South African Journal of Economics Vol. 73:2 June 2005©

SOUTH AFRICA AND THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT: ECONOMIC SPIN-OFFS AND LINKAGES

OLUDELE A AKINBOADE[1] AND PINKY LALTHAPERSAD-PILLAY[2]

Abstract

The New Partnership for Africa's Development (NEPAD) is a concerted effort by Africa's political leaders to develop a comprehensive and integrated strategic policy framework to raise current levels of socio-economic development and reduce high levels of poverty across the African continent. The NEPAD framework recognises the need for African countries to pool their resources together in order to enhance regional development and economic integration. To this end, NEPAD emphasises capacity building and also seeks to solicit and disburse funds towards infrastructural development programmes and poverty alleviation projects, among others.

South Africa's involvement with the rest of Africa has increased significantly since 1994. Trade exports, foreign direct investment (both market and resource-seeking in nature) and public-private partnerships have mushroomed in many parts of the continent. Many South African firms are providing the financial impetus for the infrastructural development and rehabilitation of African economies.

This paper discusses salient economic linkages between South Africa and the rest of Africa within the framework of NEPAD. South Africa is the economic hub of sub-Saharan Africa (and indeed of the African continent), with significant agricultural, manufacturing and services capacity. South African firms have invested in the development of a number of sectors in the rest of Africa, taking advantage of the new investment incentives offered by the NEPAD framework. The target sectors range from mining, the hospitality industry, engineering and construction, finance to telecommunications. These investments and economic involvements are crucial to the development of African countries and the relevant sectors that are important for the realisation of some of the objectives of NEPAD.

1. INTRODUCTION

THIS ARTICLE INVESTIGATES the potential economic impact and business opportunities that NEPAD generates for South Africa. The article focuses on two aspects: how South Africa is contributing towards the realisation of the stated goals of NEPAD, and the possible pay-offs that the NEPAD framework could hold for South African firms that are trading or investing in the continent. The recommendations made are intended to inform future economic and investment linkages with the rest of Africa.

The article is organised into four sections. In this section we discuss the socio-economic profile of Africa and its business environment as background. Section 2 discusses the origins and the goals of NEPAD, and also its strategic framework. Section 3 presents the trade-related and investment-related aspects of NEPAD. Explanations are offered as to why the rest of Africa and South Africa need each other. This is then

[1] Department of Economics, University of South Africa, Pretoria, South Africa.
[2] Department of Economics, University of South Africa, Pretoria, South Africa.

An earlier version of this paper was presented at the Biennial Conference of the Economic Society of South Africa, Lord Charles Hotel, Somerset West, September 2003. The authors are grateful to two anonymous referees for comments on earlier drafts.

© 2005 Economic Society of South Africa. Published by Blackwell Publishing, 9600 Garsington Road, Oxford OX4 DQ, UK and 350 Main Street, Malden, MA 02148, USA. on behalf of ESSA.

linked to South Africa's involvement in the continent. Section 4 discusses current and planned future investment initiatives that are of importance to the South African economy. In this section, possible investment opportunities within the framework of NEPAD are highlighted. Concluding remarks are made in the last section.

(a) Socio-economic profile of sub-Saharan Africa

Poverty is rife in many African countries. About half of Africa's total population is estimated to live on less than US$1 per day (World Bank 2001). In several African countries more than half of the populations live in abject poverty. For example, the poverty rate for Burkina Faso is 62 per cent; and 66 per cent for the Central African Republic, 73 per cent for Mali, 70 per cent for Nigeria and 64 per cent for Zambia. This compares with 4 per cent for Eastern and Central Europe, 15 per cent for East Asia, 12 per cent for Latin America, 2 per cent for the Middle East and North Africa, and a total of 24 per cent for all developing countries. Only South Africa has a comparable poverty incidence of 40 per cent.[3]

Africa's entrapment in a vicious circle of poverty and conflict is borne out by grim statistics. In 2000 South Africa's Gross National Product (GNP) of US$130 billion was exactly equal to the combined GNP of 46 of the 47 (excluding Nigeria) countries in sub-Saharan Africa. In 2001 72 per cent of the countries in Africa (39 of 54) were classified as low income countries - meaning that gross national income was below US$745 annually (World Bank 2003). The *per capita* income of many African countries is extremely low. It is thus very hard to identify a single group of African economies that have experienced high and sustained *per capita* income growth over the years. In the past two decades, economic growth across Africa has lagged behind population growth. For sub-Saharan Africa, economic growth in both the 1980s and 1990s remained below 2.5 per cent, while population growth was above 2.7 per cent. The *per capita* gross domestic product in sub-Saharan Africa is now US$200 lower than in 1974, a decline of 11 per cent in a quarter of a century (World Economic Forum, 2004). During the same period, the global economy was growing at an average annual rate of two per cent, while the *per capita* income of many of the East Asian countries was converging rapidly towards advanced country levels.

The extent of poverty and vulnerability across the continent is also aptly demonstrated by social indicators. For example, life expectancy at birth is only 54 years (and for sub-Saharan Africa this declines to 47 years); whilst the mortality rate of children under five years is 140 per 1000 persons. Furthermore, there are only 16 doctors per 100 000 inhabitants. The illiteracy rate for persons over 15 is estimated to be 41 per cent, with the continent being the only region in the past decade where school enrolment has declined at all levels (especially among women and girls). In terms of infrastructure, only 58 per cent of Africa's populace have access to safe water, while teledensity (the number of telephones per 1000 persons) is 18 compared to 146 for the world as a whole. Walking is the principal means of transportation for 87 per cent of rural households in Burkina Faso, Uganda and Zambia (International Fund for Agricultural Development 2001).

Africa's trade and investment initiatives are also lagging. While Africa accounts for 13 per cent of the world's population, the continent contributes less than one per cent

[3] More information on millennium development goals can be obtained from http://www.developmentgoals.org/.

© 2005 Economic Society of South Africa.

of total world trade and its exports (as a share of global trade) is less than 1.6 per cent. According to African Development Indicators 2002, two important sources of finance to Africa (foreign direct investment [FDI] and official aid) declined in 2000 - even to those countries widely perceived as adhering to sound economic and social policies. At the same time, the gross domestic savings rate in sub-Saharan Africa has shrunk to an average of 16.1 per cent of GDP in 2002 (compared to 20.2 per cent in the 10 years prior to 1984). Africa, as a whole, currently attracts less than one per cent of total global investment. FDI (net of outward investment flows) is now running, on average, around three times the levels of the early 1990s. Net official development assistance to sub-Saharan Africa dropped by one billion dollars in 1998 to US$12,3 billion in 1999, and is well below the US$18,1 billion received in 1994. International aid still represents an important source of financing for African countries, except for South Africa and a few other Southern African countries. Many governments depend on aid for half of their recurrent expenditure; as such, Africa receives 31 per cent of all aid from all sources (Downer 2002).

Africa suffers from minimal integration in the world economy, a comparatively poor rate of growth and excessive reliance on primary products. Political crises and low rates of return on investments have meant that as much as 40 per cent of Africa's own savings are invested outside the continent (US Department of State 2002). Most African countries export mainly primary products (such as agricultural produce and mineral resources), which severely limits international trade. In addition, African economies are characterised by small domestic markets and huge structural weaknesses (such as underdeveloped physical infrastructures, ineffective financial sectors and poorly developed manufacturing sectors), and are highly dependent on imports for capacity utilisation and accumulation. Low levels of investment in essential infrastructure limits the continent's progress in diversifying its production base and export range. Other negative contexts in which Africa is perceived are broadly familiar: huge debt, famine, drought, ethnic conflict, HIV/Aids, poor governance, corruption and political instability.

Sub-Saharan Africa has remained vulnerable to political, ethnic and social tensions, and to exogenous shocks capable of undermining economic activity (COFACE 2004). Equally dismal, conflict and instability in all the sub-regions continue to spread refugees. The United Nations High Commission for Refugees reports that 6.3 million refugees, asylum seekers, internally displaced people, returnees and other vulnerable groups (out of a total of 22.3 million globally) existed in Africa in 1999 (UNHCR 2000). Many countries are perceived as continually facing very shaky financial situations, despite debt reductions granted under the Highly Indebted Poor Country (HIPC) programme. In light of this, the region is perceived as risky and crisis prone. The ratings[4] assigned to most African countries therefore reflect high-risk levels since - except for Botswana (A2), Mauritius and Namibia (A3), and South Africa (A4) - they are confined to categories B, C and D (COFACE 2004). These factors render Africa unattractive to potential investors.

---

[4] It measures the average level of short-term, non-payment risk presented by companies operating in a particular country. It reflects the extent to which the country's economic, financial and political outlook influences the financial commitments of companies.

© 2005 Economic Society of South Africa.

(b) The business environment in Africa

(i) Infrastructure Bjorvatn (1999a,b; 2000) suggests that firms will locate their industrial activities in countries with superior national infrastructure. Both the quantity and quality of infrastructure in a location are crucial factors influencing the operation of business ventures. Physical infrastructure includes roads, railways, ports and telecommunication facilities. The latter includes traditional postal services and modern communication facilities such as the internet. Good infrastructure lowers transaction costs by facilitating the flow of information and goods, and is an essential step in achieving sustainable export growth. On the other hand, a lack of infrastructure could lead to numerous logistical problems for businesses.

Africa has poor "hard" physical infrastructure like telecommunications, power, transportation, water and sanitation. Much of the continent's transport infrastructure was designed during the colonial era to transport minerals and other natural resources to the nearest port, with virtually no infrastructure to connect African countries. Although some countries like Zimbabwe, Malawi, Swaziland, Egypt, Tunisia and South Africa have reasonably good road infrastructure, some experts point out that Poland has more roads than the whole of Africa (World Bank and The World Bank Group, 2000). Low population density, small national markets, and a high number of small and landlocked countries make it difficult to develop infrastructure in the continent. Infrastructure imbalances and weak sea-bound transport lead landlocked countries such as Botswana, Lesotho and Swaziland to depend on South Africa for channeling their exports and imports. Africa is tasked with developing its infrastructure as a means of attracting and keeping FDI.

Another issue of concern about infrastructure in Africa is its cost. Experts suggest that the continent has the highest transport cost of any region (Klein 2004; World Bank and The World Bank Group 2000). The continent is isolated from major maritime and air routes and is served by peripheral, high-cost routes. Freight costs for imports are 70 per cent higher in East and West Africa than in developing Asia. These high costs are attributed to (among other things) lower road quality, higher fuel taxes, higher imported vehicle costs and costly bureaucratic procedures.

