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United Nations Economic Commission for Africa
Economic and Social Policy Division

Role and Promotion of Investment Agencies In Africa:

Background Paper

Ad Hoc Experts Group Meeting on
Role and Promotion of Investment
Agencies in Africa

Addis Ababa, Ethiopia
5 to 6 September 2000

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Table of Contents

1. Background

1. The development priorities of most developing countries, including those in Africa, include the need to achieve sustained income growth for their economies by raising investment rates, strengthening technological capacities and skills; and improving the competitiveness of their exports in world markets. They also include distributing the benefits of growth equitable by creating more and better employment opportunities; and protecting and conserving physical environment for future generations. Many African countries face similar challenges (UNCTAD: World Investment Report, 1999). ECA has observed that to reduce poverty in Africa by half by the 2015, a goal ratified at the World Summit for Social Development in Copenhagen in 1995, it will require a 4 percent reduction in the head count of people living in poverty each year. The minimum requirement to achieve this will have to include, an average growth rate of 7 percent per year and this in turn requires an investment rate equal to 33 percent of GDP. At the current domestic savings rates in Africa, of around an average of 15 percent of GDP and ODA of 9 percent of GDP, this leaves a resource gap of about 9 percent (ECA: Economic Report on Africa, 1999).

2. In a recent comprehensive *"World Investment Report for 1999"*, the United Nations Conference on Trade and Development (UNCTAD) notes that the new, more competitive, context of a liberalising and globalizing world economy, in which economic activity takes place, imposes considerable pressures on developing countries to upgrade their resources and capacities if they are to achieve these objectives. The new global context is characterised by rapid advances in knowledge, shrinking economic space and rapid changes in competitive conditions and evolving attitudes and policies. A vital part of the new context is the need to improve competitiveness defined as the ability to sustain income growth in an open setting.[1]

3. Africa, therefore, faces enormous challenges of mobilizing development finance to support not only sustainable growth, but also to reduce poverty, and eventually eliminate it. In the face of declining official development assistance, it is imperative that African countries intensify their efforts at mobilizing *"non-debt creating flows"* and in particular foreign direct investment. The need to raise both savings and investment rates in Africa in order to achieve sustainable rates of growth is generally acknowledged and raising investment requires mobilising both domestic and foreign savings needed to support higher levels of investment

4. It is acknowledged that foreign direct investment (FID) and production by transnational corporations TNCs) can play an important role in complementing the efforts of national firms. Most developing countries today consider FDI an important channel for obtaining access to resources for development. FDI comprises of a bundle of assets, some proprietary to the investor and other non-proprietary. The proprietary assets can be obtained only from the firms that create them, such as ownership advantages of TNCs. The non-proprietary assets include finance, many capital goods, intermediate inputs etc which can be obtained from the market.

[1] United Nations Conference on Trade and Development (UNCTAD): World Investment Report, 1999, Geneva, Switzerland.

5. The most prized proprietary asset is probably technology. Others are brand names, specialised skills, and ability to organise and integrate production across countries, to establish marketing networks, or to have privileged access to the market for non-proprietary assets. Thus TNCs can contribute significantly to economic development in host countries, if the host country can induce them to transfer their advantages in appropriate forms and has the capacity to make good use of them.

6. TNCs do indeed offer the potential for developing countries to access assets of packages made possible by FDI flows. Nonetheless, it must be acknowledged that simply opening up to FDI may not necessarily bring such advantages. The occurrence of market failures means that governments may have to intervene in the process of attracting FDI, with measures to promote FDI generally or measures to promote specific types of FDI. Furthermore, the complexity of the FDI package means that governments face trade-offs between different benefits and objectives. More importantly, the objectives of TNCs may differ from those of the host governments; in that on one hand, the host government may seek to spur *national development*, while the TNCs may seek to enhance their own competitiveness in an international context. A striking feature of the new environment is how rapidly TNCs shift their portfolios of mobile assets across the globe to find best match with the immobile assets of different locations. In the process, they also shift some corporate functions to different locations within internationally integrated production and marketing systems (UNCTAD: World Investment Report, 1999).

7. Countries in East Asia and Latin America have benefited from the increase in FDI flows, notwithstanding the recent Asian financial crisis. They were able to attract foreign investment by putting in place the legal and regulatory framework, the infrastructure and a supportive macroeconomic environment needed to attract FDI. The supportive environment needed included: stable macroeconomic conditions; appropriate legal and regulatory framework for FDI; the rule of law and enforcement of contracts; functioning social and economic infrastructure; financial sector reforms; and support to the development of capital markets. Furthermore, deliberate and explicit attention was paid to the concerns of investor risk as well as privatisation as an instrument for attracting foreign capital.

8. Africa, however, has not been a major beneficiary of this phenomenal rise in private sector financial flows. Despite substantial policy reforms and concerted efforts to attract foreign direct investment (FDI) by African governments, the continent's share of FDI has remained very low. ODA is declining, and the heavy debt burden of African countries has dampened both private and public investment. The short- run challenge is to attract foreign investment, and in the long run, to raise the level of domestic public and private savings.

9. A number of factors have helped to enforce Africa as unattractive environment for investment and include: high transaction costs; macroeconomic instability; political instability; lack of appropriate finance and financial instruments; poor infrastructure for investment; and poor governance. In the past, approval process for investments took several times longer, and entailed costs many times greater as well as the costs of setting up facilities was enormous. An important part of a competitiveness strategy thus consists of reducing unnecessary, distorting and wasteful business costs. It is gratifying to note that many African countries have made efforts, and/or are making efforts to address these issues. The establishment of Investment Promotion Agencies and One-Stop-Investment Offices is a vivid indication of this. Nonetheless, there is still a lot that needs to be done. The principal issues to be addressed by African governments may include:

- Information and coordination failures in the international investment process;
- Infant industry considerations in the development of local enterprises, which may be jeopardized when inward FDI crowds out those enterprises;
- The static nature of advantages transferred by TNCs where domestic capabilities are low and do not improve over time, where TNCs fail to invest sufficiently in raising the relevant capabilities; and weak bargaining and regulatory capabilities on the part of host country governments, which can result in an unequal distribution of benefits or abuse of market power by TNCs.

10. Africa, like other developing countries, faces formidable challenges in attracting foreign direct investment and to benefit from the process of globalisation and liberalisation. Investment promotion agencies have in other regions, played a pivotal role in attracting foreign direct investment and in the transfer of technology from the developed to developing countries. In Africa despite, the existence of a number of investment promotion agencies, attracting foreign direct investment has proved illusive and difficult. Success stories to be cited are indeed few and yet extremely important in providing "best practices" and "best examples" on modalities for attracting FDI. This Ad Hoc Experts Group Meeting is intended to provide a forum for exchange of views and experiences among African investment promotion agencies.

11. The purpose of this Ad Hoc Experts Group Meeting is to bring together experts from African investment agencies to brainstorm on issues affecting Africa's ability to attract foreign direct investment and to benefit from the huge capital flows currently available on international financial markets. It is intended to foster the exchange of information and experiences in this area. Through this forum, it is hoped African countries can find out what has worked elsewhere, and more importantly, how programmes that were successful in other countries can be adapted and emulated.

12. The Meeting will also focus on enhancing cooperation among African investment promotion agencies. By focusing on cooperation, African investment agencies can avoid unnecessary competition in attracting FDI. They can also take advantage of the experiences of other investment agencies in terms of accessing funding; developing staff, through technical assistance and training programmes; and improving the way information is gathered and disseminated.

13. Investment promotion agencies constitute an institutional innovation designed to help countries in dealing with issues related to encouragement of investment, both domestic and foreign. They are designed to primarily operate on the assumption of reducing the transaction costs involved in launching investment projects in a given environment, with a view of efficiently utilizing resources and enhancing growth. It is already known that some of these institutional innovations have worked in South East Asia. Africa may wish to learn from the "best practices" from the experiences of these countries.

II. International Investment Policy Trends

14. There has been indeed revolutionary change in international investment flows. This revolutionary change, has been brought on by the dramatic opening of markets by bigger, richer OECD economies, the dissembling of state control over communication systems and advances in the information technology and the Internet. In many OECD countries, the investment climate has changed dramatically as governments have shaded most of their direct involvement in economic activity, in favour of the private sector and more focus on providing an "enabling environment" for the private sector to prosper. These developments have been accompanied by privatisation of state-owned enterprises in a number of important sectors, including telecommunications and the energy sectors; liberalisation of entry to the financial sector; and liberalisation of entry/exit of capital flows. The environment has also been characterised by the creation of "mega-enterprises" representing billions of US dollars and spanning across nations.

15. In developing countries, there have also been significant efforts to improve the investment environment for both domestic and foreign investors. These efforts have been centered on altering the role of the state, from direct involvement in economic activity and re-orienting it towards providing the enabling environment for the private sector; privatisation of key state enterprises in a number of sectors (including telecommunications, energy and minerals); liberalisation of the financial sector; and creation of export zones. Broadly, in most developing countries, reforms have tended to focus on foreign direct investment policies and related institutional changes. Reforms of foreign direct investment policies have tended to focus on: revision of FDI policies and rules governing their flows; changes in corporate laws; creation of special economic zones; and rules and regulations governing sectoral flows of FDI.

