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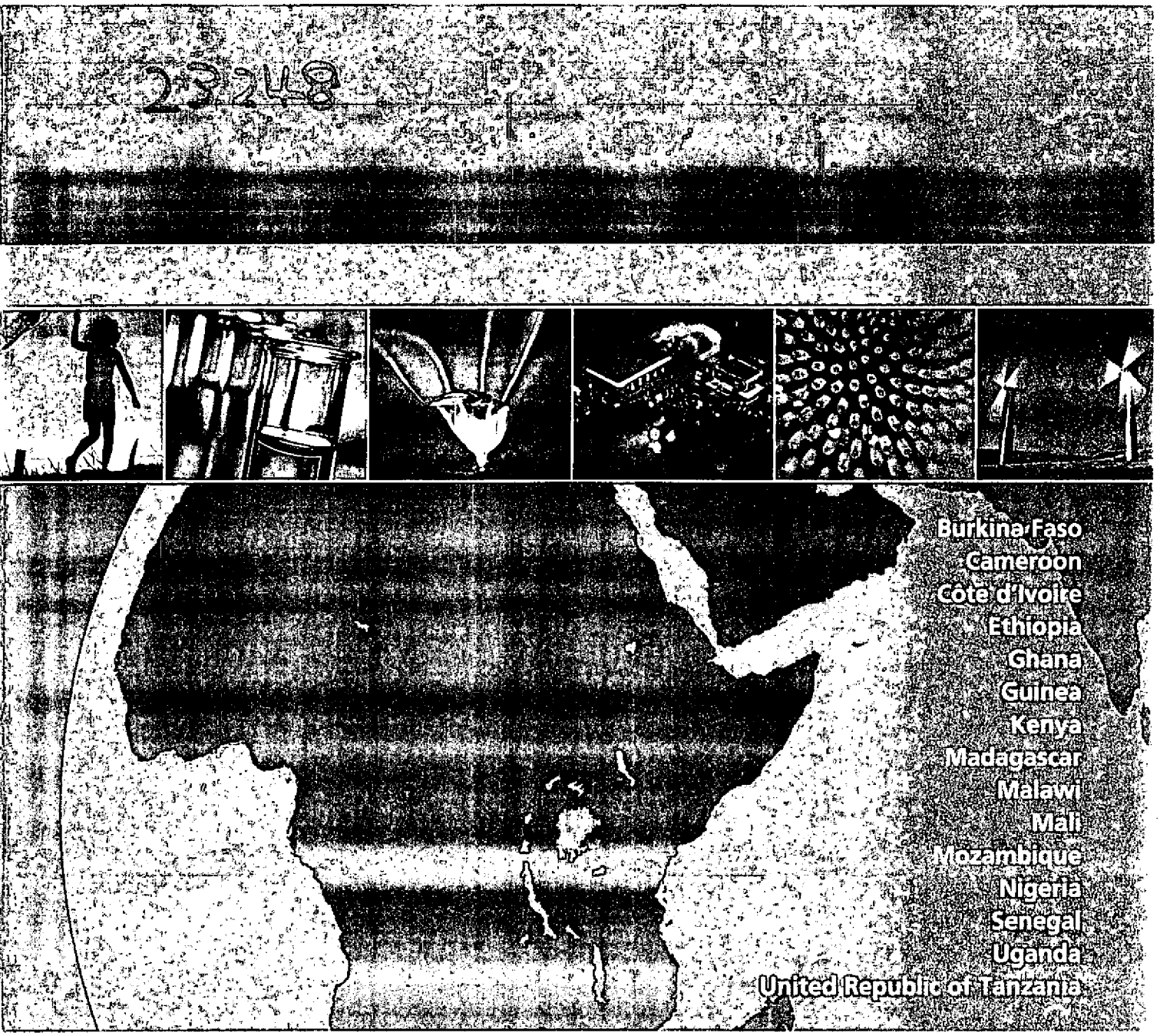

Africa Foreign Investor Survey 2005

Understanding the contributions of different investor categories to development

Implications for targeting strategies

UNIDO
UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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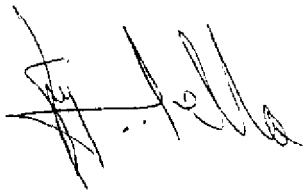
Preface

Investment is the key to unlock the development potential of countries, playing a critical role in converting comparative advantages into competitiveness. Recognizing this reality, governments offer an array of incentives to attract inward investment, with the expectation of attracting such spin-off benefits as advanced skills, know-how and technology. Though a few countries have built up impressive competitive capabilities and effective national industrial innovation systems to support development, similar success stories are rare in the majority of developing countries. The reality of foreign direct investment (FDI) is that it continues to flow to selected locations that are able to meet a few critical requirements of foreign investors with regard to the regulatory framework, costs, human resources factors and infrastructure.

The long-term competitiveness of developing economies rests on the development of technological capabilities. To determine the type and extent of technological capability building required for local firms to increase productivity through partnerships with foreign investors, detailed company-level data is required. But this is often constrained by methodological problems and data limitations. This report attempts to fill such a vacuum. The central thesis of the *Africa Foreign Investor Survey* is that African countries need to study the motivations, operational characteristics, and dynamics of different investor groups, in order to be able to forge better promotion strategies responding to investors' needs. The *Survey* reveals a number of new trends, such as the emergence of foreign investors coming from the South. These firms are equipped to cope with the exigencies of doing business in the investment climate prevailing in many parts of sub-Saharan Africa.

Chapter 1 introduces the subject matter, with a focus on the patterns of FDI flows and the role of technical cooperation programmes. Chapter 2 explains the methodology of the *Survey*. An overview of FDI in 15 countries is presented in Chapter 3. Chapter 4 highlights the size profiles of different subgroups of investors, while Chapter 5 analyses the performance, using selected indicators. Chapter 6 focuses on the impact of FDI on local economies, followed by highlights of the foreign trade profile in Chapter 7. Chapter 8 analyses location factors and indicates differences in their perception between 2003 and 2005 *Surveys*.

The report is intended to further a deeper understanding of the dynamics of FDI flows to Africa. Its findings are expected to influence the policy dialogue and the creation of the required determinants for enhanced FDI flows as a stimulus for dynamic economic development in African countries.



Kandeh Yumkella
Director-General
United Nations Industrial Development Organization

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Professor John Henley of the University of Edinburgh was the principal consultant providing valuable inputs and drafting parts of the report. Stefan Kratzsch and Tamer Tandogan were consultants working at UNIDO Headquarters as part of the in-house team, leading a group of interns in data input and analysis. They selected and applied the appropriate statistical models and tools for optimum interpretation of the data and helped structure the report.

The UNIDO interns that provided support during the various phases of the survey, analysis and writing were Luisa de Amicis, Jan Eilhard, Olawale Falope, Valentina Gavazza, Yves Gregoire, Anna Janik, Xiaoyang Jiang, Qingdi Li, Michael Mottl, Anders Pederstad and Won Ah Seo.

The survey was conducted through the services of over 40 national consultants in the 15 survey countries who delivered and retrieved the questionnaires from the target companies. The UNIDO field office staff, under the direction of UNIDO Representatives, provided the field support for conducting the survey.

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Foreword

This is a pioneering and most timely report. I believe it to be so for three main reasons. The first is that it is, perhaps, the most comprehensive and well-researched empirical study on the locational determinants and economic impact of foreign direct investment (FDI) on Sub-Sahara African (SSA) countries ever undertaken. Particularly original and insightful is the focus of the report on the role of investment promotion agencies (IPAs) in informing both potential inward investors of the advantages of locating their activities in particular African countries, and the governments of these countries of the actions they might take to attract the kind of investment they desire.

For the most part, SSA as a destination for FDI has been neglected in the scholarly and business literature and indeed by policy makers in many investing countries. This, perhaps, is understandable, as according to UNCTAD, the stock of inward direct investment received by 47 SSA countries in 2005, was only 1.8 per cent of that received by all countries; and at $179 billion was only marginally higher than that attracted into Sweden. At the same time, the new investment flows into SSA in that year reached $17.9 billion; while the 250 per cent growth of Greenfield investment projects between 2002- 2005 was higher than that recorded by any other developing region.

Perhaps, of greater moment, however, is the significant contribution of inward FDI to many of the SSA economies. Between 2003 and 2005, for example, FDI flows, as a percentage of the gross fixed capital formation of the 47 countries identified by UNCTAD was 17.1per cent compared with 10.9per cent for all developing countries. Angola, Liberia, Congo, Equatorial Guinea, Mauritania and Djibouti were among the SSA countries, which recorded ratios of one-third or more. Data on inward FDI stocks as a percentage of gross domestic product (GDP) tell a similar story. The bottom line, confirmed by the present study is that FDI is currently making a significant contribution to the financial and knowledge based resources of many SSA countries.

Secondly, I believe this study to be farsighted in its identification of several categories of foreign investors, and their distinctive locational needs and economic impacts on host countries. Altogether, the authors classify FDI into six types according to, for example, organizational structure, ownership patterns, and market orientation of the investing firms. I very much welcome this breakdown of firms, partly because taking a global perspective, the types of FDI are widening ('born global' and private equity financed ventures are two recent examples); and partly because increasing attention is being given to the role of small and medium sized international businesses, foreign entrepreneurs and South/South business ventures. Each of these forms of non-resident participation is well represented in this survey; and I believe that the results set out will provide a useful input into the thinking and actions of IPAs in other developing regions.

Thirdly, this report is extremely opportune in that it urges the need for a more pro-active role, which IPAs, working with or on behalf of national governments, may play in influencing the amount, quality and type of inward FDI. I believe that the IPAs can offer particularly useful guidance to potential foreign investors in the SSA context, if for no other reason, than the economic landscape and opportunities of many African countries is unfamiliar to them – and especially so to small and medium size foreign firms and to those from developing countries in Asia and Latin America. In addition, the report makes a comparative analysis of the ways in which FDI might affect the economic performance of domestic firms. In so doing, I believe that it will help arm IPAs with valuable information in targeting the different types of FDI the report identifies.

This UNIDO study is rich in its economic analysis, empirical findings and recommendations. For the more statistically inclined reader, 55 pages of annex tables and figures provide a treasure house of data. For the general reader, the main body of the report is cogently presented, yet easily understandable. The executive summary is an excellent mini tour de force of the main findings of the authors.

As the report is careful to emphasize its results, the conclusions and recommendations are highly contextual. Even more than in the case of other developing regions, SSA countries differ markedly from each other in size, stage of development, economic structure, political ideologies, institutional sophistication, language and belief systems. Yet notwithstanding these differences, the report identifies three common characteristics. The first is that under the right conditions, inward FDI in its various forms can be a critical catalyst to domestic economic growth and restructuring. The second is that in affecting the motivation of and the resources and capabilities available for use by the main wealth creating entities, national

governments have an absolutely critical role to play. In a recent study, Doing Business 2007, prepared by the World Bank and the International Finance Corporation (IFC), some of the key elements of institutional reform – ranging from registering properties to enforcing contracts, protecting investors and dealing with corruption, were identified. Most of these are within the purview of governments to upgrade - the record of SSA countries in this respect, however, leaves much to be desired. The third common feature is the need for a more active informative and advisory role for IPAs. Here I believe the SSA countries may well provide an interesting case study of how and in which direction, the tasks and responsibilities of IPAs may change over the next decade or more; and particularly the ways in which they may interact with both foreign and domestic firms and with a variety of extra-market entities, including non-governmental organizations.

There have been a variety of studies which have looked into the future of FDI in different parts of the world. Most agree that although SSA countries (and particularly South Africa) are likely to attract increasing amounts of such investment, their share of FDI is unlikely to increase in the foreseeable future. In my view, this should not be of great concern to host African governments. With the continued prosperity of the industrialized countries and with some large developing countries, notably China and India, becoming more attractive locations to foreign TNCs, the lion's share of inward FDI is bound to elude much of the African continent. Much more important is the absolute growth of FDI and an improved quality of that FDI in Africa. Here the present report is cautiously optimistic. The future annual sales growth of eleven of the fifteen SSA countries considered for 2006-2008 was expected to exceed that of 2005 and sometimes, e.g. in the cases of Nigeria, Mozambique and Senegal, by a considerable amount. According to another study by the Economist Intelligence Unit and the Columbia Program on International Investment published in 2006, each of the four SSA countries considered by it, namely Angola, Kenya, Nigeria and South Africa, were projected to increase their FDI stock, by an average of 42.5per cent between 2005 and 2010.

At the same time, these studies and those of the World Bank and IFC cited earlier, and the World Investment Report 2006 by UNCTAD pinpoint many of reasons why the prospects for FDI in SSA countries are not more favourable. Time and time again, issues to do with insufficient institutional reform, lack of physical security, inadequate property rights protection, corruption, opaque policy making, poor infrastructure, restrictive labour laws are emphasized in business surveys. For these and other obstacles to be overcome, a change in the mindset of all parts of SSA society may be necessary. Here again IPAs may play an important brokerage role, both directly as between governments and potential investors, and indirectly by fostering partnerships between the latter (in their various forms) and local firms (including both suppliers and customers). Again initiatives in SSA countries with respect to new forms of collaboration and networking, may well be at the cutting edge of new organizational forms of FDI.

I wholeheartedly commend this report. It deserves the widest possible readership. But, perhaps, more importantly, it can, and I very much hope will, be a trailblazer for more extensive and even deeper studies into the role FDI may play in helping to wake up the sleeping giant that is Africa; but to do so in a way acceptable to the African people and respectful of African culture and traditions. Africa is a continent with huge potential for exciting, meaningful and sustainable development. But I am convinced this cannot be brought about by the unilateral efforts of firms, governments, supranational entities, consumers, workers or non-governmental organizations. In our contemporary global scenario, with all its uncertainties, complexities and volatilities, this can only be accomplished by a multilateral partnership involving each of these interested constituents. I believe that UNIDO is uniquely well placed to act as a catalyst in bringing these constituents together.