The Economist (2000a,b) estimates that 34 countries in Africa have less than 10 telephone lines per 1000 people (compared to the average of 500 lines per 1000 people in rich countries). However, these figures do not include access to mobile telephones in Africa. An estimated 52 million Africans rely on mobile telephones for communication (compared to about 25 million people who use landlines in Africa) (Adoba 2004).[5] Fixed-line systems can, however, offer widespread broadband capabilities. A lack of development in this area could ultimately limit economic growth in the region (Chalmers 2004).

Modern communication and information technology infrastructure (like the internet) has, however, yet to take root in Africa. The gap created by the digital divide between Africa and the developed world is extremely huge. This is a negative in terms of the ability to increase FDI in the region, especially in this e-commerce age. Ample resources are required if this infrastructure is to be provided at acceptable standards. The United Nations Conference on Trade and Development (UNCTAD) (2000) identifies some of the challenges that Africa has to overcome before it can more fully

[5] In 2003, 13 million Africans purchased mobile handsets for the first time.

© 2005 Economic Society of South Africa.

exploit the advantages of e-commerce. These include the low level of economic development and small *per capita* incomes, the limited skills base with which to build the e-commerce services, the number of internet users needed to build a critical mass of online consumers, the lack of familiarity with even the traditional forms of e-commerce (such as telephone sales) and the use of credit cards.

(ii) The nature of Africa's market environment The size of national markets is decisive in determining trade and investment opportunities since small national markets limit economies of scale, reduce competitiveness and increase risk. Africa had a combined population of 783 million and a total GDP of US$552 billion by the end of 2000. With a *per capita* GNP of some US$690, pessimists may argue that this is too small a market. However, at the regional level, the absolute size of consumption and trade is still substantial. At 83 per cent of GDP, total consumption is about US$460 billion per year. Annual imports of goods and services into the continent total US$170 billion.

Access to African markets is facilitated by a number of measures. Several economic integration initiatives have made tangible progress within the region in recent years. In January 2000 the West Africa Economic and Monetary Union (UEMOA) set up a customs union. Customs duties were eliminated for trade among the eight West African countries and a schedule of common external tariffs was established. Also, in 2001 nine countries under the Common Market for Eastern and Southern Africa (COMESA) initiated a Free Trade Area to remove tariff and non-tariff barriers among members. Likewise, the Trade Protocol of the Southern African Development Community (SADC) came into effect in September 2000 and is aimed at dismantling tariffs within the zone in a period of eight years. Other important initiatives include: the East African Community (EAC), the Economic Community of West African States (ECOWAS) and the recently formed African Union (AU). Furthermore, it is now recognised that real economic integration requires not only trade liberalisation, but also cross-border investments by enterprises from participating countries. For instance, the Cross-Border Initiative (CBI) in Southern and Eastern Africa comprises an investment facilitation element.

(iii) Corruption in Africa Transparency International collects data on the perception of corruption, mainly on the basis of private sector surveys. Corruption is defined as the misuse of entrusted power for private gain and ranks from 10 (no corruption) to 0 (highly corrupt). The organisation prepares a table annually, which shows the ranking of 91 countries. In general, African countries score low.[6] Only Botswana (ranked 26), Namibia (30) and South Africa (38) are ranked in the top 50. Scores below 5.5 are perceived to indicate significant problems with corruption. Government procurement of goods and services in sub-Saharan Africa is often tainted by corruption, resulting in inflated prices and in other cases capital flight overseas. It is estimated that 40 per cent of the continent's wealth is stashed abroad (Klein 2004). Corruption is now widely recognised as a serious obstacle to development. Kameir and Kursany (1985) view corruption as an important "factor of production" in Sudan.

(iv) Non-tariff barriers to trade and investment At least five types of constraints or non-tariff barriers can be found in the region. These are:

- Production of identical products
- Many African countries produce similar goods (especially primary agricultural

[6] Countries such as Nigeria, Uganda, Kenya and Cameroon are found at the bottom.

© 2005 Economic Society of South Africa.

goods), for example cocoa, coffee, tea, cotton and fish. Since most African countries produce and export raw materials (not processed goods), intra-African trade is dominated by a handful of countries selling a handful of products. In sub-Saharan Africa (excluding South Africa) five countries - the Ivory Coast, Ghana, Kenya, Nigeria and Zimbabwe - provide about three-quarters of all intra-African exports. Petroleum alone accounts for more than 30 per cent of this exchange; cotton, live animals, maize and cocoa add a further 18 per cent. To a lesser extent, fresh fish, vegetables, tea and sugar are also traded. Manufactured goods account for only about 15 per cent of such activity. For individual countries, a few commodities often make up the bulk of exports to the rest of the continent. In Angola, for example, petroleum and petroleum products make up more than 90 per cent of exports to other African countries. In the Seychelles, fresh fish constitutes nearly 98 per cent of such exports. Because of a very limited diversity of products, the same primary products also tend to dominate Africa's trade with the rest of the world.

- Documentation requirements
- Trade is circumvented by numerous and lengthy documentation requirements. A number of official documents are required which take an average of two to three days to process. Documentation requirements are changed frequently and are not harmonised with those of other centres, which creates logistical problems.
- Import/export procedures
- These are not clear from country to country. Moreover, in countries such as Mozambique, many official procedures dating from the colonial era are still in use - and these are responsible for many delays in international trade. Many African countries use transaction-based controls that slow down clearance and, as a result, lead to the sub-optimal use of customs resources. The lack of uniform transport rules in Africa associated with diverse documentation requirements, technical regulations, and reporting and visa requirements constitute some of the non-tariff barriers keeping trade agreements from being successful.
- Information technology
- The lack of automated processes and information technology in most African countries results in delays that increase import/export costs. Without predictable information on costs and time, traders have difficulty making informed business decisions. The lack of transparency and the non-standardisation of procedures are a major source of irregularities and corruption.
- Risk insurance is expensive

Companies doing business in Africa have to rely on expensive risk insurance with organisations such as the World Bank's Multilateral Insurance Guarantee Agency (MIGA) facility (which offers first tier insurance), the Africa Trade Insurance (which covers both political and credit risk), and South Africa's government-owned Export Credit Insurance Corporation (which deals directly with capital goods exporters and South African financial institutions, offering supplier credit, project credit and financial credit) (Games 2003). Eliminating these risks is costly and could affect investment initiatives adversely.

2. NEPAD: ITS ORIGIN AND STRATEGIC FRAMEWORK FOR INSTITUTIONAL REFORM

Institutions establish the rule of the game for a society. Using North's (1990) definition,

institutions are the formal and informal constraints on political, economic and social interactions. From this perspective, good institutions are viewed as establishing an incentive structure that reduces uncertainty and promotes efficiency - and hence contributes to stronger economic performance. Institutions affect performance by fostering better economic choices (IMF 2003). The International Monetary Fund (2003) reported findings of research studies that suggest measures of institutional quality appear closely related to cross-country differences in *per capita* GDP. Improving institutional quality by one standard deviation (for example for Cameroon, up to the all country average) would imply an increase of 1.4 percentage points in the average annual growth in per capita GDP (IMF 2003). Greater openness to trade, stronger competition and higher transparency are conducive to institutional growth. NEPAD is a framework for institutional reform in Africa.

(a) Origin of NEPAD

At its inaugural summit in Durban, South Africa in July 2002, the AU adopted an Action Plan for NEPAD as the continent's framework for promoting economic development and strengthening partnerships with the international community. NEPAD is a united attempt by Africa's political leaders to muster a comprehensive and integrated strategic policy framework that will enhance current levels of socio-economic development and reduce high levels of poverty across the continent. The framework is based on the need to address the deep dissatisfaction emanating from almost two decades of policy reforms[7] that have done little to resolve the socio-economic stagnation of many African economies. Through the NEPAD process, it is expected that the following outcomes will be realised: (1) economic growth and development, and increased employment; (2) reduction of poverty and inequality; (3) diversification of productive activities; (4) enhanced international competitiveness and increased exports; and (5) increased African integration.

Against this backdrop, President Mbeki of South Africa and President Wade of Senegal proposed two initiatives for Africa's development: the New Millennium for African Recovery Programme (MAP) and the Omega Plan (OP). The Organisation of African Unity's (OAU) Extraordinary Summit held in Sirte, Libya during September 1999 mandated President Mbeki and President Bouteflika of Algeria to engage Africa's creditors on the total cancellation of Africa's external debt. Following this, the South Summit of the Non-Aligned Movement and the G-77 (held in Havana, Cuba during April 2000) mandated President Mbeki and President Obasanjo of Nigeria to convey the concerns of the countries in the southern hemisphere to the G-8 and the Bretton Woods institutions. Realising the correlation between the two mandates and the fact that debt relief forms but one critical aspect of the overall development agenda for Africa, the OAU Summit held in Togo in July 2000 mandated the three presidents to engage the developed countries in the northern hemisphere with a view to developing a constructive partnership for the regeneration of the African continent. Following from this, the three presidents raised the issue of a partnership with the leaders of the G-8 at their Summit in Japan during July 2000. The work on developing NEPAD (at that stage referred to as the Millennium Partnership for the African Recovery Programme [MAP]) then began in earnest and a process of engagement on a bilateral and multilateral level

[7] Most notable of these policy reforms are the stabilisation and structural adjustment programmes approved by the International Monetary Fund and World Bank.

© 2005 Economic Society of South Africa.

was pursued. Following an agreement reached through the OAU, both the MAP and OP proposals were merged to form the New Africa Initiative (which was renamed NEPAD in October 2001).

Central to the NEPAD framework is the need for African countries to pool their resources. Therefore, the policy emphasises strengthening the five sub-regional groupings[8] on the continent *via* capacity building within and the rationalisation of existing regional organisations. A multi-faceted approach will be implemented to harmonise economic and investment policies, provide essential public goods (in the areas of transportation, energy, water, education and health facilities), promote intra-African trade and investments, enhance Africa's competitiveness and enable economies to grow within the current context of globalisation. The accomplishment of these socio-economic and development objectives rests on mobilising substantial levels of investment in infrastructural development (especially in the areas of energy and information, and communications technology), human resources development (including education, skills development and reversing the "brain drain" problem), health services, agriculture and making Africa's exports more accessible to the markets of the developed world.

Until the adoption of the NEPAD framework, the broad approach taken by African countries in sustainable development has not been promising. With NEPAD, however, it is now possible to speak of some degree of coherent, positive pan-African policy on sustainable development. NEPAD functions as a multilateral process promoting good governance in Africa (Grawitzky 2003:11); and the new AU (launched also in July 2002) is intended to give unity and thus weight to Africa's voice in world affairs. From an African perspective, the development debate as a whole is too focused on how existing volumes of aid might be more effectively structured or delivered. However, the removal of legal-economic barriers to African participation in the global economy holds vastly greater potential for African growth, empowerment and self-respect. This will halt the marginalisation of Africa in the globalisation process.