16. Development and promotion of key government institutions for foreign direct investment have included: changes in the administrative hierarchy of FDI flows; and improvements in procedures for authorisation of FDI projects; changes in procedures for establishment of FDI; as well as establishment of key support institutions for the development of the private sector. Furthermore, in a number of developing countries changes in the economic policy and investment policy have encompassed changes in industrial policy and FDI; implementation of trade policy reforms; undertaking comprehensive financial sector reforms; and ensuring continuity of policy by avoiding policy reversals. These developments have resulted in a marked change in the trade and investment policies of many developing countries.

(a) Developments in the OECD countries

17. The Organisation of Economic Cooperation and Development (OECD) countries has been concerned since the early 1960s with the problem of facilitating economic and trade cooperation. Several instruments dealing with one or more aspects of that problem have been produced by the OECD on its own or in collaboration with other organisations. The OECD countries expressed a desire to bring the most important elements of the bilateral and multilateral agreements, draft codes and declarations relating to foreign direct investments together in one document calculated to establish an international framework of international cooperation on investment. Such a document should in the view of the OECD countries, particularly aim at (I) liberalisation of capital, technology and managerial

skills by the removal of trade barriers and restrictions, and (ii) the creation of a worldwide regime of protection of foreign investment. [2]

18. In response to that desire, the OECD Ministers at their Meeting of May 1995 arranged for the launching of negotiations aimed ultimately at reaching agreement on a draft multilateral agreement on investment. The said negotiations and the work of the Expert and Drafting Groups formed for the purpose, led to the draft which was embodied in the Draft Multilateral Agreement on Investment (MAI) Consolidated Text and Commentary (DAFFE/MAI (97) 1). The Draft OECD MAI dealt with a number of important issues such as: treatment of investors and investment, particularly issues of national and most favoured nation treatment; prudential measures; and issues of transparency. The Draft MAI also dealt with special topics such as conditions for entry of key personnel; the need not impose performance requirements for FDI flows; issues of privatisation and participation of FDI; monopolies and state enterprises; conditions for provision of investment incentives; corporate practices and senior management. It also dealt with investment protection; expropriation; protection from strife; transfers; and dispute settlements.

19. Further negotiations have taken place within the OECD to adopt the MAI but with little success. However, OECD countries have agreed on a number of aspects of that Draft Agreement. Recently, the Governments of the 29 OECD countries and Argentina, Brazil, Chile and the Slovak Republic held a Ministerial Meeting in June 2000 and agreed on "The OECD Guidelines for Multinational Enterprises". The OECD Guidelines for Multinational Enterprises (the Guidelines) are recommendations addressed by governments to multinational enterprises. They focus on general principles; disclosure; employment and industrial relations; the environment; combating bribery and consumer interests. They also focus on science and technology and the role of multinational enterprises; competition policy; and taxation.

20. The Guidelines provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The Guidelines aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises. The Guidelines are part of the OECD Declaration on International Investment and Multinational Enterprises, the other elements of which relate to national treatment, conflicting requirements on enterprises, and international investment incentives and disincentives.[3]

21. International business has experienced far-reaching structural change and the Guidelines reflect this aspect. With the rise of service and knowledge-intensive industries, service and technology enterprises have entered the international market place. Large enterprises still account for a major share of international investment, and there is a trend towards large-scale international mergers. At the same time, foreign investment by small-and-medium scale enterprises has also increased and these enterprises now play a significant role on the international scene. The rapid evolution in the structure of multinational enterprises is also reflected in their operations in the developing countries, where foreign direct investment has grown rapidly. In developing countries, multinational

[2] Khalil Mohammed: Africa and the Multilateral Agreement on Investment, in "Africa and the Emerging Global Trade Issues: Proceedings of an Ad Hoc Experts Group Meeting on WTO-Related Issues", Economic Commission for Africa, Addis Ababa, Ethiopia, 9-11 March 1998.
[3] OECD: The OECD Guidelines for Multinational Enterprises, OECD Online, July 2000.

enterprises have diversified beyond primary production and extractive industries into manufacturing assembly, domestic market development and services. The nature, scope and speed of economic changes have presented new strategic challenges for enterprises and their stakeholders. These developments have also made it imperative that governments co-operate with each other and with other actors to strengthen the international legal and regulatory framework in which business is conducted. The Asian Financial Crisis is a vivid reminder of the serious adverse impact of lack of cooperation by the international community in this respect.

22. According to the World Investment Report (1999) developed countries registered record levels of FDI inflows and outflows in 1998, amounting to US$460 billion and $595 billion, respectively. Their share in worldwide outflows further increased from an already high ratio of 86 percent in 1997 to 92 percent in 998, while their share in inflows rose even more from 59 percent to 72 percent. This marked change reflected the combination of factors including the solid growth performance in the United States of America and in several EU economies as well as the economic and financial crisis experienced by a number of developing countries in 1997 and 1998, which reduced the capacity of firms in affected countries to invest abroad.

23. For more than thirteen years, FDI flows into developing countries declined in 1998, by nearly four percent to US$166 billion. The declined was mainly due to reduced flows to Asia's developing countries ($85 billion, compared to $96 billion in 1997) and more specifically this was due to reduced FDI flows to Indonesia, Taiwan and Hong Kong. As a result the share of Asia in total FDI inflows to developing countries declined from 55 percent in 1997 to 51 percent in 1998. The performance of Latin America and the Caribbean remained strong, even if the growth rate of FDI inflows was less impressive than in 1997. The region received 43 percent of the FDI flows to developing countries in 1998. FDI flows o Asia and Latin Americas have started to increase as some of the countries in these regions have persevered with economic and financial reforms in the face of the Financial Crisis.[4] In 1999, net capital flows to emerging market economies totalled US$ 80.5 billion compared to $75.1 billion in 1998 and much lower than the figure of $226.9 billion in 1995. Net direct investment totalled $149.8 billion, some $5.7 billion above the 1998 figure and net portfolio investment totalled $23.3 billion, nearly three times the figure for the previous year. However, there was a continued drop in other net investment totalling some $92.5 billion, following another substantial drop of $76.7 billion in the previous year. Furthermore, the emerging market economies run down their reserves to the tune of $78.5 billion in 1999, nearly double the figure in 1998.

24. FDI inflows into Africa in 1998 amounted to $8.3 billion compared to $9.4 billion in 1997. The decrease was largely accounted for by South Africa. Although Africa appears to have benefited slightly from the rise in FDI flows that characterised the period 1990-1997, this was to a much lesser extent than other regions of the world. Its share in total FDI inflows to developing countries as a group was only five (5) percent. The 33 Least Developed Countries in Africa experienced some increase in FDI inflows for the sixth consecutive year in 1998. However, this raised their share in total FDI inflows into the region from onefifth in 1997 to one quarter in 1998. Furthermore, at about US$2.2 billion in 1998, the amount of FDI this group of countries receives remains low. In addition, this increase was not evenly distributed among LDCs. It was concentrated in only a few

[4] United Nations Conference on Trade and Development: World Investment Report, 1999, Geneva, 1999.

countries like Equatorial Guinea (oil industry), Ethiopia, Mozambique, Uganda and Tanzania.

(b) Developments in Latin America and the Caribbean

25. Global economic and financial conditions have improved dramatically during the past year. The effects of the recent financial crises may still be felt for some time to come, but the emerging economies of Asia have for the most part staged a strong recovery, and transition countries and Latin America have begun to recover from the subsequent turbulence that particularly affected Russia and Brazil. Evidence of a strong rebound in the global economy has continued to accumulate in recent months and the momentum of recovery from the 1997-1998 slowdown has proven much stronger than anticipated. In retrospect, the global downturn in the wake of the financial crises in Asia and other emerging market countries since 1997 now appears to have been relatively mild and brief. The remarkable turnaround from the weak and uncertain outlook that prevailed a year ago is testimony to the policies that have been pursued to address shocks that had the potential to lead to a global recession.[5]

26. Following a difficult year for many Latin American countries in 1999, a broadening recovery is expected to emerge in the region in 2000. The recovery is generally being led by stronger domestic demand, including a turnaround in investment after a sharp contraction in 1999, and a pickup in exports supported by earlier exchange rate depreciation in most countries and the general strengthening in the regional and global economy. However, at the same time, economic developments and prospects are quite diverse across individual countries and appear particularly fragile in several cases, such as Colombia, Ecuador and Venezuela. Furthermore, access to international finance remains the principal vulnerability of the region. As a result, the costs and volume of global capital flows could have an important bearing on the strength of the regional recovery. Most governments in Latin America have focused on reducing their fiscal deficits, as the key measure needed to build investor confidence and contain the risks associated with the high external financing requirements.

27. In view of persistently high current account deficits and continued subdued net private capital flows, Latin American emerging market economies remain vulnerable to reversals in market sentiment and financing flows. Current account deficits and refinancing needs remain, but the increase in oil prices has helped ease the external vulnerability of some countries. The improvement in the economic and financial outlook for Latin America and East Asia owes much to the policy responses to the recent crises. In addition to sound macroeconomic policies, many countries have adopted strong structural reform measures, including actions to strengthen financial systems, improve fiscal and monetary policies, and in particular in East Asia, promote corporate restructuring.