John H. Dunning, February 2007

Abbreviations

ACP	African Caribbean Pacific
AfrIPANet	(UNIDO) Africa Investment Promotion Agency Network
AGOA	African Growth and Opportunity Act
ANOVA	Analysis of variance
BIT	Bilateral investment treaties
BOP	Balance of payments
CAGR	Compound average growth rate
CEO	Chief executive officer
CFO	Chief financial officer
CIS	Commonwealth of Independent States
EAC	East African Community
EBA	Everything But Arms
EIU	Economist Intelligence Unit
EPZ	Export processing zone
EU	European Union
FDI	Foreign direct investment
FE	Foreign entrepreneur
GDP	Gross domestic product
GSP	General system of preference
IMF	International Monetary Fund
IPA	Investment promotion agency
ISIC	International Standard Industrial Classification
ITPO	(UNIDO) Investment and Technology Promotion Offices
JV	Joint venture
LDCs	Least developed countries
L-TNC	Large transnational corporation
M&A	Merger and acquisition
MENA	Middle East and North Africa
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
SA	South Africa
SMEs	Small and medium enterprises
SSA	Sub-Saharan Africa
S-TNC	Small transnational corporation
TNC	Transnational corporation
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
US	United States
WIR	(UNCTAD) World Investment Report
WOE	Wholly-owned enterprise

Executive summary

Introduction

International investment, and in particular foreign direct investment (FDI), is perceived as important for the growth of developing countries in view of its wide-ranging impact. FDI is expected to bring skills, know-how and market access leading to improved efficiency in the use of resources and increased productivity. Through capital accumulation, FDI enhances growth by incorporating new inputs and technologies into production in the recipient country.

However, many countries in sub-Saharan Africa (SSA) do not feel they have benefited enough from the expected positive impact of the FDI that has been attracted. In some countries of the region, the FDI inward stock represents a relatively high proportion of the total GDP[1]. Nevertheless, a large portion of this is in the oil and mining sectors and the share of FDI inward stocks of Sub-Saharan African countries (excluding South Africa) in global FDI inward stocks is very small. In 2004, it was 1.2% (UNCTAD FDI Database, 2006).

Competition between SSA countries to attract FDI manufacturing and services sectors has degenerated into incentive-based rivalries that have not been well calibrated. They are increasingly marginalized from global production networks and the failure to provide the correct policy framework and enabling environment has raised the risk premium on investments.

This report is intended to support the work of the investment promotion agencies (IPAs) of the region. It strengthens their capacity to target, inform and service the categories of investors that can deliver the kinds of FDI impact that are desired and to better link FDI to domestic industry. This latter function is becoming a very significant one for IPAs. Attracting investors into a country is not sufficient to stimulate growth and development. Even the correlation between investment and growth is questioned by some studies (Asiedu 2005; Devarajan et al., 2001). Other studies conclude that FDI enhances growth only under certain conditions (OECD, 2002)—when the host country's education exceeds a certain threshold; when domestic and foreign capital are complements; when the country has achieved a certain level of income; when the country is open and when the host country has a well developed financial sector. However, Asiedu (2005) states there is room for optimism. The policies that promote FDI to Africa also have a direct impact on long term economic growth. As a consequence, African countries cannot go wrong implementing such polices.

This study provides some of the elements needed to place FDI into an industrial growth context and merge investment promotion strategies with those for building domestic capacity, motivating domestic investment and linking domestic enterprises into global production networks.

Background to the Africa FDI Surveys

Economic growth driven by productivity and technology requires the articulation of appropriate FDI promotion strategies. Empirical analysis can play an important role to assist least developed countries (LDCs) in framing effective strategies for FDI promotion and linking FDI to development objectives. To enhance the effectiveness of interventions in SSA for strengthening local capacities, UNIDO has been conducting foreign investor surveys, intended to be repeated every two years, to assess investors' operations and perceptions and track changes over time. The surveys also document trends in investment flows into the region, try to identify growth sectors and maintain a view of the changing pattern of investor motivations and origins. The data and analysis will assist national IPAs improve their effectiveness and provide information that benefits a wider audience of African stakeholders.

UNIDO hosts a network of IPAs from 15 SSA countries[2] where UNIDO has ongoing programmes. The

[1] For example in Angola it is 88.8%, in Gambia it is 85.9% or in Zambia it is 55.8% (UNCTAD 2005[a])

Africa IPA Network (AfrIPANet) serves as the platform on which the findings of the surveys are discussed and used as inputs for devising strategies and recommendations for technical cooperation[3].

The first of such surveys was conducted in 2001 on a pilot basis (UNIDO, 2001); the second one was conducted in 2003 and presented at the UNIDO General Conference, 1-5 December 2003 (UNIDO, 2003). The 2003 survey, covering over 800 foreign-owned companies in 10 countries attempted to derive a view of FDI in SSA in terms of motivations, operational characteristics, perceptions and future plans. Results also revealed sectors that are growing, countries and IPAs that are outperforming others and the amount of new investment that existing foreign investors were prepared to make. Based on these results, which were discussions with the Panel of Advisors, conclusions and recommendations were drawn up. These included the need for developing after-care service capacities and a more coordinated approach among IPAs for regional investment promotion. This report gives the preliminary results of the third Survey.

Objectives

The 2005 Africa FDI Survey, the third in the series, was conducted between May and November 2005 in 15 SSA countries. 3,484 foreign investors were contacted and 1,216 valid responses were obtained. This year the study takes a more in-depth look at some issues that came to light in the 2003 survey. In particular, the survey develops detailed profiles of the different types of foreign investors that operate in the region and looks at the variations in characteristics between as well as within the groups. The study also investigates the impact that different kinds of FDI have on the host economies. In particular, effects on technology and know-how dissemination, skills development, local linkages, export, expenditures on local inputs, as well as employment growth are looked at. The performance of investors is also assessed to identify the fast growing sub-groups in terms of sales, investments and employment.

The survey is empirical support to African IPAs in sharpening their strategies and for strengthening their policy advocacy function. It is meant to complement and supplement the overall FDI flow and stock data that are compiled according to IMF guidelines (IMF, 2001; IMF, 1993) and presented by UNCTAD (UNCTAD, 2005[a]) from central banks' balance of payments (BOP) statistics. The BOP data captures the volume of flow of capital between countries, however the inconsistencies and inaccuracies inherent in the collection and reporting process, as well as some definitional problems renders their use for some types of analysis difficult (UNCTAD, 2005[b]; Patterson et al., 2004). This is especially true for LDCs where FDI flows are thin to begin with and errors can make country level data meaningless. It is generally recognized that for analytical purposes it is essential to use BOP statistics in conjunction with enterprise-level data to ensure that the underlying issues are properly defined and the 'texture' beneath the macro-level BOP numbers is correctly assessed. These surveys provide the additional information, where the underlying motivations, operations, performance and growth of individual investors can be studied, their actual investments, not just cross-border transfers, can be observed, and many of the productivity enhancement issues associated with FDI flows can be scrutinized together. This is a significant differentiating factor and point of departure from other studies.

One of the subjects looked at in this study is the emerging importance of South-South FDI, especially investments from South Africa, other SSA countries and Asian countries (Aykut and Ratha, 2003). Analysis of how they compare with their North counterparts in terms of impact on the local economy and interaction with local entities, the sectors of choice, rates of growth, performance of their investments, drivers of investment and location decisions, etc. is presented. The survey is intended to stimulate the debate about IPA strategies towards South-South FDI.

The survey sheds light on the nature of FDI in the region by analyzing and comparing the actions, operational characteristics and impact of different investor types. For this purpose the sample was split up into six investor type categories. These six categories are:

- *Organizational structure* where three sub-groupings of foreign investors are studied; the subsidiaries of large trans-national corporations (L-TNC) that have global group sales of over $200 million, subsidiaries of small trans-national corporations (S-TNC) with global group sales below $200 million and foreign-owned and operated firms that are not subsidiaries of a foreign based enterprise but are owned and operated by a foreign entrepreneur (FE).

- *Investor origin* where the sample is split up into two groups. One group consists of investors whose home country is categorized as industrialized (North). The other group consists of investors from developing countries (South).

- *Market orientation* splits the sample into three groups; local market seekers (those who export less than 10

[2] The 15 member countries of the Network are: Burkina Faso, Cameroon, Côte d'Ivoire, Ethiopia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Nigeria, Senegal, Tanzania UR, Uganda, and Mozambique

[3] More information on UNIDO AfrIPANet initiative available at: www.unido.org/afripanet

per cent of their total sales), regional market seekers (export more than 10 per cent, more than half of which is destined for other SSA countries), and global market seekers (export more than 10% of which more than half go outside the region).

- *Main sectors* looks at agro-business (primary), manufacturing (secondary) and services (tertiary) sectors. In the primary sector, enterprises involved in hydrocarbon and mineral extraction were excluded to focus on the non resource-based FDI.

- *Share structure* defines the operations in terms of percentage of foreign ownership. More than 90 per cent foreign-owned are categorized as wholly foreign-owned enterprises (WOE) and those between 10 and 90 per cent foreign-owned are categorized as joint ventures (JV). Firms with less than 10 per cent foreign capital were a priori removed from the sample.

- *Start-up date* groups enterprises according to whether the foreign investor started operations in the host country on or before 1980, between 1981 and 1990, between 1991 and 2000 or after 2000.

The variation between the groups within each category is studied to identify sub-groups with the highest growth rates, highest potential new investments, highest levels of local content, and most 'multiplier' or 'spill-over' effects (technology and skills dissemination). The analysis describes their characteristics.

Survey Results

Sample Structure

The survey found that the sample of 1216 valid cases was almost equally distributed between manufacturing and services with only 4.2 per cent in the primary or agro-business sector. It is important to keep in mind that, to a large extent, the primary sector, in particular the mining and oil/gas sectors, has been deliberately excluded from the survey to focus on the manufacturing and services sectors.

The sector distribution of the sample was aggregated into 18 sub-sectors that are based on the International Standard Industrial Classification (ISIC), Revision 3 (see Annex Table 2.1.). The largest sub-sector in terms of number of firms was marketing, sales and distribution followed by chemicals, plastics and rubber and food, beverages and tobacco.

In numbers, the proportion of North and South origin investors were close to even with 54 per cent North and 46 per cent South.

The value of the total output of the firms in the sample was $15.7 billion, the total number employed was 379,000, and the total book value of all the firms' assets was $19.6 billion. Exports by all the firms in the sample came to $2.8 billion and the total value of proposed new investment by these foreign owned operations in the next three years is $4.1 billion.

Perhaps the most striking feature of the sample as a whole was the extent to which it was skewed in terms of size. There was a small number of very large firms, and the distribution, actions, and areas of operation of these firms dominated the analysis. It would be interesting to know to what extent this aspect of the sample represents the reality of FDI in SSA. The largest 25 firms by sales accounted for 42 per cent of the total sales, 39 per cent of the total assets (book value) but only 15 per cent of the total employment.

Of the 310 subsidiaries of large transnational corporations (L-TNC), 81 or 26 per cent were French, 39 or 13 per cent were South African and 35 or 11 per cent originated from the United Kingdom. Thus half of all the large TNCs in the Survey came from three countries with direct historical and/or geographical links with Sub-Saharan Africa. Even amongst the 300 small TNCs, a third originated from the same three countries. Only amongst the 595 foreign entrepreneurs (FEs) was the influence of the United Kingdom and South Africa less directly evident. The notable exception was France, which was the home country of 108 FEs. Two emerging countries – Lebanon and India – were ranked second and third as sources of FEs.

In terms of numbers 50 per cent of the sample consisted of FE and 25 per cent each of L-TNC and S-TNC subsidiaries. The subsidiaries of the L-TNCs were the largest in the sample in terms of sales and assets, but the three groups had similar magnitude in terms of total employment. Describing the sample in broad brush, the older firms were mostly large European L-TNCs in the food, finance and marketing sub-sectors, (except for the South African L-TNCs that were more recent arrivals and, in addition to those sub-sectors, were also in communications). South investors were mostly in the garments, chemicals, machinery sub-sectors, were more recent arrivals, had a higher proportion of FEs and were on average smaller in terms of output and assets but employed similar numbers of workers.

A pattern was discernible among the host country samples. The structure at the country level varied according to country size and historical ties. Some countries, especially Cameroon and Côte d'Ivoire, had structures that were overwhelmingly dominated by large, established TNCs dating pre 1980, mostly of European origin, with a relatively high proportion of regional exports and mostly agricultural raw material intensive. Others, like Kenya, also exhibited a large portion of investors with

historical roots and regional market orientation, but had greater variation in size, origin and sub-sectors. Ghana, Burkina Faso, Uganda and Guinea were mostly dominated by small, recently established FEs from South. Madagascar had a unique structure, dominated by export oriented manufacturers from South that had arrived in the last decade or so. The most striking aspect of the Madagascar sample was that in terms of sales and book value it is one of the smallest (total sales of less than $400 million and total book value of $300 million). But, in terms of employment, it is the second biggest (almost 50,000 total employed). Most of the sample in Tanzania had arrived after 1990 and the most recent arrivals exhibited the characteristics of a new breed of small regional market seekers. Nigeria had a very diverse sample, ranging from the largest to very small and old to very young, but the most characteristic aspect of the pattern was the dominance of local market oriented manufacturing firms.

There was a very clear trend with greater frequency of FEs, South origin investors and exporters among the more recent arrivals. For the group that started operations between 1991 and 2000, the number of entrants of North and South origin were almost equal but total employment in the South group was 60 per cent more. For the post 2000 group the trend accelerates, with almost 80 per cent more South origin investors starting operations during this period and employing more than double the figure employed by the North entrants.

Age was a reliable determinant of size. The older firms, all other variables being equal, were on average larger, reflecting survivor bias. Firms that have been around since before 1980 tended to be established winners with large market share. Especially in the agriculture and manufacturing sectors the older firms were on average three to four times larger in terms of sales and book value than more recent arrivals. However, in terms of employment, the most recent arrivals were of almost equal magnitude reflecting the greater frequency of South origin, export oriented, labor intensive groups within the more recent arrivals. In the services sector the age – size relationship was much less apparent due to the recent entry of large investors in the communications sector, in particular, MTN.

One interesting finding was the big difference in average size between the wholly foreign owned enterprises and joint ventures. This size difference was in fact driven by age. The older firms tended to be joint ventures and since the older firms are larger, joint ventures are larger. The expectation was that older, successful firms would expand their share by buying out any partners they may have had during the earlier period of their experience in the country and taken over full control of operations (Kogut, 1991). Three explanations for why this is not observed suggest themselves. The first, or pessimistic hypothesis, is that large, mostly European TNCs have opted to de-bundle their investments by selling equity to local partners. For example in the late 1980s, Firestone (now Bridgestone) sold its majority shareholding to Kenyan business interests, while retaining a long term management contract for running the company and a minority equity share. Other such examples, like Ralston Purina (Ever Ready Battery), can be cited. By this process, foreign investors were able to reduce their equity exposure while retaining lucrative royalty payments, exclusive import rights for their branded products, management fees and control over operations.