NEPAD is therefore a package of tested remedies that can gain the confidence and support of African and international partner governments. It incorporates many principles seen as conducive to institutional strengthening and economic growth. It places emphasis on reducing conflict, protecting human rights and pursuing other measures to improve political governance. In addition, it focuses on policies to promote competition, trade and foreign investment, underpinned by measures to strengthen macroeconomic and structural policy frameworks, and drawing in part on international best practices and peer reviews. NEPAD advocates adapting development strategies to local circumstances and strengthening domestic agencies and mechanisms through which policy improvements are implemented (IMF 2003).

(b) NEPAD's strategic framework

NEPAD proposes the implementation of a number of institutional reforms as a way of providing financial and non-financial incentives to existing and potential investors in Africa, and to ensure domestic resource mobilisation for socio-economic development.

[8] The five main sub-regional groupings in Africa are the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), the Common Market for East and Southern Africa (COMESA), the Community of Sahel and Saharan States (CEN-SAD) and the East African Community (EAC).

© 2005 Economic Society of South Africa.

Some of these reforms are discussed next. NEPAD is structured into three components: (1)the first component provides the preconditions for sustainable development, which are the Peace and Security Initiative, the Democracy and Political Governance Initiative, the Economic and Corporate Governance Initiative, and the sub-regional and regional approaches to development. (2) The second component provides the sectoral priorities, which include bridging the infrastructure gap, the Human Resources Development Initiative, the Agriculture Initiative, the Environment Initiative, the Cultural Initiative, and the Science and Technology Platforms. (3) The third component involves the mobilisation of resources and refers to the Capital Flows Initiative and the Market Access Initiative.

NEPAD's strategy is aimed at facilitating the twin tasks of providing the conditions necessary for sustainable development, and the identification of priority sectors such as infrastructure development and resource mobilisation.[9] NEPAD's commitment to good economic governance seeks to evolve well-defined structures; harmonious and complementary fiscal, monetary and trade policies; coherent development strategies and programmes; promotion of a dynamic domestic private sector; and the establishment of monitoring and regulatory authorities for the promotion and coordination of different economic activities. The measures are intended to enlist international support for identified programmes and seek to propel Africa's integration into the global economy. NEPAD emphasises increased investment (rather than increased aid) and asks Africans to "take ownership and responsibility for the sustainable economic development of the continent". It is envisaged that this will help stem the tide of Africa's marginalisation, provide access to resources and markets, and enable Africa to effectively manage and contribute to its new spirit of openness as a means of achieving self-reliance. NEPAD proposes that the integration process be managed more constructively through the application of "fair and just rules".

(c) Mobilisation of capital for investment

A projected economic growth rate of seven per cent per annum is required to halve the proportion of Africans living in poverty by the year 2015. This projected growth will require an estimated US$64 billion (or 12 per cent of the continent's GDP) of capital annually (UNCTAD 2002b). A Comprehensive Africa Agriculture Development Programme (CAADP) will require US$17,9 billion annually until 2015, or a combined total cost of US$251 billion.[10] These funds will be utilised for land and water management (US$37 billion), rural infrastructure development (US$92 billion), improving market access (US$2,8 billion), increasing food supplies, reducing hunger through improved smallholder productivity (US$7,5 billion), and promoting agricultural research and technology dissemination and adoption at an estimated cost of US$4,6 billion (Wray 2003). The bulk of the required resources will have to be sourced outside the African continent and rests on two factors. Firstly, governments should ensure that domestic institutions are able to effectively mobilise national savings of households and firms, and should facilitate more effective tax collection to increase public revenue. Secondly, since much of the domestic savings in African economies are lost in the form

[9] Resource mobilisation is crucial for attracting foreign direct investment into Africa.

[10] These estimates include a provision of US$31 billion for land and water systems maintenance, US$37 billion for rural infrastructure maintenance, and US$42 billion for food emergencies and safety nets.

© 2005 Economic Society of South Africa.

of capital flight, governments should develop a macroeconomic environment that will render domestic economies attractive as prime investment locations.

Dispelling the notion of Africa as a "high-risk" continent means that NEPAD will have to implement initiatives on peace and security and on political and economic governance. In this regard, initiatives such as credit guarantee schemes and a strong regulatory and legislative framework that focus on market operations, financial systems and property rights are a means of attracting external investment. Central to the whole process is the formation and implementation of capacity building via public-private sector partnerships (PPPs), which will be funded by regional development and financial institutions that will aid national governments in the provision of infrastructural and social services. The overarching purpose of NEPAD is to promote the development, deepening and integration of financial markets in African countries.

(i) Political institutional reform in Africa. At the core of the NEPAD vision is the Democracy and Political Governance Initiative, a peer review and possible censure mechanism.[11] Faced with the most challenging economic and social conditions (and further confronted by the HIV/AIDS pandemic) African leaders have recognised the need to improve their policies, as spelled out in NEPAD and signed in October 2001. African states have pledged to uphold the rule of law, equal rights of citizens, an open political system, regular elections, separation of powers and transparent institutions. Accordingly, African leaders have pledged to ensure that their constitutions reflect these new objectives, institute a fair electoral system and encourage the development of civil society organisations. African heads of state will also endeavour to adopt transparent public financial practices, public debt management and international accounting standards. Through these principles, African states hope to increase market efficiency, reduce spending, consolidate democracy and increase capital flow to Africa.

(ii) Measures to improve political governance Efforts under the NEPAD Peace and Security Initiative to promote peace and security on the continent should eventually have a beneficial impact on domestic savings if they succeed in reducing the need for high military expenditures on the continent. NEPAD seeks to strengthen regional mechanisms for conflict prevention, management and resolution. Work is under way to develop capacity for triggering early warning signals of potential conflicts and for prevention actions, taking remedial actions and managing the peace process (including support for post-conflict reconstruction in affected countries). NEPAD is also finalising proposals for political governance standards and a peer review mechanism for promoting the adoption of these standards. NEPAD calls for enhanced capacity and stronger institutions in administrative and civil service structures, parliamentary oversight, participatory decision making and judicial services. At national level, reforming public expenditure patterns to reduce military spending may translate into an expansion of public domestic savings, and African leaders should explore ways of

[11] The African Peer Review Mechanism will enhance African ownership of its development agenda through a system of self-assessment that ensures that policies of African countries are based on best current knowledge and practices. It is expected that this will be an effective mechanism (designed, owned and managed by Africans) which will be credible, transparent and all-encompassing, so as to demonstrate that African leaders are fully aware of the responsibilities and obligations to their peoples and are genuinely prepared to engage and relate to the rest of the world on the basis of integrity and mutual respect.

© 2005 Economic Society of South Africa.

achieving such reductions.[12] Institutional reforms at regional level will focus on legal instruments, conventions and protocols with the AU.

(d) NEPAD's strategy for growth

This is based on two mutually supportive pillars: a climate that is conducive to public and private investment, and sectoral priorities that focus on education, health, water and sanitation, agriculture, energy and infrastructure (including transport, and access to information and communication technology).

(i) Promoting good economic governance NEPAD underscores the importance of fighting corruption and calls for the adoption of internationally accepted standards that are supported by peer review in three key areas: macroeconomic policy, institutional and market infrastructure, and financial regulation and supervision. It stresses that compliance with appropriate standards will be required of both public and private entities.

(ii) Reform of public procurement (and corruption) Individual countries in Africa have adopted programmes to combat corruption. NEPAD proposes to institute reforms designed to produce "effective measures to combat corruption and embezzlement".[13] In this regard, the AU ministers have proposed tough new laws aimed at combating corruption in Africa. This will enable African countries to extradite officials who are suspected or have been convicted of corruption to their home countries. Governments will also have the power to obtain documents from banks to help win convictions.

(iii) Reform of trade and investment regulations The NEPAD Declaration states that governments will undertake to create an environment that is conducive to private sector investment and growth. To this end, African leaders aim to improve education, promote gender equality and foster greater partnerships between the private sector, government and civil society groups. In particular, the government will focus on infrastructure and the macroeconomic environment.

A number of investment incentives are now available in many African countries. Investments require capital and technology, which are scarce in African countries. Attempts to harness the natural resources sector have been facilitated by changes to the laws and regulations relating to mining (including oil and gas) in recent years. At least 20 African countries have revised their mining code. For example, Namibia adopted an open petroleum licensing system in 1999 in terms of which authorities can accept bids on oil exploration at any time from any company, subject to certain established requirements.

---

[12] Official data on military spending suggest that military expenditures as a percentage of GNP are reasonably low for many African countries. Only Angola, Botswana, Burkina Faso, Burundi, Cameroon, the Democratic Republic of Congo, the Republic of Congo, Eritrea, Kenya, Lesotho, Mozambique, Sierra Leone, South Africa, Zambia and Zimbabwe have military expenditures in excess of two percent of GNP. Given the known fact that many countries do not report their military spending accurately, it is possible that many more countries spend more than two percent of their GNP on the military. Many of the countries that had large military expenditures in 1997 (such as Angola [21 percent of GNP], Eritrea [7.7 percent] and the Democratic Republic of Congo [five per cent]) were unfortunately all engaged in wars or civil conflict.

[13] "By subjecting government contracts to competition, Nigeria saved about US$1 billion in 2003/2004." (Mrs Oby Ezekwesili, Nigeria's President's Special Assistant on Budget Monitoring and Due Process Matters, 26 May 2004.)

© 2005 Economic Society of South Africa.

(iv) NEPAD's Market Access Initiative The Market Access Initiative (MAI) of NEPAD has two major objectives. The first objective is to diversify the production base of African economies and to develop a broad capital goods sector. In the process, inter-sectoral linkages will be promoted in agro-industries, energy and mineral resource based sectors where African countries have a comparative advantage. Diversification can occur through two principal means. The first is to ensure that African countries engage in value added activities, especially in agro-processing and mineral beneficiation. The second is to broaden the profile of private entrepreneurial activities, especially micro-enterprises in the informal sector and small- and medium- scale firms in the manufacturing sector. Since the majority of African entrepreneurs are unable to obtain easy access to capital, small-, medium- and micro-enterprises (SMMEs) are the only viable means of generating employment and economic development.

Promoting trade on the continent by, firstly, promoting intra-African trade and increasing Africa's share of the international trading system, is the second objective of the Market Access Initiative. This requires undertaking infrastructural and regional integration initiatives, and also securing and stabilising preferential trade agreements such as the Generalised System of Preferences (GSP) and the Africa Growth and Agreement Act (AGOA), to ensure that products in which Africa has a comparative advantage gain improved access to the markets of industrialised countries.