28. The pace of reforms need to be maintained in these countries and priorities may need to include initiatives to assist further financial sector and corporate restructuring, as well as broader institutional, legal, and regulatory reforms aimed at strengthening the environment for market-based activities. In addition to sound macroeconomic policies and structural reform measures, other factors are also expected to help lower the risk of renewed crises in the emerging market economies. This is particularly because international investors have generally become more cautious toward these economies, and are differentiating among countries based on credit quality.

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[5] International Monetary Fund (IMF): World Economic Outlook, May 2000

29. Accordingly, although some recovery in FDI flows to Latin America has occurred, nonetheless some uncertainty remains. Many Latin American countries have over the years implemented comprehensive economic and financial reforms. They have progressively liberalised their economies and the role of the state has also changed progressively. Many of these countries have adopted aggressive strategies in order to attract foreign direct investment, including changes in investment policies, changes in the legal and regulatory frameworks, and building institutional capacity for trade and investment promotion.

30. A number of arrangements exist in Latin America and the Caribbean for cooperation on investment issues. The Agreements creating the Andean Community, MERCUSOR and the Caribbean Community all contain provisions for cooperation on investment issues. Several free trade agreements were concluded in 1998 and 1999 containing rules for the liberalisation, protection and promotion of investment, thereby expanding the network of trade agreements already in existence. The Andean Community decided at its Presidential Council meeting held in May 1999 to work towards new community rules regarding foreign investment as well as double taxation. The Andean Community and MERCUSOR signed on 21 April 1999 a "Framework Agreement for the Creation of a Free Trade Area", which includes, among its main objectives, the establishment of a normative framework for the promotion of investment between the two sub-regions. The Caribbean Community for its part amended the CARICOM Agreement with adoption of two new Protocols on Establishment, Services and Capital (24 June 1997), which strengthened rights of establishment, the provision of services and capital movement within the Community. The other Protocol on Industrial Policy (30 June 1998) gave effect to the new objectives and market orientation of the community's industrial policy.

31. The negotiations to create the "Free Trade Area of the Americas (FTAA)", which were launched in 1998 have continued. The Negotiating Group on Investment held an organisational meeting in September 1998 and its second and third meetings in February and April 1999, respectively. During these meetings, the Group discussed a number of important issues pertaining to issues that would need to be addressed in agreement on investment within the FTAA. These included transparency, the relationship between investment and environment and between investment liberalisation and core labour standards. They also included technology transfer, the relationship between investment and competition policy, investment promotion, investment incentives, measures to promote growth of small and medium-sized enterprises; and conditions to level the "playing field for smaller economies. These efforts are a clear indication of the serious efforts countries of Latin America and the Caribbean are making to attract of FDI and to improve the environment for investment. [6]

(c) Developments in East Asian Countries

32. The momentum of economic recovery in Asia increased significantly in 1999, with growth exceeding earlier expectations. Among the crisis countries, the pickup was strong in Korea and Malaysia as well as Thailand. The driving forces of recovery have been generally similar among the crisis-affected economies. With initial support provided by fiscal stimulus and a rebuilding of inventories, the upturn has been driven more recently by a faster-than-expected improvement in the volume and value of exports. This has been supported by real devaluations compared with pre-crisis values and export growth. A significant sectoral trend has been the rebound in the electronics industry. Furthermore, as

[6] UNCTAD: World Investment Report, 1999, Geneva, Switzerland.

reflected in the import surge, final domestic demand has also played an important role in the recovery. Fiscal policy has provided import support for the recovery.

33. The crisis-affected economies of Asia experienced significant amounts of capital flight during the crisis. Net private capital outflows amounted to $24.6 billion, following another substantial net capital outflow of $25.6 billion in the previous year. For these crisis-affected economies direct foreign investment in 1999 amounted to $10.2 billion (compared to $8.6 billion in 1998) and net portfolio investment amounted to $6.3 billion, compare to a negative figure of similar magnitude in 1998. These countries run down their reserves by $44.5 billion in 1999 ($52.1 billion in 1998). For other Asian economies, net capital outflows amounted to $2.5 billion ($17.5 billion in 1998). However, net direct investment to these countries was $39.6 billion (compared to $49.7 billion in 1998). On the other hand, net portfolio investment outflows amounted to $11.9 billion in 1999, after another substantial outflow of a similar amount in 1998. Also other net investment recorded an outflow of $ 30.2 billion, compared to $54.7 billion in 1998.

34. The strong export-led expansions and the resulting current account surpluses in Asia have allowed some of the crisis-affected countries to rebuild their official foreign exchange reserves that were depleted during the crisis. Furthermore, while major steps have been taken regarding financial and corporate restructuring, progress remains mixed and much more needs to be done. Further efforts are needed to strengthen management in a number of key sectors and industries. Policy priorities are to complete bank recapitalization programs and step up the recovery and restructuring of corporate debt, including strengthening the state institutions involved in the reform process.[7]

35. A number of institutional arrangements exist in Asia for cooperation on investment issues. Members of the ASEAN concluded on 7 October 1998, the "Framework Agreement on the ASEAN Investment Area". The purpose of this instrument is to create a competitive investment area within the ASEAN, with a more liberal and transparent investment environment. The main elements of the ASEAN Investment Area (AIA) include the following: development of a coordinated ASEAN investment cooperation and promotion programme that will generate increased investments from the ASEAN and non-ASEAN sources; provision of national treatment to ASEAN investors by the year 2010 and to all investors by the year 2020, subject to the exceptions provided for in the agreement; and opening all industries to ASEAN investors by the year 2010 and to all investors by the year 2020, subject to the exceptions provided in the agreement. Also included are provisions assigning a larger role to the business sector in the cooperation efforts in relation to investment and investment-related activities; and ensuring a freer flow of capital, skilled labour and professionals, and technology among the ASEAN members.

36. At a meeting of the Committee on Economic Cooperation of South Asian Association for Regional Cooperation (SAARC) held in 1996, the Council of Ministers agreed to initiate specific steps to promote and protect investment and joint ventures. Pursuant to that agreement, a meeting on "Promotion and Protection of Investment" was held in New Delhi, India in September 1997, during which modalities for increasing intra-regional investment were discussed and a Draft "SAARC Agreement on Regional Investment Promotion and Protection" was circulated. At another meeting of the Committee of SAARC held in Dhaka, Pakistan in February 1999 it was decided to convene a second meeting on "Promotion and Protection of Investment" to examine the Draft Investment Agreement" and deliberate on the possibility of establishing a SAARC

[7] International Monetary fund: World Economic Outlook, May 2000, Washington D.C.

Arbitration Council. In the context of Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation (BIMSTEC), a Business Forum was created in order to enhance private sector cooperation among the countries of the region. Investment has been identified as one key area of cooperation in this regional arrangement.[8]

(d) Regional Dimensions of Investment Policies

37. At the regional level, a number of discussions and negotiations on investment and investment-related instruments have been initiated in recent years and several new instruments have been concluded or came into force. These trends have been complemented and reinforced by bilateral investment agreements and changes in national investment policies.

38. UNCTAD notes that at the bilateral level, the network of bilateral treaties (BITs) has expanded further. The total number of such treaties reached 1,726 by the end of 1998,compared to 1,556 by the end of1997. BITs completed between developing countries total 434, and in 1999 alone 39 percent of the 170 treaties concluded during the year were between developing countries. The umber of countries that have signed BITs has also increased from 169 in 1997 to 174 in 1998. These treaties are seen as a signal by the country that it is open to receive FDI. The treaties are also becoming an important in terms of indicating what countries expect to see in international investment agreements in general. The number of bilateral treaties for "the avoidance of double taxation (DTTs)" has also increased from 1,792 at the end of 1997 to 1,871 at the end of 1998. During that year 71 countries concluded DTTs, and of these 39 were developing countries. Developing countries are increasingly viewing the conclusion of BITs as a means of enhancing South-South cooperation on foreign investment and, in particular of promoting FDI flows.

39. In Asia, regional arrangements for cooperation on investment and investment-related instruments include: the Framework Agreement on the ASEAN Investment Area; SAARC Agreement on Regional Investment Promotion and Protection; Free Trade Arrangement between the MISTEC countries; Indian Ocean Rim Association for Regional Cooperation, Trade and Investment Agreement; and Agreement on Promotion and Protection of Investment among ECO member states. In Latin America and the Caribbean, a number of similar arrangements exist and include: Protocol Amending the Treaty Establishing the Caribbean Community Protocol III; Free Trade Agreement between Central American Countries and the Dominican Republic; Framework Agreement for the Creation of a Free Trade Area between the Andean Community and MERCUSOR. They also include: Trade and Investment Cooperation Arrangements between Canada and MERCUSOR; Free Trade Area of the Americas; and a number of trilateral arrangements among countries of the sub-region.

40. In Africa, similar sub-regional arrangements have been put in place and include: the CEMAC Community Charter on Investment; the UEMOA Community Code on Investment; SADC Protocol on Finance and Investment; the Agreement for the Creation of a Free Trade Area between the COMESA member countries; and the Treaty Establishing the East African Community (AEC). In North Africa you have the Unified Agreement for the Investment of Arab Capital in Arab countries; and Agreement on Investment and Free Movement of Arab Capital among Arab Countries.

[8] UNCTAD: World Investment Report, 1999, Geneva, Switzerland.