The second, or path dependent explanation, relies on tracing the origins of investment by European TNCs. For example, in 1953 Kenya, Unilever was persuaded to buy two-thirds of the then wholly government owned East African Industries Ltd with the government retaining the remaining one third of equity. This joint venture has endured until the present day with the Kenya government as a minority partner to Unilever. Clearly the relationship suits both partners. Unilever can justifiably claim to be a partner in Kenya's development while being less exposed to allegations of monopolistic behavior than if it was wholly foreign owned. Meanwhile the Kenya Government continues to receive a reliable income stream from its 53- year old investment. If the Kenya market for fast moving consumer goods were to expand dramatically, no doubt other TNCs would challenge this well-established joint venture. Similar examples of large joint ventures with origins dating back to before 1970 abound in West Africa as well.

A third hypothesis is that foreign investors diluted their equity through partial acquisition of new assets as they grew and gained confidence in the host country.

For one reason or the other, most large successful operations were joint ventures. Another contributing factor for the majority of joint ventures being mature was the tendency of more recent arrivals of South origin in the fast growing export sectors to shun partnerships. Investors most likely to enter joint ventures were of European and South African origin and those in the services sector (especially the large finance and communication sectors) which also influenced the size of joint ventures.

The age – size relationship of the firms in the sample explains a large part of the observations. The old, large, European L-TNCs have high sales and book value figures but, employ much fewer people per $ of sales or assets. Therefore, the countries and sub-sectors where they dominate the sample exhibit mean sales and book values far above the others. But their mean employment figures are similar to the rest of the sample. These countries are Cameroon, Côte d'Ivoire and Nigeria and the sub-sectors are transport and communication; electricity, gas and water supply; non-metallic mineral products and food, beverage and tobacco. On the opposite end of that spectrum are the more recently arrived, smaller investors

of South origin that are more labor intensive. The countries and sub-sectors where they dominate the sample exhibit very small mean sales and book values but employment figures that are above the rest. These sectors are textiles; garments; and agriculture, fishing and natural resources. The countries most affected are Ethiopia and Madagascar. Countries where there is a mix are Kenya, Senegal.

Global exporters had, as a group, the highest rate of sales growth in the past year at a mean of 32 per cent, which compares to a whole sample mean of 17 per cent. Therefore, groups that have large populations of global exporters, like investors that arrived after 2000, S-TNCs and South as a whole also had rapid growth of over 20 per cent during the past year. Investors in the two most export intensive sub-sectors, garments and textiles had sales growth rates of 50 and 42 per cent respectively and the sample from the most export intensive country, Madagascar, experienced the fastest sales growth at a mean rate of 55 per cent. But, Ghana, Tanzania, Malawi and Uganda also experienced high mean growth rates among the investors in the country samples. Looking at expected annual growth of sales in the next three years, the same groups are predicting continued rapid growth in sales.

Sales growth and investors' assessment of their performance

One of the common features of all three surveys is the question about how investors assess the performance of their investments over the past three years in relation to their expectations. This year more than 60 per cent of the investors reported that their performance was in line with or above their expectations, with 11 per cent reporting above and 5.6 per cent reporting well above expectations. Of the remainder, 31 per cent thought their performance was below expectations and only 7.1 per cent well below. Country wise, investors in Uganda, Ghana and Tanzania seemed to be most content with the performance of their operations, Guinea and Côte d'Ivoire the least content.

A reasonable assumption would be that growth of total sales would be correlated to how investors assess their performance. What is observed however is that investors in the fastest growing sectors are the most negative about their performance. The 2003 results had presented this paradox of extremely fast growing sectors evaluating their performance below expectations (UNIDO, 2003). The question was whether most of the firms in these sectors were so new that they were in start-up phase which would explain dissatisfaction with the observed very high sales growth levels. Another explanation was that the margins remained stubbornly low regardless of how fast the top line grew.

Analysis by excluding firms starting up after 2000 and comparing North and South within same groups revealed that the hyper growth is not just a start up issue.

One group of new generation investors in SSA is the Asian group. Of the 170 Asian investors in the sample 140 had arrived since 1990 and half of those after 2000. As a group they exhibited the highest sales growth rate in the past year of 23 per cent and project the second highest annual growth rate for the next three years at 32 per cent. This group made significant contributions to growth and employment in the countries where they represent a sizeable part of the survey population. Their mean employment at 427 is 34 per cent above the sample mean and as a group they employed over 72,000 people or 20 per cent of the total employment provided by the whole sample. More importantly, the growth rates of past as well as expected future employment are also the highest among all the groups. They anticipate adding more than 10,000 new workers per year to their payrolls for the next three years.

Interestingly, the second fastest growing group in terms of last year's sales growth rate consisted of 151 firms from other SSA countries, not including the 84 South Africa investors. These fast growing SSA investors however also constituted the unhappy group with more than 42 per cent saying their performance was below or well below expectations. They are from Kenya (38), Mauritius (24), Côte d'Ivoire (18), Zimbabwe (17), Senegal (11) and Tanzania (9). Almost all are post 1990 arrivals and about 40% post 2000. They have a strong concentration in the services sector and have the highest density in Uganda, Malawi, Burkina Faso and Mali. They are mostly small operations.

The South African investors were the most content with 75 per cent saying they met or exceeded expectations. This level of satisfaction in the South African group of investors translated into the highest forecast of annual sales growth by any group for the next three years, at over 44 per cent per year. 51 out of 83 South African investors are in the services sector and 10 in the food and beverage sector. They do not have extremely high growth rates and they are not significant employers, but they are one of the most capital and skill intensive groups with high per capita expenditures on training.

Measure of impact on the host economies

Wages and Employment

The levels of wages paid by foreign owned firms confirm expectations. They correlate strongly with output per worker thus the same groups of firms identified as having the highest labor productivity (old, large firms, espe-

cially in the services sector) pay the highest wages. The countries with the highest density of these groups are Côte d'Ivoire, Cameroon, Senegal and, to a lesser extent, Kenya. South African investors pay the highest average wages, corresponding to the high skill and capital intensity of their firms. Conversely, investors in the labor intensive sectors with the lowest labor productivity, like garments, textiles and wood products sectors, pay the lowest wages. There is clearly a trade off for SSA countries. Large, well established subsidiaries in capital intensive sectors pay top wages but employ the least per USD invested and have the lowest (sometimes negative) employment growth rates. Newly arriving, Asian investors in (mostly export oriented) labor intensive sectors pay meager wages but employ much higher numbers per USD invested and have growth rates that exceed total sample growth rates by far. These differences are again reflected in the pattern of investors in individual countries. Côte d'Ivoire has the highest paid workers and a negative employment growth among the sample of foreign investors and Madagascar has the lowest paid workers but the highest rate of employment growth.

An exception to the observed relationship between high wages and low growth rate of employment is South Africa as investor origin. Investors from this home country pay the highest wages but do not have the lowest employment growth rate. Countries of origin with the highest rates of past employment growth are Mauritius, India, Lebanon and China/Hong Kong.

All groups of investors forecast future employment growth rates lower than the levels they achieved in the past year. All groups except the Asian investors are estimating future employment growth at an annual rate of around 8 per cent. The Asian group is tempering down from the 23 per cent achieved last year to 18 per cent per year for the next three years. This higher rate of the Asian group is reflected in the higher employment growth rates expected in the specific sectors and countries where they represent a high percentage of FDI.

Re-investment by Foreign Investors

One of the most important measures that concerns IPAs is the new (additional) investment that existing investors have made in the last three years and the new investment they are considering for the next three years. These measures can signal to IPAs where existing foreign investors are seeing opportunities, how FDI flows will develop going forward, which investors to pay attention to and to identify the highest priority obstacles that policy makers need to address.

The past and future investment figures are appraised by excluding the figures for the largest investment in the sample, MTN-Nigeria, which is so disproportionate that it makes meaningful analysis, even using log transforms, difficult. Without this very large investment in the sample, the total of new investments during the past three years was $2.8 billion and that forecast for the next three years was just over $3 billion. The sub-sectors that have and will continue to attract the largest investments in absolute value terms, are transport and communications (even without MTN-Nigeria), financial intermediation, chemicals, food and marketing.

In terms of rate of growth of investments, investors in the garments sector are predicting the highest rates of growth going forward. They forecast average new investment levels of $6 million, up from $2.3 million in the past year. This is a 157% increase over the amount these firms invested during the previous three years.

Summarizing the growth forecasts of investors in the sample, South origin investors are predicting both investment and employment growth rates far in excess of North origin investors. Similarly, investors in the services sector are forecasting growth rates more than those in manufacturing, and S-TNC subsidiaries more than L-TNC subsidiaries. At the country level foreign investors in Tanzania, Mozambique and Madagascar predict high future growth rates in both employment and investment.

Use of Local Inputs

Additional investment and its employment and growth effects are variables looked at for assessing the impact of foreign investors on the local economy. Another variable for assessing impact is the amount of interaction that foreign investors have with agents of the host economy. One hypothesis was that investors of South origin would be more inclined to use local inputs in their operations, given that they would be using more 'appropriate' technology and be more adept at integrating local inputs. This is a relevant metric of impact since the value and proportion of locally sourced inputs directly influences local value added and links local producers to international buyers. For the 435 manufacturing firms which gave the local purchase figures, the total came to almost $900 million. Of this total, $690 million was purchased by investors of North origin and $200 million by those of South origin. The average local content is 38% of all expenditures for material inputs.

In this respect there was a surprise. Investors of North origin generally outdid their South counterparts in terms of local purchases. On average North firms spent $3.4 million on local purchases and South firms only $900,000. In terms of per cent local sourcing of inputs, North averaged 43 per cent to South's 34 per cent. Even broken down to TNC or FE levels, North beat South, 47 to 37 per cent for FEs and 38 to 26 per cent for TNCs. Continuing the analysis at the sub-sector level, agro, food, wood are obvious high local content sub-sectors.

Within each individual sub-sector, North origin investors had higher average local content than South origin investors. Only in the construction and basic metal sector did South investors display the tendency to use higher proportion of local inputs.

Within South investors, the 39 firms of Lebanese origin and 10 of Saudi Arabian origin had very high local content as per cent of inputs purchased.

Another consistent observation is that FEs as a group also had higher local content proportions than TNCs, when looked at within the same country, sub-sector or origin. Global and regional exporters also had much higher average expenditures on local inputs and much higher percentage of local sourcing than local market seekers. The 38 large global market seeking firms from North exhibited the highest percentage of local sourcing with an average of 54 per cent. Interestingly, among these firms, the more recent arrivals, those starting up after 1990 had the higher local content at more than 60 per cent. The expectation would have been that the older, plantation based FDI would have the highest local content.

Another way of examining the local content was to look at all local expenditures, including local outsourcing and sub-contracting of services, as a percentage of sales. For the sub-sample of manufacturers the average was 22 per cent of sales spent on local expenditures (excluding wages). The groups that exhibited a high proportion of local expenditure in sales were older pre-1980 firms, the natural resource intensive sectors (food and wood), basic metals, and construction. Surprisingly garments exporters had relatively high local expenditure content. Cameroon, the host country of many old, large, French origin, natural resource based L-TNC subsidiaries dominating the country sample exhibited the highest proportion of local expenditure in sales. Tanzania, Nigeria and Kenya were also on the high end of the spectrum. The region of origin that consistently exhibited highest proportion of local content was America.

Training and R&D

So far, impact of FDI has been assessed in terms of growth, wages, employment levels and local purchases and expenditures; the direct economic effect of the investors on the local economies. The technology and skills enhancement effects of FDI were studied by looking at the training and R&D expenditures of the surveyed investors, at the formal and informal technology and know-how transfer within the ongoing activities and by looking at the skill intensity of operations.

Within the sample, 794 or 65 per cent responded to the question on training expenditure, and of those that did respond, 41 per cent indicated they spent nothing on training. The 467 firms that reported positive expenditure on staff training spent a total of $39 million for that purpose. The types of firms that spend the most on training are L-TNC subsidiaries, investors in the services sector (transport and communication; financial services; marketing and professional services). South African investors spent the most on employee training both on a per company and per employee basis. Six of the top ten spenders on training are South African companies. Of the $39 million total spent on training, $13.4 million is spent by South Africans. The group that is second in terms of average spending on training per employee is SSA[4]. At least from the sample in this survey there is a clear indication that African investors entering other African markets as investors put the highest priority on human capital development. This could be a reflection of their long term commitment to the region.

On a training per worker basis, the countries benefiting most from training by foreign owned firms are Côte d'Ivoire, Kenya, Malawi, Mozambique and Tanzania, with the highest density of South African investments, also benefits from high per capita spending on training from companies that do training.

Another metric used to assess the skill enhancement propensity of FDI was to look at the percentage of university graduates in the workforce (skill intensity) and the proportion of foreigners within the university graduate population. Expatriate graduates in the workforce could be a measure of know-how transfer as well as a reflection of reluctance by some investors to bring local staff into the managerial decision making circle.

The most skill intensive sectors, those with the highest percentage of graduates in the workforce, are the services firms. The labor intensive, export oriented low tech sectors exhibit a low proportion of graduates in the workforce. The same sub-groups that had high levels of training expenditure per employee also tended to have high proportions of graduates in the workforce. Large South (especially South African and SSA based) services firms had the highest percentage of graduates. Joint ventures tended to employ a higher proportion of graduates than wholly foreign owned firms.

The proportion of expatriate graduates was highest in sectors that had the least graduates within the overall workforce. In the labor intensive manufacturing sectors university graduates are a much closer proxy for management, whereas in the skill intensive services sector they are a much bigger portion of the overall workforce. Almost every firm has a small number of expatriate graduates in the management. This small number appears as a much larger proportion of the total graduate population in a

[4] The median for SSA is at similar levels to that for European and American investors indicating that there is a high level of variation, but the group can still be recognized as a high spender on training.

small, labor intensive manufacturing firms with very few other graduates. There is however a clear preference for expatriates among investors of South origin. In every sub-group: manufacturing FEs; services FEs; manufacturing S-TNC subsidiaries; services S-TNC subsidiaries; manufacturing L-TNC subsidiaries; services L-TNC subsidiaries, those of South origin have a higher proportion of expatriates among the graduate population.

Only 109 of the 589 manufacturing firms indicated that they undertook expenditures on R&D in excess of $5,000 per year. The total expenditure of these firms came to $24 million. From these small numbers the only generalizations that could be made were that South firms tended to outspend North on a per company basis.

