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Foreign Investment in LDCs:

Prospects and Constraints

Report prepared by the UNCTAD secretariat

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CONTENTS

Introduction

This report reviews the major factors which enhance the foreign investment prospects of the least developed countries (LDCs), as well as the major constraints which can impede such foreign investment. These factors are identified notably in the light of investors' motivations to invest in particular markets. These investors' motivations have been communicated by fund managers in reply to a questionnaire sent by UNCTAD. A questionnaire has also been sent to LDCs, asking these countries to identify investment opportunities as well as constraints. Replies to this questionnaire are also reflected in this report.

I Investors’ motivation

Private risk capital investors (as opposed to foreign direct investors, who can be expected to hold a somewhat different, although overlapping, set of requirements) seek out investment opportunities from a global perspective in order to improve overall returns (by participating in the relatively high returns in emerging markets) and diversify investment portfolios and thereby reduce overall portfolio risk (by taking advantage of low correlation of returns in developed and emerging markets). In selecting investment opportunities, investors naturally take into consideration a number of elements which would allow a strategy of maximizing returns, while minimizing risks and costs. Based upon a recent survey of managers of international equity investment funds undertaken by UNCTAD, the most important elements have been identified. The ratings of these factors are reported in table 1.

Table 1
Frequency rating of factors taken into account by investors

FACTORS	RATIO OF FREQUENCY
Political stability	45.45%
Growth Potential	90.91%
Sound currency	27.27%
Securities market with comprehensive regulation	36.36%
A liquid securities market	27.27%
Favourable environment for foreign investors	63.64%
Ease of repatriation of capital	63.64%
Information and proper disclosure	54.55%
Sound corporate law for fund prospectuses, new issues, etc.	9.09%
A good settlement system.	45.45%

Source: UNCTAD Questionnaire, 1997.

- **Growth potential** of the market was most frequently identified as an important element in determining the level of attractiveness of a potential investment location.

Generally, a high rate of economic growth makes a market attractive because earnings capacity of companies operating in that market will also be high, providing investors with the potential to participate in high profit companies. This is borne out in practice by the relatively large flows of portfolio equity investment into high growth markets in South East Asia and Latin America since the early 1990s.

- The existence of a **favourable environment for foreign investors** and the level of **ease with which investment proceeds can be repatriated** were the second most frequently identified factors that these investors felt to be important in the investment decision.

A favourable environment would comprise a set of elements including the regulatory, legal and tax framework as they relate to foreign investment, the general outlook of the market's authorities relating to foreign investment (a tendency to not implement policies that are inimical to foreign investment would crate a positive environment), and the maintenance of an acceptable level of macroeconomic stability. Macroeconomic stability (as reflected by low inflation rates and stable exchange rates) is related to the rate of growth in that it may be difficult to sustain a high rate of economic growth in the absence of a degree of macroeconomic stability. They will therefore seek to invest in markets which provide relatively easy repatriation of interest, dividends and profits. In this regard, foreign exchange restrictions can represent a major impediment to foreign investment. Although a number of LDCs have either relaxed or abolished foreign exchange controls, they still persist in some LDCs, and may include, *inter alia*, limitations on repatriation of investment proceeds or on opening of foreign exchange accounts in freely convertible currency, and surrender requirements on foreign exchange earnings.

- The third most commonly cited element is the **adequacy, availability and reliability of financial information and the level of financial disclosure standards** for companies in the market.

Financial information is critical as the basis upon which investment decisions are made. The reliability of the information as to its accuracy in depicting the true position of the firm is obviously important; the degree to which national accounting standards are consistent with international accounting standards (IAS) will make evaluation of financial information easier. In this regard, the International Accounting Standards Committee (IASC) and the International Organization of Securities Commissions (IOSCO) are currently cooperating in order to harmonize accounting standards across countries. A number of LDCs have reported that their accounting standards are consistent with IAS; several regional bodies within the sub-Saharan region are also seeking to bring the national accounting standards of their member countries in line with IAS.

- The existence of **political stability** and of a **good settlement system** were the fourth most commonly identified factors in the survey.

Political stability is invariably a pre-condition for foreign investment as it provides a stable environment for the promotion of risk capital investment in high-risk ventures. A fast and reliable settlement system helps minimize credit and exchange rate risks and reduces the costs of transactions.

- The **comprehensiveness of securities market regulation** was the fifth most frequently mentioned element.

Such regulations govern securities exchange membership, trading, and clearing and settlement as well as the activities of financial intermediaries, and they seek to ensure market integrity and stability, and customer protection. Market integrity and customer protection involve the prevention of security issuers from defrauding investors by concealing relevant information, the promotion of the stability of the securities market and competition and fairness in securities trading (including the prevention of insider trading). The degree of effectiveness in enforcing these regulations is a closely related consideration. In this respect, IOSCO and the Fédération Internationale des Bourses de Valeurs (FIBV) are both working toward attaining regulatory convergence across member countries.