III. National Investment Policies in Africa

41. Since the mid-1980s, most countries in all regions of the world that until then had maintained widespread restrictions and controls on FDI undertook substantial revisions in their investment regimes, with a view towards incorporating FDI more fully into their economic development and growth strategies. These changes took place in the context of rapid changes in the global economy and broader market-oriented reforms. Countries engaged in unprecedented process of liberalisation of previous FDI impediments and adopted a host of positive measures aimed at attracting FDI.

42. More specifically, of a total of 145 regulatory changes relating to FDI made during 1998 by 60 countries, 94 percent were in the direction of creating more favourable conditions for FDI, and 6 percent in the direction of greater control. During the period 1991-1998 as a whole, 94 percent of the FDI regulatory changes were in the direction of creating a more favourable environment for FDI, in both developed and developing countries. Investment promotion efforts have also intensified in recent years. In terms of regional distribution, the Asian financial crisis triggered significant efforts to attract FDI by countries in the region, both in terms of measures (51) and the number of countries (16) involved in 1998.

43. In Africa, efforts at reforming the legal and regulatory framework for investment and investment-related instruments have continued. In the 1980s, the earlier approach to investments, which often stressed restrictions, controls and restrictions on entry and establishment of FDI, were being reversed as African countries came to acknowledge the role FDI can play in investment and economic growth. These changes were reflected in changes in investment agreement and rules and regulations in many African countries. Many of the countries revised their legal and legislative frameworks for foreign investment and revamped the institutional framework for registering investments. Many created One-Stop-Offices for administering requests to invest in a country. Furthermore, in many countries efforts to establish "Investment Promotion Agencies" intensified as a way of attracting FDI. Indeed, more than twenty investment agencies now exist in Africa.

44. There has been increasing recognition in Africa of the need to reduce bureaucratic red tape associated with the process of screening, approval and registration of investments. Numerous African countries have set up investment promotion agencies in order to streamline this process and focus on investment promotion activities. A major function of most of these investment agencies is to provide a one-stop approval facility for those willing to invest in a country. Furthermore, African countries have also established the Association of African Investment Promotion Agencies (AFRIPA), with a view to promote collaboration among African investment promotion agencies. More recently, an African Privatisation Network (APN) has also been established to promote smooth transformation of state-owned enterprises to private sector-ownership. [9]

45. One of the most important influences on investment is the incentive environment in a host country. During the last two decades, African countries have expended concerted efforts to improve their incentive systems in order to attract foreign investment. These policies are embodied in investment incentive codes, which are basically designed to give investors assurances and guarantees against political and abnormal economic risks as well

[9] Economic Commission for Africa (ECA): Trade and Investment Policy in Africa, Working Paper Series, December 1997.

as the provision of variety of other benefits. Investment incentive codes feature a wide range of measures, among which is tariff concessions. Imports of materials and equipment of beneficiary enterprises in many African countries are often exempt from import duties for a period of between five to ten years or even longer.

46. In general, investment incentives often used include provision of development funds, duty rebates, preferential tax treatment on export income, export subsidies, creation of free trade and export processing zones, domestic sale concessions in return for export performance, foreign exchange credits and export insurance. For industrial investment, the most common incentives are tax concessions, such as "tax holidays", provision of accelerated depreciation of capital equipment, and reinvestment allowances which exempts reinvested income from corporate income tax. Along side these investment incentives, most countries try to develop the infrastructure and other economic services to support private sector investment. This may include the development of roads, railways and ports, electricity, telecommunications and water supplies. Availability of these facilities has a significant bearing on the profitability of investment in a particular country and sectors.

47. Notwithstanding these efforts, Africa is still unable to attract substantial amounts of foreign exchange and the investment climate on the continent continues to be classified as "high-risk investment area". While most African countries continue to offer fiscal incentives to foreign investors as a way to attract FDI, the findings of many studies (UNCTAD, 1996) is that these have not been enough to attract FDI, and more also if the general regulatory framework governing investment is not conducive to doing business.

48. During the early stages of economic and trade reforms, adjustment programmes in most African countries combined domestic demand contraction and attempts to stimulate exports. In many of these countries, the need to restore the external balance led to the implementation of drastic measures in order to reduce domestic absorption. Investment was often one of the causalities. Usually, the compressed imports adversely affected industries that were dependent on imported inputs and with negative impact on growth. The initial decline in output led to a situation of idle capacity, which discouraged private investment. In the public sector, reductions in public investment rather than in current expenditures, were often the initial instruments of fiscal adjustment and a situation, which aggravated the decline in aggregate investment. The indirect effect of a decline in private investment and direct cuts in public investment was to lower the overall level of investment in the economy of many African countries. The recent experience of the Asian countries and the fiscal instruments used to adjust to the Asian financial crisis offers some useful insights. Most of these countries instead of contracting demand in responding to the crisis, opted to provide a fiscal stimulus to the economy in order to boost domestic demand, while at the same time promoting exports.

49. A number of fundamental aspects have an important bearing on the investment climate in Africa and include political system, macroeconomic conditions, the infrastructure and health of the financial sector. The political system prevailing in the country, and the associated legal and regulatory framework, as well as the health of the economy have an import bearing on a country's ability to attract FDI. Furthermore, the macroeconomic framework and broader incentives through trade, exchange rate policy, interest rate policy as well as credit policy may also affect FDI flows. Specific incentives provided by the government in order to attract FDI are also important, although some studies have indicated that these may be less important than other factors such as availability of infrastructure and finance.

50. Africa's economic and political environment has for sometime presented major challenges for attracting FDI. The region has in the past been characterised by serious economic and social crisis, which manifest itself in famine, malnutrition, high rates of unemployment, problems of refugees and displaced persons, poverty and compounded by civil strife. Political instability, cumbersome procedures in investment formalities, and corruption have played their part in giving Africa a negative investment image. Fortunately, these are now being reversed in many African countries. This meeting offers an opportunity to *"share experiences and best practices."* Another aspect that has affected investment in Africa has been the small size of markets in a number of African countries. Integrating Africa's economic space has, therefore, become a preoccupation of many African governments and policymakers.

IV. The Role of Investment Agencies in Africa: Challenges of Attracting Foreign Direct Investment

51. In many other regions of the world, a strong partnership in development has developed between the public and private sectors. This partnership extends beyond meetings, as institutional mechanisms have been created to ensure that the private sector participates fully in the design, formulation and implementation of economic and financial programmes. This appears to be the case in Asia and more recently in Latin America as well. It is in this context, that a discussion of this issue has been scheduled for this meeting.

52. The institutional weaknesses in many African countries have often been cited as important impediments for Africa to effect "economic transformation." Institutions could be defined as "a bundle of rules in social relation", which structure behaviour in fairly predictable ways. As systems of rules and regulations, institutions are a subset of social relations. Rules are necessary for predictable transactions, but profound changes in social relations may affect ultimately the way the rules operate (Bangura, 1996:353). In this respect, public institutions "seek to project universal rules and regulations, establish clearly defined and predictable roles for actors to facilitate routine implementation of tasks, and to develop a rational structure of incentives and sanctions to ensure institutional loyalty. The extent to which these institutional goals are achieved constitute the nature of the impact of institutions on economic or development performance. The centrality of institutions in the process of effecting development and determining development performance is now generally recognised. It is argued that an "ideal growth and development society" is largely based on the centrality of institutions to the development process. Such an ideal society would possess social and political institutions that would secure rights of private property and personal liberty; enforce contracts; provide stable, responsive, honest, transparent and accountable governments; allow for social and geographic mobility; and evolve a more equal distribution of income. In current state of affairs in Africa, a discussion on the relevancy and inadequacy of the institutional framework to not only effect economic and social transformation, but also attract foreign investment becomes an imperative for this meeting of African investment agencies.

53. Privatisation of state-owned enterprises in Africa has become an integral part of the trade and investment reforms in many African countries. Privatisation of state enterprises has raised a number of important issues, some of which are economic and financial in nature and others are of a "moral nature." Privatisation has been the central issue of development agenda for several African countries in recent years as they implement

structural adjustment programmes. However, local participation in privatisation in Africa has been rather limited by both institutional and limited savings factors. Despite the expressed desire of many African governments to broaden ownership of state-owned enterprises, methods of accomplishing this goal have proved illusive. The ECA undertook a study to examine this issue and this meeting offers a unique opportunity to share with African investment agencies the findings of that study.

(a) Public-Private Sector Partnership

54. A dynamic and effective partnership between the public and private sectors is essential in any development strategy for a number of reasons. Firstly, it is because the private sector can be an important "engine of growth" given an appropriate environment. Second, many actions taken in the public sector often impinge positively or negatively on the private sector. Thirdly, a number of actions taken in the public sector can act as catalytic elements for the development of the private sector. Fourthly, activities undertaken in the public sector can be complimentary to those by the private sector.[10]

55. There are several areas in which effective partnership between the public and private sectors can play a pivotal role in the development of a country. There is scope for such partnership in trade and investment in Africa. Developing such a partnership requires a clear vision of the roles the two sectors are expected to play in a given development strategy; an appreciation and understanding of the complimentality of the two sectors; the institutional mechanisms for fostering dialogue between the two sectors; and modalities for revising the roles of the two sectors as the economy undergoes transformation.