Exports

A quarter of the sample, or 338 firms were classified as exporters. The total value of exports for the whole sample (including companies that exported less than 10 per cent of their output and not classified as exporters) amounted to $2.84 billion or 18 per cent of total sales. The 171 regional exporters accounted for 30 per cent of this ($0.85 billion) and the 167 global exporters for $1.92 billion. The rest was exported by local market seekers who exported small amounts. Exporting firms could be classified into two categories. Group one consists of old European L-TNC subsidiaries in food, agriculture, wood and other natural resource dependent sectors. They are mostly joint ventures and grow very slowly. Group two consists of South origin or small North origin investors that arrived after 1990 and that are mostly in garments, textiles, horticulture sectors as well as more traditional sectors like food and chemical. The differences and respective characteristics of these two groups define export oriented FDI in SSA.

In volume terms, group one dominates the export sector and is mostly in Francophone West Africa. No more than eight firms in Côte d'Ivoire account for 40 per cent of the exports of the food sector. Côte d'Ivoire and Cameroon together account for $1.1 billion in exports.

Group two is mostly active in East Africa, much larger in numbers but much smaller in export volume, they are predominantly global exporters, employ much larger numbers in comparison to their investment and output levels and are growing investments, exports and employment at an extremely rapid pace.

Regional exporters are mostly found among group one, the subsidiaries of European L-TNCs. In essence they follow the classic learning-curve export marketing growth path, building out from an established local market position to systematically develop neighboring markets. They sell the bulk of their output in the host economy but show significant differences to pure local market-seeking firms in size and efficiency.

There is however evidence of a new generation of foreign investors that come primarily as regional market seekers from the start. They are located outside the traditional regional market centers like Côte d'Ivoire and Kenya.

Global exporters that are part of group two, the recently arrived South investors in garments and textile and North origin FEs, have some very interesting dynamics especially in terms of employment generation. In the whole sample, exporting firms employ 50 per cent of the total workforce and global exporters employ 37 per cent of the total workforce. But if the sub-sample of investors that started after 2000 is examined, 68 per cent of the workforce is employed by exporters and 58 per cent by global exporters. This is an indication of the huge employment impact these firms are having and how the export related employment has increased among the recently arrived investors.

An interesting observation involves the 24 exporting firms whose original decision to locate in SSA was purely driven by the African Growth and Opportunities Act (AGOA) between the US and Sub-Saharan Africa[5]. To get a feel for the AGOA impact on FDI into the region, the figures for these 24 firms can be removed from the totals to see what happens to the employment share of global exporters. With the removal of the AGOA inspired investments the share of exporters in the total employment drops from 50 per cent to 45 per cent. But, more significantly, for the sub-sample of post 2000 entrants it drops from 68 per cent to 50 per cent. Looking at global exporters only in the post 2000 sub-sample, their employment share without the AGOA incentivized 24 companies, drops from 58 per cent to 33 per cent. In terms of numbers it is a drop from 34,000 to 12,000 workers.

The message about AGOA from the small survey sample is that it has had a significant impact on employment generating FDI in some parts of SSA. In Madagascar half of those employed by the sample firms are employed by 14 AGOA companies. In Kenya 30 per cent are employed by the AGOA companies. However, in terms of actual value of exports, the amounts are very small, total AGOA related exports account for less than one per cent of the total exports of the sample. Secondly, only some parts of SSA, those with the lowest labor costs, seem to benefit from the employment creation effects of AGOA related FDI. These observations would need to be looked at with more data before making conclusive statements regarding impact of AGOA.

[5]The African Growth and Opportunities Act was enacted into law as part of the US Trade and Development Act of 2000. It grants the beneficiary Sub-Saharan African countries an expanded product coverage under the Generalized System of Preferences (GSP), as well as tariff- and quota-free exports of textile and apparel products to the United States (Office of the US Representative, 2004; UNCTAD, 2003[a]).

Location Factors

Investors were asked to assess 26 location factors in terms of importance to their decisions to invest and grow their investments in the host country. The factors covered the business climate (12 factors), local market conditions (5factors), resource availability (4 factors), and other factors covering pro-active investment promotion initiates and asset availability. Investors were asked to not only grade the importance of each factor from a rating of 1 to 5 but also to judge whether each has improved (+1 or +2), deteriorated (-1 or -2) or remained the same over the past three years.

The results show that there are significant differences in the perceptions of different investor groups about the state of the investment climate, both in terms of what is important and how they assess the changes in the factors over time. The identification and the measurement of these differences in perception makes it possible to link the performance and impact associated with each particular investor group with the priority services and support required by that group.

It was clear that South investors, those that exhibit rapid growth, are also less pessimistic about the trends in the investment climate of the region. South African and other SSA investors reported that they saw improvements in the general business conditions whereas European investors saw a deterioration. South African investors saw considerable improvements in market conditions and European investors observed only slight improvements. Such differences were observed not only in terms of origin but also by sector and market orientation. The tabulation and comparison of these "perception" differences provides an opportunity to customize support services to each category or group of investors.

The particular location factors that were judged by the whole sample as very important and showed the greatest improvements were political stability, availability of skilled labor and key clients. Those that were very important but showed the greatest deterioration were physical security and quality of life. Economic stability was rated the most important factor but the average change rating was 'slightly improved'. The rating for this factor however varied greatly among the different groups with some South groups rating the change as considerably improved and Europeans rating it somewhat deteriorated.

Investors were also asked to rate various aspects of the services they receive or have received from the investment promotion agency (IPA) of the host country. In particular they were asked if they were registered with the agency, the efficiency of the registration process, the usefulness of registering, the nature of the pre- and post-investment services they received and an assessment of the availability and quality of services they needed. Those that were not registered were asked the reasons for not registering as a measure of the a priori negative opinion about IPAs. All these different measures of opinion about the IPAs were combined in a single performance index to compare the 15 IPAs in terms of how foreign investors feel about their usefulness.

Conclusion

The UNIDO Survey provides empirical confirmation of several predicted conclusions and reveals a number of previously unsuspected trends in the fifteen sub-Saharan African survey countries. First and perhaps the most predictable, is the persistence and survival of the subsidiaries of large TNCs, mostly from Europe and established in 1980 and before. They are generally in robust health in terms of their absolute size measured by sales revenue, book value and employment. They are major users of local content, which are very often unprocessed natural resources. These mature manufacturers export large volumes, mostly regionally, although in relative terms their exports remain relatively low at an average 15 per cent of total sales. Those that are global exporters export a higher proportion of output than regional exporters. These well established TNCs pay their employees above average wages and the service companies among them employ a large number of local graduates. Established manufacturing large TNCs remain the dominant group with the greatest cumulative impact.

Despite the large absolute impact, the business operations of established large TNCs are stagnant or at best growing slowly. There is little growth in terms of recent or forecast future sales. The rate of new investment is very low and in terms of employment some firms have actually shrunk in the last three years. These mature enterprises seem to have grown to the permissible limits of local markets and most probably cannot grow by acquisition because of their dominant market position. In terms of export potential, global demand is adversely affected by fierce competition amongst low value added products facing inelastic northern demand. The stagnant employment figures are a result of endogenous technical progress, which is inferred from the relatively high investment in training and R&D by this group of firms. A greater proportion of the group is content with joint ventures compared to more recent arrivals. The lack of market 'space' for more than one or two well-established domestic market seeking subsidiaries of large TNCs per sub-sector means there is little scope for expansion and few incentives for changing governance structures.

The second group of investors highlighted by this Survey is post-1990 investors in the global export manufacturing sector. Many firms are of Asian origin, they are

mostly subsidiaries of small TNCs, are concentrated in low value export sectors like the garments and textile sector and they spend virtually nothing on training. These investors have absorbed large amounts of mainly unskilled labor and almost doubled employment within the last three years, which is much faster than anyone else. This growth translated into the creation of at least 15,000 new jobs. This group expects to continue to grow employment at nearly 20 per cent a year, which will provide another 15,000 new jobs over the next three years. Yet the group seems to add very little value other than low wage employment. Therefore host countries need to be careful about investment incentive schemes they develop to target this investor group. The fact that they are growing so fast could be sufficient incentive for them to locate in the region.

The Asian manufacturing firms in this group have achieved a spectacular growth rate in exports over the past three years. Their exports almost doubled every year albeit from a low base line. For the next three years, they anticipate continuing with an annual export growth rate of higher than 50 per cent. In value terms, this is quite modest amounting to an average increase of exports of about $2 million per firm.

This population of export oriented new investors in manufacturing, although superficially similar in terms of type of investment, probably requires a more nuanced investment promotion strategy to reflect regional and sectoral differences in investment motivation. Further work is required to investigate in more depth the underlying motives of the new generation of export oriented investors and to explore opportunities for increasing local value added.

The third identified group consists of large TNCs' subsidiaries that have been established since 1990 to serve the local market. The group is divided equally between investors from the North and the South. Two-thirds of firms are concentrated in the services sector. The bulk of these firms are rapidly expanding their labour force, almost as fast as the South global exporters. Some are very large services companies from South Africa, the Middle East and Europe, particularly in the financial services, transportation and telecommunications sectors that in terms of size, investment levels and growth, have dominated the scene very quickly. These new services TNCs employ one of the largest proportion of graduates in the work force, spend on average the most on training and pay the highest wages of any group. This is suggesting a long-term commitment to the region. The challenge for national governments provided by this group perhaps lies in designing and managing the legal and regulatory regime to ensure a fair and competitive market, particularly in the services sector.

The fourth group of firms consists of regional exporters established after 1990. This group is the most diverse in terms of region of origin of the investor. While the values of these firms evaluated in terms of capital intensity, sales productivity and wages per worker is average, their major distinguishing feature is a strong regional export performance of nearly a third of output combined with forecast high further growth of export sales.

These firms are widely distributed between the fifteen survey countries including those that have been through a period of major political upheaval since 1980. Two-thirds of the firms are owner-managed which suggests this form of governance allows a rapid response to the new opportunities provided by economies that are now stabilizing and actively encouraging foreign investment. There is also some evidence that improved co-operation in facilitating regional trade encourages FDI by these firms, most notably in the re-vitalized East African Community (EAC). For example, Kenyan regional exporters are becoming significant investors in Uganda and the United Republic of Tanzania.

A fifth group of firms are subsidiaries of small TNCs established after 1990 to service the local market. Some forty per cent originate from SSA or South Africa and, like the local market-oriented firms that belong to large TNCs two-thirds operate in the services sector. As expected, S-TNC subsidiaries are much smaller than the average subsidiary of a post-1990 L-TNC employing less than 130 people compared to 475 by L-TNCs. Although S-TNCs are not expecting to hire at a faster rate than L-TNCs, the forecast rate is above the average for the whole sample. It is also noteworthy that S-TNCs employ the highest proportion of graduates of all other groups. They achieved a sales growth rate similar to that of L-TNCs in the previous year and their forecast investment rate over the next three years is higher.

The final group of foreign investors is characterized as owner-managed firms without formal links to a 'parent'. This group seems to be increasing in number as a proportion of inward investors in SSA. Half of the FEs in the survey have associated firms operating in other countries. Eighty per cent of FEs originating from SSA, Northern Africa or the Middle East with establishments in more than one country operate only in other African countries. Very few South African-owned businesses operate as FEs in the region.

A strong positive feature of local market-oriented FEs from the South is the high forecast investment rate per USD of sales; and, as presented in the report, this is a good predictor of sales performance. Moreover, FEs from the South, independently of when they were established, their market orientation or whether they are manufacturers or services providers, are forecasting investment growth at a faster rate than FEs from the North. This is also reflected in their stated intention of hiring

employees at a rate eight percentage points higher than their North counterparts.

The findings emerging from the analysis reflect clear trends such as the changing profile of foreign investors over time, the increasing proportion of South investors, and the significance of FEs. These trends underscore the growing importance of investor groups that currently are all but ignored by African countries in their investment strategies. In particular the paucity of new arrivals among 'traditional' TNCs (diversified European and U.S. origin TNCs entering established subsectors) and the growing relevance of FEs and South TNCs in emerging sectors, signals the need to re-examine the promotion strategies and priorities of Investment Promotion Agencies (IPAs).

The main features of the survey sample reflect the influences of the general groups summarized below:

- The large stagnant European TNCs that have been in the region for many years, provide the bulk of the current sales, exports and assets in the region, benefit from returns to scale, process local raw materials, command considerable market share, pay good wages and are factor efficient.
- The very dynamic labor absorbing exporters, mainly from Asia, able to provide immediate response to the employment generation requirements of many countries of the region.
- A new generation of growing, high quality, value creating investors with diverse qualities. Some have regional markets in mind, some are from within the region, others are from outside the region but are not subsidiaries of large multinational corporations. This third group could contain the seeds of a new generation of investors that begins to transform the approach of the region to leveraging FDI for development.

The data from the survey, detailing the performance, behavior, impact and perceptions of 1216 firms operating in fifteen sub-Saharan African countries is clustered into six widely different groups above to outline the basic requirements for streamlining investment promotion strategies. The report argues that target groups of firms can be selected on the basis of desired impact. Investment climate parameters can then be adjusted once the priorities and perceptions of those groups have been identified.

The implications of this approach are:

- It may be more efficient to allocate scarce IPA resources on engaging traditional TNCs that are already invested, to maximize their positive impact through enhancing collaborations with local firms and suppliers, rather than trying to attract new ones. The scope for enhancing the influence of these investors on domestic investment growth is much higher than that for attracting new international competitors.
- The wisdom of providing too many incentives to attract export oriented (mostly Asian) investors, needs to be examined. The hyper growth many exhibit may indicate that, at least in the immediate term, the investment conditions are already favorable. Publicizing this fact could be sufficient inducement for attracting new arrivals.
- The incipient high quality investor groups identified by the survey need to be examined separately and targeting strategies formulated based on their distinct strengths and perceptions. In particular, new approaches need to be developed for FEs that do not have the resources of a corporate headquarters and indicate that they are the group most interested in receiving IPA assistance.
- The interests of the new breed of regional market seeking investors that exhibit high quality characteristics need to be addressed through improved functioning of regional agreements.
- The emergence of a new generation of high growth local market-oriented service providers is creating new challenges for the competition authorities and IPAs alike.

These findings and conclusions suggest some of the new possibilities for IPAs. On the one hand, the survey data can strengthen their policy advocacy role by providing empirical evidence of the varying benefits of FDI impact. Measures of the performance of different investor groups coupled with systematic information about their perceptions and motives can be a powerful tool for calibrating the likely impact of the investment climate on targeted groups. On the other hand, information and an effective knowledge management system provide the capacity to customize services and support programs for each group identified as a promotion prospect. In turn, this permits streamlining of strategies and facilitates better use of the scarce resources at the disposal of African IPAs.

