

*SOUTH AFRICA AND THE NEW PARTNERSHIP FOR  
AFRICA'S DEVELOPMENT:  
ECONOMIC SPINOFFS AND LINKAGES*

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## **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 infrastructural development and rehabilitation of African economies.

The study discusses salient economic linkages between South Africa and the rest of Africa within the framework of the new partnership for Africa's development (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 sector ranges 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, which are important in the realisation of some of the objectives of NEPAD.

## SECTION 1

### 1.1 INTRODUCTION

This article investigates the potential economic impact and business opportunities, which the New Partnership for Africa's Development [NEPAD] is generating for South Africa. The article focuses on two aspects i.e., how South Africa could contribute towards the realisation of the stated goals of NEPAD and the possible payoffs that the NEPAD framework could imply 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 five sections. Section one analyses the origins and the goals of NEPAD. Section two discusses pertinent issues of the African continent in terms of trade and investment opportunities including investment incentives. Section three discusses incentives for investing in the continent while section four presents current South African involvement in the continent. It discusses current and planned future investment initiatives of importance to the economy of South Africa. In this section possible investment opportunities within the framework of NEPAD are also highlighted.

#### 1.1 Origins of NEPAD

The New Partnership for Africa's Development [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 African continent.

The NEPAD framework is based on the need to address the deep dissatisfaction emanating from almost two decades of policy reforms<sup>3</sup> that have done little to resolve the socio-economic stagnation of many African economies. Poverty is rife in Africa where an estimated about half of the total population lives on less than US \$1 per day (World Bank 2001). Furthermore, in the past two decades, economic growth across Africa has lagged behind population growth. For sub-Saharan Africa (SSA), economic growth in both the 1980s and 1990s remained below 2.5 per cent while population growth was above 2.7 percent.

The per capita income of many African countries is extremely low. In 2000, South Africa's gross national product of US \$130 billion was exactly equal to the combined GNP of 46 of the 47 (minus Nigeria) Sub-Saharan African countries. The extent of poverty and vulnerability across the continent is

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<sup>3</sup> Most notable of these policy reforms are the International Monetary Fund and World Bank approved stabilization and structural adjustment programmes.

aply demonstrated by social indicators. For example, life expectancy at birth is only 54 years [and for Sub-Saharan Africa this reduces to 47 years]; the mortality rate of children under 5 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.

Africa's trade and investment initiatives are also lagging. While the continent accounts for 13 per cent of the world's population, its exports as a share of global trade is less than 1.6 per cent. As a crucial input of finance and economic growth, foreign direct investment has also declined over the past two decades. Africa as a whole currently attracts less than 1 per cent of total global investment. In addition, per capita investment and savings have declined since 1970 with gross domestic savings as a percentage of GDP only 16.1 percent in 2002 compared to 20.2 percent in 1984. Political crises and low rates of return on investments have meant that as much as 40 percent of Africa's own savings are invested outside the continent<sup>4</sup>.

Most African countries export mainly primary products such as agricultural produce and mineral resources which severally limits international trade. In addition, African economies are characterised by small domestic markets, huge structural weaknesses such as underdeveloped physical infrastructures, ineffective financial sectors and poorly developed manufacturing sectors, which are highly dependent on imports for capacity utilization and accumulation. These factors render Africa unattractive to potential investors, with the low levels of investment in essential infrastructure limiting the continent's progress in diversifying the production base and export range.

Against this backdrop, Presidents Mbeki and Wade of South Africa and Senegal proposed two initiatives -the New Millennium for African Recovery Programme [MAP] and the Omega Plan [OP] respectively. The major thrust of the policy would be to ignite a path of sustainable economic growth, substantial infrastructural development and alleviate poverty across the continent. Following an agreement reached through the Organisation of African Unity (OAU), both the MAP and OP proposals were merged to form the New Africa Initiative, which was later, renamed NEPAD in October 2001.

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<sup>4</sup> United States Department of State (2002). "G8 Africa Action Plan Highlights" [www.state.gov/e/eb/rls/othr/11511.htm](http://www.state.gov/e/eb/rls/othr/11511.htm).

Central to the NEPAD framework is the need for African countries to pool their resources together. Therefore the policy emphasises strengthening the five sub-regional groupings<sup>5</sup> on the continent via capacity building within and the rationalisation of existing regional organisations. Soliciting and disbursing funds towards regional studies, infrastructural development programmes and poverty alleviation projects will be an integral part of the NEPAD initiative. 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], and to promote intra African trade and investments, to 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 resource development [including education, skills development, reversing the "brain drain" problem], health services, agriculture and making Africa's exports more accessible to the markets of the developed world.

