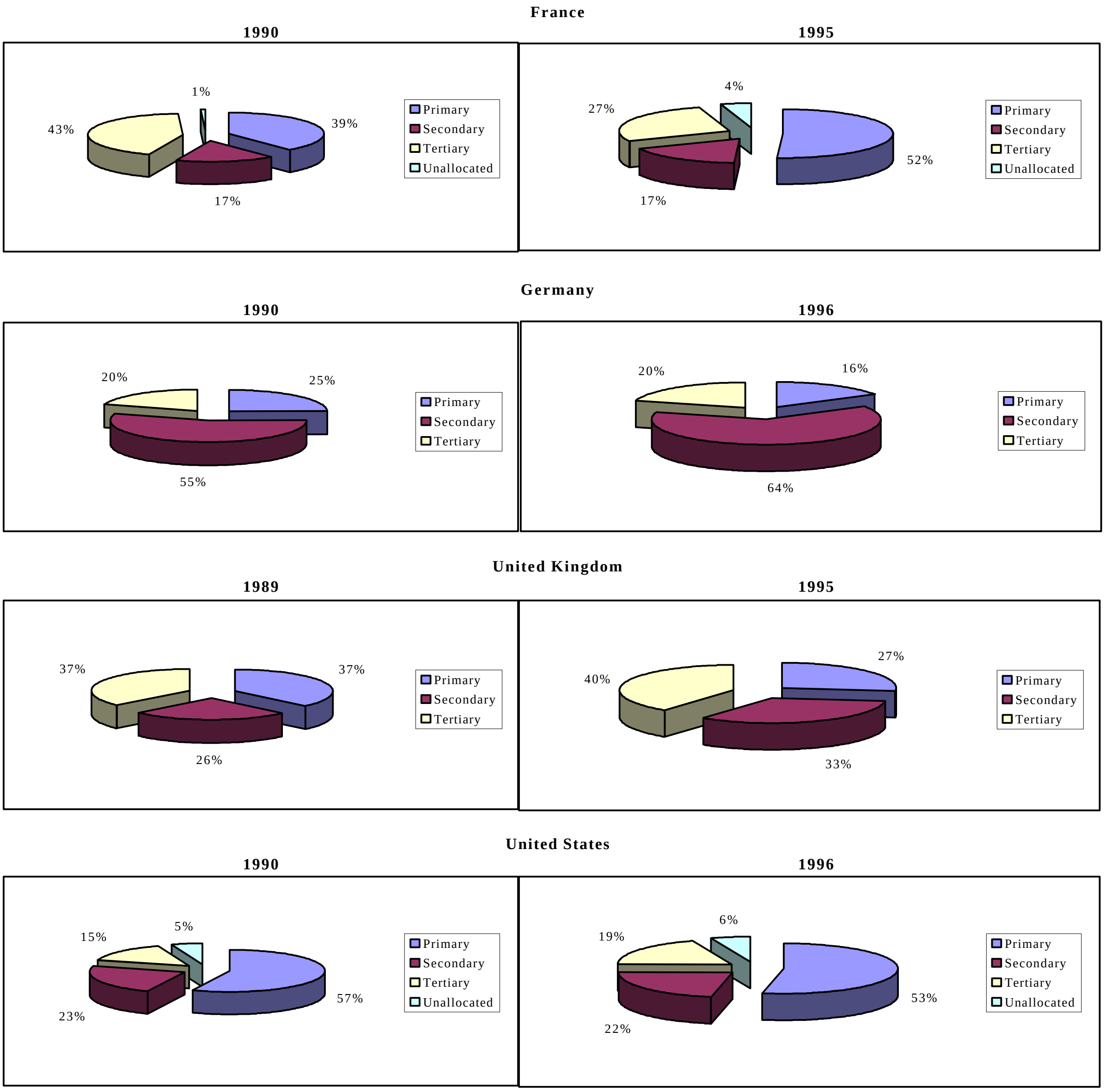
...in order to realize Africa's investment potential fully ...