- The sixth most oft-mentioned factors are the **existence of a sound currency** and a **liquid securities market**.

A relatively stable currency protects investors from foreign exchange risk and allows investors to plan more effectively by lowering the potential for sudden shifts in currency value. The level of liquidity of the securities market (commonly measured by the ratio of market capitalization to money supply) is generally significant because it often acts as an exit mechanism through which investment positions are liquidated (in the case of venture capital investment, however, other exit mechanisms, such as secondary or “trade sale” of securities to another investor or company, or alternatively, the purchase of these securities by the investee firm (as allowed by contractual agreement), may be suitable). A more liquid market will allow a faster and more certain means of divesting, and provides enhanced financial capital mobility. These factors are related in that a relatively unstable currency may not prevent foreign investment if a highly liquid securities market allows the investor to very quickly liquidate the investment position in the event of unexpected, sudden currency fluctuations. The existence of a sound currency would be expected to be especially important in cases where foreign exchange restrictions may significantly slow the mobility of financial capital or where potential exit mechanisms operate relatively slowly. The same is true in markets where instruments for hedging currency risk are absent, which will include most LDCs.

Information search costs and minimum required rates of return

The survey indicates that many international equity funds have in general found the cost of research involved in identifying good investment opportunities in markets in Africa to be relatively higher than that for Asian and Latin American markets. Many funds noted that while these search costs were reasonable in the latter two regional groups, search costs were high for the former. Several funds found these costs to be reasonable for all three regions (one of the funds in this category specialized in African investments, but concentrated in the best known markets in Africa, those in which search costs might be somewhat lower than in Africa in general); one indicated that they were unaware of the level of such costs for Africa (they do not actively invest in Africa); and another suggested that for Africa these costs were reasonable to high while being high for Asia and reasonable for Latin America.

In general, it is clear, based upon the survey results, that search costs are often relatively high for Africa but generally reasonable for Latin America and Asia. This may help explain why the volume of portfolio equity investment in Africa, while growing substantially during recent years has remained skewed toward a small number of more visible markets and has remained marginal for most countries in the region (of course, other elements, such as limited security market capitalization, have also played a role in this).

The equity fund survey suggests that these funds typically seek an annualized minimum rate of return of between 10%-25% on their investments in emerging markets - a significant number of funds seeking a 20% minimum (it is worth noting that half the respondents either did not have a specific minimum target or were not able to provide a figure; one fund accepted as low as a 10% return; and one fund sought a minimum of 25%). Therefore, the challenge is to locate investment opportunities in emerging and pre-emerging markets for which a return within this range can be realized.

II. Macroeconomic setting in LDCs

Since the early 1980s, a large number of LDCs have embarked upon a process of economic stabilization and structural adjustment. This process has not been easy, and in many cases stabilization and adjustment programmes have not as yet yielded the expected improvement in economic performance. However, for the LDC group as a whole, and in a number of specific cases, the economic outlook has improved significantly in the 1990s as compared with the previous decade.

General economic setting

Annual GDP growth in LDCs over 1995-1996 is estimated at 3.2 per cent, as compared with an average of 2.2 per cent over the period 1980-1990. The average rate of inflation in 1995, although still relatively high at 23.9 per cent, was significantly lower than the average of 35.7 per cent recorded during 1991-1994. The average inflation rate in LDCs is projected to decrease further and reach 19.2 per cent in 1996 and 13.2 per cent in 1997. In 1995, 20 LDCs had single digit inflation rates.

The central government fiscal deficit in per cent of GDP was also reduced from an average of 9.5 per cent in 1988 to 5.6 per cent in 1995; it is projected to remain at about this level in 1996. In 1995, 23 LDCs had fiscal deficits to GDP lower than 6 per cent.

In addition, important policy reforms have been implemented in many LDCs in recent years. Financial systems have been liberalized, and this has entailed the reduction or removal of allocative controls over interest rates and lending, the introduction of market-based techniques of monetary control, and the easing of entry restrictions in domestic financial markets. Restructuring programmes have started to address the problem of financial fragility of parastatal banks, while banking laws and supervision have been strengthened. Financial sector reform has yielded improvements in financial intermediation in LDCs. Real rates of interest became less sharply negative on average, moving from -4.1 per cent in 1983-1989 to -2.4 per cent during 1990-1995. Investment as a per cent of GDP increased from 14.8 per cent to 16.0 per cent during the same intervals.