The most important trade-related areas of NEPAD are as follows:

#### **1.1.1 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).

#### **1.1.2 Encouraging capital flows within Africa**

NEPAD recommends promoting intra-Africa trade and investment through the harmonization of economic and investment policies. The bulk of the needed resources for the investment will be obtained from outside the continent.

#### **1.1.3 Common and coordinated regulatory frameworks**

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

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<sup>5</sup> The 5 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],

#### **1.1.4 Complementary and/or combined cross-border production.**

The programme argues that most African countries are vulnerable because of dependence on primary production and raw materials. It thus emphasizes inter-regional pooling and production strategies with increased inter-regional trade.

#### **1.1.5 Agricultural development and food security**

NEPAD sees improved agricultural performance as critical in increasing rural people's purchasing power which will also lead to higher demand for African industrial goods. There are some references in the programme to small scale farming and women farmers but the thrust is on large scale private investment in agriculture.

### **1.2 Africa's Infrastructure-related problems militating against investment and trade**

Bjorvatn (1999) suggests that firms will locate their industrial activities in countries with superior quality of national infrastructure. 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 include 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.

Africa has poor "hard" physical infrastructure like telecommunications, power, transportation, water and sanitation. Although some countries like Zimbabwe, Malawi, Swaziland, Egypt, Tunisia and South Africa have reasonable good road infrastructure, World Bank et al (2000) point out that Poland has more roads than the whole of Africa. 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 links force 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 foreign direct investment (FDI). Another issue of concern about infrastructure in Africa is its cost. The World Bank et al (2000) suggest that the continent has the highest transport cost of any region. 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 (2000) estimates that thirty-four countries in Africa have less than ten telephone lines per 1,000 people, compared to the average of 500 lines to 1,000 in rich countries. Modern communication and information technology infrastructure like the Internet is yet to be common 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 will be required if this infrastructure is to be provided at acceptable standards. UNCTAD (2000b) identifies some of the challenges that Africa has to overcome before it can more fully exploit the advantages of e-commerce. These include the low level of economic development and small per capita incomes, the limited skill base with which to build the e-commerce services, the number of Internet users needed to build a critical mass of online consumers and the lack of familiarity with even the traditional forms of electronic commerce such as telephone sales and use of credit cards.

Four types of constraints or non-tariff barriers are found in the region. These are:

(1) Production of identical products

Many African countries produce similar goods (especially primary agricultural goods); e.g. 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 -- Côte d'Ivoire, Ghana, Kenya, Nigeria and Zimbabwe -- provide about three-quarters of all intra-African exports, the World Bank reports. Petroleum alone accounts for more than 30 per cent of this exchange, and 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 very limited diversity of products, the same primary products also tend to dominate Africa's trade with the rest of the world.

(2). Documentation requirements.

Trade is circumvented by numerous and lengthy documentation needs. A number of official documents are required which take an average of two to three days to be processed. Documentation requirements are frequently changed and are not harmonized with other centres which creates logistical problems

(3) 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, as well as reporting and visa requirements, constitute some of the non-tariff barriers keeping trade agreements from being successful.

(4) Information technology.

This is lacking in most African countries and communication (i.e automated processes and information technology) 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 non-standardization of procedures is a major source of irregularities and corruption.

(5) Risk insurance is expensive

Companies doing business in Africa, however, have to rely on expensive risk insurance with organisations such as the World Bank MIGA (Multilateral Insurance Guarantee Agency) 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). This risk could adversely affect investment initiatives.

## **SECTION TWO**

### **2.0 Pertinent Characteristics of the African Continent**

#### **2.1 Natural Resources**

Africa is richly endowed with mineral reserves and ranks first or second in terms of concentration (20 per cent to 89 per cent) of world mineral reserves of bauxite, chromite, cobalt, diamond, 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 efficient and effective exploitation of these natural resources, coupled with manufacturing sector infrastructural investment holds great promise for fostering trade on the continent.

The level of current discovered mineral reserves in Africa are large and diversified. In 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<sup>6</sup>. Coal reserves are limited with only 6 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 potentials. Over 50 per cent of these resources are located in the Central Africa region. It is estimated that a mere 6 per cent of Africa's hydro potentials is currently being used<sup>7</sup>. 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 platinum group, 81 per cent of chromium, 60 per cent of cobalt, 38 per cent of rutile, 30 per cent of titanium, 73 per cent of diamond and nearly 40 per cent of gold<sup>8</sup>.