The principal message of this note is that, in spite of its small FDI inflows, Africa should not be considered a continent with poor investment opportunities. Grouping together 54 countries and projecting the same image on to all of them conceals not only a complex diversity of economic performance, including FDI performance, but also conceals factors determining FDI, which are in many cases similar to those in other developing countries, but not accompanied by adequate FDI inflows. A study of principal economic determinants of FDI flows in 1991-1993 -- level of development, market size, market growth and natural resource endowments -- concluded that, in as many as 19 African countries, the full potential for FDI, as measured by inflows per $1,000 of GDP, remained unexploited (UNCTAD, 1995, pp. 64-70). The study focused on showing that, in spite of common perceptions, the potential for FDI did exist in Africa, but it did not look into reasons why it was unexploited: whether it was because of the extension of the overall negative image of Africa to the countries with potential or because other necessary determinants of FDI were lacking in these countries, e.g. an enabling framework. When examined using the same methodology -- that is comparing a country's inflows with average inflows of FDI per $1,000 of GDP in all developing countries during 1994-1996 -- some of these countries turn out to have come close to exploiting their average potential (Mauritius and Uganda) and some to have exceeded it (Ghana), in certain cases significantly so (Botswana). In other cases, the potential has remained unexploited and some countries could have lost it, if it was based on the GDP growth rate which is not a permanent advantage -- as against the natural resource endowment which is stable, or the level of development which typically does not change rapidly. On the other hand, given the recent acceleration of economic growth in Africa, new countries with potential may have emerged.

As for a sectoral perspective, the same study has identified FDI potential in Africa not only in the primary sector, as one would expect, but also in the services sector especially in tourism and infrastructural services, and in the manufacturing sector (ibid., see pp. 71-73). As discussed in the preceding section, potential in the latter two sectors is being exploited. A new factor that has emerged after the study was done has been the privatization process which started comparatively late in Africa. Now many African countries have large privatization programmes underway which can be expected to prompt further FDI inflows into the region in the near future. In over 15 countries of sub-Saharan Africa -- among them countries embarking seriously on privatization for the first time -- major new privatization programmes have been launched or re-activated (Bennell, 1997, p.1801). Furthermore, governments are initiating the privatization of the largest state-owned enterprises that account for the lion's share of public assets in most countries of sub-Saharan Africa. As regards telecommunications, for example, more than 25 countries in sub-Saharan Africa are currently transferring all or part of their telecommunication monopolies from the state to the private sector (World Bank, 1998, p. 249).

Figure 7. The sectoral composition of FDI stock of selected major home countries in Africa,[a] 1989/1990 and 1995/1996

(Percentage)



Source: UNCTAD, FDI/TNC database.

Note: Unallocated includes holdings.

[a] Includes South Africa.

The exploitation of that potential will also depend on other factors, including African host country policies, home country initiatives and the international community, as discussed below.

... further measures undertaken by host countries...

To realize the potential for increased FDI flows, more needs to be done by African governments. The measures to be taken are country-specific and depend on an individual country's political as well as economic situation and on the progress it has made in the improvement of its investment climate, in the liberalization of its FDI policies and in its promotion activities:

- Some countries will have to make every effort to create the basic conditions of a favourable investment climate, such as ensuring political and economic stability. These measures should be followed or accompanied by efforts to promote private-sector development, to ensure the proper functioning of markets and to engage in more prudent macroeconomic management.

- Countries that have put these conditions in place will have to focus on the further improvement of the FDI climate, for example, on the simplifying of administrative procedures, learning from best practices elsewhere. Countries that want to do away with "red tape" might wish to follow the example of Mozambique, which commissioned a study by the International Finance Corporation (IFC) in 1996 to identify and provide an overview of the existing bureaucratic impediments (IFC, 1996).