(v) Tax incentives/holidays Tax exemptions, tax holidays or tax reductions for foreign investors (and other similar incentives) play a positive role in attracting FDIs to a given destination. Some other types of incentives that may play similar roles include guarantees against arbitrary treatment in case of nationalisation; government provision of utilities such as water, power and communication at subsidised prices; tariffs or quotas set for competing imports; reductions/elimination of import duties on inputs; interest rate subsidies; guarantees for loans and coverage for exchange rate risks; wage subsidies; training grants and the relaxation of legal obligations towards employees. A number of African countries have put in place a host of incentives destined to attract FDI.

3. TRADE SPECIFICATIONS OF NEPAD

This section begins by listing the most important trade-related issues addressed by NEPAD, and then identifies and discusses South Africa's investment links with the rest of Africa.

(a) Infrastructural inter-linkages within Africa

NEPAD argues for the building of cross-border and trans-African road networks, railways and other means of transport and communication, and the consolidation of joint energy, water and other systems to attract investment (Keet 2003).

(b) Encouraging capital flows within Africa

NEPAD recommends promoting intra-African trade and investment through the harmonisation of economic and investment policies.

(c) Common and coordinated regulatory frameworks

The programme proposes a coordinated regulatory framework to facilitate cross-border cooperation in terms of national sector policies, the harmonisation of economic and investment policies, monitoring regional decisions, and drafting regulations dealing with manufacturing processes and standards of trade regulations.

© 2005 Economic Society of South Africa.

(d) Complementary and/or combined cross-border production
NEPAD argues that most African countries are vulnerable because of their dependence on primary production and raw materials. It thus emphasises the inter-regional pooling of resources and common production strategies with increased inter-regional trade.

(e) Agricultural development and food security
NEPAD sees improved agricultural performance as critical to increasing rural people's purchasing power, which will also lead to a higher demand for African industrial goods. There are some references in the programme to small-scale farming and female farmers, but the thrust is on large-scale private investment in agriculture.

(f) What Africa needs from South Africa
Many sub-Saharan African countries need the expertise, investment and concrete business opportunities originating from South Africa to kick-start their development process. Among other things, Africa needs investments in exploratory activities (particularly in non-traditional minerals) to improve the quality of geological data and to map new deposits. Even the discovered reserves are (for a large part) untapped, and the scope for investment is considerable. Some of these trade and investment needs are discussed below.
(i) Africa needs trade with South Africa The South African economy is the largest in Africa. South Africa accounted for 19 per cent of Africa's overall nominal GDP in 2002 (about 33 per cent of the nominal GDP of sub-Saharan Africa). South Africa is responsible for about 40 per cent of the continent's industrial output. Traditionally, one of the reasons for the lack of intra-African trade is because African countries produce similar non-diversified goods. Africa needs to benefit from the diversity of outputs from South Africa in order to boost the intra-African trade regime. This provides an opportunity to procure internationally traded goods and services at reasonable cost from an African country.
(ii) Africa needs to boost its value added manufacturing Africa's share of exports of processed products in the world is markedly lower than its share of ore exports. The current level of transformation of minerals is also low. For instance, Africa supplies 42 per cent of the world's exports of bauxite, but only about 10 per cent of the processed and semi-processed aluminium products. Similarly, some 80 per cent of cobalt in the world comes from Africa, but just a little more than 20 per cent of cobalt metal is produced on the continent. For energy resources, a major problem is the flaring of gas from oil fields. Value added manufacturing is typically low in African countries.

In contrast, South Africa is endowed with a complex and highly diversified manufacturing sector and is the only major manufacturer in sub-Saharan Africa. South Africa is also one of the lowest-cost producers of electricity in the world, accounting for about 50 per cent of the electricity output of Africa. Africa needs to benefit from this experience in order to boost individual countries capable of extending their manufacturing sectors.
(iii) Africa needs to develop its financial sector The level of domestic savings in sub-Saharan Africa remains below that of all other developing regions, representing only about 12 per cent of the aggregate GDP. The banking sector in Africa is weak, and weak banks tend to have higher loan-to-deposit spreads - thereby discouraging savings and investment. Banking sector penetration in a typical sub-Saharan African country is around one per cent of GDP. While the financial sector in many African countries is in

© 2005 Economic Society of South Africa.

poor shape, South Africa has a well-developed financial services sector. In South Africa, this sector is one of the largest and most deregulated within emerging markets - with sophisticated banking, bond and insurance markets accounting for 20 per cent of GDP and 220,000 jobs in total. Capital market and financial sector development can be an important facilitator of economic growth on the continent. Whereas many African countries have either no or underdeveloped stock markets, the Johannesburg Securities Exchange (JSE) is the largest in Africa and the 15th largest exchange in the world. It is measured by capitalisation and is an important source of equity financing. The Bond Exchange of South Africa (BESA) is also sophisticated and has been growing rapidly in recent years. Foreign companies, including African firms, have access to South Africa's domestic financing and may list on the JSE. International ratings agencies (Standard and Poor's, and Moody's Investors Service) have assigned a higher investment grade rating for South Africa on the strength of its stable financial services sector. Over half of the continent's endowment of computers and banking facilities are located in the country. African countries hence need South African expertise for short-term and long-term savings mobilisation, and financial sector development in general.

(iv) Retail, food and beverage market development in Africa is low The retail market is another area where Africa could benefit from the experience of South Africa, because the country has a well-developed retail market. South Africa's food and beverages industry produces high-quality commodities and is a strong competitive sector for both local and international markets. South Africa is a major producer of wine and beer. Worldwide, South Africa ranked 11th in terms of wine production in 2002. South Africa also has over 1,800 food production companies and the processed food sector is fairly developed. The expertise developed in these areas could be shared with the rest of Africa through corporate expansion in the continent.

(v) Africa needs expertise in infrastructure development and maintenance Decades of insufficient maintenance and under-investment have left transport infrastructure in extremely poor shape. Many trans-African highways are so dilapidated that they no longer meet design standards. South Africa is endowed with superior infrastructure, dominating the continent in terms of paved roads and railway lines (in which it accounts for half of Africa's total). Regional cooperation in infrastructure development was not encouraged in the past.

For these reasons, many countries in sub-Saharan Africa now rely on South African companies and expertise to develop various sectors of their own economies (South Africa Foundation 2004). South Africa is therefore uniquely positioned to take advantage of the growing African economies and to contribute to the continent's development.

(g) Why South Africa needs Africa

(i) South Africa needs to be integrated with the continent During the apartheid years cultural, political and economic sanctions were imposed against South Africa. As South Africa embraced democracy, these sanctions were lifted. This opened up the possibility of corporate expansion of dominant South African firms into the rest of Africa as a means of maintaining economic viability and acquiring more competitive strength in a globalising world. Also, expanding into other parts of Africa could minimise the impact of policy changes that are introduced under democracy on South African business interests, and should facilitate the closer integration with Africa of an otherwise previously isolated country (Daniel, Naidoo and Naidu 2003).

© 2005 Economic Society of South Africa.

(ii) Domestic competition in South Africa's financial sector is motivating expansion into the rest of Africa Increased competition in South Africa's financial sector has been accompanied by growing customer demands and a widening of alternative investment options such as mutual funds. These demands are prompting insurance companies and commercial banks to seek opportunities outside South Africa - both elsewhere on the continent and in developed markets. The previously domestically focused South African banks are now exploring international ventures, with Investec tapping into the established overseas markets, and Stanbic and ABSA moving into other African countries.
(iii) South Africa needs regional infrastructure development to facilitate its own business expansion into the rest of Africa During the years of apartheid, South Africa developed alternative service infrastructure to reduce links with other African countries (particularly those in the southern region) as a way of reducing dependence on the infrastructural facilities of these countries. Under the present situation, developing new regional infrastructural links (especially in Southern Africa) is consistent with facilitating closer economic links in order to promote the interests of South African businesses.
(iv) Africa's endowment of natural resources is attracting South Africa Africa (as a whole) is richly endowed with mineral reserves and ranks first or second in terms of the concentration (20 per cent to 89 per cent) of the world's mineral reserves of bauxite, chromite, cobalt, diamonds, gold, manganese, phosphate rock, platinum-group metals (PGM), titanium minerals (rutile and ilmenite), vanadium, vermiculite and zirconium. The effective exploitation of Africa's strategic minerals (such as gold, cobalt, oil, platinum and chromium) will be a major boost to the continent. The utilisation of these natural resources under conditions of appropriate manufacturing sector infrastructural investment holds great promise for fostering trade on the continent.

The level of already discovered mineral reserves in Africa is large and diversified. In terms of energy resources, Africa's oil reserves are estimated at 10,5 billion tons. Crude oil production amounted to 333 million tons in 2000. Gas reserves are around 10,2 trillion cubic meters.[14] Coal reserves are limited, with only six per cent of the world total concentrated in Southern Africa. Hydro-energy potentials are, however, immense with 1300 Twh per annum (believed to be about one third of the world's total potential). Over 50 per cent of these resources are located in Central Africa. It is estimated that a mere six per cent of Africa's hydro potential is currently being used (ADB 2001, 2002).[15] In non-fuel minerals, Africa is geologically the most endowed region in the world. The continent holds 30 per cent of the world's bauxite, 61 per cent of manganese, 76 per cent of phosphates, 88 per cent of the platinum group metals, 81 per cent of chromium, 60 per cent of cobalt, 38 per cent of rutile, 30 per cent of titanium, 73 per cent of diamonds and nearly 40 per cent of gold (Bocoum-Kaberuka 1999).
(v) Cheap labour costs means the labour force is competitive in the rest of Africa Labour availability and relatively low labour costs, high skills and efficiency are important factors that determine FDI inflows to a given destination. Relatively lower wage costs have also been used to account for increased FDIs in Asia, especially in the Tigers of Asia. In order to attract FDIs, there should be generally good labour relations; a low rate of

---

[14] Most of the gas generated by oil production is now burnt (except in some parts of North Africa), wasting resources and polluting the environment. Flared gas could well be captured and marketed or made into petrochemical products.
[15] Estimates by African Energy Programme and the African Development Bank.

© 2005 Economic Society of South Africa.

industrial disputes, strikes and lockouts; and a high level of employee loyalty. Countries such as Nigeria, Ghana and Kenya (among others) are endowed with a highly skilled workforce. High unemployment in many countries, combined with weak currencies, means that labour cost is traditionally very cheap (International Labour Organisation 2002).