Africa needs investments in exploratory activities, particularly in non-traditional minerals, to improve the quality of geological data and map new deposits. Even the discovered reserves are, for a large part, untapped; and the scope for investment is considerable. The current level of transformation of minerals is also low. Africa's share of exports of processed products in the world is markedly lower than its share of ore exports. For instance, Africa supplies 42 per cent of the world 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 come from Africa, but just a little more than 20 per cent of cobalt metal are produced in the continent. For energy resources, a major problem is the flaring of gas from oil fields.

## **2.2 Mobilization of Capital for Investment with NEPAD**

A projected economic growth rate of 7 percent per annum is required to half the proportion of Africans living in poverty by the year 2015. This projected growth will require annually, an estimated US\$64billion [or 12 percent of the continent's GDP] of capital<sup>9</sup>. A Comprehensive Africa Agriculture Development Programme (CAADP) will require US\$17.9billion annually till 2015 or a combined total cost of US\$251 billion<sup>10</sup>. These funds will be utilized for land and water management (US\$37 billion) rural infrastructure development (US\$92 billion), improving market access (US\$2.8billion), increasing food supplies, reducing hunger – through improved smallholder productivity (US\$7.5billion), and promoting agricultural research, technology dissemination and adoption at an estimated cost of US\$4.6 billion (Wray, 2003). The bulk of required resources will have to be sourced outside the African

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<sup>6</sup> Most of the gas generated by oil production is now burnt, except in some parts of North Africa, wasting resources and polluting environment. Flared gas could well be captured and marketed or made into petro-chemical products.

<sup>7</sup> Estimates by African Energy Programme, African Development Bank.

<sup>8</sup> Bocoum-Kaberuka, B (1999). The significance of mineral processing activities and their potential impact on African Economic Development. African Development Review 11(2)

<sup>9</sup> United Nations Commission for Trade and Development [UNCTAD] (2002b). Report on New Partnership for Africa's Development. [www.unctad.org](http://www.unctad.org)

<sup>10</sup> These estimates include a provision of US\$31b for land and water systems maintenance, US\$37b for rural infrastructure maintenance, and US\$42 for food emergencies and safety nets.

continent and rests on two factors. First, governments need to ensure that domestic institutions are able to effectively mobilise national savings of households and firms and to facilitate more effective tax collection to increase public revenue. Second, since much of domestic savings in African economies are lost in the form of capital flight, governments need to develop a conducive 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, political and economic governance, and improve Africa’s infrastructure while reduce poverty. In this regard, initiatives such as credit guarantee schemes and 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 partnership [PPP] which will be funded by regional development and financial institutions which 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.

### **2.3 Nature of Africa’s market environment**

The size of national markets are decisive in 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 total GDP of US\$552 billion by the end of year 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 amount to US\$170 billion.

Access to African markets is facilitated by a number of measures. Within the region, several economic integration initiatives have made tangible progresses in recent years. In January 2000, the West Africa Economic and Monetary Union (UEMOA) set up a customs union. Customs duties were eliminated for trades among the eight West African countries and a schedule of common external tariff was established. Also in 2001, nine countries under the Common Market for Eastern and Southern Africa (COMESA) initiated the 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 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. Furthermore, it is now recognized that real economic integration requires not only trade liberalization but also cross-border investments

by enterprises between participating countries. For instance, the Cross-Border Initiative (CBI) in Southern and Eastern Africa comprises an investment facilitation element.

### **2.3 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 as well as 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.

## **SECTION THREE**

### **3.0 Incentives for investment in Africa**

#### **3.1 Reform to trade and investment regulations**

A number of investment incentives are now available in many African countries. Investments require capital and technology which African countries lack. Harnessing of the natural resource sector has been facilitated by changes to the laws and regulations related 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; authorities can accept bids on oil exploration at any time from any companies subject to certain established requirements. The mining sector has been a very dynamic area for foreign participation in Africa. Examples include oil drilling in Chad, offshore oil and gas exploration in Ghana, gold mining in Mali and the various exploration activities being conducted by foreign mining companies in countries like Ethiopia, Burkina Faso, Gabon and Tanzania. In Zimbabwe, 14 existing mining enterprises are calling for joint ventures with new investors involving

mainly gold and chrome mining projects<sup>11</sup>. In Mozambique, there have been quite a few resource-based mega projects. For example the Mozal Aluminium Project (US\$1.3 billion). The Pande gas and pipeline, Beira iron ore, Moatize coal, heavy sand mining, and possibly a new hydro-power plant on the Zambezi River are being considered.