- Other countries that have FDI potential but receive FDI far below it might also need to focus on promotion efforts and look at ways of attracting FDI to particular industries or projects. Those countries that have already established promotion agencies need to review the effectiveness of their work. Unexploited investment potential on the part of newly investing countries should be identified and targeted in promotional efforts. This refers in particular to investors from Asia, like companies from Malaysia and the Republic of Korea which have been active in seeking investment opportunities in Africa,[8] as well as to TNCs from some smaller OECD countries. It is important to note that -- as the examples of successful investment promotion agencies in Europe and Asia have shown -- it is crucial to concentrate promotional efforts on a limited number of home countries. Since investment promotion activities are costly and most countries suffer from the same negative perception that most investors have of Africa as an investment location, African countries should consider joint efforts to attract FDI and to promote it. This would include measures to deepen regional integration (discussed below) and to undertake joint activities to promote the entire region as an investment location. The agencies of all Southern African Development Community (SADC) countries have recently started to move in this direction: at a meeting in Centurion, South Africa, in June 1998 they took the initiative to form a SADC Committee of Investment Promotion Agencies and a meeting of the SADC ministers of finance in July 1998 was asked to approve the establishment of the committee. One of the committee's tasks is supposed to be the provision of input into the SADC Finance and Investment Protocol, to bring the region in line with global provisions in investment agreements and to facilitate cross-border investment.

- Since market size is one of the most important FDI determinants, effective efforts to enlarge markets through the creation of regional markets, could make the continent more attractive especially for market-seeking FDI projects. There are already some encouraging initiatives in this area: for example, the 14 member states of SADC signed a trade protocol in August 1996, which aims at creating a free trade area within eight years. East and West Africa have also made considerable progress in advancing sub-regional integration aimed at facilitating trade and investment, for example, in the framework of the common market for Eastern and Southern Africa (COMESA). In North Africa, too, initiatives to integrate markets are under way. Egypt and Morocco, for instance, have recently signed a bilateral free trade agreement and there are plans to create a free trade area including the Maghreb countries.

.... and home countries as well as the international community are of crucial importance.

Home countries and the international community can contribute much to improve Africa's prospects as a viable and attractive location for FDI. Existing and planned measures are discussed in box III. Other measures that might be taken include the following:

- *Helping reduce the external debt* that remains a serious impediment to the creation of a more favourable climate for domestic and foreign investors alike. The reduction of external debt is one of the key desiderata for sustaining recovery in Africa and improving the continent's FDI prospects. External debt and FDI are linked, among other things, through balance-of-payments difficulties which in turn make it difficult to ease foreign-exchange and profit-remittance regulations -- both of which are important ingredients of a good investment climate. In addition, debt-servicing deprives countries of badly needed savings for domestic investment to improve the physical and human infrastructure. Debt reduction should thus be a cornerstone of the international community's efforts to improve Africa's growth prospects in general and its attractiveness for FDI in particular.

Box III. Home country measures to promote FDI into Africa

Recognizing the importance of FDI, major home countries and regions have undertaken a number of measures to promote FDI in developing countries including those in Africa. Within the current framework of the Lomé Convention, the European Union offers several schemes to support investment in the African, Caribbean and Pacific partner countries. The Centre for the Development of Industry of the European Commission, for example, promotes technical or commercial partnerships between firms from African, Caribbean and Pacific countries and European companies, through such activities as providing assistance in finding appropriate partner companies or co-financing feasibility studies. Other inter-regional agreements, such as the association agreement between North African countries and the European Union that foresees the creation of a free trade area between the European Union and Algeria, Egypt, Morocco and Tunisia, can also significantly help promote trade and investment flows, especially of export-oriented FDI. Morocco's success in attracting foreign investors (see box I) is at least partially explained by the fact that it will be a part of the free trade zone with the European Union in 2010 (Khalaf, 1998, p. 6).

/...

(Box III, cont'd.)

Apart from the activities of the European Union, individual member states of the European Union, along with a number of member countries of the Organisation of Economic Co-operation and Development (OECD), have undertaken various measures such as the provision of information, support of feasibility studies and matchmaking programmes that bring domestic and foreign firms together, to promote investment in developing countries (annex table 6). The United States has, among other things, a comprehensive programme to insure political risk and the financing of direct investment by United States companies in Africa. Thus, the Overseas Private Investment Corporation (OPIC) had provided a total of $775 million in political risk insurance for United States companies investing in Africa by 1997 (Mutharika, 1997, p. 279). Most activities in Japan -- another important home country for FDI -- have been of a more indirect character. Japan was the host of the first Tokyo International Conference on African Development (TICAD I), which was attended by representatives from almost all African countries and major donor countries as well as international organizations. The conference led to a number of follow-up meetings that provided major donors and African countries with the opportunity for a discussion on vital issues regarding the future development of the continent, including FDI. Furthermore, the Government of Japan provided financing for the Asia-Africa Cooperation project executed by UNCTAD that aims -- among other things -- at promoting enterprise networking between African and private enterprises from developing Asia -- with a special emphasis on commodity producing or processing firms -- that may result in stimulating Asian FDI in Africa or joint-ventures between Asian and African firms.