(vi) Investment in Africa is highly profitable Profitability is of prime interest to foreign investors, including South African businesses. FDI in Africa commands a higher rate of profitability than in most other regions. Africa has the highest rate of return on investment in the world: four times more than the G-7 countries and two times more than Asia (Klein 2004). Since 1990 the rate of return on investment in Africa has averaged 29 per cent. Since 1991 it has been higher than in any other region -- in many years by a factor of two or more (United Nations Conference on Trade and Development 1999b).[16] The rate of return on United States FDI in Africa (excluding South Africa) for 1997 was 25.3 per cent compared to 16.2 per cent for Asia and the Pacific, 12.5 per cent for Latin America and the Caribbean, 14 per cent for the developing countries and 12.3 per cent for all other countries. In 2003 Africa housed the world's best performing stock market. The Ghana Bourse, which was surveyed by Databank Financial Services Ltd (Databank), with a US$ return of 144 per cent, outpaced 61 markets around the world. Uganda, Kenya, Egypt, Nigeria and Mauritius were other strong performers in Africa, with returns in US dollar terms exceeding 50 per cent in 2003. According to Databank, average returns on African stocks in 2003 reached 44 per cent. This compares favourably with a 30 per cent return by the MSCI Global Index: 32 per cent in Europe; 26 per cent in the US (Standard and Poor's Index); and 36 per cent in Japan (Nikkei) (Corporate Council on Africa 2004). In 2004, African markets (excluding Zimbabwe) posted overall average index returns of 41 per cent in US dollar terms, higher than the average 31 per cent returns on investment posted by other emerging markets and 22 per cent for developed markets.

These and other factors are encouraging South Africa's expansion into the rest of Africa.

(b) South Africa's trade with the rest of Africa

The onset of democratisation in 1994 has allowed South Africa to expand its flow of trade to the rest of Africa. In 1999 approximately 30 per cent of South Africa's exports were destined for the continent. South Africa's trade with the rest of the continent now accounts for 14 per cent of total trade (Ryan 2003).[17] South Africa enjoys a huge trade surplus, with its exports to the rest of Africa being four and a half times greater than imports. South Africa's trade policy is largely centred on the SADC. Exports to the fourteen-nation trading bloc of SADC increased from R16 billion to R22 billion in 2000. However, the opening up of the rest of Africa's markets has seen an increase in trade with non-SADC countries. Since 1990 total South African exports of manufactured goods to the rest of Africa have grown from nine per cent to nearly 27 per cent of total commodity exports. Total trade with Africa (excluding the SACU) in

[16] For example, Japanese Transnational Companies (TNCs) had the following percentage of profitability in the following regions in 1995: West Asia (12.6 per cent), Latin America and the Caribbean (7.7 per cent), Africa (5.6 per cent), South-East Asia (2.9 per cent), the Pacific (1.9 percent), North America (1.1 per cent) and Europe (0.8 per cent).

[17] A figure that is equal to the share of trade with North America.

© 2005 Economic Society of South Africa.

2001 amounted to US$856 million in imports and US$3,7 billion in exports. In 1994 South Africa's trade with Africa's second largest economy (Nigeria) was valued at US$12 million. By 2001, this increased to US$400 million, with trade agreements in the areas of telecommunications, energy and the exploration of mineral resources. South Africa also expanded into East Africa, with its exports to the region's largest economy (Kenya) amounting to US$124 million in 2001. In addition, South Africa is gradually gaining a foothold in the manufacturing and construction sectors of Algeria, Senegal and Gabon (Business Day 2002; CountryProfiler 2003). The setting up of trade offices in Angola, Egypt, Ethiopia, the Ivory Coast, Kenya, Mauritius, Senegal and Tanzania; the signing of trade deals allowing South African firms to produce electricity and install water, rail, road and telecommunications infrastructure in Nigeria, Uganda, Malawi, Mali, Mozambique and Rwanda imply that economic and investment links with the rest of Africa are set to increase significantly.

According to a survey by the Johannesburg Metropolitan Chamber of Commerce and Industry, the most popular destination for exports from Gauteng in South Africa in 1999 was Africa. The level of export business generated in Gauteng increased on average by 28 per cent in 1999 (compared to 1998 levels), attributable mainly to market expansion (Wadula 2000). The favourite destination was East Africa (particularly Tanzania), followed by Mozambique, Kenya and Uganda. West Africa was indicated as the area with the second highest potential in Africa, with Ghana and Nigeria getting higher export priority (Wadula 2000). Following the conclusion of the first meeting of the Africa Business Forum in Durban in July 2003, South African companies signed new business deals with companies in the rest of Africa that were worth US$80 million by the first week of August 2003 (Inggs 2003). These ranged in values from US$100,000 to US$20 million.

The type and level of South African business and investment on the continent have grown tremendously. There has been a change from the traditional activities in construction, mining, vehicle components, timber and steel to a variety of businesses (including skills training, education, IT and telecommunications, clinics and healthcare, franchising, advertising, property development and waste management). South Africa is beginning to replace Europe and the US as a market for Africans with regard to higher education, shopping and skills training (Games 2003). The stagnation in the local South African market, new opportunities in Africa, the view that so many South African products are tailor-made for the African market and regional integration are some factors that have enticed South African firms to venture into the rest of Africa. The process has been helped by the fact that many international companies have either re-opened their offices in South Africa or opened new ones after the end of apartheid, and are using South Africa as headquarters to streamline their initiatives into the rest of Africa (Games 2003).

(i) South Africa's FDI in the rest of Africa Available statistics show that total South African FDI flows abroad increased from R24 billion in 1986 to R170 billion in 1998 (Institute for Futures Research 2000). Disaggregated 1997 data show that although FDI stocks were geographically quite widely spread, they were skewed towards a small number of countries, namely Zimbabwe, Namibia, Swaziland, Mauritius and Botswana - a factor highlighting the importance of the Southern African market to South African investors. Importantly, this also reveals that South African liabilities in Southern and Eastern Africa exceed its assets and reflects the great extent to which Southern African

© 2005 Economic Society of South Africa.

countries bank, insure and invest in South Africa. A particularly important aspect of this is the purchase of equity on the Johannesburg Securities Exchange (JSE) by pension and insurance funds from across the region.

South Africa's regional FDI is motivated by national economic interests rather than regional development interests, with South Africa wanting to capitalise on its role as the regional economic leader in terms of its size and the sophistication of its mining, manufacturing and service sectors. South Africa's FDI (especially resource seeking) contributes marginally to economic and employment growth, technology transfer and access to additional overseas markets. South Africa's FDI has contributed to infrastructural development where this will open markets for her exports or provide access to natural deposits (such as petrol pipelines and the aluminium smelter programme in Mozambique, and several telecommunication initiatives).

South Africa's involvement in the African continent has largely been complemented by the beneficial role the South African Reserve Bank has played. In November 2002 the South African Reserve Bank (in recognition of the important role South African business is playing in regenerating the continent) eased capital controls on local companies wishing to invest in other African countries or wanting to expand existing ventures. The limit was raised with immediate effect from US$79 million to US$216 million.

(j) Public-Private Partnerships

(i) Involvement in Africa's construction, engineering and infrastructure development South African firms continue to invest heavily in developing the infrastructural base in the rest of the continent. For example, South Africa's electricity corporation (Eskom) has been able to establish a significant presence in the electricity sector of 30 African countries. Eskom Enterprises is the group's expansion arm to Africa. With a turnover of R2 billion or US$250 million in 2002, it accounted for seven per cent of the group's turnover (Isipisu 2003). The presence of Eskom on the African continent takes the form of joint ventures, management contracts, plant refurbishments and turnaround support to some utilities. Eskom forms a joint venture with Nigeria's National Electric Power Authority (NEPA), called Nepskom, and has already strung 1,300 km of fibre-optic cable along powerlines for NEPA in 2000 and 2001. Eskom Enterprises also has a contract to run two Ugandan hydroelectric dams and has a managing portfolio of five hydro facilities in the hinterland of Africa, including those in Mali and Zambia. Eskom has thrown its weight behind an ambitious project to light up the African continent through a unified grid by 2010 that will centre around the expansion of the giant Inga Hydro Project in the Democratic Republic of Congo at an estimated cost of more than US$1 billion. This will link up the continent's regional power pools (Iafrica.com 2003b).

The Industrial Development Corporation of South Africa Limited and BHP Billiton have invested in the Mozambique Aluminium Smelter-Mozal Project (MIGA 1999). South African engineering and construction majors (such as LTA, Murray and Roberts, and Group 5) have projects across the continent; and Afgri has acquired cotton gins in Zambia and Malawi and has used these as a platform to expand into other markets (Ryan 2003). In the area of real estate development, Lontoh South Africa signed a US$500 million deal in September 2003 with the Ivory Coast city of Yamoussoukro for the development of 4,000 houses and a shopping centre. The project will be completed by November 2005 (Iafrica.com 2003c).

© 2005 Economic Society of South Africa.

Table 1. South African firms' investment in Africa's construction and engineering projects

Investment Target	Country	Source Company	US$/R	Year	Kind
Manufacturing sector in Mozambique	Mozambique	Industrial Development Corporation of South Africa BHP Billiton	US$1,365,000,000	1999	New investment
Natural Gas pipeline from Inhambane to Secunda	Mozambique	SASOL	US$1.2 billion	2004	New investment
Electricity	Zambia	Eskom Enterprises	…	2001	Merger and acquisition
Electricity	Nigeria	Eskom Enterprises	…	2000	New investment
Electricity	Democratic Republic of Congo	Eskom	$1,000,000	planned	New investment

Sources: MIGA (1999); Allafrica.com (2003a,b); *Links (2002); n.d (no date); **UNCTAD(2003); PriceWaterhouseCoopers (2000); Financial Gazette (2000); IDC (2002)

(ii) South African firms' involvement in Africa's transport sector In the area of rail transportation, New Limpopo Project Investments (NLPI) (in collaboration with South Africa's Spoornet) is concluding a 20-year concessionary agreement to operate Zambia Railways Limited with an investment of about US$253 million (Allafrica.com 2003b).