### **3.2 Tax incentives/holidays**

Tax exemptions, tax holidays or tax reduction for foreign investors, and similar incentives play a positive role in attracting FDIs into a given destination. Some other types of incentives that may play similar roles include guarantees against arbitrary treatment in case of nationalization; government provision of such utilities as water, power and communication at subsidized 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 relaxation of legal obligation towards employees. But the costs of these incentives to the host economy must be compared to the potential benefits that FDI may bring. If, and only if, the benefits of the FDI projects more than offset the costs should host economies offer any incentives.

### **3.3 Human Resource situation**

Labour availability and relatively low labour costs, high skills and efficiency are important factors determining FDI inflow into a given destination. Relatively lower wage costs have also been used to account for increased FDIs in Asia especially in the Tigers of Asia. There should be generally good labour relations, low rate of industrial disputes, strikes and lockouts and a high level of employee loyalty to attract FDIs. Countries such as Nigeria, Ghana, Kenya, among others, are endowed with a highly skilled workforce. With high unemployment in many countries, combined with weak currencies, labour cost is traditionally very cheap though between 1980 and 1990 labour-productivity declined by an average annual rate of 0.8 per cent and by 3.7 per cent per year between 1990 and 1994 in most (SSA) countries (ILO, 2002). The long-term implications of the AIDS epidemic on the workforce presents another disincentive to foreign investment and economic development in the region.

### **3.4 Profitability of investment in Africa**

Profitability is of prime interest to foreign investors. FDI in Africa commands a higher rate of profitability than in most other regions. Since 1990, the rate of return of 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

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<sup>11</sup> 100 per cent foreign ownership of mining concern is also allowed.

of two or more (UNCTAD,1999b)<sup>12</sup>. The rate of return on United States FDI in Africa, not including 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 countries respectively. When the period between 1983 and 1997 is examined, it was only in 1996 that the rate of return in Africa for United States FDI, was below 10 per cent. The net income from British direct investment in Africa (not including Nigeria) increased by 60 per cent between 1989 and 1995.

## SECTION FOUR

### 4.0 South Africa's Economic Linkages with the rest of Africa

#### 4.1 Trade

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 percent of total trade (Ryan, 2003).<sup>13</sup> South Africa enjoys a huge trade surplus with its exports to the rest of Africa four and a half times greater than imports. South Africa's trade policy is largely centred on the Southern African Development Community [SADC]. Exports to the fourteen nation-trading bloc of SADC increased from R16billion to R22 billion in 2000. However, the opening up of 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 9 percent to nearly 27 percent of total commodity exports. Total trade with Africa excluding the SACU in 2001 amounted to \$856m in imports and \$3,7bn in exports. In 1994, South Africa's trade with Africa's second largest economy - Nigeria was valued at \$12 million. By 2001 this has increased to \$400 million and with trade agreements in areas of telecommunications, energy and exploration of mineral resources. South Africa has also expanded into East Africa, with its exports to the region's largest economy - Kenya amounting to \$124 million in 2001. In addition, South Africa is gradually gaining a foothold in the manufacturing and construction sectors of Algeria, Senegal and Gabon<sup>14</sup> <sup>15</sup>. The setting up of trade offices in Angola, Egypt, Ethiopia, Ivory Coast, Kenya, Mauritius, Senegal, Tanzania; the signing of trade deals allowing

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<sup>12</sup> For example, Japanese Trans National 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), Pacific (1.9 per cent), North America (1.1 per cent) and Europe (0.8 per cent).

<sup>13</sup> A figure equal to the share of trade with North America

<sup>14</sup> Business Day (2002): "Sac's Trade Boom With Rest of Africa Soaring Is Ahead". [www.businessday.co.za/bday/content/direct.html](http://www.businessday.co.za/bday/content/direct.html)

<sup>15</sup> CountryProfiler (2003): "Focus on South Africa". [www.countryprofiler.com/safrica/products1.safrika.html](http://www.countryprofiler.com/safrica/products1.safrika.html)

South African firms to produce electricity and install water, rail, road and telecommunications infrastructure in Nigeria, Uganda, Malawi, Mali Mozambique and Rwanda implies that economic and investment links with the rest of Africa is set to increase significantly.