Economic growth

On a less aggregated basis, 21 LDCs recorded average growth in GDP in real terms of over 4 per cent over the period 1994-1995, with 12 countries having growth rates of more than 5 per cent . Table A.1 shows the macroeconomic indicators of these countries. In comparison, Table A.2 shows the macroeconomic indicators of countries with low rates of GDP growth during 1994-95. The group with high growth rates exhibited more buoyant export growth and more stable exchange rates. On the other hand, no clear conclusion can be drawn concerning the comparative levels of other macroeconomic indicators.

Foreign exchange restrictions

Table A.13 summarizes the measures concerning foreign exchange transactions in 45 LDCs on which information is available. 24 countries have lifted restrictions on current account transactions and 6 have no restrictions on capital account transactions.

Concerning the regime of remittances of dividends and profits and capital repatriation, 27 countries have adopted a free regime, guaranteeing such capital transfers. 9 countries have a relatively free regime, either by controlling capital repatriation (while allowing free remittances of dividends and profits), or requiring prior authorization by the government for such transfers. And finally, 9 countries maintain strict controls on such transfers.

III. Financial system and capital market development

Financial deepening

In general, official financial intermediation in the LDCs is not widespread, and an important amount of financial intermediation is still conducted via the informal financial sector. This is due to the limited development of the financial sector in most LDCs, although there is naturally substantial variation among different countries in the group.[1] The institutional structure in LDCs is generally dominated by private and publicly-owned commercial banks, which provide the bulk of short-term formal-sector credit, and mainly concentrate on larger private and/or public sector enterprises. Longer-term formal-sector credit is often provided by development finance institutions (DFIs). Various other types of financial institution augment these two main formal-sector sources of credit, but they are mostly very small and unable to compete effectively. Capital markets exist in relatively few LDCs, and the markets for primary securities tend to be very thin, with the exception of the market for

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[1]This section draws heavily on *The Least Developed Countries, 1996 Report*.

government securities. Formal-sector financial intermediation in LDCs has remained shallow for several reasons closely related to the structure outlined above.

The mobilization of financial savings has been difficult because of the limited range of financial assets available to the public, in some cases by unattractive returns on savings instruments, the effective exclusion of certain market segments from formal-sector credit and often because of the inadequacy or poor level of services provided by formal-sector institutions. The range of financial assets available to the public is limited, *inter alia*, by the limited level of development of capital markets in general; commercial bank deposits are often the main financial asset available. In many cases, deposit interest rates have been unattractive, and often negative (especially in countries experiencing high rates of inflation). This has sometimes resulted from the imposition by government of controls on interest rate levels and on the allocation of credit. Also, the DFIs have encountered a diminished ability to provide additional long-term finance in light of high rates of non-performing loans among other reasons. The less creditworthy segments of the market, including small-scale and informal-sector enterprises, farmers and low-income households, tend to be effectively excluded from formal-sector credit due to relatively demanding creditworthiness criteria, high transaction costs on these relatively small loans, severe informational difficulties and difficulties associated with foreclosing on borrowers in default (as a result of deficiencies in the legal system).

One indicator of the level of formal-sector financial intermediation in LDCs is provided by the ratio of total banking sector claims on the private sector to GDP. This ratio illustrates the heterogenous experience among LDCs in this regard over the period 1990-1995. Although for most LDCs this ratio has registered either a declining or stable trend during the period (often with significant intra-period variation), a small number of countries have experienced a clear upward trend, including Ethiopia, Lao PDR, Lesotho and Nepal. The ratio of the monetary liabilities of the banking sector to GDP provides an additional indicator of the depth of the financial system in the economy. This ratio indicates a similar variation in experiences, but also highlights a deepening of the formal-sector's intermediation in the economy in the cases of Bangladesh, Bhutan, Equatorial Guinea, Nepal, Uganda, and the United Republic of Tanzania; in the cases of the Central African Republic and Rwanda the ratio trended upward as well, but suffered a decline in 1995; and in the cases of Chad and Zambia, the ratio staged a partial recovery over the period from previously higher levels.

With financial reform and liberalization, some of the elements which have impeded financial sector deepening are being addressed. In particular, reform of the mechanism by which interest rates are determined has taken place in many LDCs. The reform process has typically been carried out in phases, first by raising loan and deposit rates closer to the rate of inflation, then abolishing preferential lending rates to priority sectors, and finally removing administrative controls over interest rates. This process has helped create positive real deposit rates in several LDCs, although in many cases real interest rates remain negative (this remains the case even for the majority of the group of LDCs which have recorded relatively high real growth rates). Only in five countries have deposit rates moved to positive real levels (Cambodia, the Gambia, Guinea, Lesotho and Samoa). In addition to interest rate reform, financial sector reforms have introduced market-based instruments of monetary control, removed restrictions on the types of activity that financial institutions can undertake, liberalized entry of new participants into the financial markets, and privatized government-owned financial institutions, especially government-owned banks, which have operated particularly inefficiently in many LDCs. Although these measures have been undertaken relatively recently and it is difficult to clearly ascertain their impact as yet, they appear to be having a positive impact on development of the financial systems in some LDCs. These measures certainly represent a start to addressing the need to deepen financial markets in these countries.