Table 2. South African firms' investment in Africa's transport sector

Investment Target	Country	Source Company	US$/R	Year	Kind
Transport sector (railways)*	Botswana	Transwerk	R3,000,000	…	New investment
Transport sector (railways)*	Cameroon	Transnet	…..	…	25 year concession
Transport sector (railways)*	Ghana	Transwerk	R15,500,000		New Investment
Transport sector (airport renovation)	Mozambique	Airports Company of South Africa	US$35,000,000	2004	25-year concession
Transport sector (railways)*	Tanzania	Transwerk	R6,700,000	…	New investment
Transport sector (Air Tanzania Ltd)	Tanzania	SAA (49 % ownership)	$20,000,000	2003	New Investment
Transport sector (railways)	Zambia	Spoornet	$263,000,000	2003	Concession
Transport sector (air transport)	Zambia	SAA	…	2001	Merger and acquisition

Sources: MIGA (1999); Allafrica.com (2003a,b); * Links (2002); **UNCTAD (2003); IDC (2002) PriceWaterhouseCoopers (2000); Financial Gazette (2000)

In air transportation, South African Airways (SAA) is investing in joint ventures with African airlines. In March 2003, SAA (in partnership with Air Tanzania) launched a new airline (Air Tanzania Limited) to offer direct flights between Johannesburg and Dar es Salaam, and to Zanzibar and Kilimanjaro. SAA has 49 per cent ownership in this venture (Iafrica.com 2003a). Maputo International Airport is being renovated and managed by Airports Company South Africa (ACSA) for 25 years, with the Mozambique Airport Company as a junior partner (Iafrica.com 2004). The investment activities of Transnet are highlighted.

(k) Other South African private sector initiatives in the rest of Africa

South African firms have been involved in a number of private sector initiatives in the rest of Africa. These are discussed next.

(i) Involvement in the communications sector Given the hitherto neglected state of telephonic infrastructure in many African countries, new investments by the mobile phone giants Vodacom and MTN have provided services that are crucial to socio-economic development. MTN has invested more than US$350 million in countries such as Uganda, Rwanda, Swaziland and Cameroon, and plans to spend another US$1,4 billion in Africa's largest market (Nigeria). Consequently, MTN has created the world's three largest telephone networks, covering about 720,000 square kilometres and has contributed to its increased profitability. During the last quarter of 2003, Vodacom

unsuccessfuly sought to buy controlling shares in the second largest mobile phone operator in Nigeria (Econet, now Vmobile) and pledged an investment of US$500 million in the company's infrastructure development. Vodacom instead is implementing a cooperation agreement with Nigerian state-owned telecommunication company, NITEL. Namitech West Africa plans to manufacture (from 2005) 150 million cellphone recharge cards annually in Nigeria (Akintunde 2004). The sheer size of the Nigerian market, the lack of goods and services, and the large amounts of money in the economy have drawn South African business to the country. Nigeria now ranks as South Africa's biggest trading and investment partner in West Africa, followed by Ghana, the Ivory Coast and Mali. Until recently, trade between the two countries was dominated by South Africa's imports of crude oil; but over the past years this has diversified considerably in both directions. The Bi-national Commission between Nigeria and South Africa is one of the more successful of such commissions with other African countries (Games 2003).

Table 3. South African firms' investment in Africa's telecommunications sector

Investment Target	Country	Source Company	US$/R	Year	Kind
Telecommunications	Nigeria	MTN	US$285,000,000	2001/2002	New investment
	Nigeria	Vodacom	US$500,000,000	2003	New investment
	Nigeria	Namitech	US$10,000,000	2005	New investment
	Uganda	MTN	US$175,000,000	2000-2003	New investment
	Cameroon	MTN	US$32,000,000	2000	New investment
	Rwanda	MTN	US$20,000,000	2000	New investment
	Swaziland	MTN	US$20,000,000	2000	New investment
	Lesotho	Telkom	R2,500,000	2000	New investment
Internet industry services	Zimbabwe	UUNET South Africa	US$3,400,000	2000	New investment

Sources: MIGA (1999); Allafrica.com (2003a,b); *Links (2002); **UNCTAD (2003); Price Waterhouse Coopers (2000); Financial Gazette (2000)

UUNET Africa (through its joint venture with Africa Online) is providing internet services to 14 African countries, focusing initially on the eight countries in which Africa Online already has operations: Kenya, Uganda, Tanzania, Swaziland, Zimbabwe, Zambia, Ghana and the Ivory Coast. Future expansion is planned to include Senegal, Cameroon, Nigeria, Ethiopia, Malawi and Mozambique. This service will lift the efficiency, reliability and speed of Internet communication across Africa. An Internet-based education service provider (DireqLearn) won a R15 million contract to provide 35 Nigerian schools with Internet access and educational content, to train teachers and to provide a long-term sustainability plan (Business Day 2003).

Johnnic Communications (Johncom), an integrated media and entertainment company, opened a multiplex cinema in Kenya in 2002 and plans to expand to Nigeria, Ghana and Zambia; while its publishing division is exploring new partnerships in the continent, especially in Nigeria (Iafrica.com 2003d).

(ii) Mining and the financial sector's involvement South Africa's mining companies and commercial banks are extending their wealth of expertise to the continent through FDI in the rest of Africa. Gold producers top the rewards being received by South African companies operating in the rest of Africa. AngloGold (the country's largest gold producer) is a major shareholder in two of the richest gold deposits outside South Africa: a 40 per cent stake in the Morilla Project in Mali (which it bought from Randgold Resources) and a 50 per cent share in the Geita Project in Tanzania (bought from the Ghanaian group Ashanti for US$165 million). Both projects have generated cash and other opportunities for AngloGold (Anderson, McKay and Kemp 2002). For

© 2005 Economic Society of South Africa.

example, Geita has a total reserve base of 7,8 million ounces and produces at a very respectable US$156/oz. Morilla has a two million ounce reserve and hugely promising exploration potential. Morilla also has the lowest costs in the world for any gold mine at only US$88/oz. Gold Fields has also invested in Ghana, with its Tarkwa Project. In the September 2002 quarter, Gold Fields' Ghanaian assets yielded 219,000 ounces of gold, roughly 18 per cent of group production. Gold Fields' Ghanaian operations contributed 15 per cent of operating profit in that quarter, about R237 million (Anderson *et al* 2002).

Table 4. South African firms' investments in African mining and financial sectors

Investment Target	Country	Source Company	US$/R	Year	Kind
Mining sector	Mali	AngloGold Ltd	US$267,000,000	1999	New investment
	Zambia	Harmony Gold Mining CoLtd	US$96,400,000	1998	Merger and acquisition
	Zambia	Anglovaal Ltd	US$50,000,000	1998	Merger and acquisition
	Zambia	Investor Group	US$17,500,000	1997	Merger and acquisition
Financial sector (Barclays Bank of Swaziland)	Swaziland	Standard Bank Group	R10.2 m	1998	Merger and acquisition
Financial sector (Stanbic Bank of Zimbabwe)	Zimbabwe	SBIC Africa Holdings Ltd	R10.0m	1997	Merger and acquisition
Financial sector (Commercial Bank of Zimbabwe)	Zimbabwe	ABSA Bank, IFC	R7.9m	1998	Privatisation
Financial sector (Barclays Bank of Lesotho)	Lesotho	Standard Bank Group	R6.9m	1995	Merger and acquisition
Financial sector (Banco Standard Totta de Mozambique)	Mozambique	Standard Bank Group	R6.0m	1995	Merger and acquisition
Financial sector (Meridien BIAO Bank)	Tanzania	SBIC Africa Holdings Ltd	R6.0m	1995	Merger and acquisition
Financial sector (Stanbic Bank of Zambia)	Zambia	SBIC Africa Holdings Ltd	R5.0m	1998	Merger and acquisition
Financial sector (Botswana Insurance Holdings)	Botswana	African Life	R3.74m	1997	Acquisition

Sources: MIGA (1999); Allafrica.com (2003a,b); * Links (2002);
**UNCTAD (2003); PriceWaterhouseCoopers (2000); Financial Gazette (2000)

In October 2003, the Board of Ashanti Goldfields of Ghana supported an AngloGold takeover bid of US$1,5 billion against a rival Randgold takeover bid of US$1,7 billion. The presence of the Anglo American Corporation in Zambia and Zimbabwe is a reversion to the situation that existed prior to the partial or total nationalisation of these companies after independence. The Industrial Development Corporation of South Africa is currently working in the Zambezi Valley on a US$2 billion project to mine coal. It is also planning to build a coking plant that can be used for aluminium and steel smelters. Commercial banks of British origin, like Barclays (renamed First National in South Africa during the era of sanctions and disinvestment) and Standard Bank, also have longstanding relationships that are being revived, expanded and diversified. Stanbic Africa, the African division of Standard Bank (with assets of R20,7 billion), is by far the biggest South African bank in the African market. Stanbic Africa, whose capital base almost doubled from R830 million in 1998 to R1,6 billion in 2002, has operations in 17 countries and generates more than 10 per cent of Standard Bank's earnings (not including the African earnings of Standard Corporate and Merchant Bank and Standard Bank London which are reported separately).[18] ABSA has also expanded its African operations to Mozambique, Namibia, Tanzania and Zimbabwe.

[18] With its South African operations included, Stanbic Africa's 2002 African earnings were 2.5 times higher than those of Standard Chartered and Barclays Africa combined (Games 2003).

© 2005 Economic Society of South Africa.

(iii) Hospitality industry, breweries and supermarket chains Sectors (such as brewing and tourist-related service industries, and supermarket retailing) have also been at the forefront of South African FDI in the rest of Africa. The Sun International and Protea hotel chains have built, taken over or signed management contracts with hotels in many African countries in a process which, at least in the case of Sun International, long predates the end of apartheid.

Table 5. South Africa's investment in Africa's hospitality industry, breweries and supermarkets

Investment Target	Country	Source Company	US$/R	Year	Kind
Breweries (Nile Breweries)**	Uganda	South African Breweries (SAB)	…	2001	Merger and acquisition
(Lusaka Breweries)	Zambia	SAB		1994	Merger & acquisition
Supermarkets	Zambia	Africa Oxygen Ltd	US$60,000,000	1997	Merger and acquisition
Hospitality industry	Zambia	Southern Sun	…	2000	Merger and acquisition
Wholesale trade (Durables)	Zambia	Benicon Mining (Pty) Ltd	US$17,500,000	1997	Merger and acquisition

Sources: BusinessMap(2002); MIGA (1999); Allafrica.com (2003a,b); * Links (2002); **UNCTAD (2003); Price Waterhouse Coopers (2000); Financial Gazette (2000)

The expansion of supermarket chains like Pick 'n Pay and Shoprite-Checkers is new. The Shoprite group (listed in 2003 on the Lusaka Stock Exchange) now has over 60 stores in 14 African countries, including Namibia, Botswana, Zimbabwe, Zambia, Tanzania, Mozambique, Uganda, Angola and Mauritius (Ryan 2003). In the 12 months preceding June 2002, countries other than South Africa contributed 10.4 per cent (R2,3 billion) to the Shoprite group's turnover, compared to eight per cent in 2001 (Anderson *et al* 2002).