1. Introduction

Little empirical study exists that attempts to estimate developing countries' gains from capital flows. Whether openness to capital leads to growth through higher investment or merely increases vulnerability to economic turbulence, leading to slow growth, is contested. The Latin American debt crises of the 1980s, the Mexican and Asian crises of the 1990s and many other banking and currency crises have caused recessions and years of lost growth. Unlike trade in goods and services where the benefits to participants can be estimated and total welfare increases, capital flows have potentially severe downsides.

According to one review of literature (Dobson and Hufbauer, 2001) the gains of developing countries from access to global capital markets may be similar to that from access to trade in goods and services. The important distinctions made however are that different kinds of capital (loans, portfolio investments and FDI) may have different effects and financial integration requires certain conditions be met before its benefits can be reaped.

In recent years, the composition of private capital flows to developing countries has shifted significantly, with increased and more accelerated inflows of FDI compared to other capital flows. Flows of short-term debt amounted to $30 billion in 1980, shrank to $15 billion in 1990 and turned negative from 1998 onwards; over the same period FDI has grown from $5 billion in 1980 to $24 billion in 1990 and $160 billion in 2000 (Crook, 2003).

On the one hand, this trend reflects the experiences of past financial crises and the corresponding concerns about the volatility of financial markets. FDI is comparatively safe and not so easy to withdraw in difficult times. The growing interest of developing countries in attracting FDI is also recognition of its multiple impacts and spill-over effects. In the short run, most FDI requires only basic skills at the receiving end and brings in capital, management skills, market links and technology.

For many developing countries, FDI is the most direct way to start industrialization and enter international markets. However, if the host country does not provide minimum requisites that inspire interest and confidence to the business communities, foreign investors may simply not come.

Patterns of FDI flows

Although international investment flows have been steadily increasing over time, they are asymmetrically distributed between the industrialized and developing countries, in favour of the former, and among developing countries themselves. A few developing countries get the lion's share of FDI inflows.

According to Dunning, four main motives can be identified that are prompting firms to undertake FDI (Dunning, 1993):

- *Market seeking FDI* – driven by location factors and the relevant dynamics and size of the market;
- *Natural-resource seeking FDI* – driven by the availability of natural resources;
- *Efficiency-seeking FDI* – driven by the search for efficiency through cost-saving and maintenance of competitiveness;
- *Asset-seeking FDI* – driven by the enlargement of the existing assets through JVs or acquisition in order to sustain a competitive position.

Other categories or sub-categories can be added to the above, such as (Aaron, 1999): labour-intensive FDI; capital-intensive FDI; FDI with high local manufacturing value-added; "Zone" FDI; service sector FDI; infrastructure FDI; mergers and acquisitions; joint ventures; wholly-owned subsidiaries, etc.

According to Dunning's eclectic paradigm (Dunning 1977, 2000), a firm will undertake FDI if it can benefit simultaneously from ownership, location and internalization advantages.

From the host country perspective, different forms of FDI have different impacts in such areas as labor market, productivity, trade, domestic investment, education, technological innovation, and so on.

For example, labor-intensive FDI is a generator of employment, which is important for poverty reduction but often requires unskilled workers, pays low wages and has few other spill-over effects such as the upgrading of the country's technological level. Another example frequently cited is the potential of certain forms of FDI to "crowd out" domestic enterprise and its investment (Agosin and Mayer, 2000). While developing countries in general need and compete for FDI, FDI has costs and effects that host governments have to scrutinize carefully. From the investors' perspective, expectations of profit have to be balanced against perceived risk, and this means the host country has to provide a climate of confidence for business.

For African countries and LDCs, promoting FDI inflows is a key to technological development and economic growth. Other forms of technology acquisition through commercial channels would need at the outset a significant technology base and absorptive capacity, and these are either insufficient or simply do not exist in some countries.

Estimating the quantitative impact

The benefits of FDI are argued in terms of its quantitative effects on growth. Of course, these benefits depend on the particular conditions of the recipient country and its ability to properly direct FDI and capture all positive externalities associated with it.

A recent "Survey of global finance" published in *The Economist* presents a literature review on the gains of developing countries from trade as well as from capital market integration, including FDI (Crook, 2003). According to the review, by 2000 the GDP of developing countries had a gain of about $350 billion a year (roughly 5 per cent) as a result of their access to international markets in goods and services.

This literature survey shows the overall effects of financial integration are uncertain. Some authors estimate a meaningful effect on growth of developing countries (Li and Liu, 2004; Zhang, 2001; Borensztein et al., 1998), others find no benefit at all (Rodrik, 1999). Certainly, the big financial crises in various parts of the world during the 1990s and the losses they have induced in the host economies are the backdrop of these mixed perceptions.

FDI is regarded as potentially the most beneficial form of foreign investment. This explains the shift in recent years in the composition of capital flows to the emerging market economies, with a clear preference for FDI over portfolio flows, as highlighted earlier. Research results presented in *The Economist* survey suggests that a rise of one percentage point in the ratio of the stock of FDI to GDP will raise GDP by 0.4 per cent. In other words, "In the decade to 2000, the ratio of FDI to GDP in the developing countries went up from 7 per cent to 21 per cent. That rise of 14 percentage points implies an improvement in GDP of 5.6 per cent". This is indeed meaningful; and the more so when we think of FDI effects on trade, itself being a powerful driver of growth.

FDI-trade correlation

The positive correlation between FDI and trade seems obvious (UNCTAD, 2001[a], 2002). As a matter of fact, in most cases the TNC strategies with regard to FDI location is based on exploiting location advantages for trade-related motivations. For example, TNCs would want to take advantage of local endowments in natural resources, raw materials, low-cost labour or subcontracting capabilities to improve the competitiveness of their manufacturing activities and successfully export to global markets. Even where FDI is oriented to host country's market this results in an import substituting effect with a corresponding positive effect on the country's trade balance.

This correlation between FDI and trade is more than just the increased trade that would result from an absolute increase in the level of investment. FDI has the effect of linking national economies into global trade streams or strengthening those linkages (Aitken et al., 1997). OECD research suggests that as countries progress towards industrialized-nation status, higher levels of inward FDI to the host country reflect and contribute to further integration in the economy on a global scale (OECD, 2002). Enhanced foreign trade flows, through greater openness to trade and investment, intensify exports as well as imports. Inward investment, as an export-increasing strategy can be positive if it allows the host country to take advantage of their resource endowments and/or geographical location. For lesser-developed countries, however, research suggests that inward investment should not be used extensively as an import-substitution strategy (OECD, 2002).

Technology spillover effects and knowledge accumulation

The most significant spill-over effect of FDI on productivity gains is through the transfer and diffusion of technology. Evidence suggests that the impact of technology introduced by a TNC is highest if it is absorbable by local firms and diffused in the economy. This analysis refers mostly to technology imparted and diffused through backward linkages to local suppliers for the TNC (UNCTAD, 2001[a]).

The simplest linkages involve being engaged in contractual supply of goods and services. TNCs moving into a new market usually need local firms as suppliers of maintenance services or as suppliers of materials and components. These can be upgraded to encompass more demanding tasks, involving more added value, as the incumbent builds longer-term relationships. This has a learning effect in the local firms and the process of knowledge accumulation results in a consequent leveraging of the technological capabilities of the host country (Smarzynska, 2002).

As competence grows, so does the depth of inputs induced by the TNCs, creating or leading to a virtuous circle that is making some developing countries emerge as serious players in world markets. A trend of international investment in recent years has been the relocation of services industries to some developing countries, namely to countries in the Indian Ocean Rim (UNCTAD, 2004). Even more recently, TNCs have begun outsourcing innovation and setting up subsidiaries for R&D operations in developing countries, for instance in a number of East Asian countries (UNCTAD, 2005[a]).

The technology transfer element of FDI is not automatic, however, and explicit efforts to enhance technology transfer in the FDI process are required if the desired effects are to be achieved. Because technological gaps exist between foreign investors of developed countries and domestic firms of developing countries, proper mechanisms need to be put into place, both from a structural level and business level, to realize such gains (Blomström and Kokko, 2003; Blomström and Kokko, 1998).

Two more aspects need to be taken into consideration. The first is that for technology transfers to generate some externalities that would assist in structural reforms, the technologies have to be not only relevant to the domestic firm that receives them, but even more importantly to the host-country business sector as a whole, as illustrated in the OECD study (OECD, 2002). This would generate more country benefits. If, on the other hand, the technological capabilities of the host country are too low, it might be impossible to actually absorb the benefits of technology transfer from the TNC in the first place. The simple promotion of FDI inflows, important as it is, may not be enough to generate sustainable growth in LDCs. Host countries need to be helped to upgrade their technological capabilities.

This has been the basis for suggestions that FDI into LDCs from emerging market economies may have more technology diffusion spill-over than FDI from more developed countries. The recent growth of outward investment from several fast growing developing countries has added new stimulus to these arguments (OECD, 2006[a]; Aykut and Ratha, 2003). More empirical studies are needed to test this contention and, based on the results, appropriate strategies designed.

Role of technical assistance programmes

Recognizing that methodologies and strategies that were successful in one setting may not be as effective in others, especially in LDCs, it is important to expand the mandate and activity range of national IPAs to cover interventions that integrate industrial development, technology diffusion and domestic investment and FDI promotion.

In many LDCs there are shortcomings of the institutional infrastructure needed to articulate, coordinate and execute the range of interventions for supporting and stimulating private sector actions and market forces. As a result, the actions of different institutions involved in different aspects of investment are discordant and frequently at cross-purposes.

One of the conditions crucial to an IPA's effectiveness is the availability of a minimum amount of institutional capacity for supporting domestic industry to complement IPA efforts in investment promotion, especially for supporting enterprises in both interacting with FDI and in playing a role in the attraction of FDI. This implies developing close working relationships with industrial sector associations to intertwine technical assistance with investment-related services. In this case, an IPAs role in mobilizing and channeling support (if not providing some of it directly) is just as crucial as employing best-practice promotion techniques vis-à-vis foreign investors.

One form of support needed by IPAs within the framework of this strategy is empirical analysis to assist them in designing country specific approaches to FDI promotion and linking FDI to the development objectives of critical stakeholders. Another is practical support in bridging the institutional divide between the IPA and institutions of the domestic private sector; especially support institutions for specific industrial subsectors.

The limited resources available to most African IPAs make it difficult for them to be effective in the removal of barriers to FDI. They must identify the highest priority barriers to target with limited resources. This involves knowledge of the characteristics of different categories of foreign investors, gaining understanding of the interplay between them and elements of the domestic economy and sharpening their focus on the most critical factors affecting the decisions of selected target groups. Surveys of foreign investors in sub-Saharan African countries are being conducted by UNIDO, on a bi-annual basis, to assess investors' perceptions and assist national IPAs to improve their effectiveness and provide timely information to investors and policy makers. The first, a pilot survey, was conducted in 2001 (UNIDO, 2001); the second, a full-scale survey, was conducted in 2003 and presented at the UNIDO General Conference, 1-5 December 2003 (UNIDO, 2003).

AfrIPANet

The bi-annual FDI surveys are the empirical input for the design of regional and sector-level strategies and activities for SSA countries. As a platform for the development and implementation of these strategies, UNIDO hosts a network of sub-Saharan IPAs, referred to as the Africa Investment Promotion Agency Network (AfrIPANet). Through this platform the region's IPAs can interact with each other and with UNIDO as well as with selected interlocutors that can contribute timely knowledge and opinion.

AfrIPANet was initiated in 2001 and currently covers 15 SSA countries where UNIDO has been involved in implementing integrated industrial development programmes. The network builds upon the achievements of UNIDO programmes to bring permanence to the partnerships established with National Investment Promotion Agencies (IPAs) in the course of those programmes. In addition to the 15 member IPAs[6], the Network is composed of UNIDO Investment and Technology Promotion Offices (ITPOs)[7] and an Advisory Panel from the private sector and academia.

The meetings of the Network provide an opportunity for member IPAs and ITPOs to renew contacts and initiate bilateral activities between their respective countries. The Advisory Panel is a resource group to convey the concerns of actual investors at the meetings as well as the findings of current research on FDI[8]. The recommendations that emerge represent a compendium of activities for the agencies, national governments, regional organizations, donors and UNIDO.

The Network also serves as a means for continuous capacity building and introduction of relevant products and services into the activities of the IPAs and facilitates interchanges between the IPAs and UNIDO Investment and Technology Promotion Offices (ITPO).

Objectives of the survey

This survey is primarily meant as an input for the formulation of IPA strategies and a programme of coordinated action to be designed and implemented within the framework of AfrIPANet. The data is limited to the 15 member countries of AfrIPANet but the empirical discussion of the issues could have broader implications.

As the third in the series, this year's survey focuses on specific areas of enquiry. These are the impact of FDI and the importance of South-South FDI flows for the SSA region. The study of impact, particularly empirical analysis of positive spill-overs in a developing country context, is limited. Enterprise level data from this survey not only contributes new evidence on the subject, but breaks it down according to source of investor from developed and developing economies. The study also looks at investors according to date of start of operations to note changes in investor characteristics over time. The analysis is carried out at several levels as discussed below.

Organizational structure

One issue flagged in the 2003 survey for closer investigation was the definition of the foreign investor in the region. A single definition, i.e. subsidiaries of TNCs headquartered in other countries, seemed inadequate for capturing the full extent of the nature of FDI in the region. There appeared to be a large population of foreigners who had invested in and were managing operations in these countries, but these operations were not subsidiaries of international enterprises. Most other attributes of FDI applied to this class of foreign investor. They had invested but it was not clear how much capital was brought in and how much was locally sourced. Substantial know-how, both technological and managerial, usually resided with these owner/managers and the expatriate staff they brought along. These foreign entrepreneurs often owned and managed other operations in the same host country, in their home country or in third countries. Such a group of companies owned by the same person or family exhibited some of the characteristics of multinational firms, but they did not have formal subsidiary/parent relationships, rather operated as independent, stand-alone operations. There was evidence that many of these enterprises benefited from the international links of the owner/manager and were exporting or involved in other forms of international activity, sometimes playing the role of facilitators. Some were providing critical services or products that strengthened the linkages between the host economy and global markets. They were internationally mobile and made location decisions using similar criteria that TNCs use for locating their subsidiaries. Sometimes they moved their operations from one country to another within SSA as conditions dictated.

The question was how these entities should be treated in analysing FDI in SSA countries. Do they qualify as FDI? Would ignoring them distort the fundamental dynamics of FDI? How should they figure in the strategies of IPAs? Most importantly, what was their influence and effect on the local economies?

[6]The 15 member countries of the Network include: Burkina Faso, Cameroon, Côte d'Ivoire, Ethiopia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Mozambique, Nigeria, Senegal, Uganda, and the United Republic of Tanzania.