According to a Johannesburg Metropolitan Chamber of Commerce and Industry survey, the most popular destination for exports from the Gauteng province of South Africa in 1999 was within Africa. The level of export business generated in Gauteng increased by 28 per cent in 1999 on average compared with 1998 levels, attributable mainly to market expansion. 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 (Namibian, 2000). Following the conclusion of the first Africa Business Forum meeting in Durban in July 2003, South African companies signed new business deals with companies in the rest of Africa worth US\$80million by the first week of August 2003 (Inggs, 2003). These ranged in values from US\$100,000 to US\$20million.

The type and level of South African business and investment on the continent has grown tremendously. There has been a change from the traditional activities in construction, mining, vehicle components, timber, and steel, into 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 in 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 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 Africa (Games, 2003).

## **4.2 Foreign Direct Investment**

Available statistics show that total South African foreign direct investment flows abroad increased from R24 billion in 1986 to R170b in 1998 [Institute for Futures Research 2000]. Disaggregated 1997 data show that although FDI stocks are geographically quite widely spread, they are 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 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.

**Table 1: South Africa's Assets and Liabilities in Eastern and Southern Africa**

	ASSETS				LIABILITIES			
	Direct	Non-Direct	Total	per cent of GDP	Direct	Non-Direct	Total	per cent of GDP
Angola	8	42	50	0.13	8	82	90	0.24
Botswana	292	307	599	2.20	72	1189	1261	4.63
DR Congo	1	21	22	n.a	13	19	21	Na
Kenya	12	41	53	0.13	5	56	61	0.15
Lesotho	196	180	376	9.16	17	1773	1790	43.62
Malawi	228	79	307	3.80	17	286	303	3.75
Mauritius	663	92	755	3.69	20	228	248	1.21
Mozambique	11	96	107	1.04	11	91	102	0.99
Namibia	930	440	1370	9.36	163	1665	1828	12.49
Seychelles	2	4	6	0.05	3	4	7	0.05
Swaziland	548	236	784	12.28	187	675	862	13.50
Tanzania	79	61	140	0.39	9	7	16	0.04
Uganda	7	0	7	0.02	2	23	25	0.09
Zambia	56	198	254	1.41	13	87	100	0.55
Zimbabwe	222	969	1191	2.97	41	468	509	1.27
Total Region	3255	2766	6021		581	6653	7234	
Other Africa	3119	193	3312		326	998	1324	
Total Africa	6374	2959	9333		907	7651	8558	
Total World	133667	89212	222879		89295	216570	305865	

Source: South African Reserve Bank (1999)

South Africa's regional FDI is motivated by national economic interests rather than regional development interests, with South Africa wanting to capitalize on its role as the regional economic leader, in terms of its size and sophistication of its mining, manufacturing and service sector. South Africa's FDI especially resource seeking contributes marginally to economic and employment growth, technology transfer or access to additional overseas markets. South Africa's FDI has contributed to infrastructural development where this will open markets for South Africa's exports or provide access

to natural deposits such as petrol pipelines and aluminium smelter programme in Mozambique and several telecommunication initiatives.

South Africa's involvement in the rest of Africa is very varied and represents an important attempt to support economic growth and development in the rest of Africa. South Africa's involvement in the African continent was largely complemented by the beneficial role that 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.

### **4.3 Public Private Partnerships**

#### **4.3.1 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, 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 into Africa. With a turnover of R2 billion or \$250 million in 2002, it accounted for 7 per cent of the group's turnover (Isipisu, 2003). The presence of South Africa's electricity corporation (Eskom) on the African continent takes the form of joint ventures, management contracts, plant refurbishments and turnaround support to some utilities. Together with Nigeria's National Electric Power Authority (NEPA), it forms a joint venture, called Nepskom and has already strung 1,300 km of fibre optic cable along power lines for NEPA in 2000 and 2001. ESKOM enterprises also has a contract to run two Ugandan hydroelectric dams and now has a managing portfolio of five hydro facilities in the hinterland of Africa including those in Mali and Zambia. ESKOM has now 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 (DRC) at an estimated cost of more than \$1.0-billion. This will ink up of the continent's regional power pools (Iafrica.com, 2003b).

The Industrial Development Corporation of South Africa Limited has invested in the Mozambique Aluminium Smelter-Mozal project(MIGA, 1999). South African engineering and construction majors, such as LTA, Murray & Roberts and Group 5, have projects across the continent, and Afgri has acquired cotton gins in Zambia and Malawi and 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 center, in the first instance. The project would be completed by November 2005 (Iafrica.com, 2003c).