One route to deepening the domestic financial system lies in the development of a domestic capital market which can provide long-term debt and equity financing for government and the private sector. This may follow the pattern of first broadening the range of instruments offered by the government and widening the market for these securities, followed by the development of a private debt market for securities of large private enterprises, then the development of a market for equity issues of large private enterprises. Establishing an organized exchange for organized trading of security issues can provide a real impetus to the development of the financial system. Organized stock exchanges already exist in Bangladesh, Bhutan, Malawi, Nepal and Zambia, although these exchanges are still relatively small in relation to overall economic size (in 1995, the ratio of market capitalization to GDP measured 4.5 per cent for Bangladesh, 1 per cent for Malawi, 5.5 per cent for Nepal and 14.7 per cent for Zambia) and the level of trading activity on the exchanges is relatively low. Five other LDCs have begun the preliminary steps to opening an exchange, including the establishment of the legal framework for capital market development. These include Angola, Madagascar, Mozambique, Uganda and United Republic of Tanzania. With respect to African LDCs, it is worth noting the launching in June 1996 of the African Capital Market Forum (ACMF) to enhance capital market development in those countries. For many LDCs, it may not be realistic to expect the establishment of organized exchanges in the foreseeable future. In some cases, however, the promotion of capital market development on a regional or sub-regional basis may represent a realistic option.

Regional Capital Markets: Issues and Experiences

As single LDC markets may be insufficiently large to sustain separate stock exchanges because of the unlikelihood of their achieving a certain threshold (in terms of the number of listed companies or market capitalization, for example) that would render them feasible, formation of exchanges on a regional or sub-regional basis can present a more favourable possibility. In addition to helping meet the basic threshold required for financial viability, regional exchanges provide the potential to improve the efficiency of capital allocation among member countries, resulting in net welfare gains for the region as a whole. They may also help lower the incentive for capital flight because of the possibility to invest regionally. At the same time, from the point of view of investors, they would allow enhanced portfolio diversification opportunities. Further, by providing more accurate information on listed companies than in the absence of the companies’ listing on an exchange, the level of risk associated with the equity of these companies can be better evaluated and priced, thus providing additional investment possibilities via companies in which investment would not otherwise have taken place. For companies within the region, an enlarged investor base would result (over that which would be available in the case where a national stock exchange was established).

Establishing a regional exchange requires that investment from all countries within the regional exchange benefit from similar treatment. This may entail the coordination of certain aspects of national economic policies, specifically with regard to monetary, exchange rate, financial, credit and even tax policies. The successful founding of a regional exchange can, therefore, present challenging obstacles which must be overcome. Regional coordination on issues related to capital market development would be necessary, including, for example, participation by the most dynamic markets in the region. In some cases, it may be possible, indeed desirable, for LDCs to build regional exchanges around existing, already vibrant exchanges in neighbouring non-LDC emerging markets. Table A.17 lists all regional groupings to which LDCs belong, which could form the basis for establishing regional capital markets.

There are currently several ongoing attempts to establish regional and sub-regional capital markets. One example is Caricom's goal of establishing the Caribbean Stock Exchange which would provide a regional market for equities as well as other securities such as bonds, treasury bills, debentures, options and futures. Although some thorny issues related to foreign exchange control exemptions have been partially settled in order to pave the way for cross-listing of instruments, to date, cross-border trading has been slow and only one cross-listing on all three currently existing national stock exchanges in the group (Barbados, Jamaica and Trinidad and Tobago) has been completed. Three causes for the lacklustre activity have been established. First, the lack of timely availability of company accounts and other information to investors outside the national exchanges. Secondly, the thin supply of securities actually available on the exchanges for trading. Thirdly, the existence of uncertainty with respect to rates of return as funds cross national boundaries. In response, Caricom members have proposed the widening and deepening of Caribbean capital markets, and the harmonization of self-regulation and the mechanisms for trading, clearing and settlement. Proposals have also been put forward for a public awareness and education campaign, for specialized training for securities market operators and regulators, and for utilization of privatization programmes for the purpose of stock exchange development.

Similar efforts are concurrently taking place within the Organization of Eastern Caribbean States (OECS) toward the creation of a single OECS stock market. The possibility for the building of regional arrangements of some form within the Southern African Development Community (SADC - comprising Angola, Lesotho, Malawi, Mozambique, Tanzania and Zambia (all LDCs) along with South Africa) is an interesting prospect, although there has apparently been limited exploration of this possibility.