In addition to the existing instruments, many important home countries have recently stepped up their efforts to promote FDI flows, specifically into African countries. The United States African Growth and Opportunities Act, introduced to the United States Congress in April 1997, is a good example in this respect. The initiative is led by the ideal of equal partnership between African countries and the United States based primarily on expanding trade and investment flowing in both directions as opposed to the present relation dominated by aid flows. The initiative thus encompasses not only measures to reduce trade barriers (in particular in the area of textile and apparel) but also incentives for direct investment by United States companies in Africa. As one element of the new initiative, OPIC is working with private-sector sponsors to establish a proposed $150 million fund for equity investment in different economic sectors (Lang, J., 1997). The act was passed by the House of Representatives in April 1998 and sent on to the Senate which is expected to vote on the act before the end of 1998. The granting of the advantages foreseen under the act is subject to conditions that countries must satisfy -- as judged by the Government of the United States. These include, in particular, the condition that countries establish, or make continued progress towards establishing, a market-oriented economy and not engage in gross violations of internationally recognized human rights.

The idea of equal partnership giving trade and investment a more prominent role has also been discussed in the framework of the future design of the Lomé Convention. The Government of Japan has also announced its support for a planned UNCTAD project on "Facilitating foreign direct investment and maximizing its benefits for development in African least developed countries and in the Indian Ocean Rim". This project is designed to analyze the extent and nature of FDI flows among developing countries (and especially between Asia and Africa), to promote FDI among developing countries, to help improve the investment climate and maximize benefits from FDI for African LDCs. In Autumn 1998, Japan will also host the second TICAD conference.

Source: UNCTAD.

- *Increasing technical assistance to leverage FDI*. In many countries weak infrastructure and insufficient skills are major bottlenecks for investment. Increased technical assistance could aim at overcoming some of these shortcomings. Assistance geared to improving the human and physical infrastructure, especially in those areas and sectors that are potentially of interest to foreign investors, may help to attract FDI flows. Technical assistance aimed at establishing or further improving a national regulatory framework conducive to FDI can also be important. Given the growing interrelationship between trade and investment, such a framework must increasingly take national trade policies into account as they affect FDI, in order to ensure the policy coherence that will allow countries to maximize benefits from FDI liberalization.

- *Facilitating access to developed countries' markets for African products*. Cheap and unskilled labour -- which many African countries have in abundance -- can be a locational determinant of efficiency-seeking FDI (UNCTAD 1998, forthcoming). Typically, however, it has to be accompanied by additional conditions, among which access to international markets has played a prominent role. Increased access to developed countries' markets for non-traditional, labour-intensive goods, can therefore help to attract FDI into Africa, and especially into African LDCs. The recent initiative by the United States (box III) that includes tariff reductions for certain products such as textiles or apparel and foresees the creation of free trade zones between African countries and the United States represents a step in this direction. It is presumed that a number of African countries, including Botswana, Cameroon, Cote d'Ivoire, Ghana, Malawi, Mozambique, Nigeria, the United Republic of Tanzania and Zambia could develop a textile and apparel sector that would be able to export to the United States' market if they had quota-free and duty-free access to it (Sachs, 1998, p.41).