Table 2: South African Firms' investment in Africa's construction and engineering projects

Investment Target	Country	Source Company	US\$ /R	Year	Kind
Manufacturing sector Mozambique	Mozambique	Industrial Development Corporation of South Africa	\$1,365, 000000	1999	New investment
Natural Gas pipeline from Inhambane to Secunda	Mozambique	SASOL	\$262,000,000	2003	New investment
Electricity	Zambia	Eskom Enterprises	.....	2001	Merger & 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)

#### 4.3.2 South African Firms' Involvement in Africa's Transport sector

In the area of rail transportation, the New Limpopo Project Investments (NLPI) in collaboration with South Africa's Spoortnet are concluding a 20-year concessionary agreement to operate Zambia Railways Limited with a investment of about US\$253 million (Allafrica.com, 2003b). In air transportation, South African Airways is investing in joint ventures with African Airlines. In March 2003, South African Airways 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. It is 49 percent owned by South African Airways (Iafrica.com, 2003a). Other investment activities of Transnet are highlighted below.

Table 3: SA Firms' Investment in Africa's Transport Sector

Investment Target	Country	Source Company	US\$ /R	Year	Kind
Transport Sector (railways)*	Botswana	Traswerk	R3,000,000	n.d	New Investment
Transport Sector (railways)*	Cameroon	Transnet	.....	n.d	25 year concession
Transport Sector (railways)*	Ghana	Traswerk	R15,500,000		New Investment
Transport Sector (railways)*	Tanzania	Traswerk	R6,700,000	n.d	New Investment

Transport Sector (Air Tanzania Ltd)	Tanzania	South African Airways (49 per cent ownership)	\$20,000,000	2003	New Investment
Transport Sector (railways)	Zambia	Spoornet	\$263,000,000	2003	Concession
Air Transport	Zambia	South African Airways Ltd	...	2001	M & A

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

#### 4.4 Other Private Sector Initiatives in Africa

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

##### 4.4.1 Involvement in the communications sector

Given the neglected state of telephonic infrastructure in many African countries, investments by Vodacom and MTN have provided services crucial to socio-economic development. MTN has invested more than \$350 million in countries such as Uganda, Rwanda, Swaziland and Cameroon and plans to spend another \$1.4 billion in Africa's largest market -Nigeria. Consequently, MTN has created one of the world's three largest telephone networks covering about 720,000 square Kilometers and has contributed to its increased profitability. Recently, during the last quarter of 2003, Vodacom has bought controlling shares in the second mobile phone operators in Nigeria, Econet, and has pledged investing \$500 million in the company's infrastructure development. The sheer size of the Nigerian market, the lack of goods and services and the large amounts of money in the economy, has served to draw South African business into the country. Nigeria now ranks as South Africa's biggest trading and investment partner in West Africa followed by Ghana, Côte d'Ivoire 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 African countries (Games, 2003).

Table 4: South African firms' investment in Africa's telecommunications sector

Investment Target	Country	Source Company	US\$ /R	Year	Kind
Telecommunications	Nigeria	MTN	\$285,000,000	2001/2002	New Investment
	Nigeria	Vodacom	\$500,000,000	2003	New Investment
	Uganda	MTN	\$175,000,000	2000-2003	New Investment
	Cameroon	MTN	\$32,000,000	2000	New Investment
	Rwanda	MTN	\$20,000,000	2000	New Investment
	Swaziland	MTN	\$20,000,000	2000	New Investment

		Lesotho	Telkom	R2,500,000	2000	New Investment
Internet Services	Industry	Zimbabwe	UUNet South Africa	\$3,400,000	2000	New Investment

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

UUNET Africa, through its joint venture with Africa online is providing internet services to 14 African countries, initially focusing on the eight countries in which Africa Online already has operations - Kenya, Uganda, Tanzania, Swaziland, Zimbabwe, Zambia, Ghana and Cote d'Ivoire. Future expansion is planned to include Senegal, Cameroon, Nigeria, Ethiopia, Malawi and Mozambique. This service will lift 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 (BusinessDay, 2003).