To date, the West African Economic and Monetary Union (WAEMU), comprising Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo, offers a unique experience of a regional stock exchange. In December 1996, the member countries of WAEMU decided to establish a regional stock market which will be located in the stock exchange of Abidjan, of Côte d'Ivoire. The characteristics of this regional stock exchange are summarized in the following Table.

Establishment of a regional capital market in the West African Economic and Monetary Union (WAEMU)

WAEMU's member countries (Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo) have gathered efforts aiming at establishing a regional stock exchange (Bourse Régional des Valeurs Mobilières). It was established on 18th December, 1996 in Benin.
It consists of a dual juridical entity: the Regional stock exchange and the Central depository/Setllement Bank. Shareholders have already confirmed their participation in the capital of both societies for a final amount of FF4.4 billion.

This regional market respond to the following needs: the financing needs from enterprises; access of member countries to external financing; the strong demand for financial products; the need to close the gap between capacities and needs of financing. In addition, the regional market may represent a solution for member countries given the small size of their individual stock exchange (except for the stock exchange of Ivory Coast). Furthermore, the grouping has a common currency, the French CFA Franc and a common Central Bank (BCEAO) in the framework of a common monetary agreement. The establishment of a common financial market would thus be a natural development of the grouping.

According to a feasibility study, this regional financial market is:a)economically desirable as it will ensure the coherence with other integration features such as, the harmonization of the affaires law, and the introduction of financial innovations (i.e. establishment of enterprises, reforms of the monetary market); b) technically realisable as, among others, it will be based on the monetary solidarity and coherence of the juridical foundations of the Franc Zone countries and in the existing communications among economic capitals; c) financially convenient as it will offer new possibilities for issuers and investors in the seven countries of the Zone.

The Western African Central Bank (Banque Centrale des Etats de l'Afrique de l'Ouest) will be in charge of the establishement of the regional financial market.

	Regional Stock	Central Depository
Status	Specialized institution under the scheme of a Limited Company	
Capital	Franc CFA 2.8 billion	Franc CFA 1.4 billion
	. 51 % minimum for private regional shareholders . 25 % maximum to financial institutions . 14% maximum to the States of the region	
Functions	Quotation of values, and transactions, selling of stock informations and establishment of a Guarantee Fund	Settlement/delivery of documents, settlement bank, custody and circulation of documents.
Financing	Commissions on services rendered to Management and Intermediation Societies [2] to issuers and investors	

[2] These are anonymous commercial societies with the status of financial agencies. In the context of the organization of the stock exchange they have the monopoly of the negociation of the regional stock exchange and the preservation of the titles belonging to others.

National Antennas of the Exchange will be installed in the 7 countries. They will perform the following functions:

. represent the central organ
. promote the market
. propose new issuers
. attach operators to the central system at a low cost
. ensure the economic and functional equality of participants
. publicize informations about the market
. provide information to the central site.

Once established, the rules of the financial market will be unique for all member countries; all documents, balances, etc. would be identical through the market. As regards its status, the new financial market will be a private entity(%); tax rules will be identical for all countries.

In principle, the headquarters of the above institution will be located in Abidjan, Ivory Coast, and there will be national branches "antennes nationales" in the rest of the member countries. The national branches will be in charge of collecting information for the companies, disseminate a financial culture among the population, and transmit the order of stock exchange agents to the regional stock exchange.

IV. Investment opportunities

In response to an UNCTAD questionnaire, 12 LDCs have provided information on their investment opportunities, as well as constraints on foreign investment. These replies are summarized in the following tables.

Table 2

INVESTMENT OPPORTUNITIES AND CONSTRAINTS IN SOME LDCs

COUNTRY	*INVESTMENT OPPORTUNITIES*	*CONSTRAINTS ON ENTERPRISE DEVELOPMENT*	*PROMOTION ACTIVITIES TO ATTRACT FOREIGN INVESTMENT*	*TECHNICAL ASSISTANCE NEEDS*
Bangladesh*	• Textiles; • Infrastructure (oil and gas, energy, telecommunications, ports, highways and bridges); • Agro-based industry (dairy and poultry, fish farming and processing, processing of food and vegetable); • Leather and leather products; • Labour intensive industries (electrical goods and accessories, electronics data processing and software development).	• Shortage of funds; • Lack of proper infrastructure facilitiy; • Shortage of trained and experienced personnel; • Lack of research and development; • Shortage of raw materials and marketing facility.	• Investment seminars, workshops, symposia, investment fora in different prospective countries; • Media campaign through intrnationally reputed journals, magazines and newspapers; • Board of Investment also published several investment promotion literature, booklets, brochures, folders for private enterpreneurs.	• Program for enterpreneurship development; • Updated information on global market trends and on policies pursued by other countries; • Fund for BOI personnel for attending international investment seminars and workshops.

Source: UNCTAD Questionnaire, 1997.