56. It may be noted that in a number of Asian countries, the strengthening of partnership often heralded a new era and was usually a prelude to a successful programme of trade and investment expansion. In these countries, the public sector was instrumental in developing the necessary skills among the population needed for economic take-off. Furthermore, the governments were also instrumental in the establishment of private sector organisations, such as chambers of commerce, trade organisations, and export and investment promotion agencies. The governments were also active in the promotion and development of small and medium-scale enterprises in production and export.

57. A successful partnership between the public and private sector is often reflected in a number of factors, including clear modalities for consultation between various hierarchies of government and the private sector; and participation of the private sector in key decisions that have an economic and social bearing on the country. It is essential that the private sector participate in the formulation and implementation of economic, financial and social programmes. The existence of institutional framework, linking the two sectors, is also pivotal for a successful partnership. The role non-governmental organisations can play in this partnership needs to be acknowledged and appreciated.

58. This meeting of Chief Executives of investment agencies offers an opportunity to: review modalities adopted by countries in promoting an effective and successful partnership between the public and private sectors in promoting trade and investment; determine the institutional framework that exists to enhance this partnership; determine the role played by non-governmental organisations in this partnership; and synthesise what constitute important elements in a successful partnership.

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[10] Economic Commission for Africa (ECA): Public–Private Sector Partnership in Trade and Investment Promotion in Africa, Working Paper Series, ESPD/WPS/99/2, July 1999.

(b) Required Institutional Changes to Adjust to Globalisation

59. In the context of development economics, the relevant definition of institutions relates to various types of economic systems most appropriate to promote economic development. In this respect, an economic system is an institutional framework which co-ordinates competition among agents for the use of resources. An economic system is usually expressed as a combination of various economic organisations, important among which are the state and the market. Recalling the definition of an institution as " a rule in society" and the definition of an "organisation" as "a functional body or group organised to act for specific purpose", a broader definition has to capture the interaction between the two. According to this definition, an "organisation" can be defined as a "set of rules to organise people into the functional body". Thus, in looking at the state and the market as agents of action they can be treated as organisations.

60. However, as already indicated, another definition of institutions is to view them as "a bundle of rules in social relation", which structure behaviour in fairly predictable ways. As systems of rules and regulations, institutions are a subset of social relations. Rules are necessary for predictable transactions, but, profound changes in social relations may affect ultimately the way the rules operate (Bangura, 1996:353). In this respect, public institutions seek to project universal rules and regulations, establish clearly defined and predictable roles for actors to facilitate routine implementation of tasks, and to develop a rational structure of incentives and sanctions to ensure institutional loyalty. The extent to which these institutional goals are achieved constitute the nature of the impact of institutions on economic or development performance.

61. The centrality of institutions in the process of effecting development and determining development performance is now generally recognised. Indeed, definition of an "ideal growth and development society" is largely based on the centrality of institutions to the development process. Such an ideal society would possess social and political institutions that would secure rights of private property and personal liberty; enforce contracts; provide stable, responsive, honest, transparent and accountable governments; allow for social and geographic mobility; and evolve a more equal distribution of income.

62. Landes points out that it was because England was the first European country to approximate the ideal society that it became the leader of the industrial revolution. It took the fastest growing European country about 120 years to catch-up with England in terms of real per capita income (Switzerland by 1950). Consistent with Landes reading of long sweep of economic growth, Qian Y. (1999), in his evaluation of the institutional changes that took place in China during 1978-1998, notes that the first phase of institutional change (1978-1993) emphasised the unleashing of the standard forces on incentives, hard budget constraints and competition. In the second stage of the reform (1994-1998) the objective was to build a rule-based market system incorporating international best practices. The remaining institutional agenda include transforming the financial system and establishing the rule of law.

63. In the empirical literature on growth, institutions were also found to be crucial to economic and development performance (see, among others, Sala-I-Martin, 1997). More recently, however, R. Hall and C. Jones (1998) have addressed the issue in a more systematic fashion. Consistent with Landes views about what the role of institutions is in a society, Hall and Jones defined social infrastructure as social arrangements that "minimise the wedge between social and private returns in a given society". Two indices are suggested for measuring social infrastructure: an index for government anti-diversionary

activities (GADP) and an index of openness to trade (Sachs and Warner index of openness). The GADP index is calculated as an equal weighted average of five institutional categories published by International Country Risk Guide: Law and order; bureaucratic quality; corruption; risk of expropriation; and, government repudiation of contracts. Hall and Jones' central hypothesis is that the primary, fundamental determinant of a country's long-run performance is its social structure. *By social structure, they mean the institutions and government policies that provide the incentives for individuals and firms in an economy.*

64. Similarly, Weder B. (1999) analyses five institutional factors that have been considered in the literature as fostering growth: public-private partnership; the quality of bureaucracies; the rule of law (i.e., rule to guarantee and secure property and contracts right); corruption; and political stability. Her analysis provides support for the claim that differences in the quality of institutional framework can explain differences on growth.

65. Collier and Gunning (1999) in the most comprehensive evaluation of the empirical literature on Africa, identified the role of institutions as an important dimension that needs to be investigated in search of a better understanding of the performance of the continent. They argue that drawing on the new literature on social capital, neither households nor firms have yet sufficiently created the social institutions that promote growth... Both a hostile environment, particularly high risks, and inadequate social capital, particularly dysfunctional government, have lowered returns to investment" (p64-65). They differentiate between social capital created by the community (civic social capital, defined as the economic benefits that accrue from social interaction) and that created by the government (public social capital which consists of institutions of government that facilitate private activity).

66. In addition to the above, a recent set of papers, D. Rodrik (1999, 2000) pursued the issue of the fundamental importance of institutions in the process of development. Rodrik noted that while the 19th century discovered "capitalism", the 20th century discovered the "mixed economy", and we enter the 21st century with a better understanding of the complementary roles of markets and the state. In learning from history, it is now increasingly realised that "the market economy is necessarily embedded in a set of non-market institutions", which include "property rights", "regulatory institutions", "institutions of macroeconomic stability", "institutions of social insurance", and "institutions of conflict management".

67. He points to three ways in which absence of institutions derails development. One is the failure in Russia of price reform and privatisation in the absence of a supportive legal, regulatory, and political apparatus. A second is related to the growing realisation that market-oriented reforms in Latin America have paid little attention to mechanisms of social insurance and to safety nets. The third and most recent is the Asian financial crisis, which has shown that implementing large-scale financial liberalisation ahead of financial regulation is an invitation to disaster. This recognition of the importance of the role of institutions in economic development offers an important corrective to the neo-classical approach. In theory, Stiglitz and Hoffman (1999:3) criticised neo-classical economics for ignoring institutions, history and even the distribution of income as explanatory variables of economic growth. They noted that in leaving out history, institutions, and distributional considerations, neo-classical economics was leaving out the heart of development economics.

68. The above discussion suggests that the development challenges facing Africa as well as other developing countries need to be addressed in a context of a comprehensive strategy that focuses not only on the role of markets, but also on government intervention aimed at correcting markets' imperfections, on history, as well as on the role of well-functioning non-market institutions.

69. In such a context, some of the issues that may be raised may include the following: what type of institutions are required that could enable African countries to adjust to the challenges of globalisation"? What are the characteristics of an appropriate institutional framework that is supportive of development? What are the institutional deficiencies in African countries and what strategies should be adopted to rectify the situation?

(c) Broadening Local participation in Privatisation of Public Assets

70. Broadening local participation has been cited as one of the major objectives of privatisation by African governments. However, with few exceptions, only minor efforts have been made in this direction. Much more needs to be done to reach out the majority of the population in every country in these privatisation exercises. The Economic Commission for Africa (ECA) commissioned in 1999 a study to examine these issues. The study started with an overall review of trends in privatisation in Sub-Saharan Africa in the last decade and half. Against this background the study focused on a number of important issues. Firstly, it focused on a review of the issue of privatisation, the rationale and problems associated with broadening local participation in privatisation, including the difficulty encountered in reconciling equity considerations and corporate governance within the African context. Secondly, the study reviewed selective methods that have been used in Africa in order to broaden local participation. These have included management and employee buyouts, employee share participation, directed group ownership, public flotation and financial intermediaries. Thirdly, country-specific efforts and outcomes in broadening local participation were analysed. The countries and methods included those employed by Burkina Faso (consortium of local and foreign investors), Cape Verde (a participatory approach), Kenya (a politically acceptable ownership), Uganda (directed group ownership), Zambia (privatisation trust fund), and Zimbabwe (Unit trust).[11]

71. The main conclusions of the study may be summarised as follows. Firstly, broadening local participation reinforces the whole process of privatisation of state-owned enterprises. Specifically, broadening local participation in privatisation *secures consensus of the general public, helps to depolitise and speed up the process, indicates a strong commitment to transparency and sends an encouraging signal to foreign investors*. Secondly, acknowledging the difficulty involved in designing and implementing mass privatisation through the voucher schemes, the study pointed out that with commitment and planning it could be carried out. Thirdly, where capital markets exist, the process of allocating a given amount of the shares for local participation has proved quite successful. Privatisation and stock market development appear to be inextricably linked and are mutually reinforcing. Broadening local participation in privatisation in Africa will, therefore, require replicating "best practices" from those instruments that have been used by some African countries and other regions.