- *Disseminating information on investment opportunities*. As mentioned earlier, potential investors are often unaware of investment opportunities in African countries, simply because relevant information is not available. A survey by UNCTAD showed that in preparing investment guides on individual countries, the five biggest international consultancy firms have paid little attention to African countries, especially to the least developed among them (table 4). To help fill this gap, efforts by the international community, possibly in cooperation with the private sector, are urgently needed. For this reason, UNCTAD is in the process of launching, together with the International Chamber of Commerce (ICC), a project on "Investment guides and capacity-building in least developed countries". In a pilot phase, UNCTAD, in co-operation with the investment promotion agencies of six selected LDCs (of which five are from Africa) and the ICC, will produce investment guides that provide an objective and up-to-date overview of investment conditions and opportunities in these countries and are intended to prepare the ground for a policy dialogue between policy makers and investors in the six LDCs. At the same time, the project intends to familiarize investment promotion agencies with best practices in investment promotion activities. Investment-promotion efforts by other multilateral and regional institutions can also help to draw attention to investment opportunities.

Table 4. Investment guides available from major international consultancy firms, 1997

Firm	Total number of guides	LDC guides
Coopers & Lybrand	80	2
Ernst & Young	64	1
Price Waterhouse	70	2
Arthur Andersen	45	0
KPMG	52	2

Source: UNCTAD, FDI/TNC database.

Notes

1. These results can be found in tables T.A1 and T.A2 of the publication.

2. Excluding Nigeria and South Africa.

3. In 1997, for instance, 29 countries in Africa ran programmes with the International Monetary Fund (IMF) (*Financial Times*, 11 December 1997, p. 11).

4. It should be noted, however, that in a number of African countries GDP stagnated or even fell for some years and that this may have contributed to the high FDI-per-$1000-GDP ratios, the denominator being relatively small for these countries.

5. These countries include Botswana, Congo, Egypt, Equatorial Guinea, Gabon, Liberia, Mauritius, Namibia, Seychelles, Swaziland and Tunisia. FDI stock data for some countries might be overestimated in relation to the stock figures in other developing regions since FDI stock is measured by historical values and the stock in Africa is by and large of an older date than the stock in other regions.

6. The share of manufacturing in total British outward FDI stock in Africa had also increased in 1996 as compared to 1990. However, this development was not steady, since between 1990 and 1993 British FDI in manufacturing had declined in absolute as well as in relative terms. In 1994, the FDI stock in manufacturing increased again in absolute as well as in relative terms, followed by moderate decline in both absolute as well as relative figures in 1995.

7. In fact, the decline in relative importance of FDI in the primary sector appears to be strongest in the case of the United States's FDI stock in Africa. The share of the primary sector in total United States' FDI stock in Africa dropped from 79 per cent in 1986 to 53 per cent in 1996.

8. Targetting of Asian investors may be of special importance, because the Asian financial crisis might reduce their propensity to invest abroad.

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FIGURES

TABLES

STATISTICAL ANNEX

Annex table 1. FDI outflows from the triad[a] to developing countries and Africa, 1987-1996

(Millions of dollars)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
European Union [b]										
Developing countries	5300.2	5908.4	6355.4	9306.2	7351.5	8419.3	8159.1	12190.3	12444.9	14230.3
Africa	179.2	265.3	2080.8	308.6	1340.3	765.5	696.2	574.3	616.1	1216.5
Total	54300.3	68734.3	80163.0	82595.7	73525.0	71957.0	62179.0	68264.9	112793.0	104346.4
United States										
Developing countries	7239.0	2824.0	10423.0	9665.0	12184.0	15424.0	23340.0	29110.0	22088.0	27955.0
Africa	301.0	-377.0	-179.0	-528.0	-35.0	-202.0	765.0	502.0	63.0	543.0
Total	27057.0	15047.0	37320.0	27175.0	33456.0	38978.0	74837.0	73252.0	92074.0	74833.0
Japan [c]										
Developing countries	4602.0	6418.0	8614.0	7279.0	5001.0	2788.0	2373.0	7400.0	7393.8	8150.7
Africa	165.5	492.4	457.2	488.9	568.7	121.2	206.9	152.5	141.2	101.3
Total	20300.0	35460.0	46020.0	50500.0	31620.0	17390.0	13830.0	18090.0	22508.0	23428.0
Triad										
Developing countries	17141.2	15150.4	25392.4	26250.2	24536.5	26631.3	33872.1	48700.3	41926.7	50336.0
Africa	645.7	380.8	2359.0	269.5	1874.0	684.8	1668.1	1228.8	820.3	1860.9
Total	101657.3	119241.3	163503.0	160270.7	138601.0	128325.0	150846.0	159606.9	227375.0	202607.4
Memorandum:										
The share of developing countries and Africa in total FDI flows from the Triad.										
Developing countries	16.9	12.7	15.5	16.4	17.7	20.8	22.5	30.5	18.4	24.8
Africa	0.6	0.3	1.4	0.2	1.4	0.5	1.1	0.8	0.4	0.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNCTAD, FDI/TNC database.