[7]UNIDO ITPO Offices are in Bahrain, Belgium, Brazil, China, Egypt, France, Greece, Italy, Japan, Jordan, Morocco, Poland, Republic of Korea, Russian Federation, Tunisia, Uganda, United Kingdom.

[8] More information about the 2006 AfrIPANet Meeting in Johannesburg (South Africa) under: www.unido.org/doc/53663. Information about the 2003 AfrIPANet Meeting available under: www.unido.org/doc/10820.

One of the objectives of this survey therefore, was to examine this group within the context of FDI and provide some clues for IPAs in structuring their strategies taking into consideration the potential effects of these investors, their actions, motivations and perceptions.

For the purposes of this survey three investor types have been defined to delineate and study in isolation their characteristics and dynamics of operations. These three types, grouped under a category called *'organizational structure'*, are: the commonly referred to multinational enterprises that seek international locations for their subsidiaries within the context of their global strategies; smaller enterprises that are globalized in a limited way, entering into cross-border activity through subsidiaries either to carry their operations into a new market or access lower cost inputs to compete in their traditional markets; and the foreign owned and managed standalone enterprises that are not formal subsidiaries.

The first group is referred to throughout this report as large transnational corporations or L-TNC and are corporations with annual global sales of more than $200 million. The second group is referred to as small TNCs or S-TNC, with global sales under $200 million. This pure size distinction probably does not catch the small but truly global companies. The third group is referred to as the foreign entrepreneur or FE, the foreign owned enterprise that is not a formal subsidiary of a global corporation.

In distinguishing these three types of "organizational structures" and separating the sample accordingly to study their individual behaviour, it is hoped that better understanding is gained about their respective operational characteristics. The purpose is primarily to explore the utility of the two subgroups (S-TNC and FE) in approximating the benefits that accrue from FDI of the recognized global enterprises (L-TNC). The next stage would be to craft strategies for SSA countries, taking into consideration the realities of the investors in those countries.

Developing countries are advised to exploit the global value chains and internal and external trading channels of multinational enterprises (L-TNC), and to find ways to insert their productive sectors into those linkages. This is the recipe for getting out of marginalized status and benefiting rather than suffering, from globalization. The potential for doing this in a proactive way however is increasingly dependent on the ability of local enterprises to interact with L-TNCs and their subsidiaries. The weaknesses of SSA countries in this respect have lead to disappointments in attracting L-TNC investments. The presence of S-TNCs and FEs help SSA economies facilitate better linkages with the L-TNCs' global networks. In short, if these countries are not succeeding in penetrating global FDI and trade flows to a large extent by partnering with the main actors of those networks, the L-TNCs, then an alternative may involve adjusting FDI strategies to target these second-tier players more actively. It may have similar consequences to simulate mobilizing domestic entrepreneurship and investment resources to improve the ability of the economy to attract L-TNCs in sectors other than resourced-based investments.

The survey therefore attempts to shed light on these questions by looking at the relative size of companies that fit the FE and S-TNC definitions, their role in export, employment generation, linkages with local suppliers and the dynamism they show in terms of growth. Their preferred sectors and how much of the FDI sector they represent in the different countries are also explored.

South-South FDI

As mentioned above one of the objectives is to investigate in both quantitative and qualitative terms the relevance of South-South FDI flows. This has come to the fore as a significant future development matter (for both developed as well as developing countries) with the recent upsurge in outward FDI flows from several large emerging economies. That enterprises from other developing countries would be technologically more "appropriate" to LDCs and thus generate more effective technology dissemination throughout the economy is one hypothesis that predicts positive future outcomes from South-South FDI. Another is that enterprises from South are more accustomed to working and thriving in uncertain developing country environments, and thus would put more realistic risk premiums on their investments in LDCs. These hypotheses, that could have vital implications on LDC strategies, are examined by separating the survey sample according to origin. Investors from the industrialized "North" are compared with investors from the emerging developing country markets, the "South". The way in which the two groups display similarities and differences may give clues about the significance of the optimistic scenarios and point to approaches that LDCs and their IPAs could adopt to realize the potential benefits.

Impact of FDI

In this survey an attempt is also made to assess the impact of FDI on the host economies. The FDI effects discussed earlier will be looked at to see how much of these expected benefits actually accrue and which subgroups contribute the most. To accomplish this, the survey asked investors to specify how much operating inputs they source locally; how much local sub-contracting expenditures they have (separated into core operations and support services); and how much they have spent locally on training and research and development (R&D). They were also asked to rate the importance to the local operation of the foreign investor's

proprietary technology (patents), trade marks, non-proprietary know-how and market links. These and a some other measures of spill-over effects, together with measures of the actual export, capital and employment contributions were used to assess the relative impact of the groups being studied

FDI trends in SSA countries

An important aspect of this survey, being the third of a series, is the increasing capacity to analyze trends. All three surveys ask investors about their past and projected future investment and employment growth, perceptions of change in the operating environment as well as all other operating variables. A series of surveys provide the ability to gauge the changes in the SSA environment over time.

This level of direct comparisons can show significant divergences between countries, sectors and investor groups. It provides answers to questions such as which sectors are likely to attract the most investments in the near future; where investors are growing their sales the fastest; and how the profile of investors in SSA is changing. It also answers the question of how investor perceptions of specific location factors (from political and economic stability to market conditions) are changing for the region as a whole and for individual countries and sectors. Furthermore, direct links can be identified between efforts at country and region level to increase FDI inflows and the actual investment decisions that can be attributed to those efforts.

As the surveys establish a good estimate of how well investors predict the levels of their future investments, the subsequent surveys will use these predictions to derive an index of future FDI flows into the region (perhaps even at the country and sector levels). Few predictive models are available for the SSA countries that investors and policy makers can use. Whereas in developed economies elaborate models assist decision makers sharpen their expectations of the future, in LDCs they have no such tools, a deficiency which increases the risk perception of these markets.

Other indices that can be constructed include the IPA improvement index that tracks what investors think about the usefulness of the IPA from one survey to the next and subsector growth indices that combine sales, investment and employment growth rates for the subsectors represented. Rankings of countries can be constructed combining investor performance and perception.

After-care service development

The future investment information that is collected by the surveys, is not only an invaluable variable for analysis, it is also a direct input for implementing effective after-care services by the member IPAs. Specific data about investors that are contemplating increasing their investments in the country, the amount of new investments that can be realized if these intentions materialize, the sectors that will be affected, as well as the exact nature of the support, service and perhaps incentives that these investors are saying would make them fulfill these intentions, provide all the basic information IPAs need to launch successful after-care services. Equipped with this information, IPAs can leverage large volumes of new investment with meager resources.

Policy advocacy and performance benchmarking

The survey conclusions are expected to generate recommendations for country-level strategies and region-level technical assistance programmes to be articulated within the context of AfrIPANet. In addition, the data yield empirical evidence of potential FDI impact linked to the stated requirements of the actual investors that can deliver those results. This could be powerful policy advocacy tool for IPAs in lobbying for investor-friendly legislation and attitudes. Other anticipated practical uses of the survey database include setting up a web-based data-mining tool that can allow benchmarking. Countries can benchmark their own performance and firms from SSA can benchmark their operating parameters against those of foreign companies in the same sector operating in the region.

Mobilizing the investors

Finally, the interaction with foreign-owned enterprises in SSA precipitated by the act of conducting the survey has given rise to unanticipated consequences. Several enterprises have indicated their interest in the results and have signaled their inclination to partner with UNIDO and IPAs to participate in the process of improving the conditions in SSA for investors. The notion that the survey reflects the collective voice of foreign investors and will be used as a tool to demonstrate to policy makers their potential contribution to growth as well as their common concerns is attractive to companies. Many take pride in playing a role in the development efforts of their host countries. This enthusiasm on the part of the investors could be a significant force in its own right when engaged effectively.

2. Survey methodology

Outline of the report

The report is constructed to systematically compare the characteristics of the pre-determined groups in terms of the variables that were captured through the questionnaire. The groups that are compared to each other fall within six categories: organizational structure, origin of investor, main sector and subsectors, market orientation, share structure, period of start up.

The groups are:

- L-TNCs, S-TNCs and FEs within the organizational structure category;
- North and South describing, within the origin category, distinction between investors from developed and developing countries (sometimes this is broken down to region of origin and country of origin);
- Primary, secondary and tertiary within the main sectors category (sometimes this is broken down to 18 subsectors);
- Local, regional and global market seekers within the market orientation category;
- Joint ventures and wholly foreign owned within the share structure category (sometimes divided further into greenfield and brown field groups);
- The sample is also looked at in four groups separated according to period of start up. These periods are pre-1981, 1981–1990, 1991–2000, and post 2000.

The variables and more detailed definitions are given in annex table 2.1.

Chapter 3 gives the structure of the sample in terms of six categories listed above by giving their frequencies.

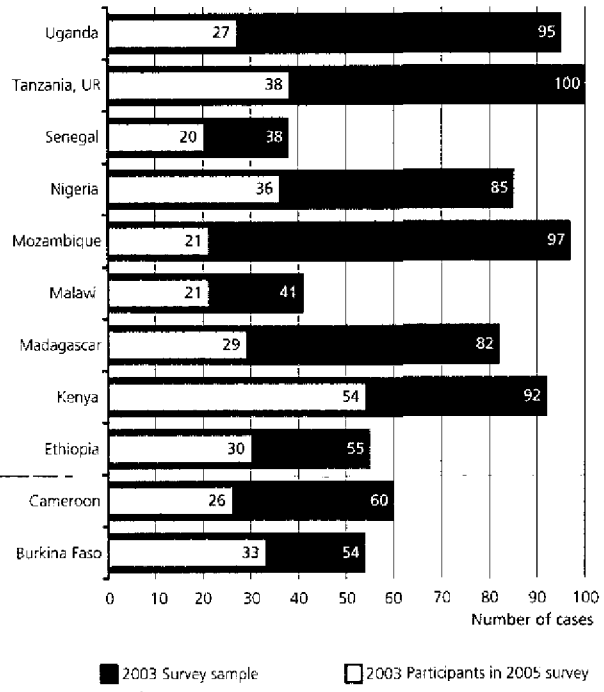
Chapter 4 gives a detailed breakdown of the sample by looking at cross sections of the categories and the size of the companies in each subgroup are given as mean, median and sum. For example a cross tabulation of "organizational structure" and "origin" could give the number of firms that are L-TNCs from the South. Cross tabulation of categories "market orientation" and "start up period" could give the number of firms that are global market seekers that have started operations since 2000. The firm size tabulations give the mean, median and sum of the sales, total employees and book values of the firms in each of those subgroups.

Analysis of the data starts with chapter 5, which compares each sub-group, defined in chapter 4 in terms of their sales growth (reported sales growth last year – absolute and percentage rate; anticipated growth in the next three years). These sales growth rates are then analyzed together with how the firms assess their own performance in terms of their expectations. Moreover, a few selected ratios of firm performance are analyzed such as the capital/labor ratio describing the capital intensity of the firm, as well as ratios of sales per United States Dollar (USD) invested and sales per employee.

Chapter 6 compares the sub-groups in terms of the impact variables. Impact is studied in five sub-sections: Economic growth (wages, employment and investment); Expenditures on locally sourced inputs and sub-contracts; and technology and know-how dissemination.

The first part, employment impact, gives the characteristics of each sub-group in terms of wage levels, employment (last three years growth as well as projected future growth rates). The second section looks at new investments made in the last three years and projected investment for the next three years both in absolute terms and normalized with last year's total sales. In the third part, the level of interaction with the local economy is investigated to see which groups contribute the most to domestic growth as purchasers of local goods and services. The technology and know-how impact is measured in the fourth sub-section, through expenditures on R&D, training per employee and the proportion of university graduates in the workforce and the proportion of expatriate university graduates. The last sub-section studies the introduction and utilization of patents, brands and trademarks.

Figure 2.1 Coverage of 2003 survey firms by 2005 survey



Chapter 7 breaks down the subgroup that exports more than 10 per cent of sales to look at the dynamics and trends of export oriented FDI. It explores the effects of the US African Growth and Opportunities Act (AGOA) on export oriented FDI into SSA countries, and investigates the variations between FDI that targets the regional markets and those that are purely for setting up a global export base.

Chapter 8 analyses the investors' responses to the questions on location factors and IPA services. In order to assess how investors perceive changes in the operating environment, they were asked to grade 26 location factors ranging from political stability to costs of labour. They were requested to first indicate the importance of each factor and then to specify for each factor whether they feel conditions have gotten worse, remained the same or improved in the last three years. The results for the sample as a whole are studied and the variations of pattern between groups discussed. The appraisal of the investors of the services provided by IPAs is also tabulated and the IPAs are ranked according to a composite score. Finally, the responses of the 2003 and 2005 samples are briefly compared with regard to changes in perception since the last survey.

Questionnaire

The experience gained in conducting the 2003 survey and the pilot survey in 2001 was the starting point for the design of the questionnaire and the methodology employed in the current Africa Foreign Investor Survey 2005.[9] The 2005 study was extended to cover 15 sub-Saharan Africa countries. The scope was also extended significantly beyond that of the 2003 survey. In particular, fewer scales and more free-format questions were used to cover key measures of company performance, such as changes in investment, sales performance and the workforce over the past three years and projections over the next three years. Initial concern that respondents would be reluctant to answer detailed questions about firm-level performance did not seem to be borne out in practice. Some of the questions used in the 2003 survey were included in the 2005 questionnaire. This was to allow comparisons of investors' perceptions of the investment environment in 2003 with that prevailing in 2005. Some 335 of the 799 companies (42 per cent) participating in the 2003 survey also participated in the 2005 survey.

From figure 2.1 and annex table 2.2 it can be seen that coverage was highest in Burkina Faso. Some 61 per cent, or 33 out of 54 firms surveyed in 2003, participated again in 2005. By contrast, in Mozambique only 22 per cent, or 21 out of 97 firms originally covered in the 2003 survey, were included in the 2005 survey. The same person as in the 2003 survey completed 182 of the questionnaires in the 2005 survey, which is more than half of the 335 companies common to both survey samples.

The questionnaire was divided into seven short sections covering:

- Profile of the company and its operations in host country;
- Exporting activity (if more than 10 per cent of output exported);
- Workforce profile;
- Profile of the foreign investor;
- Profile of the local partner (if a joint venture);
- Impact of the company on the local economy;
- Investment and operating experience in the host country.

The last section asks for information about the firm's operating experience, was separated into subsections for recent investors (since 2002) and for established firms. On average, respondents were able to answer the questionnaire in 30–45 minutes. A descriptive flow chart of its structure is reproduced in annex 2.3.