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

#### 4.4.2 Mining and the Financial Sectors Involvement

South Africa's mining companies and commercial banks are extending their wealth of expertise to the continent through their foreign direct investment 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 of South Africa i.e 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 Ghanaian group Ashanti for \$165m. Both projects have generated cash and other opportunities for AngloGold (Anderson, McKay and Kemp, 2002). For example, Geita has a total reserve base of 7.8m ounces and produces at a very respectable \$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 \$88/oz. Gold Fields has also invested in Ghana, at 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 R237m (Anderson, McKay and Kemp, 2002). In October 2003, the Board of Ashanti GoldFields of Ghana supported an AngloGold takeover bid of \$1.5 billion against a rival RandGold takeover bid of \$1.7 billion. The

Anglo-American Corporation presence in Zambia and Zimbabwe is a reversion to the situation that existed prior to the partial or total nationalization of these companies after independence. The Industrial Development Corporation of South Africa is currently working in the Zambezi valley on a US\$2billion project to mine coal. It is also planning to build a coking plant which can be used for aluminium and steel smelters.

Commercial banks of British origin, like Barclays (renamed First National in South Africa during the sanctions era of disinvestment) and the Standard, also have longstanding relationships that are being revived, expanded and diversified. Stanbic Africa, the Africa 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 SCMB and Standard Bank London which are reported separately<sup>16</sup>. ABSA has also been expanding its Africa operations into Mozambique, Namibia, Tanzania and Zimbabwe.

Table 5: South African Firms' investments in African mining and financial sectors.

Investment Target	Country	Source Company	US\$ /R	Year	Kind
Mining Sector	Mali	Anglo-gold Limited	\$267,000,000	1999	New investment
	Zambia	Harmony Gold Mining Co. Ltd	\$96,400,000	1998	Merger and Acquisition
	Zambia	Anglovaal Ltd	\$50,000,000	1998	Merger and Acquisition
	Zambia	Investor Group	\$17,500,000	1997	Merger and Acquisition
Barclays Bank of Swaziland	Swaziland	Standard Bank Group	10.2	1998	Merger and Acquisition
Stanbic Bank of Zimbabwe	Zimbabwe	SBIC Africa Holdings Ltd	10.0	1997	Merger and Acquisition
Commercial Bank of Zimbabwe	Zimbabwe	Absa Bank, IFC	7.9	1998	Privatisation
Barclays Bank of Lesotho	Lesotho	Standard Bank Group	6.9	1995	Merger and Acquisition
Banco Standard Totta de Mozambique	Mozambique	Standard Bank Group	6.0	1995	Merger and Acquisition
Meridien BIAO Bank	Tanzania	SBIC Africa Holdings Ltd	6.0	1995	Merger and Acquisition

<sup>16</sup> 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).

Stanbic Bank of Zambia	Zambia	SBIC Africa Holdings Ltd	5.0	1998	Merger and Acquisition
Botswana Insurance Holdings	Botswana	African Life	3.74	1997	Acquisition

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

#### 4.4.3 Hospitality Industry, Breweries and Super Market Chains

Sectors, such as brewing and tourist-related service industries as well as supermarket retailing, have also been at the forefront of South African Foreign Direct Investment 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, long predates the end of apartheid.

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 to June 2002, countries outside of South Africa contributed 10.4 per cent (R2.3bn) to the Shoprite group's turnover, compared to 8 per cent in 2001 (Anderson, Mckay and Kemp, 2002).

South African Breweries has also adopted an aggressive acquisition policy in Africa. This has meant buy-outs and joint ventures or the establishment of new subsidiaries in most countries as far north as Kenya, Tanzania and Ethiopia. Sometimes this has enabled reinvigoration of obsolescent and inefficient facilities, as in Tanzania, but sometimes it has intensified competition for smaller local companies. The group reports its African and Asian operations together, and for the six months to September 2002, this division 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 performance from Uganda and Zambia has been less robust, however. (Anderson, Mckay and Kemp, 2002). SAB’s South African operations – including Beer SA, ABI, other beverages and its hotels and gaming interests - have also improved, and now contribute 23 per cent to group turnover.

Table 6: South Africa’s investment in Africa’s Hospitality Industry, Breweries and Super Markets

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	M & A
Business Services	Zambia	Africa Oxygen Ltd	\$60,000,000	1997	Merger and Acquisition
Hospitality Industry	Zambia	Southern Sun	.....	2000	M & A
Wholesale Trade (Durables)	Zambia	Benicon Mining (Pty) Ltd	\$17,500,000	1997	M & A

Sources: BusinessMap(2002); MIGA (1999); AllAfrica.com (2003a,b); \* Links (2002); n.d (no date); \*\*UNCTAD (2003) PriceWaterHouseCoopers(2000); Financial Gazette (2000)

#### 4.5 Current and Future specific investment/trade opportunities in Africa

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 are 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 take full advantage of opportunities presented by NEPAD. Table 7 reflects current as well as planned activities on a country specific basis. Table 8 simply identifies broad range of activities per sector or industry. Both are shown in the Appendix.