[a] The European Union, Japan and the United States.

[b] Excluding Finland, Greece, Ireland, Italy, the Netherlands, Portugal and Sweden.

[c] Because of the lack of detailed breakdowns for actual FDI flows, data on Africa was estimated by appying the percentage share of Africa in total approved FDI outflows.

Annex table 2. FDI inflows into African countries[a], 1982-1996
(Annual average, millions of dollars)

Country/region	1982-1986	1987-1991	1992-1996
Nigeria	332.6	834.9	1558.6
Egypt	781.6	875.0	688.4
Morocco	38.7	158.7	413.2
Tunisia	161.8	86.4	387.3
Angola	159.9	155.9	260.1
Botswana	46.2	56.7	137.9
Ghana	6.1	11.9	121.4
Libyan Arab Jamahiriya	-161.0	91.2	120.0
Equatorial Guinea	2.2	11.1	109.7
Namibia	5.1	29.6	108.4
Uganda	-0.4	-0.4	77.6
Tanzania, United Republic of	3.5	1.7	70.4
Zimbabwe	4.9	9.9	68.3
Zambia	32.4	113.9	55.6
Swaziland	5.7	57.4	49.7
Congo, Republic of	32.3	13.6	34.7
Mozambique	0.7	9.2	33.3
Senegal	-0.3	17.4	32.8
Seychelles	11.0	21.0	25.5
Mauritius	4.8	27.0	21.0
Lesotho	3.4	12.9	17.5
Chad	18.2	9.1	15.1
Liberia	17.5	243.7	14.3
Cameroon	113.7	-0.9	13.5
Madagascar	5.2	11.0	12.4
Mali	1.8	1.3	11.5
Kenya	21.8	35.6	11.4
Algeria	-9.4	8.1	11.2
Malawi	7.8	18.6	10.3
Guinea	2.1	19.5	9.4
Gambia, The	-0.9	5.5	9.1
Mauritania	7.3	3.2	7.5
Cape Verde	0.0	0.7	5.3
Burkina Faso	1.5	2.3	4.3
Niger	7.8	15.7	3.6
Ethiopia	0.8	1.4	3.3
Djibouti	0.3	0.2	2.5
Rwanda	15.8	13.3	2.3
Guinea-Bissau	0.9	1.1	0.9
Burundi	1.4	1.1	0.8
Congo, Democratic Republic of	-30.6	-13.4	0.8
Benin	0.2	2.9	0.8
Comoros	..	3.5	0.4
Somalia	-4.3	-3.0	0.3
Togo	6.0	10.8	0.3
Sudan	4.2	-2.9	0.1
Central African Republic	6.0	1.0	-2.0
Sierra Leone	-31.8	15.7	-3.6
Côte d'Ivoire	41.3	44.4	-15.1
Gabon	75.4	42.1	-27.0
Memorandum:			
Developing countries	**18661.8**	**31626.4**	**90908.3**
Africa	**1751.3**	**3086.7**	**4495.0**
North Africa	816.0	1216.5	1620.2
Other Africa	935.2	1870.2	2874.8
Least developed countries of Africa	**239.0**	**666.7**	**734.0**
Oil-exporting countries			
Africa	**1486.9**	**2106.3**	**3046.8**
North Africa	773.1	1060.7	1206.9
Other Africa	713.8	1045.6	1839.9

Source: UNCTAD, FDI/TNC database.

[a] Countries are ranked by the size of their average annual inflows in 1992-1996.