Table 2 (Continued)

COUNTRY	*INVESTMENT OPPORTUNITIES*	*CONSTRAINTS ON ENTERPRISE DEVELOPMENT*	*PROMOTION ACTIVITIES TO ATTRACT FOREIGN INVESTMENT*	*TECHNICAL ASSISTANCE NEEDS*
Bhutan	● Banking.	...	● Introduction of foreign investment policy and regulation.	● Technical assistance in defining legal framework; ● Development of private sector.
Ethiopia*	● Agriculture; ● Mining; ● Agro-industry; ● Manufacturing; ● Construction; ● Hotel & tourism; ● Pharmaceutical and chemicals.	● Access to credit; ● Inadequacy of infrastructure facilities; ● Lack of domestic enterpreneurship skills; ● Low investment promotion capacity; ● Land allocation for investors.	...	● Institutional capacity building; ● Promotional material; ● Training; ● Workshops and seminars.

Table 2 (continued)

COUNTRY	*INVESTMENT OPPORTUNITIES*	*CONSTRAINTS ON ENTERPRISE DEVELOPMENT*	*PROMOTION ACTIVITIES TO ATTRACT FOREIGN INVESTMENT*	*TECHNICAL ASSISTANCE NEEDS*
Gambia	• Tourism; • Manufacturing; • Fishing; • Horticulture; • Agriculture; • Textiles; • Banking and finance.	• Small size of the market; • Limited human resources and capacities; • Inadequate and unreliable energy and poor road network which hinder communication and free movement of goods and services; • Lack of term lending to the productive sectors in the economy.	• The Development Act of 1988 developed an incentive structure and a liberal regulatory framework for both local and foreign investment . This Act is being reviwed in order to give more incentives to investors. • The National Investment Promotion Authority, incorporated in the Ministry of Trade, Industry and Employment, also promote foreign investment acting as a “One Stop Shop” for investors from pre-investment stage. It advises on possibilities and potential joint venture partners and offers assistance with project implementation. • Projects in priority sectors are awarded incentives in the form of duty waiver on capital equipment, spareparts materials, and row or semifinished material inputs. • Preferential allocation of land to the projects. • Identification of market opportunities for projects in the export sector.	• Technical assistance to improve access to markets, especially to developed countries, for primary and processed products; • Development of South-South trade through negotiations spearheaded by UNCTAD; • Technical & financial support for research in the area of production, marketing & distribution facilities.

Table 2 (Continued)

COUNTRY	*INVESTMENT OPPORTUNITIES*	*CONSTRAINTS ON ENTERPRISE DEVELOPMENT*	*PROMOTION ACTIVITIES TO ATTRACT FOREIGN INVESTMENT*	*TECHNICAL ASSISTANCE NEEDS*
Lesotho*	• Manufacturing sector (leather works, textiles, pharmaceuticals, fruit & vegetable canning, handicrafts, jewellery, television and radio manufacturing, electronic products, toys); • Tourism; • Private sector (Oil processing, brick making).	...	• Investors in the financial sector are met with favourable statutory.	• Technical assistance; • Seminars and workshops.
Malawi	• Potential provided by Goverment Privatisation Programme, especially in the agricultural sector.	...	...	• Public sensitisation to stock exchange listing benefits; • Financial incentives for companies to list on the stock exchange; • Distribution of shares; • Regulations and policies for an enabling investment environment.

Table 2 (Continued)

COUNTRY	*INVESTMENT OPPORTUNITIES*	*CONSTRAINTS ON ENTERPRISE DEVELOPMENT*	*PROMOTION ACTIVITIES TO ATTRACT FOREIGN INVESTMENT*	*TECHNICAL ASSISTANCE NEEDS*
Mozambique*	• Agriculture; • Industry; • Transport; • Construction, infrastructure & energy.	...	...	• Support on funding and execution of capacity building projects; • Information on access to international sources of finance for local private investors; • Training of local enterpreneurs on managemnt techniques; • Assistance in country image building.
Myanmar	• Agriculture sector; • Industry (primary products-based industries, export-oriented industries); • Tourism (International class hotels, beach resorts, tourist villages, recreational centres); • Infrastructure; • Property and estate development.	• Lack of financing and technology.	• Business forum and seminars inside the country and abroad.	• Participation in seminars, workshops or other business promotion activities; • To facilitate contact with any governmental agency having authority for investment in the sector of interest for Myanmar.