The questionnaire was prepared in both English and French versions. The English version was used in Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Uganda and United Republic of Tanzania. The French version was used in Burkina Faso, Cameroon, Côte d'Ivoire, Guinea, Madagascar, Mali and Senegal. A hard and a soft copy version of the questionnaire were made available to respondents. Most chose to use the hard copy version.

[9] The original questionnaire can be downloaded from the UNIDO webpage, http://www.unido.org/doc/42505.

The initial design of the questionnaire was tested in one of the survey countries to get feed back from companies and to minimize the possibility of systematic errors of interpretation. The testing was very useful and resulted in substantial improvements of the design.

Sample selection and data collection

The survey was administered through UNIDO's Country and Regional Offices in Africa. Two or more UNIDO National Consultants were appointed in each country to assist the UNIDO representative in compiling the lists of foreign investors, brief them on the objectives of the survey and, if they agree to participate, walk them through the questionnaire to ensure that the questions are clearly understood. The method used to the extent possible was to first call the companies and try to arrange a meeting with the CEO, then visit to provide the briefing, and leave the questionnaire for later pick up. At pick up the consultant was expected the review the completed questionnaire to ensure accuracy and completeness. The number of consultants employed in each country varied according to the size of the country, the estimated number of foreign investors and the degree of dispersion of firms outside the capital city.

The database of foreign investor in ten of the fifteen countries compiled during the execution of the 2003 survey was used as the starting list. One of the objectives of the National Consultants in the ten countries was to facilitate the participation of as many 2003 respondents as possible. An important further source of information about the population of foreign investors in each country was the national Investment Promotion Agency (IPA). The IPAs provided lists of registered FDI projects. Other sources included government business registration offices, foreign and local chambers of commerce, business associations and embassies, as well as investors themselves pointing out other investors.

Since few IPAs in sub-Saharan Africa update company information after initial registration, most of the list from the IPAs were out of date. Many of the companies on the lists had either never started operations, had closed down or moved. The survey was a good opportunity to develop updated databases of foreign owned operations in each of the countries, it was clear that no such list exists in most of the target countries. A comprehensive list of over 4,000 companies that have been identified (including companies that were approached but did not respond to the questionnaire) is now available for mining by the IPAs.

Since the objective of the survey is to analyse FDI that is not in the oil and mineral extraction sector, the initial long lists of foreign owned companies were checked to remove pure mining, and oil exploration companies. In addition micro level manufacturing and services companies that could be identified as such were also removed.

It is clear from all the efforts to identify, as broadly as possible, companies in each country that are "over 10 per cent foreign owned", there is no possibility of knowing exactly how many such companies exist. That makes it difficult to postulate the representativeness of the sample from a knowledge of the size of the universe.

Since certain selection criteria were applied in targeting companies (no mining sector and initial investment of at least $250,000), it is believed that for most of the countries, a reasonably large proportion of companies matching those criteria were identified.

As in the previous surveys the National Consultants were instructed to approach the chief executive officer or the highest possible executive within the company to assure that the perceptions being canvassed reflected the opinion of the decision makers. More than 80 per cent of respondents who completed the questionnaire were senior executives – 25 per cent were completed by the CEO, chairman and/or owner of the company, 24 per cent by the CFO, 17 per cent by another senior manager and 16 per cent by the company secretary. The remaining 18 per cent were middle-level managers, usually an accountant or the human resource manager.

As shown in table 2.1, a total of 3484 questionnaires were sent out by e-mail (electronic version) or delivered personally by the National Consultant. A total of 1,216 usable questionnaires were returned – a response rate of 35 per cent – satisfactory for this type of survey.[10] The usable response rates varied from country to country –

Table 2.1 **Survey response rate by country**

	Questionnaires sent out to companies	*Usable questionnaires returned (total returned)*	*Response rate of usable returns*
Burkina Faso	295	99 (99)	33.6%
Cameroon	184	64 (65)	34.8%
Côte d'Ivoire	226	52 (52)	23.0%
Ethiopia	120	76 (76)	63.3%
Ghana	121	42 (47)	34.7%
Guinea	104	50 (50)	48.1%
Kenya	376	104 (105)	27.7%
Madagascar	243	86 (86)	35.4%
Malawi	128	80 (81)	62.5%
Mali	77	62 (65)	80.5%
Mozambique	408	140 (145)	34.3%
Nigeria	499	118 (121)	23.6%
Senegal	201	61 (63)	30.3%
Tanzania, UR	154	88 (89)	57.1%
Uganda	348	94 (97)	27.0%
TOTAL	3484	1216 (1241)	34.9%

[10] Twenty-five questionnaires were rejected due to incompleteness. A further 55 companies were rejected during initial processing because they did not match the selection criteria for participation in the survey, for example, companies that were not considered to be FDI. These questionnaires are not reported in any of the statistics above. The total number of questionnaires distributed refers only to those sent to eligible companies.

lowest at 23 per cent in Côte d'Ivoire and highest in Mali, with 81 per cent of questionnaires returned.

Completed questionnaires were subjected to a robust screening process to identify missing values or reported values that seemed anomalous. In many cases the national consultants were requested to revisit companies to fill in missing values or recheck some values that looked anomalous. Close to a quarter of companies were called by telephone from Vienna and asked to supply missing variables or confirm what appeared to be anomalies. Special emphasis was placed on the accuracy of answers to questions that were considered to be crucial in the analysis, for example, answers to questions that defined the organizational structure of the responding company, the accounting figures for sales, book values, etc.

The acceptable sample size was determined at the beginning of the survey and it was decided to proceed with the collection of questionnaires until the required sample sized would be exceeded. For the acceptable sampling error (i.e. the maximum acceptable difference of the sample mean to the "true" mean of the unknown population of foreign investors, assuming normally distributed data) a value of +/- 5 per cent was set as appropriate. For a detailed discussion of how the sample size was selected and the calculation of confidence levels, please see annex 2.4.

Data handling

Besides the presentation of absolute and relative frequencies, the following methodologies are used for a data analysis and presentation:

- Simple cross tabulations are used to show how many cases (firms) fall in the cross section of two descriptors. For example two of the six categories used throughout the report are organizational structure, with three groups within that category (L-TNC, S-TNC and FE), and origin with two groups (North and South). A cross tab would give six subgroups made up of South L-TNCs, North L-TNCs, North S-TNCs and so forth with a count of firms within each subgroup. This is also referred to as contingency tables. A chi-square test is used to test the statistical significance of the per cent variation of the frequencies between the subgroups in such a contingency table. Significance in this hypothesis test means that the observed difference is warranted. Non-significance means that any observed differences in cell frequencies could be explained by chance.

- In describing the values of the variables, e.g. the size of the firms in terms of sales or employees, the mean, or the average value, is used. The mean is a good measure of central tendency for roughly symmetric distributions but can be misleading in skewed distributions since it can be greatly influenced by a few extreme values ("outliers"). The median is the middle of a distribution: half the scores are above the median and half are below the median. The median is less sensitive to extreme values than the mean and this makes it a good check on the extent to which the mean is influenced by them. The median is a better measure than the mean for highly skewed distributions. In most presentations the mean and the median are given together to provide a perception for how the values are distributed and influenced by a few outliers in the upper range of the data. In the latter case, this would be reflected in a relatively high mean but a lower median (or in a high standard deviation which is not always reported). It may then be more appropriate to conduct group comparisons according to median values.

- Analysis of variance (ANOVA) is used to test hypotheses about differences between two or more subgroups of categories. By using F-statistics this test checks whether, for example, the difference between the means of the sales of firms in the North and South groups is significant. The p-value reflects the statistical significance of the result. The smaller the p-value the smaller the risk that the observed differences are due to chance. The widely-accepted borderline of a p-value less than <0.05 will be applied throughout this report. Highly significant results will be marked with the notation $p<0.001$.

  One potential drawback of the ANOVA is that there is no specificity: an F test indicates that there is a significant difference between groups, but does not specify between which groups. To test for this, a post-hoc comparison is used to find out where the differences are – which groups are significantly different from each other and which are not. Some commonly used post-hoc comparisons are Tamhane and Tukey's.

- A wide variety of commonly used statistical procedures, including the mean, standard deviation, and Analysis of Variance (ANOVA), require the data to be normally distributed for the statistics to be fully valid.

  Most of the variables in the survey data do not satisfy normality assumption. For example, 10 per cent of the firms generated 70 per cent of all reported sales, accounted for 85 per cent of book values and 65 per cent of employment. Therefore, in order to test for statistical significance with variables that were too much affected by extreme values to be tested, logarithmic transformation was used to eliminate these effects and approximate normalcy. In using the ANOVA test, the exponential transformation of log-transformed mean differences can be used to interpret results.. This back-

transformation explains the differences between two means in percentage terms. In regression analysis, it differs according to dependent and independent variables.

- Classification trees are used to identify subgroups within the sample that are distinctly different from each other in terms of a variable being looked at. Branches are generated on the basis of statistically different means. Each branch shows a subsample whose mean is significantly different to the remaining subsamples. Further levels will generate sub-subsamples within a certain subsample and so on.

  For example, if we look at employment growth rate (see chapter 6, annex figure 6.5), the classification tree will split the sample into a first level of subsamples that differ from each other in terms of the means of their employment growth rates. The first level is the groups North and South whose means differ from each other significantly. Then the next level of distinct clusters with the most significantly different means is identified. This time only the cases in each node are analysed, so in chapter 6, annex figure 6.5 within the North group three clusters with significantly different means are specified and these are the three period groups as shown. Similarly the South group is also split and this group also splits into periods of arrival subsets. Within each node the mean of the cases in that node is given (in this case the mean employment growth for that group) the standard deviation to show how spread out the means are and the number of cases in that node. In the example, node 7 is composed of 113 South investors that arrived after 2000 and have an average employment growth rate of 39.4 per cent. This can now be compared to Node 5 that gives the 66 North investors that arrived after 2000 and have a mean of 33.9 per cent employment growth rate.

  Classification trees are used throughout the report to identify subgroups within the sample that stand out from the rest of the sample or to compare group means.

3. An overview of foreign investment in the 15 countries

Introduction

This chapter will discuss the sources of inconsistencies and difficulties that arise in trying to match the UNIDO survey results with balance of payments statistics in the *World Investment Report* (UNCTAD, 2005[a]). It will also provide a general overview of the survey sample.

Differences between the survey and the balance of payments statistics do not indicate that one set of data is more accurate than the other, particularly as the definitions, coverage and means of generating raw data differ considerably.

In discussing the survey results and balance of payments statistics we must not lose sight of the primary purpose of the survey. The purpose of the survey is not to provide an alternative measure of FDI. Rather, it is to find out more about the decisions and decision-makers who make the balance of payments flows of capital take place. This material and the insights come directly from investors themselves.

The survey helps establish how many firms, what size they are, where they come from, what sectors are they in, how long have they been in operation, what links they have with parent companies, who are the owners, what are their views on factors that are important for their business and what have been the trends in those factors that are important for their business. The survey results draw back the curtain to reveal what lies behind the aggregate inward investment flows measured in the balance of payments.

There will be no attempt in this analysis to bridge, or explain inconsistencies between balance of payments statistics and survey results. This is for a number of reasons.

First, the survey is not intended to be representative of the FDI stock in the various countries as it excludes hydrocarbon and minerals extraction. Second, as UNCTAD states:

> "Methodological snags are compounded by serious data gaps arising from the loose definition of what is being measured, as well as collection and coverage problems. The standard definition of FDI as a "long-term" relationship involving a "significant degree of influence" on the management of the enterprise encompasses a heterogeneous group of corporate actors, some with complex integrated production structures, others with little more than a sales outlet in a single foreign market, a problem that is hardly resolved by reducing the control threshold to a minimum 10 per cent equity claim. Such fundamental definitional problems are aggravated by the fact that aggregate FDI flows are a composite of different sources including equity flows from abroad, undistributed profits and inter-company loans. [...] While these problems accompany the study of FDI generally, they are exaggerated in the African context, where data gaps and paucity are particularly pronounced." (UNCTAD, 2005[c], pp. 17-18).

Improvements in recording FDI flows in the balance of payments are being made. But problems remain and are acknowledged by IMF and others:

> "Countries are compiling and disseminating more data on FDI transactions and stocks and increasingly are adopting the recommendations of international statistical manuals. However, despite these improvements, and reflecting the complexities of compiling these data, there remain important deficiencies in the coverage and comparability of data in both industrial and developing countries. One symptom of these deficiencies is the sizable discrepancies seen in global aggregations of FDI outflows and inflows published by the IMF." (Patterson et al., 2004, p. 1).

Second, it is clear that at the individual SSA country level, the Balance of Payments estimates of FDI should be treated with caution. For example, according to these figures, there were basically no FDI inflows to Cameroon since 1985; the cumulated inflows to Burkina Faso from 2000 to 2004 are given as being higher than the FDI stock as of 2004; the foreign share of the reported book values of just the surveyed sample in four of the countries

adds up to higher than the total FDI stock reported by UNCTAD for those countries (see Table 3.1).

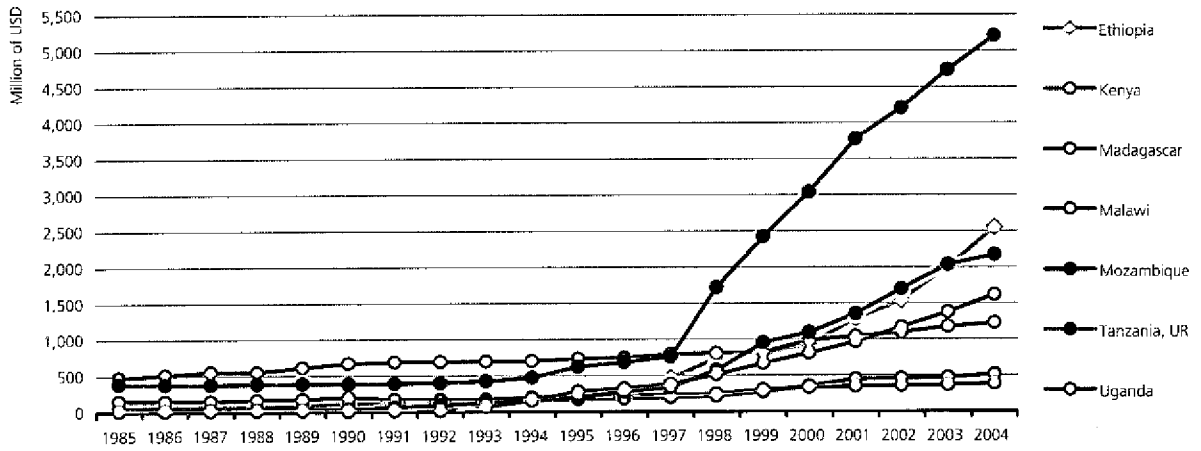
Finally, in describing the overall structure of the sample, frequencies are given for the ISIC groups and the composition of the sample for each country is given in terms of firm size and the six investor type groupings discussed earlier (organizational structure, origin, main sector, market orientation, age and share structure).