[11] Economic Commission for Africa (ECA): Broadening Local participation in Privatisation of Public Assets in Africa, Working Paper Series, ESPD/WPS/99/01, August 1999.

Annex Tables

Table A.1. Foreign Direct Investment Inflows to Africa in Millions of US Dollars

	Country/Region	Annual Average 1987-1992	1993	1994	1995	1996	1997	1998	Average 1993-1998
A	**North Africa**	**1219**	**1534**	**2332**	**1186**	**1888**	**3047**	**2650**	**2106**
1	Algeria	..	-59	22	-24	447	630	500	253
2	Egypt	806	493	1256	598	636	891	1076	825
3	Libya	52	31	69	9	209	10	150	80
4	Mauritania	4	16	2	7	4		6	7
5	Morocco	203	491	551	332	354	1079	258	511
6	Sudan	-6	..	..	..	..	98	10	54
7	Tunisia	160	562	432	264	238	339	650	414
B	**Western Africa**	**1153**	**1498**	**2372**	**1588**	**2044**	**2526**	**2172**	**2033**
1	Benin	3	..	..	1	25	27	26	20
2	Burkina Faso	2	13	..	2	17	13	14	12
3	Cape Verde	1	4	2	26	29	12	15	15
4	Cote d'Ivoire	-1	88	78	212	206	327	250	194
5	Gambia	6	11	10	8	12	13	14	11
6	Ghana	14	125	233	107	120	82	45	119
7	Guinea	20	3	..	..	24	17	15	15
8	Guinea-Bissau	2	..	..	..	1	10	8	6
9	Liberia	201	-54	17	5	-132	291	200	55
10	Mali	-1	4	17	111	84	39	30	48
11	Niger	22	-34	-11	7	15	-7	..	-6
12	Nigeria	845	1345	1959	1079	1593	1539	1500	1503
13	Senegal	18	..	67	32	10	148	20	55
14	Sierra Leone	12	-7	-3	-2	19	10	30	8
15	Togo	9	..	3	..	21	5	5	9
C	**Central Africa**	**88**	**68**	**-58**	**-27**	**823**	**240**	**648**	**282**
1	Cameroon	4	5	-9	7	89	70	94	43
2	CAR	..	-10	4	..	3	4	4	1
3	Chad	6	15	27	12	23	37	35	25
4	Congo, Rep.	12	150	3	-60	20	-14	15	19
5	Gabon	56	-114	-100	-113	312	143	300	71
6	Equatorial Guinea	10	22	17	127	376		200	148
7	Sao Tome & Principe	..	..	..	..	..	..	..	..
D	**East Africa**	**68**	**114**	**183**	**345**	**383**	**751**	**789**	**428**
1	Burundi	..	..	..	2	..	..	..	2
2	Comoros	3	..	..	..	..	..	..	..
3	Congo, D.R.	-11	7	-2	-22	25	-7	..	..
4	Djibouti	..	1	1	3	20	25	25	13
5	Eritrea	..	..	..	..	..	..	..	..
6	Ethiopia	1	4	21	32	13	68	178	53
7	Kenya	31	2	4	32	13	40	42	22
8	Madagascar	12	15	6	10	10	245	100	64
9	Rwanda	12	6	..	2	2	3	7	4
10	Seychelles	19	4	15	41	30	44	55	32
11	Somalia	-2	..	..	..	..	..	..	..
12	Tanzania	3	20	50	120	150	158	172	112
13	Uganda	..	55	88	125	120	175	210	129
E	**Southern Africa**	**461**	**228**	**815**	**2044**	**1529**	**2795**	**2042**	**1576**
1	Angola	178	302	170	472	181	412	396	322
2	Botswana	47	-287	-14	70	71	100	168	18
3	Lesotho	11	15	19		19	12	30	19
4	Malawi	12	11	9	25	44	22	70	30
5	Mauritius	25	15	20	19	37	57	13	27
6	Mozambique	12	32	35	45	73	64	213	77
7	Namibia	44	55	98	153	129	91	96	104
8	South Africa	-24	-27	334	993	760	1705	371	689
9	Swaziland	62	72	63	52	17	-10	19	36
10	Zambia	102	2	40	97	117	207	222	114
11	Zimbabwe	-8	38	41	118	81	135	444	143
	SSA -SA	1794	1935	2978	2957	4019	4607	5280	3629
	Africa-LDCs	624	453	522	1215	1295	1953	2235	1279
	AFRICA	2989	3452	5644	5136	6667	9359	8301	6427
	WORLD	173530	219421	253506	328862	358869	464341	643879	378146
	World -Developing Cs	35326	78813	101196	106224	135343	172533	165936	126674

Source: UNCTAD (1999), World Investment Report.

Table A.2: Gross Domestic Investment as % of GDP

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998
Algeria	29.3	31.0	30.0	29.2	31.7	32.2	26.2	25.7	27.0
Angola	11.7	12.9	3.6	26.4	23.2	25.0	22.7	23.8	24.5
Benin	14.2	14.5	13.8	15.4	15.8	19.6	17.1	18.5	16.2
Botswana	31.7	30.4	28.6	26.6	26.9	26.9	25.8	26.7	25.3
Burkina Faso	20.6	20.6	21.1	19.8	17.4	20.6	26.5	27.0	28.6
Burundi	14.5	14.4	15.0	15.7	10.6	9.6	12.1	8.1	7.8
Cameroon	17.8	16.7	14.3	16.5	15.3	14.5	15.4	16.2	18.4
Cape Verde	43.1	29.0	37.8	35.5	41.5	34.8	33.5	30.3	32.6
CAR	12.3	12.4	12.2	10.2	11.7	7.2	4.4	9.0	13.5
Chad	13.6	5.5	6.2	8.2	13.1	13.1	13.8	14.7	12.6
Comoros	19.7	20.3	22.2	20.6	21.0	19.9	18.9	21.3	19.8
Congo, D. R.	9.0	5.6	6.9	1.8	7.9	9.4	7.1	7.1	8.1
Congo, R.	15.9	20.5	21.6	29.5	54.5	36.6	60.5	26.0	35.1
Cote d'Ivoire	6.7	7.4	6.9	8.3	12.5	13.5	13.4	16.0	18.2
Djibouti	..	14.4	19.1	17.3	11.7	8.6	9.2	9.5	..
Egypt, A. R.	28.8	21.2	18.2	16.2	16.6	17.5	16.6	17.7	19.5
Equa.Guinea	17.4	50.7	24.2	22.0	67.8	71.4	107.4	61.3	84.6
Eritrea	..	..	5.4	15.1	17.8	19.2	29.3	40.9	40.9
Ethiopia	11.8	9.9	9.2	14.2	15.2	16.4	19.1	19.1	18.2
Gabon	21.7	26.5	22.4	22.4	21.9	22.7	22.8	26.3	32.3
Gambia	22.3	21.9	22.2	21.0	18.1	20.2	21.6	17.6	19.8
Ghana	14.4	15.9	12.8	22.2	24.0	20.0	21.5	24.1	22.9
Guinea	17.5	18.1	17.4	17.8	19.5	20.6	19.6	21.6	22.2
G. Bissau	29.9	31.0	48.4	30.9	21.8	22.3	23.0	21.7	11.3
Kenya	19.7	92.3	13.7	17.7	16.4	17.5	16.8	15.4	14.4
Lesotho	70.7	80.2	78.3	75.0	80.3	83.2	89.2	85.5	48.6
Liberia	..	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..
Madagascar	17.0	8.2	11.3	11.4	10.9	10.9	11.6	11.9	13.3
Malawi	19.7	20.2	19.9	15.2	29.3	16.6	12.4	12.3	13.7
Mali	23.0	22.8	21.9	21.8	25.9	22.8	22.9	20.6	20.9
Mauritania	17.9	17.9	20.5	22.0	14.5	16.0	19.2	17.5	21.0
Mauritius	30.9	28.7	29.3	30.7	32.3	25.7	25.1	27.6	26.1
Morocco	25.2	22.7	23.2	22.5	21.3	20.7	19.8	20.6	21.7
Mozambique	15.6	16.0	15.6	12.7	19.8	22.8	19.1	19.1	20.4
Namibia	27.4	18.1	21.2	16.1	23.1	20.7	22.5	19.8	19.0
Niger	8.1	9.2	5.4	5.7	10.4	7.5	9.6	10.8	10.4
Nigeria	14.7	23.4	21.8	23.3	19.6	16.1	12.8	15.3	20.0
Rwanda	14.6	14.0	13.9	15.2	4.3	8.6	10.3	10.0	9.9
S.T. & Pri.	..	31.4	38.7	38.1	45.1	59.3	50.2	49.7	51.6
Senegal	13.8	12.9	14.8	14.1	16.2	16.9	17.4	18.7	19.7
Seychelles	24.6	22.3	21.2	28.7	26.2	30.3	50.9	36.0	22.5
Sierra Leone	9.4	10.5	8.2	7.7	7.9	5.6	9.3	..	8.1
Somalia	15.5	..	..	..	..	..	..	..	..
South Africa	11.8	11.9	12.0	14.0	15.6	18.2	16.5	15.7	15.6
Sudan	..	..	..	..	..	..	..	..	0.0
Swaziland	19.6	20.6	26.1	26.6	32.1	34.1	30.1	33.9	12.3
Tanzania	22.6	26.2	26.8	26.1	24.9	21.9	18.0	16.3	16.0
Togo	26.6	17.1	15.8	7.6	10.4	16.1	16.4	14.9	14.2
Tunisia	27.1	26.0	29.2	29.2	24.5	24.8	25.2	26.6	25.5
Uganda	12.7	15.2	15.9	15.2	14.6	16.2	16.2	16.0	15.1
Zambia	17.3	11.0	11.9	15.0	13.5	13.9	14.9	14.5	14.3
Zimbabwe	17.4	19.1	20.2	22.8	24.2	25.1	25.9	26.2	21.2
AFRICA	**18.4**	**19.3**	**17.4**	**18.3**	**19.0**	**19.6**	**18.4**	**18.4**	**19.0**

Source: World Bank, 2000: World Bank Africa Database

Note: The figures for Africa are Weighted Averages.