Table 2 (Continued)

COUNTRY	*INVESTMENT OPPORTUNITIES*	*CONSTRAINTS ON ENTERPRISE DEVELOPMENT*	*PROMOTION ACTIVITIES TO ATTRACT FOREIGN INVESTMENT*	*TECHNICAL ASSISTANCE NEEDS*
Nepal*	● Hydropower; ● Tourism; ● Agro-based & forest-based industries; ● Manufacturing & service industries; ● High-value medicinal herbs industries.	● Shortage of financing; ● Lack of intensive promotional campaign; ● Small size of domestic market; ● Inadequate infrastructure facilities; ● Lack of exposure and negotiating skills of local enterpreneurs; ● Landlocked nature and topographical constraints.	● The Ministry of Industry undertook major promotional activities: ● regular review of investment policies to make them investment friendly; ● organisation of investment promotions missions comprising of private sector and government officials to potential investing countries; ● publication of pomotional brochures giving information on foreign investment opportunities.	● Intensive promotional and marketing campaign; ● Assistance in launching investment promotional activities; ● Assistance in improving the legal framework to attract foreign investment; ● Workshops in collaboration with Nepalese counterparts bringing together potential investors.
Rwanda	● Agro-industry sector; ● Timber industry; ● Metallurgy; ● Agriculture; ● Export-oriented manufacture.	● Difficult reintegration of country refugees in order to boost the agricultural sector; ● Problems with medium-long term loans connected with the lack of guarantees for the economic operators due to the 1994 war; ● Lack of qualified personnel.	● Active participation in the economic and political integration of the Great Lake sub-region; ● Maintaining social-political stability; ● A supporting project financed by the World Bank is being developed; ● A Special Fund for Habitat Financement will be set up in order to solve the problem of the lack of guarantees for long-term loans in the property business.	● Private investments' promotion in collaboration with Banque Rwaindaise de Développement; ● Promotion of investment opportunities in the Great Lakes sub-region.

Table 2 (Coninued)

COUNTRY	*INVESTMENT OPPORTUNITIES*	*CONSTRAINTS ON ENTERPRISE DEVELOPMENT*	*PROMOTION ACTIVITIES TO ATTRACT FOREIGN INVESTMENT*	*TECHNICAL ASSISTANCE NEEDS*
Sierra Leone	• Agricultural sector; • Agro-industrial sector; • Fisheries sector; • Export manufacturing sector; • Business services; • Tourism; • Mining sector.	• Poor management and transport infrastructure; • Low foreign investor participation; • Lack of capital for the acquisition of improved technology and business expansion; • Small domestic market; • Lack of an enabling environment for investment; • Lack of an investment guide and code to guide investment and provide investment incentives.	• An autonomous corporation SLEDIC is set up for the promotion of investments and exports in all sectors; • An investment code is been developed to assist with investment promotion; • An Investment Guide will be enacted shortly.	• Review & finalization of an investment code; • Setting up investment promotion activities through targeted mailings & missions to foreign investors; • Promotion of specific investment opportunities; • Technical & financial support (setting up of an Investment Center); • Supporting investment promotion through assisting with structured promotion tours, promotional literature, contacts with relevant institutions, provision of funds for the training of local personnel.
Uganda*	• Agro-processing; • Telecommunications; • Power generation manufacturing; • Real estate development.	• Lack of fund; • Poor infrastructure (roads).	• The Uganda Investment Authority (UIA) has held several workshops geared towards foreign investment attraction in several countries; • The investment code has a wide range of incentives.	• Encourage offshore funding; • Technical assistance (consultant); • Joint financing investment promotion activities abroad.

* Details about sectors and projects in a separate table.

Table 3

INVESTMENT OPPORTUNITIES
by sector and by company

BANGLADESH

SECTOR	NUMBER OF PROJECTS	ESTIMATES (in US$ million)
Textiles sector	3 (156 spinning mills, 371 weaving mills, 371 dyeing, printing & finishing units)	No estimates for dollar amount
Leather goods sector	...	22.5 (1995-'96)
Frozen food sector	Projects for hacheries, gowouts, feed meals	314 (1995-'96)
Jute goods sector	...	329 (1995-'96)
Power generation	The demand of electricity is increasing at the rate of 11% per year	No estimates for dollar amount

ETHIOPIA

SECTOR	NUMBER OF PROJECTS	CAPITAL (in US$ million)
Agriculture	4	69.60
Mining	10	34.30
Manufacturing	22	117.40
Construction	6	73.30
Hotel & Tourism	1	7.10
Health	4	12.60
Business	2	3.07

Source: UNCTAD Questionnaire, 1997.