SAB has also adopted an aggressive acquisition policy in Africa. This has meant buy-outs and joint ventures or the establishment of new subsidiaries in countries as far north as Kenya, Tanzania and Ethiopia. Sometimes this has enabled reinvigoration of obsolescent and inefficient facilities (as in Tanzania), but other times it has intensified competition for smaller local companies. The group reports that its African and Asian operations together (for the six months preceding September 2002) contributed almost 15 per cent to group turnover, with results coming in above expectations as a result of "excellent trading in our larger African territories of Botswana, Mozambique and Tanzania". The group's performance in Uganda and Zambia has, however, been less robust (Anderson *et al*, 2002). SAB's South African operations (including Beer SA, ABI, its other beverages and its hotels and gaming interests) have also improved and now contribute 23 per cent of group turnover.

(l) Current and future specific investment/trade opportunities in Africa

A fundamental aspect of the NEPAD initiative is the well-coordinated institutional support mechanism that it has developed. The NEPAD initiative is well grounded institutionally and different institutional bodies that have been put in place are likely to contribute positively to the whole process. In fact, the distinguishing feature between NEPAD and other past development strategies is this intricate system of support which is likely to foster development and attract foreign investment to the African continent.

South African companies' partnerships in African countries have been highlighted in this paper with a view to assisting us to identify potential future involvement. It is clear from the tables provided that the range of trading and investment activities is vast, covering a diversified sub-section of industry and sectors. Given the composition of South Africa's industrial and tertiary sector, South African companies will be able to

© 2005 Economic Society of South Africa.

take full advantage of the opportunities presented by NEPAD. Table 6 reflects current and planned activities on a country specific basis. Table 7 identifies a broad range of activities per sector or industry. (Both tables appear in the appendix.)

South Africa is suitably poised to accelerate expansion of trade and investment in Africa, given that it is well endowed in the industrial, retail and tertiary sectors. Since South Africa possesses a broadly defined industrial and tertiary sector, it has the necessary expertise to favourably engage in many trade and investment ventures with the rest of Africa. The skills and innovations made within the mining sector mean that South African mining houses are best placed to help many African countries exploit their vast mineral wealth. South African enterprises such as Eskom, SAA, Telkom and private companies in the financial and telecommunications sector can use the experience and skills garnered over years of developing South Africa's infrastructure to first world levels to help transform the perilous state of infrastructure across Africa. Privatisation, the seeking of joint ventures, the need for technical assistance from larger firms and the need for capitalisation have provided investment opportunities for South African firms on the African continent.

4. CONCLUDING REMARKS

In this paper, economic linkages between South African firms and the rest of Africa were discussed within the NEPAD context. Salient spin-offs accruing to such firms were also highlighted. It has been suggested that, for the most part, the type of FDI that has originated from South Africa bodes well for the rest of Africa and is an important avenue for achieving the aims of NEPAD. Among other things, such investments create employment, increase government revenue, and increase efficiency and competitiveness in other African economies.

The continued profitability of the operations of firms such as Vodacom, Eskom and MTN should translate into still higher levels of investments in these firms, as well as in other upstream and downstream firms. As more South African firms expand their capital base and carry out more investments, they should create jobs not only at the highly skilled levels, but also at the semi-skilled levels in African economies. Given the poor state of manufacturing in many African countries, this is likely to be achieved through new inter-industry linkages formed with domestic producers of raw materials, an essential ingredient in the economic transformation of these countries.

Appendix

Table 6. South African companies partnerships in African countries

Country	Current Investment/Involvement	Future Investment/Involvement by Gauteng-based firms
Angola	1.Hotels (IDC)	1.Hospitality industry (Shoprite) 2.Development of ports of Luanda and Namibe 4.Infrastructure development 5.Demining 6.Mining sector development 7.Rehabilitation of Lobito/Bengula Railways corridor
Botswana	1.Retail industry (Pick n Pay, Shoprite, Game, Ellerines,etc) 2.Hospitality industry (Nandos) 3.19 Coal wagons built for Botrail at a cost of R3,0 million (Transwerk)	
Cameroon	1.Telecommunications (MTN)	Telecommunications
Congo Brazzaville	1.Locomotive modification at a cost of R3,5 million (Transwerk) 2.Leasing of locomotive 3.Rehabilitation of network and rolling stock of Capex programme (Spoornet)	1.Locomotive leasing and transfer of skills to maintain rolling stock 2.Rehabilitation of railways infrastructure
Democratic Republic of Congo		1.Development of mining potentials 2.Development and rehab. of railways infrastructure

© 2005 Economic Society of South Africa.

Gabon	1.Waterfront and Tourism Gateway Project (US$140 million) (Victoria and Alfred Waterfront Management Company)	
Ghana	1.Bauxite and aluminia (IDC) 2.Rehabilitation of Eatern Railway; development of Western Railway (Spoornet) 3.Development of cotton industry in Northern Ashanti 4.Abosso Gold Fields take-over (US$5,8 million)	1.Shopping malls and softdrinks 2.Eastern and Western Railways lines rehabilitation
Ivory Coast	Real estate development (Lontoh) US$500 million	Reconstruction and rehabilitation after civil war
Kenya	1.Hospitality industry (Nandos)	1.Kenya Ports development 2. Kenya Railways development
Lesotho	1.Diamonds 2.Water and Hydro-electricity	1.Textile exports 2.Dam construction
Malawi	1.Tea	1.Hotels 2.Shopping malls 3.Electricity 4.Cotton processing export plants
Mozambique	1.US$1,2 billion aluminium smelter (Mozal 1) (IDC) 2. Titanium (IDC) 3.Co-financing 11,000 hectare sugar estate (IDC) 4.Cotton processing with Mocotex Ltd (IDC) 4.Sena-Machipanda-Beira railway line rehabilitation 5.Moatize coal mining development 6. Resano Garcia Concession awarded to Spoornet-NLPI Consortium 7. 80 per cent of Austral Bank bought by ABSA	1.Resort development in Bazaruto 2.Saw milling project in Cabo Delgado 3. Brewery in Nampula province 4 Prawn farming project in Northern Mozambique 5.Maputo and Ncala Corridor concession/technical assistance 6.Magnetite exports from Phalabourwa through Maputo
Namibia	1.Table grape project 2.Tantalite and Sepiolite mining	1.Manufacturing 2.Rehabilitation of ports and railways infrastructure
Nigeria	1.Telecommunications (MTN) 2. Satellite services (Transnet) 2.Consultancy for development and coastal and waterfront rehabilitation, Bar Beach, Lagos (US$400 million)	1.Rehabilitation of railways 2.Port facility development and modernisation 3.Assistance with Ajaokuta Steel Plant 4.Telecommunications (US$1.,billion, MTN; US$500 million, Vodacom)
Senegal		1.Development of Miferso iron ore deposits 2.Development of international trade corridor to Bamako, Mali
Tanzania	1.Mining of gemstones (tanzanite) 2.R6,7 million container wagons built forTanzanian Railways (Transwerk) 3.Kidatu Transhipment Developed for TARC 4.70% of National Bank of Commerce bought by ABSA	1.Diversification of manufacturing 2.Sisal Project, a Moringa plant cultivation 3. Exclusive health and spar resort 4. Pharmaceutical
Uganda	1.Telecommunications (MTN)	1.Rehabilitation and development of port facilities, e.g Kampala Inland Port 2.Rehabilitation of railway lines
Zambia	1.Copper (IDC) 2.Horticulture and floriculture(IDC) 3.Hotels (IDC) 4.Timber (IDC) 5.Roses (IDC) 6.Railways development (Spoornet) 7.Retail industry (Pick n Pay, Shoprite, Ellerine,etc)	1.Telecommunications 2. Mining equipment 3.Clothing 4.Diversification into non-traditional exports like cotton, yarn, copper rods, whitespoon sugar, tresh flowers
Zimbabwe	1.Retail industry (Pick n Pay, Shoprite, Ellerine,etc) 2.Spoornet operates the BBR railway line	1.Development of platinum mines 2.Railways lines development

Sources: Extracted from IDC (2002) and Links (2002)

Table 7. Other possible areas of involvement of South African firms in the rest of Africa

Industry	Type of Involvement
Agriculture	1.Development of forest, fisheries, coastal resources 2.Manufacturing and development of chemicals and pesticides to assist agro-based industries
Energy	1.Urban/rural electrification across Africa 2.Inga Hydro Project, DRC
Mining	1.Development of nickel deposits of Ivory Coast 2.Development of mining potential of the DRC 3.Development of bauxite mines near Accra, Ghana 4.Development of Miferso iron ore deposits of Senegal 5.Tororo rock phosphate mining in Uganda 6.Development of platinum mines in Zimbabwe
Manufacturing	1.Development of heavy industry; gas pipelines, breweries, power plants 2.Development of iron and steel industries 3.Rehabilitation of disused harbours
Telecommunications and satellite technology	1.Telecommunications 2.New wireless and internet technologies 3.Telemedicine, telehealth, tele-education. 4.Promotion of universal access through terrestrial and satellite tech, in countries like Mozambique
Retail trade and services	1.Small businesses, medium-size enterprises, tourism-based businesses 2.Development of financial services 3.Insurance and real estate development 4. Development of security systems for protection of lives and properties

© 2005 Economic Society of South Africa.