Annex table 3. African countries: FDI inflows as a percentage of gross fixed capital formation, 1991-1996

Equatorial Guinea	265.1
Angola	84.4
Nigeria	38.1
Liberia	22.5
Seychelles	21.8
Gambia, The	19.3
Swaziland	18.5
Namibia	18.3
Zambia	14.7
Ghana	12.6
Chad	11.4
Botswana	10.5
Uganda	9.1
Tunisia	8.4
Congo, Republic of	7.8
Egypt	6.1
Morocco	6.0
Tanzania, United Republic of	5.2
Cape Verde	4.8
Libyan Arab Jamahiriya	4.6
Malawi	4.6
Madagascar	3.6
Zimbabwe	3.6
Senegal	3.5
Mozambique	3.5
Lesotho	2.9
Guinea	2.8
Mauritania	2.7
Djibouti	2.6
Guinea-Bissau	2.4
Niger	2.2
Mauritius	2.1
Mali	1.9
Comoros	1.5
Rwanda	1.0
Benin	0.9
Kenya	0.8
Congo, Democratic Republic of	0.8
Cameroon	0.7
Togo	0.7
Burundi	0.6
Burkina Faso	0.5
Ethiopia	0.3
Somalia	0.2
Algeria	0.1
Sudan	0.0
Côte d'Ivoire	-1.0
Central African Republic	-2.0
Gabon	-2.7
Sierra Leone	-3.5
Memorandum:	
Developing countries	**6.5**
Africa	**6.8**
North Africa	4.1
Other Africa	10.8
Least developed countries in:	
Africa	**7.1**
Oil-exporting countries in:	
Africa	**7.9**
North Africa	3.8
Other Africa	25.4

Source: UNCTAD, FDI/TNC database.

Annex table 4. FDI outflows from selected OECD countries to Africa,[a] 1982-1996
(Millions of dollars)

			Cumulative flows				
Country	**1982-1986**	**Country**	**1987-1991**	**Country**	**1992-1996**	**Country**	**1982-1996**
United States	1 200	United Kingdom	2 812	France	2 290	United Kingdom	4 987
France	1 152	France	1 300	United States	1 683	France	4 742
United Kingdom	600	Japan	1 183	United Kingdom	1 575	United States	3 259
Germany	507	United States	376	Netherlands	807	Germany	1 401
Italy	458	Netherlands	197	Germany	714	Japan	1 099
Sweden	210	Switzerland	182	Switzerland	461	Netherlands	1 072
Norway	98	Germany	180	Italy	282	Italy	912
Netherlands	68	Italy	172	Canada	201	Switzerland	656
Austria	64	Belgium	152	Norway	196	Norway	318
Belgium	63	Canada	38	Portugal	194	Canada	256
Denmark	33	Finland	37	Spain	107	Sweden	226
Canada	17	Norway	24	Japan	21	Portugal	203
Switzerland	13	Austria	24	Australia	17	Spain	107
Australia	- 15	Denmark	11	Denmark	13	Austria	97
Japan	- 105	Portugal	10	Sweden	12	Denmark	57
		Sweden	4	Finland	10	Finland	48
		Australia	- 199	Austria	10	Belgium	8
				Belgium	- 207	Australia	- 197
Total	**4 363**		**6 502**		**8 387**		**19 251**

Source: UNCTAD, FDI/TNC database, based on OECD.

[a] Only the member countries of the OECD Development Assistance Committee (DAC).

Annex table 5. FDI outward stock from Africa, 1980, 1985, 1990, 1995 and 1996
(Millions of dollars)