Table A.3: Gross Domestic Savings as % GDP

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998
Algeria	27.5	36.7	32.4	27.8	27.0	28.5	32.6	34.5	33.4
Angola	29.6	16.1	1.7	25.2	32.7	15.7	20.2	25.2	12.5
Benin	5.5	5.9	4.2	5.2	9.5	10.0	8.0	9.8	7.4
Botswana	37.1	37.7	35.2	36.1	38.9	40.6	43.4	37.4	35.1
Burkina Faso	7.7	6.1	7.0	5.0	4.3	5.3	8.8	10.5	12.4
Burundi	-5.4	-4.2	-5.1	-4.5	-7.7	-4.8	2.4	3.9	-1.2
Cameroon	20.7	22.0	16.5	17.6	17.9	19.6	19.1	20.6	20.2
Cape Verde	12.8	-1.9	-2.3	-4.0	-6.4	-14.5	-7.0	-4.6	-5.1
CAR	-0.6	2.6	-0.4	1.8	6.0	-0.1	0.7	3.6	4.4
Chad	-3.1	-7.7	-8.3	-8.8	-5.6	-2.7	-3.2	-3.4	-0.6
Comoros	-3.2	2.1	-1.6	2.9	-5.9	-6.9	-6.1	-2.6	-5.0
Congo, D. R.	9.3	1.8	6.1	4.0	10.6	14.1	13.4	9.0	..
Congo, R.	23.8	18.6	24.4	23.6	26.6	28.4	34.3	35.2	26.5
Cote d'Ivoire	11.3	10.4	10.7	9.4	22.4	18.9	21.2	23.0	24.2
Djibouti	..	-10.2	-18.6	-11.0	-11.3	-8.7	-7.7	-6.2	..
Egypt, A. R.	16.1	13.2	15.4	13.2	11.4	12.4	10.8	13.0	10.1
Equa.Guinea	-20.1	-7.2	2.2	-1.0	18.8	22.4	24.6	33.2	20.0
Eritrea	..	..	-31.3	-24.6	-35.4	-31.5	-31.0	-17.4	-29.0
Ethiopia	7.2	2.7	3.0	5.6	5.4	8.0	4.7	8.6	6.3
Gabon	36.9	40.5	34.7	36.7	45.3	44.2	46.8	48.3	43.2
Gambia	10.7	10.6	9.3	4.0	2.3	0.9	2.1	4.8	6.3
Ghana	5.5	7.3	1.3	6.6	12.6	11.7	11.9	9.8	13.2
Guinea	17.7	18.0	11.2	11.1	12.3	17.1	15.0	19.3	19.3
G. Bissau	2.8	3.2	3.2	7.0	3.9	-1.2	1.8	2.8	-8.9
Kenya	14.5	91.0	13.2	23.2	19.6	11.6	12.5	8.1	6.7
Lesotho	-30.5	-49.4	-45.5	-33.2	-14.6	-16.9	-1.8	-9.8	-42.7
Liberia	..	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..
Madagascar	6.3	0.7	3.4	2.5	3.4	3.6	6.3	3.7	5.3
Malawi	9.7	14.2	0.7	-0.9	8.3	8.1	0.8	2.1	0.7
Mali	6.4	6.4	4.4	6.4	7.1	7.8	7.4	10.3	10.1
Mauritania	4.4	9.7	6.0	6.1	10.7	5.6	7.5	8.4	8.0
Mauritius	23.6	24.9	26.1	24.5	23.4	23.2	23.9	24.1	24.2
Morocco	19.2	17.2	16.8	17.0	15.3	14.2	16.1	16.8	18.4
Mozambique	-12.3	-11.2	-17.2	-22.4	-13.9	-1.9	-1.6	1.6	1.7
Namibia	17.6	9.2	12.1	9.6	16.9	12.8	13.5	14.2	18.8
Niger	1.2	4.5	4.3	3.3	0.0	0.4	3.1	3.2	3.3
Nigeria	29.4	29.3	23.5	20.2	20.6	18.2	33.5	21.9	11.8
Rwanda	6.2	3.3	1.2	-0.1	-54.5	-11.6	-9.8	-7.7	-7.3
S.T. & Pri.	..	-27.3	-28.3	-28.8	-14.0	-20.1	-19.7	-16.0	9.1
Senegal	8.9	5.9	7.4	5.5	9.6	11.3	11.9	13.3	15.1
Seychelles	20.3	18.7	17.6	18.4	22.1	23.5	39.6	22.3	12.0
Sierra Leone	16.1	17.3	16.9	13.4	11.1	-1.8	-5.5	..	-1.3
Somalia	-12.5	..	..	..	..	..	..	..	..
South Africa	17.6	16.9	16.1	17.6	17.9	19.1	17.9	16.8	16.9
Sudan	..	..	..	..	..	..	..	..	0.0
Swaziland	20.4	18.2	18.6	26.3	26.0	29.0	18.8	19.5	19.2
Tanzania	-0.8	2.2	1.5	-2.4	-1.0	2.0	3.6	5.4	6.0
Togo	14.7	9.0	6.6	-0.1	6.7	11.9	8.4	8.4	7.5
Tunisia	20.0	21.0	22.3	21.7	21.5	20.7	23.5	24.2	23.7
Uganda	0.6	0.7	0.4	1.1	4.3	7.1	4.8	7.9	5.7
Zambia	16.6	8.4	0.0	9.0	9.3	8.1	8.7	9.3	5.3
Zimbabwe	17.4	15.8	11.0	21.0	22.3	22.4	26.1	20.0	19.8
AFRICA	**17.8**	**18.9**	**16.1**	**16.3**	**16.7**	**17.0**	**18.2**	**17.7**	**16.3**

Source: World Bank, 2000: World Bank Africa Database
Note: The figures for Africa are Weighted Averages.