Tourism	1.Scuba diving; Bed and breakfast accommodation 2.Regional transport shuttle services: travel agencies 3.Short-term travel insurance; retail, tourism, financial services, food and beverage Construction of Accra-Lagos railway line to promote trade and tourism
Development and rehabilitation of transport infrastructure	1.Rehabilitation of the railway line and port of Namibe and rehabilitation of Lobito/Bengula Railway Corridor in Angola; railway development in Mozambique 2.Rehabilitation of Nigeria's railway lines; rebuilding Kasese Railway line in Uganda 3.Management of the Port of Tema in Ghana; development of Kampala Inland Port, Uganda; Modernisation of Nigerian ports
Construction and property development	1.Rehabilitation of educational infrastructure and healthcare networks 2.Property development, construction of shopping malls, plumbing and electrical services

REFERENCES

ADOBA, I. (2004). "Nigeria among Africa's fastest growing GSM market –ITU". *ThisDay News*, 10 May. Available: http://allafrica.com/stories/200405100816.html (accessed on 10 May, 2004).
AFRICAN DEVELOPMENT BANK.(2001a). *African Development Report 2001*. Abidjan.
____(2001b). *An approach to promote public-private partnerships (PPPs) in regional member countries*. Private Sector Dep, Abidjan.
AFRICAN DEVELOPMENT BANK (Several Years) *Selected statistics on African countries*. Abidjan.
AKINTUNDE, O (2004). "South African firm to produce recharge cards in Nigeria". *The Punch*. 21 October
ALLAFRICA.COM (2003a). "Agencia de Informacao de Mocambique," Available:
http://allafrica.com/stories/200301150385.html (accessed on 15/01/03).
____ (2003b). "State clears Zambia Railways concessioning," Available:
http://allafrica.com/stories/200301310189.html (accessed on
ALLAOUA, A AND ATKIN, M. (1993). "Foreign direct investment in Africa: trends, constraints and challenges," Paper presented at the Economic Commission for Africa (ECA) Ad-hoc Expert Group Meeting on the Revitalisation of Investment for Africa's Development: Prospects in the 1990s and Beyond, Addis Ababa, November 1993.
ANDERSON, B, MCKAY, D AND KEMP, S. (2002). "SA companies' Africa bonanza," Available:
http://m1.mny.co.za/tttc.nsf/Current/C2256B98003F4E6742256C80001F4879? Open Document
(accessed on 28/11/03).
BERGSMAN, J AND PIRNIA, N. (1996). "Do incentives work?," *FDI News*, March 1996.
BOCOUM-KABERUKA, B. (1999). "The significance of mineral processing activities and their potential impact on African economic development," *African Development Review* 11(2), December:233-264.
BJORVATN, K. (1999a). "Third World regional integration," *European Economic Review* 43:47-64.
____ (1999b). Infrastructure and industrial location in LDCs. Discussion paper 11/99,Norwegian School of Economics and Business Administration.
____ (2000). "FDI in LDCs: facts, theory and empirical evidence,". Manuscript, Norwegian School of Economics and Business Administration.
BUSINESS DAY. (2003). "South African group wins Nigeria contract," Available:
http://www.businessday.co.za/bday/content/direct/1,3523,1313738-49567254-0,00.html (accessed on 25 Aug, 2003)
_____ (2002). "Sa's trade boom with rest of Africa soaring ahead," Available:
www.businessday.co.za/bday/content/direct.html (accessed on 31 July, 2003).
BUSINESSMAP. (2002). *SADC Investor Survey -- complex terrain*. Houghton.
CHALMERS, R. (2004). "Lack of fixed lines could limit growth,". Available:
http://allafrica.com/stories/200405060134.html (accessed on 30 June 2004).
COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR (COFACE). (2004). "The range of countries @ratings in sub-Saharan Africa,". Available: http://www.coface.com/_docs/sumafrica04.pdf (accessed on 27/01/05).
CORPORATE COUNCIL ON AFRICA. (2004). "African stock markets surge ahead in 2003," Available: http://allafrica.com/stories/200401230608.html (accessed on 13 January, 2004).
COUNTRYPROFILER. (2003). "Focus on South Africa,"
Available: www.countryprofiler.com/safrica/products1.safrica.html (accessed on 31 July, 2003).
COUNCIL FOR ADVANCEMENT AND SUPPORT OF EDUCATION. (2002). "Full Report: Socio-economic and Political Analysis of the Gauteng Province". Available: www.case.org.za/htm/gauteng2.htm (accessed 30 March, 2003).
DANIEL, J, NAIDOO,V AND NAIDU, S. (2003). "The South Africans have arrived: post-apartheid corporate expansion into Africa," J Daniel, A, Habib and R, Southall (eds) *The state of the nation 2003-2004*, Cape Town: HSRC Press:68-390.
DELOITTE AND TOUCHE. (1998). Strategic trends and foreign direct investment in Southern Africa. Pretoria.
DOWNER, A (THE HONOURABLE). (2002). "Australian aid: investing in growth, stability and prosperity,". Eleventh Statement to Parliament on Australia's Development Cooperation Programme, Canberra, September. [Available: http://www.ausaid.gov.au/about/eleven.html (accessed on 31 March).
EZEKWESILI, O. (2004). "Nigeria saves 1$billion from bribery". *ThisDay*, 26 May.
FINANCIAL GAZETTE. (2000). "IT firm seals $187m partnership deal,"
Available: http://fr.allafrica.com/stories/200012210055.html (accessed on 3 March, 2003)
FINANCIAL MAIL (2002) "SA cities - hot spots and dead beats". December.
GAMES, D. (2003). "The experience of South African firms doing business in Africa: a preliminary survey and analysis". *South African Institute of Internationall Affairs*, 10 June, 1-43
GRAWITZKY, R. (2003). "What will drive NEPAD forward, bus or bicyle?" *South African Labour Bulletin* 27(3):8-11.
IAFRICA.COM. (2003a). "SAA, Air Tanzania launch new airline". Available:

http://business.iafrica.com/news/224264.htm (accessed on 30 May, 2003).
____ (2003b). "Eskom backs unified Pan-African grid,". Available:
http://business.iafrica.com/news/253615.htm (accessed on 15 April, 2003).
____ (2003c). "SA firms sign deals with Ivory Coast city," Available:
http://business.iafrica.com/news/268663.htm (accessed on 28 August, 2003).
____ (2003d). "Johncom looks to Africa for growth,"
Available: http://business.iafrica.com/news/268463.htm (accessed on 29 August, 2003).
____ (2004). "SA firm to run Mozambique airport,"
Available: http://business.iafrica.com/news/387161.htm (accessed on 28 February, 2004).
INDUSTRIAL DEVELOPMENT CORPORATION. (2002). "Partnering in Africa's development,"
Available: http://www.nepad.org.ng/PDF/About per cent20Nepad/Idc_partner.pdf (accessed on 4 April, 2004).
INGGS, M. (2003). ",Forum delivers African deal worth $80m," *Business Day*, 7 August.
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD). (2001). *Rural poverty report 2001 – The challenge of ending rural poverty.* New York: Oxford University Press.
INTERNATIONAL LABOUR ORGANISATION. (2002). *African employment report 1997/98.* Geneva, Switzerland.
INTERNATIONAL MONETARY FUND. (2003). "Chapter 3: Growth and institutions" *World Economic Outlook*... International Monetary Fund, Washington, DC
INSTITUTE FOR FUTURES RESEARCH. (2000). *Friday at noon*, Bellville: University of Stellenbosch.
ISIPISU, I. (2003). "SA ponders cost of northbound expansion," *East Africa Financial Standard*, 25-31 March. Available: http://www.eastandard.net/financialstandard/commentaries/comm001.htm (accessed on 26 March, 2003).
JENSEN, M. (1994). Guidelines and standards for computer based networking in Africa. Report prepared for the PADIS Standing Committee on Standardisation, August 1994.
KAMEIR, E AND KURSANY, I. (1985). "Corruption as the "fifth" factor of production in the Sudan," *Scandinavian Institute of African Studies*, Research Report No72.
KEET, D. (2003). "South Africa: the bully boy," *South Africa Labour Bulletin* 27(3):26-29.
KLEIN, P. (2004). "The cost of doing business in Africa,". Remarks made at a conference of the International Finance Corporation on "Developing Business and Infrastructure in Africa: Enhancing the role of the private sector", 5-6 May, Nairobi.
LINKS, A. (2002). "African Unity and NEPAD quo vadis: transport perspectives,". Keynote address by the Group CEO of Transnet: Port Management Association of Eastern and Southern Africa at the 28th Council Meeting and Ports Conference, Cape Town, 2-7 November.
MULTI-LATERAL INVESTMENT GUARANTEE AGENCY (MIGA). (1999). "MIGA and the new Africa". Available: http://www.miga.org/screens/pubs/africa/guarant.htm (accessed on 29 APRIL, 2003).
NGQAKA, KH.(2001)."Economic basics of tourism,"*South African Journal of Economic and Management Sciences* 4(2):306-315.
NORTH, DG. (1990). *Institutions, institutional change and economic performance.* New York: Cambridge University Press.
PRICEWATERHOUSECOOPERS. (2000). African Infocomm Review 2(2): 1-12 Available:
http://www.pwcglobal.com/za/eng/about/ind/tice/ hospitality/pwc_infocomm2_2.pdf (accessed on 18 Aug, 2003).
RYAN, C. (2003). "How SA is selling Africa short," Available:http://allafrica.com/stories/200310230940.html (accessed on 25 October, 2003).
SPARKS, DL. (1999). "Economic trends in Africa south of the Sahara, 1998". in Sparks, DL (ed) *Africa South of the Sahara.* London: Europa Publications.
SOUTH AFRICA FOUNDATION. (2004). *South Africa's business presence in Africa.* Occasional Paper no 3, June.
THE ECONOMIST, 13 May 2000 and 22 April 2000.
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD). (1999a).
World Investment Report 1999: foreign direct investment and the challenge of development. Washington and Geneva: United Nations.
____ (1999b). *Foreign direct investment in Africa: performance and potential.* Washington and Geneva: United Nations.
____ (2000a). *Capital flows and growth in Africa.* Washington and Geneva: United Nations.
____ (2002a). Growth and development in Africa. Available: www.unctad.org (accessed on 20 February, 2003).
____ (2002b). *Report on New Partnership for Africa's Development.* Available: www.unctad.org (accessed on 31 March, 2003).
____ (2003). *FDI in least developed countries at a glance:2002.* Available: www.unctad.org (accessed on 30 April, 2003).
UNITED NATIONS HIGH COMMISSION FOR REFUGEES. (2000). *The state of the world's refugees 2000: fifty years of humanitarian action.* Available: http://www.unhcr.org(accessed on 21 January, 2003).
UNITED STATES DEPARTMENT OF STATE. (2002). "G8 Africa Action Plan highlights".
Available: www.state.gov/e/eb/rls/othr/11511.htm (accessed on 25 June, 2003).
WADULA, P. (2000). "South African exporters target Africa. *Nambian.* 8 February, Available
http://www.namibian.com.na/2000/February/Marketplace/sa.html,(accessed on 23 April, 2003
WORLD BANK. (1999). "World Development Indicators, 1999". Available:
www.worldbank.org/data/wdi/pdfs/tab6_5.pdf (accessed on 24 June, 2003).
WORLD BANK AND THE WORLD BANK GROUP (2000). *Can Africa claim the 21 st Century*? Washington, DC.
____ (2001). *World Development Report 2001.* Available: www.worldbank.org (accessed on 31 December, 2002).
WORLD BANK. (2003). "Sustainable development in a dynamic world: transforming institutions, growth and quality of life,". *World Development Report 2003*:243.
WORLD ECONOMIC FORUM. (2004). *Africa Competitiveness Report 2004.* Switzerland.
WRAY, Q. (2003). "Nepad fires first salvo in war against poverty," *Independent Day's BusinessReport*, July 15.