Home region/economy	1980	1985	1990	1995	1996
Africa	**529**	**6 353**	**11 629**	**14 838**	**15 094**
North Africa	**300**	**450**	**876**	**1 251**	**1 284**
Algeria [a]	99	157	185	235	235
Egypt [a]	39	91	163	365	370
Libyan Arab Jamahiriya [b]	162	206	526	526	526
Morocco	..	..	..	114 [c]	141 [c]
Tunisia	..	.. [d, e]	2 [d]	11 [d]	12 [d]
Other Africa	**229**	**5 903**	**10 753**	**13 587**	**13 811**
Angola	..	..	- [f]	- [f]	- [f]
Benin [g]	-	2	2	2	2
Botswana [h]	3	3	10	97	214
Burkina Faso [i]	3	3	3	3	3
Burundi	..	..	- [j]	- [j]	1 [j]
Cameroon [k]	23	53	150	227	235
Cape Verde	..	..	1 [j]	2 [j]	2 [j]
Central African Republic [l]	3	4	21	49	55
Chad [m]	-	1	36	84	92
Comoros	..	..	1 [f]	1 [f]	1 [f]
Equatorial Guinea	..	..	- [j]	- [j]	- [j]
Gabon [i]	77	102	163	205	204
Kenya [l]	18	60	99	99	99
Lesotho	..	..	- [n]	- [n]	- [n]
Liberia [o]	48	361	453	768 [c]	376 [c]
Mali [l]	22	22	22	22	22
Mauritania	..	..	3 [p]	3 [p]	3 [p]
Mauritius	..	..	1 [n]	93 [n]	96 [n]
Namibia	..	..	80	15	13
Niger [i]	2	8	54	109	109
Nigeria [g]	5	5 193	9 508	11 438	11 893
Senegal [i]	-	37	43	90	94
Seychelles [h]	14	44	61	93	106
Swaziland	9	9	40	155	100
Togo [q]	2	2	2	2	2
Zimbabwe	..	..	..	28 [r]	88 [r]
Memorandum:					
South Africa	5 722	6 504	7 827 [s]	9 492 [s]	9 549 [s]
Least developed countries [t]					
Africa	80	404	599	1 046	668
Oil-exporting countries [u]					
Africa	405	5 798	10 697	13 009	13 476
North Africa	300	450	876	1 137	1 143
Other Africa	105	5 348	9 821	11 872	12 333

Source : UNCTAD, FDI/TNC database.

[a] Estimated by accumulating flows since 1977.
[b] Estimated by accumulating flows since 1972.
[c] Estimated by accumulating flows since 1991.
[d] Estimated by accumulating flows since 1981.
[e] Negative accumulation of flows. However, this value is included in the regional and global total.
[f] Estimated by accumulating flows since 1990.
[g] Estimated by accumulating flows since 1979.
[h] Estimated by accumulating flows since 1976.
[i] Estimated by accumulating flows since 1974.
[j] Estimated by accumulating flows since 1989.
[k] Estimated by accumulating flows since 1973.
[l] Estimated by accumulating flows since 1975.
[m] Estimated by accumulating flows since 1978.

[n] Estimated by accumulating flows since 1988.
[o] Estimated by using the inward stock of the United States as a proxy.
[p] Estimated by accumulating flows since 1986.
[q] Estimated by accumulating flows since 1980.
[r] Estimated by accumulating flows since 1993.
[s] Estimated by adding flows to the stock of 1988.
[t] Least developed countries include: Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Repunlic of Congo, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, and Zambia. Not included are: Eritrea and Sao Tome and Principe due to unavailability of data.
[u] Oil-exporting countries include: Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Indonesia, Libyan Arab Jamahiriya, Nigeria and Tunisia.

Annex table 6. Programmes of selected OECD countries to promote outward foreign direct investment in developing countries, 1997

Measures/ Country	Provision of information	Matchmaking between companies	Missions and seminars	Support of sectorial studies	Support of feasibility studies	Project development and start-up
Austria	x	No	x	No	No	x
Belgium	x	x	x	x	x	x
Canada	x	x	x	No	x	x
Denmark	x	x	No	No	x	x
Finland	x	No	x	x	x	x
France	x	No	No	No	x	x
Germany	x	x	x	x	x	x
Italy	x	x	x	x	x	x
Japan	x	x	x	x	x	x
Netherlands	x	x	x	x	x	x
Sweden	x	x	No	No	x	No
Switzerland	x	x	x	x	x	x
United States of America	x	x	x	x	x	x

Source: UNCTAD, based on International Finance Corporation/Foreign Investment Advisory Service, *Foreign Direct Investment* (Washington D.C., International Finance Corporation), 1997.