### SECTION FIVE:

#### Concluding Remarks

South Africa is suitably poised to accelerate expansion of trade and investment into Africa given its well-endowed of 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 means that South African mining houses are best placed in to help many African countries exploit their vast mineral wealth. South Africa's public enterprises such as Eskom, South African Airways, Telkom and private companies in the financial and telecommunications sector can use 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, need for technical assistance with larger firms and the need for capitalisation have provided investment opportunities for South African firms on the African continent.

In this paper, economic linkages between South African firms and the rest of Africa within the new partnership for Africa's development (NEPAD) were discussed. Salient spinoffs accruing to such firms are also highlighted. It has been suggested that, for the most part, Foreign Direct Investment, the type that have 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 the receiving economy. The trend of South African firms involvement in Africa is positive and could contribute towards improved economic development of the continent.

The increased presence of South African firms in Africa presents huge opportunities for the country. Some of these firms that are expanding to Africa are listed on the Johannesburg Stock Exchange (JSE). Continued profitability of the operations of firms such as Vodacom, Eskom and MTN should translate into higher levels of investments in such firms. As more South African firms expand their capital base and carry out more investments, they should create jobs not only at the high skilled levels but also in semi skilled levels of African economies. Given the poor state of manufacturing in many African countries, this is likely to be achieved through the backward linkages that these firms form with domestic producers of raw materials, an essential ingredient in economic transformation of these countries.

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APPENDIX

Table 7: 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 3.Dry Docks development 4.Infrastructure Development 5.Demining 6.Mining sector development 7.Rehabilitation of Lobito/Bengula Railways corridor
Botswana	Retail industry (Pick n Pay, Shoprite,Game, Ellerrine,etc); Hospitality industry (Nandos); 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 programmeme (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 Rehabilitation of railways infrastructure
Gabon	1.Waterfront and tourism Gateway project (\$140m) (Victoria and Alfred Waterfront Management Company)	
Ghana	1.Bauxite and Alumina (IDC) 2.Rehabilitation of Eastern Railway; Development of Western Railway (Spoornet) 3.Development of Cotton Industry in Northern Ashanti 4.Abosso Gold fields take-over(\$5.8 million)	1.Shopping Malls and Softdrinks 2.Eastern and Western Railways lines rehabilitation
Ivory Coast	Real Estate Development (Lontoh) \$500 million	Reconstruction & Rehabilitation after civil war
Kenya	1.Hospitality industry (Nandos)	1.Kenya Ports Development. 2. Kenya Railways Development.
Lesotho	1.Diamonds 2.Water and Hydroelectricity	1.Textile Exports 2.Dam Construction
Malawi	1.Tea	1.Hotels 2.Shopping Malls 3.Electricity 4.Cotton processing export plants
Mozambique	1.\$1.2 billion Aluminium Smelter (Mozal 1) (IDC) 2. Titanium (IDC) 3.Co-financing 11000 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 (\$400m)	1.Rehabilitation of railways 2.Port facility development and modernization 3.Assistance with Ajaokuta Steel Plant 4. Telecommunications (\$1.4billion, MTN; \$500m, Vodacom)
Senegal		1.Development of Miferso Iron ore deposits 2.Development of international trade corridor to Bamako, Mali
Tanzania	1.Mining of gemstone (tanzanite) 2.R6.7m Container Wagons built forTanzanian Railways (Transwerk) 3.Kidatu Transshipment Developed for TARC.	1.Diversification of manufacturing 2.Sisal project, a Moringa plant cultivation 3. Exclusive health and Spar resort 4. Pharmaceutical

	4.70 per cent of National Bank of Commerce bought by ABSA	
Uganda	Telecommunications (MTN)	Rehabilitation and Development of Port facilities e.g Kampala Inland Port; 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 8: Other possible Areas of involvement of South African firms in 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	Urban/rural electrification across Africa 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 terrestial and satellite technology especially 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
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 Port of Namibe and the Railway line and Rehabilitation of Lobito/Bengula Railway Corridor in Angola; Railways 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; Modernization of Nigerian Ports.
Construction and Property Development	Rehabilitation of educational infrastructure, healthcare networks, Property development, construction of shopping malls, Plumbing and electrical services.