LESOTHO

SECTOR	N. OF PROJECTS	CAPITAL (in US$ million)
Tourism	12	75.30

In details

PROJECT TITLE	PRODUCT SERVICES	COST ESTIMATES (in US$ million)
Ha Theko Peninsula- 150 bedroomed luxury hotel	Marine, lake sailing & rowing club; Mountain botanical gardens & winter house.	4.00 1.25 Tot. 5.25
Malibamats'o Bridge Resort- 80 room hotel	Mooring, berths & cruise boats.	5.25
Family Holiday Centre- 80 roomed resort	...	2.45
Eagle Rock Country Club	Country club + sport facilities; Golf Course & Time Share Homes; Time Shares, homes.	5.00 7.50 9.00 Tot. 21.50
Mahlasela Resort	Ski resort	5.00
Mt.Aux-sources Resort	...	5.00
Ha Lejone Family Resort	Marine sailing centre	1.20
Ha-Lule & Poli Reach Country Hotel Facilities	Moorings, berths and cruise-boats; Golf driving range & 9-hole golf course.	4.70
Malimbatso island living village and harbour	...	0.60

Ha-Seshote Special Development area	18-hole "Roof of Africa" International golf course; Timeshare Mountain Lodge estate.	6.00 9.00 Tot. 15.00
Molikaliko family resort	Adventure camp & sports park; Angling & boating centre.	1.00 0.35 Tot. 1.35
Likalaneng Lake resort	Sports & health club; Sailing & equestrian.	3.50 4.50 Tot. 8.00

SECTOR: MANUFACTURING

COMPANY	NATURE OF BUSINESS	CAPITAL (in US$ million)	PLANNED EMPLOYMENT
...	Highlands Water Projects	4,000	...
Maloti Oil & Cake Mills (PTY) Ltd.	Sunflower oil production	6.30	150
Loti Brick (PTY) Ltd	Burnt clay bricks manufacturing	Capital to increase the capacity from 20 to 30 million bricks per year by 1999	164 (in 1997)
Rockwool Projects	Production of an insulation material	15 (3 of which from international investors)	...
Mineral Water Bottling Plant	Mineral water bottling	1.20	...

MOZAMBIQUE

COMPANY	SECTOR	CAPITAL (in US$ million)
Companya do Buzy	Estate	85.00
Acureira de Xinavane	Manufacturing	45.50
Carbomoc E.E	Mining	25.00
Ind. Ceramica de Moçambique	Manufacturing	2.60
...	Aquaculture	30.00

NEPAL

SECTOR	NUMBER OF PROJECTS	CAPITAL (in RS million)
Agriculture	9	296
Manufacturing	197	18,047
Tourism	71	8,858
Services	46	4,376
Construction	3	125
Energy-based	4	10,883
Mineral-based	2	1,150

US$1=RS 56.75

UGANDA

SECTOR: NATURAL RESOURCES

SUBSECTOR	NUMBER OF PROJECTS	CAPITAL (in US$ million)	PLANNED EMPLOYMENT
Forestry & food processing	3	1.66	172
Crop resources based	11	19.60	3240
Livestock & fisheries	3	5.36	423
Foods & beverages	4	1.60	48
Tourism	6	2.83	144

In details

COMPANY	NATURE OF BUSINESS	CAPITAL (in US$ Million)	PLANNED EMPLOYMENT
Lonrho Limited	Cotton ginning	6.30	104
Kishia Young Farmers Ltd.	Meat slaughter & processing	3.50	38
Hortuga Ltd.	Production of asparagus	1.50	457
Uganda Forest Industries Ltd.	Timber processing	1.30	111
Ladhani Industries Ltd.	Growing & process. of being and maize	1.65	2028
Uganda Young Plants	Propagation of African plant cutting for export	0.64	75

SECTOR: MANUFACTURING

SUBSECTOR	N. OF PROJECTS	CAPIAL (in US$ Million)	PLAN. EMPLOYM.
Manufacturing	9	33.15	515
Property development	6	18.30	594
Transport	3	5.06	132
Fabrication	2	0.81	111

In details

COMPANY	NATURE OF BUSINESS	CAPITAL (in US$ Million)	PLANNED EMPLOYMENT
Republic Air	Air transport	3.10	83
Intex Developers (Africa) Ltd.	Property development	8.70	307
Uganda Pharmaceuticals Ld.	Pharmaceutical manufacture	2.90	40
Super Bargains Ltd.	Manufacture & assembly of motor cycles	1.02	40

East African Glass Work	Manufacture of glass bottles & tableware	18.80	216

SECTOR: INVESTOR FACILITATION

SUBSECTOR	N. OF PROJECTS	CAPITAL (in US$ Million)	PLAN. EMPLOYM.
Consultancy services	1	50.00	12
Printing & light packaging	1	1.23	60
Airport handling services	1	2.40	73
TV broadcasting	1	0.98	54
Education services	1	1.23	48

In details

COMPANY	NATURE OF BUSINESS	CAPITAL (in US$ Million)	PLANNED EMPLOYMENT
ULL Printing & Packaging Ltd.	Printing & light packaging	1.23	60
Dairo Air Services Ltd.	Airport handling services	2.40	73

Source: UNCTAD Questionnaire, 1997.

ANNEX TABLES