Table A.4: Real GDP per capita growth (%)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998
Algeria	-3.8	-3.6	-0.8	-4.4	-3.3	1.6	1.6	-0.9	2.7
Angola	-3.4	-3.2	-8.5	-26.3	-1.9	7.8	8.2	4.5	-6.6
Benin	0.0	1.6	1.0	0.6	1.5	1.7	2.6	2.7	1.5
Botswana	3.9	4.3	0.1	-0.7	1.0	2.6	4.4	4.4	4.0
Burkina Faso	-3.8	7.4	0.1	-3.1	-1.2	1.5	3.5	2.3	3.7
Burundi	0.6	2.2	-1.8	-8.0	-5.3	-9.0	-10.6	-1.8	2.1
Cameroon	-8.7	-6.5	-5.8	-5.9	-5.2	0.5	2.1	2.2	2.1
Cape Verde	-1.3	-0.3	1.1	1.8	1.3	2.2	1.7	0.3	1.3
CAR	-4.5	-2.9	-8.5	-1.9	2.7	5.0	-6.0	3.2	2.8
Chad	-10.1	16.1	6.8	-10.6	6.5	-2.7	0.3	1.0	5.2
Comoros	2.4	-7.8	5.7	0.4	-7.7	-6.3	-2.9	-2.5	-1.5
Congo, D. R.	-9.6	-11.4	-13.3	-16.2	-6.9	-2.4	-4.0	-8.6	-0.2
Congo, R.	-2.0	-0.5	-0.3	-3.8	-8.2	1.1	3.4	-4.6	1.2
Cote d'Ivoire	-4.1	-3.0	-3.2	-3.1	-1.0	3.8	4.1	3.5	3.6
Djibouti	..	..	-3.3	-6.8	-5.8	-6.8	-7.8	-2.3	-2.0
Egypt, A. R.	3.3	-1.1	2.2	0.8	1.9	2.7	3.1	3.6	3.2
Equa.Guinea	2.3	-3.4	8.0	3.6	2.4	11.4	25.8	71.5	..
Eritrea	..	..	..	-5.0	7.0	0.3	4.0	4.9	0.2
Ethiopia	-1.2	-7.9	-8.4	16.5	0.6	3.0	7.7	3.2	-3.5
Gabon	1.9	2.9	-6.0	-0.2	0.9	4.3	1.3	1.6	-0.4
Gambia	-1.2	-1.3	-0.7	-0.8	-3.3	-2.3	-0.9	1.8	1.7
Ghana	0.2	2.2	1.0	2.1	0.6	1.4	1.9	1.5	1.9
Guinea	0.8	-0.3	1.4	1.6	5.5	1.8	2.0	2.3	2.2
G. Bissau	4.2	3.1	-1.0	-0.1	0.8	1.8	2.2	3.5	-29.6
Kenya	0.8	-1.7	-3.7	-2.5	-0.2	1.7	1.5	-0.4	-0.6
Lesotho	1.5	-1.7	1.2	1.7	10.5	6.8	10.3	5.6	-5.8
Liberia	..	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..
Madagascar	0.3	-8.4	-1.4	-0.7	-2.9	-1.3	-1.0	0.4	0.7
Malawi	2.1	5.8	-9.8	6.7	-12.7	11.6	7.8	2.4	0.6
Mali	-4.6	-1.2	5.4	-4.8	-0.6	3.6	0.7	3.6	0.6
Mauritania	-4.5	-0.2	-1.1	2.6	1.7	1.6	1.8	1.7	0.7
Mauritius	6.4	3.3	4.8	3.9	2.6	3.9	4.3	3.8	4.4
Morocco	1.8	4.9	-5.9	-2.8	8.4	-8.2	10.2	-3.7	2.1
Mozambique	0.2	2.9	-9.8	6.4	4.6	1.7	4.4	8.6	9.9
Namibia	-3.9	7.5	3.5	-4.6	3.9	0.7	0.3	-0.7	-0.9
Niger	-4.3	-0.8	-9.6	-2.0	0.5	-0.8	-0.1	-0.2	4.8
Nigeria	5.2	1.8	0.0	-0.7	-2.8	-0.5	1.3	0.7	-1.0
Rwanda	-4.7	-5.2	3.0	-10.4	-38.9	33.2	6.7	-5.5	7.2
S.T. & Pri.	-5.0	-1.4	-2.1	-1.7	-0.5	-0.6	-1.0	-1.3	0.2
Senegal	1.1	-2.8	-0.3	-4.7	0.2	2.0	2.8	2.4	2.8
Seychelles	8.1	1.7	5.8	4.7	-2.4	-2.4	3.0	2.8	1.1
Sierra Leone	-0.7	-10.1	-11.8	-2.3	1.0	-12.2	2.3	-22.2	-1.5
Somalia	..	..	..	..	..	..	..	..	..
South Africa	-2.3	-3.0	-4.2	-0.9	1.1	0.9	2.1	0.8	-1.2
Sudan	-2.5	3.8	2.8	2.2	2.0	22.7	1.9	4.5	2.7
Swaziland	5.6	-0.7	-1.8	0.1	0.3	-0.5	0.7	0.5	-1.1
Tanzania	2.2	1.3	-11.7	8.8	-1.6	-0.4	1.2	1.3	0.8
Togo	-3.2	-4.1	-6.9	-19.0	13.3	3.7	6.6	1.6	-3.5
Tunisia	5.4	1.6	5.6	0.3	1.6	0.8	5.5	3.8	3.5
Uganda	2.8	2.0	0.1	4.9	3.1	8.2	5.9	1.8	2.7
Zambia	-3.5	-3.0	-4.6	3.8	-6.1	-4.9	3.8	0.9	-4.3
Zimbabwe	3.9	2.7	-11.3	-1.1	4.4	-2.8	5.1	1.2	-0.3
AFRICA	**-0.61**	**-1.26**	**-2.43**	**-1.35**	**0.72**	**1.08**	**3.09**	**1.08**	**0.85**

Source: World Bank, 2000: World Bank Africa Database

Note: The figures for Africa are Weighted Averages.

Table A.5: Real Growth of GDP at Market Prices (%)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998
Algeria	-1.3	-1.2	1.6	-2.2	-1.2	3.8	3.8	1.3	5.0
Angola	-0.3	0.7	-5.1	-23.8	1.4	11.3	11.6	7.6	-3.8
Benin	3.2	4.7	4.0	3.5	4.4	4.6	5.5	5.7	4.5
Botswana	7.2	7.5	3.0	2.0	3.6	5.1	6.9	7.0	6.0
Burkina Faso	-1.5	10.0	2.5	-0.8	1.2	4.0	6.0	4.7	6.2
Burundi	3.5	5.0	0.7	-5.7	-3.1	-7.0	-8.6	0.4	4.5
Cameroon	-6.1	-3.8	-3.1	-3.2	-2.5	3.3	5.0	5.1	5.0
Cape Verde	0.7	1.4	3.3	4.2	3.8	4.7	4.3	3.0	4.0
CAR	-2.1	-0.6	-6.4	0.3	4.9	7.2	-4.1	5.2	4.7
Chad	-8.1	19.1	9.9	-7.8	10.2	1.0	3.7	4.1	8.1
Comoros	5.1	-5.4	8.5	3.0	-5.3	-3.9	-0.4	0.0	1.0
Congo, D. R.	-6.6	-8.4	-10.5	-13.5	-3.9	0.7	-0.9	-5.7	3.0
Congo, R.	0.9	2.4	2.6	-1.0	-5.5	4.0	6.3	-1.9	4.0
Cote d'Ivoire	-1.1	0.0	-0.2	-0.2	2.0	7.0	6.9	6.0	5.7
Djibouti	..	..	-0.3	-3.9	-2.9	-4.0	-5.1	0.5	0.7
Egypt, A. R.	5.7	1.1	4.4	2.9	3.9	4.7	5.0	5.5	5.0
Equa.Guinea	3.3	-1.1	10.7	6.3	5.1	14.3	29.1	76.1	..
Eritrea	..	..	..	-2.5	9.8	2.9	6.7	7.9	3.0
Ethiopia	2.5	-4.7	-5.3	13.4	3.6	6.1	10.9	5.9	-1.0
Gabon	5.2	6.1	-3.3	2.4	3.4	7.0	3.8	4.1	2.0
Gambia	3.6	3.1	3.4	3.0	0.2	0.9	2.2	4.9	4.7
Ghana	3.3	5.3	3.9	5.0	3.3	4.0	4.6	4.2	4.6
Guinea	3.8	2.7	4.3	4.3	8.3	4.4	4.6	4.7	4.6
G. Bissau	6.1	5.1	1.1	2.1	3.2	4.4	4.6	5.9	-28.1
Kenya	4.2	1.4	-0.8	0.4	2.6	4.4	4.1	2.1	1.8
Lesotho	4.0	0.7	3.5	4.0	12.9	9.1	12.7	8.0	-3.6
Liberia	..	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..
Madagascar	3.1	-6.3	1.2	2.1	0.0	1.7	2.1	3.6	3.9
Malawi	5.7	8.7	-7.3	9.7	-10.2	14.7	10.7	5.1	3.1
Mali	-1.9	1.6	8.3	-2.2	2.1	6.4	3.7	6.7	3.6
Mauritania	-1.8	2.6	1.7	5.5	4.6	4.5	4.7	4.5	3.5
Mauritius	7.2	4.3	6.2	5.4	4.1	4.7	5.4	5.0	5.3
Morocco	3.9	6.9	-4.0	-1.0	10.4	-6.6	12.1	-2.0	4.0
Mozambique	1.0	4.9	-8.1	8.7	7.5	4.3	7.1	11.3	12.0
Namibia	-1.2	10.4	6.3	-2.0	6.7	3.4	2.9	1.8	1.5
Niger	-1.3	2.5	-6.5	1.4	4.0	2.6	3.4	3.3	8.4
Nigeria	8.2	4.8	2.9	2.2	0.1	2.5	4.3	3.6	1.8
Rwanda	-2.4	-2.5	5.9	-8.1	-49.5	36.8	12.1	10.9	10.0
S.T. & Pri.	-2.2	1.5	0.7	1.1	2.2	2.0	1.5	1.0	2.5
Senegal	3.9	-0.4	2.2	-2.2	2.9	4.7	5.6	5.2	5.7
Seychelles	9.0	2.8	7.2	6.2	-0.8	-0.6	4.7	4.3	2.3
Sierra Leone	1.6	-8.0	-9.6	0.1	3.5	-10.0	5.0	-20.2	0.7
Somalia	..	..	..	..	..	..	..	..	..
South Africa	-0.3	-1.0	-2.1	1.2	3.2	3.1	4.2	2.5	0.5
Sudan	-0.4	6.0	4.9	4.3	4.0	25.2	4.0	6.7	5.0
Swaziland	8.9	2.5	1.3	3.3	3.5	2.7	3.9	3.7	2.0
Tanzania	5.4	4.5	-8.9	12.2	1.4	2.6	4.1	4.0	3.4
Togo	-0.2	-0.7	-4.0	-16.4	16.8	6.8	9.7	4.3	-1.0
Tunisia	8.0	3.9	7.8	2.2	3.3	2.3	7.1	5.4	5.1
Uganda	6.5	5.6	3.4	8.3	6.4	11.5	9.1	4.7	5.6
Zambia	-0.5	0.0	-1.7	6.8	-3.4	-2.3	6.5	3.4	-2.0
Zimbabwe	7.0	5.5	-9.0	1.3	6.8	-0.7	7.3	3.2	1.6
AFRICA	**1.82**	**1.13**	**-0.10**	**0.89**	**3.02**	**3.41**	**5.38**	**3.24**	**2.94**

Source: World Bank, 2000: World Bank Africa Database

Note: The figures for Africa are Weighted Averages.

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