Trends in FDI stocks and flows in the 15 countries

The hydrocarbon and minerals sector heavily influences foreign direct investment stocks and flows into sub-Saharan Africa. The UNCTAD *World Investment Report 2005* highlights the concentration of FDI in oil-producing states such as Nigeria, Equatorial Guinea and Angola (UNCTAD, 2005[a]). According to UNCTAD 2002, 54.6 per cent of the accumulated FDI into sub-Saharan Africa between 1996 and 2000 was into the primary sector, 20.6 per cent into manufacturing and 24.8 per cent into the services sector.

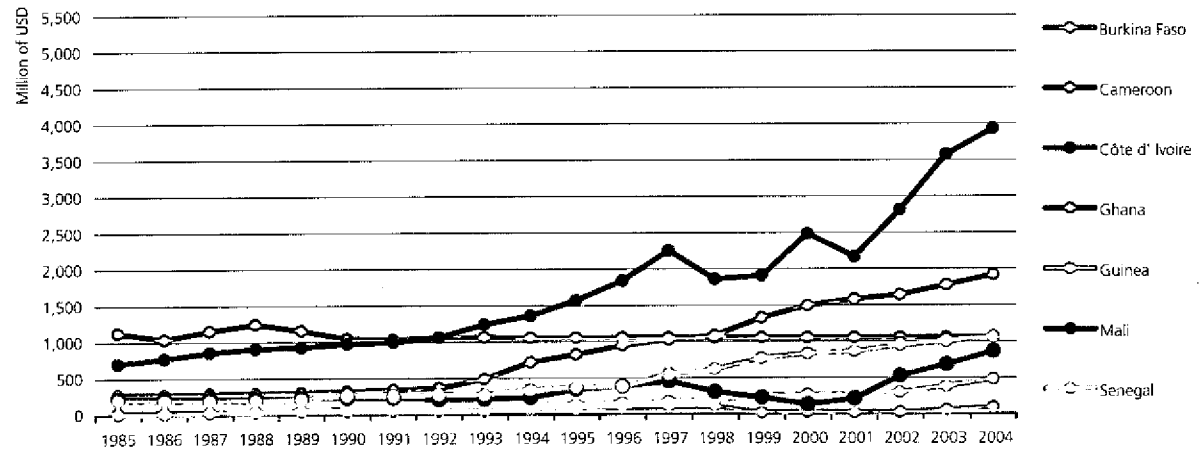
Since 2001, foreign investment activity has increased significantly in the metallurgical minerals sector, driven by sharply rising world market prices for metals such as copper, aluminum, steel and gold. While the composition of FDI flows to sub-Saharan Africa is substantially influenced by external demand for natural resources, there are unfortunately no FDI statistics that accurately record trends across the region disaggregated at the subsector level. Since the survey seeks to assess the dynamics of FDI outside the (oil, gas and metals) mining and extraction sectors, it is difficult to

Figure 3.1 **Cumulated FDI inward stock in the seven East African survey countries, 1985–2004**



Source: UNCTAD World Investment Report 2005

Figure 3.2 **Cumulated FDI inward stock in the seven West African survey countries (excluding Nigeria), 1985–2004**



Source: UNCTAD World Investment Report 2005

establish the degree to which the UNIDO survey 2005 sample of 1,216 companies represent the actual distribution of FDI in the 15 surveyed countries.

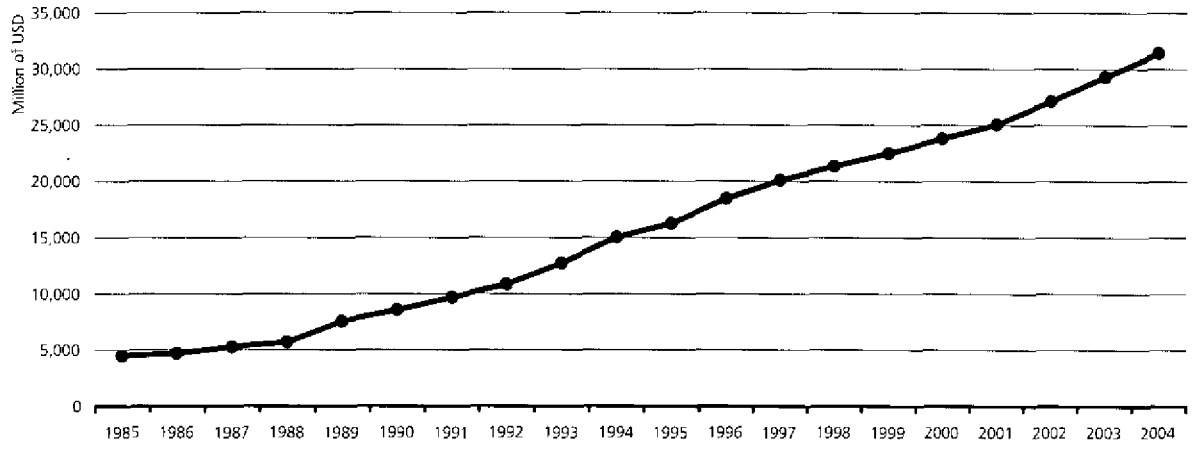
Figures 3.1–3.3 give the cumulated FDI stocks in the survey countries as given in the UNCTAD *World Investment Report 2005*.

The build up of FDI stocks in each of the seven surveyed East African countries follows a similar pattern with an inflexion point in 1997 leading to acceleration in FDI inflows. The United Republic of Tanzania is distinguished by its rapid accumulation of FDI after 1997. This reflects the range of significant deposits of minerals like gold, diamonds and various gemstones (EIU, 2004). Since 1997 there has also been consistent economic and fiscal reforms, resulting in accelerated economic growth and decelerating inflation.

The pattern of FDI into the West African countries is much more variable with the exception of Nigeria, which has experienced a steady inflow of investment into the oil and gas sector since 1988. Political instability in the region may have adversely affected FDI flows into most countries. In general these countries have an inflection point around 1992, earlier than that for East Africa group. But, the rate of increase of FDI accumulation is much less pronounced. The figures given for Cameroon are constant since the mid-1980s. That would indicate no FDI inflows for 20 years.

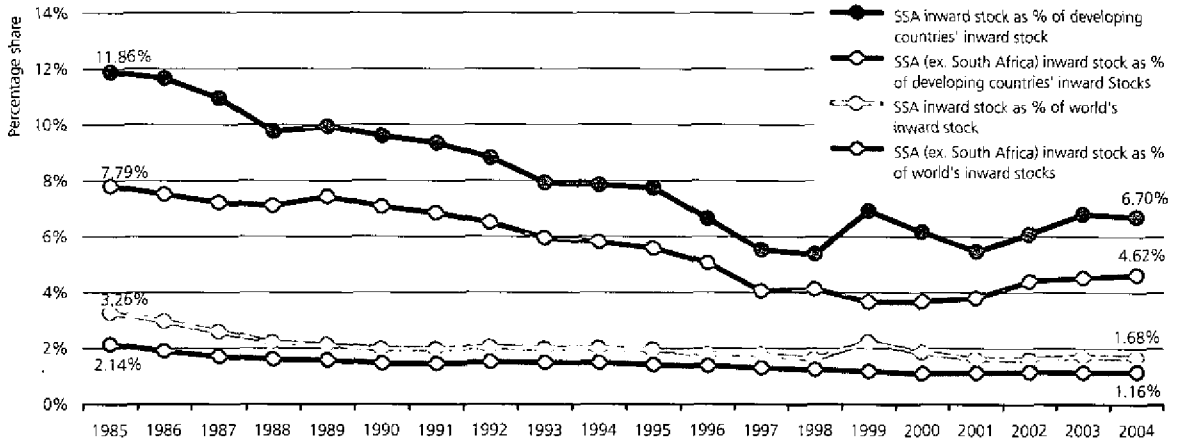
Figure 3.4 shows the steady erosion of sub-Saharan Africa's share of FDI stocks (excluding South Africa) relative to all developing countries, from 7.8 per cent in 1985 to 4.6 per cent in 2004. In recent years , however, it seems that the downward trend has stopped and has remained stable at around 4 per cent.

Figure 3.3 **Cumulated FDI inward stock in Nigeria, 1985–2004**



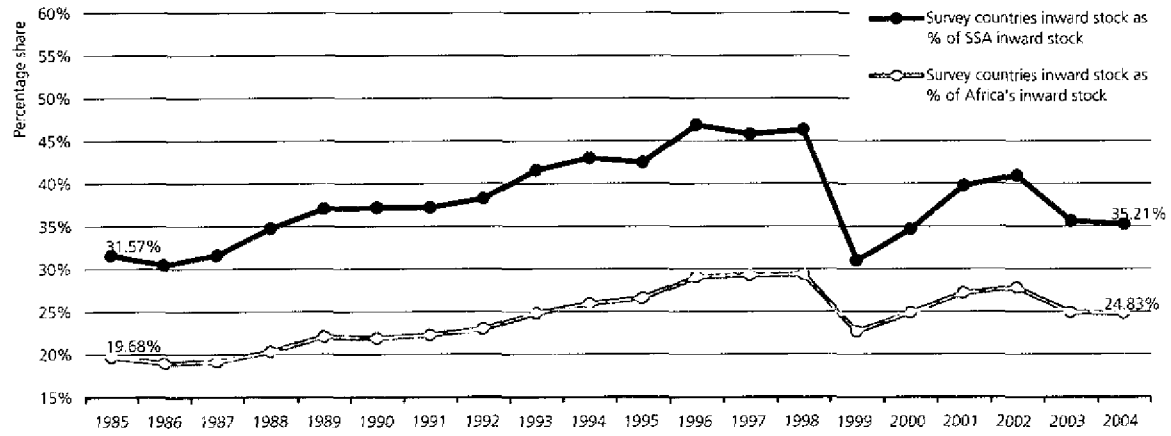
Source: UNCTAD World Investment Report 2005

Figure 3.4 **SSA's share of the stock of inward FDI, 1985-2004**



Source: UNCTAD World Investment Report 2005

Figure 3.5 **Share of the 15 survey countries in the stock of inward FDI to Africa**



Source: UNCTAD World Investment Report 2005

There is an appreciable rise in 1999 that indicates large investments were made in SSA that year. This sudden blip was caused by primary listings of South Africa's biggest companies to the London Stock Exchange and the transfer of their domicile to the UK. This automatically reclassified those companies as foreign, and their South African investments as foreign-owned. Thus, R179-billion (approximately $27 billion) was added to the South African FDI stock from the end of 1997 to the end of 2000, without any actual inflows taking place. There were also privatization transactions in telecommunications and airlines.

If we compare the 15 survey countries' inward FDI stock as a percentage only of SSA inward stock (figure 3.5), we see a steady rise until 1999 when there is a sharp drop. This is again an effect of the large shifts in the South African balance of payments mentioned above. Another drop is observed in 2002, again reflecting large FDI flow to SSA countries not in the survey. The level of investment in the region as well as the data on those investments is so thin that a small number of large investments can cause dramatic shifts in the statistical picture.

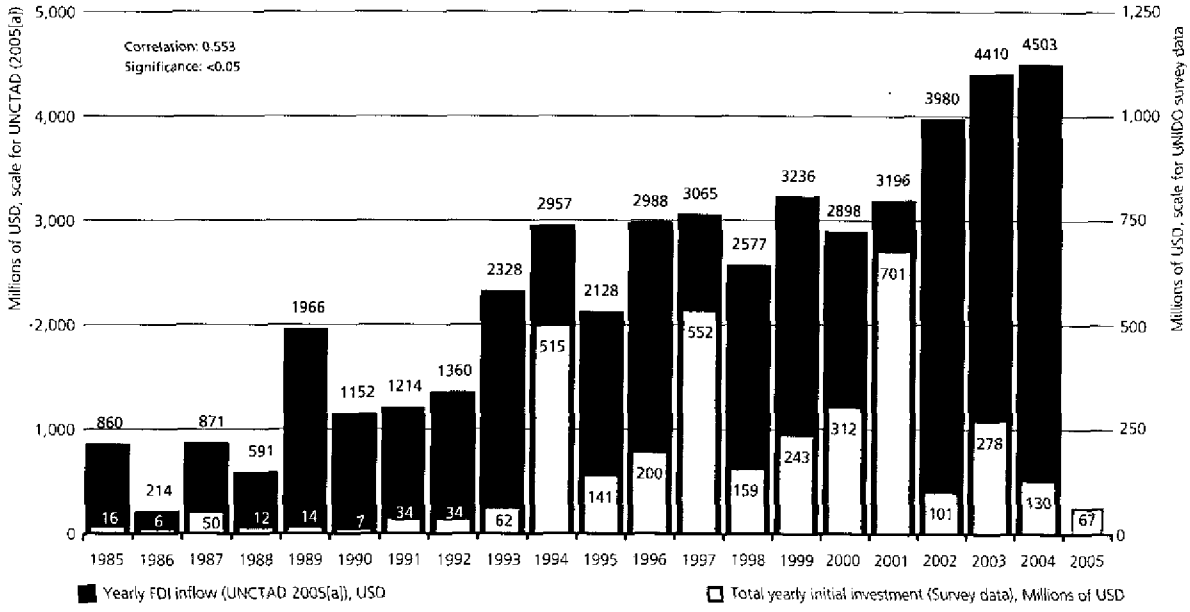
The overall observation from the balance of payments data is that, as a group, the East African countries grew their FDI more consistently and robustly than their West African counterparts (except Nigeria which is in a category of its own), and that the 15 survey countries as a group outperformed the rest of sub-Saharan countries.

Comparison of survey data with balance of payments statistics

Figure 3.6 presents a comparison of BOP FDI inflow statistics and the total initial investment figures from the UNIDO survey for the year 1985-2004. Figure 3.7 gives the number of foreign investors identified in each country through the survey process, as well as the number of foreign affiliates and non-affiliated foreign investors that responded to the survey. The number of foreign affiliates participating in the survey, even though they represent only a sample, come close to or (in some cases) exceed the number of foreign affiliates identified in the UNCTAD 2003 and 2005 WIRs for each country. This may suggest that certain classes of foreign affiliates are under represented in the Balance of Payments statistics and this method may, in the case of sub-Saharan Africa, lead to an under reporting of FDI.

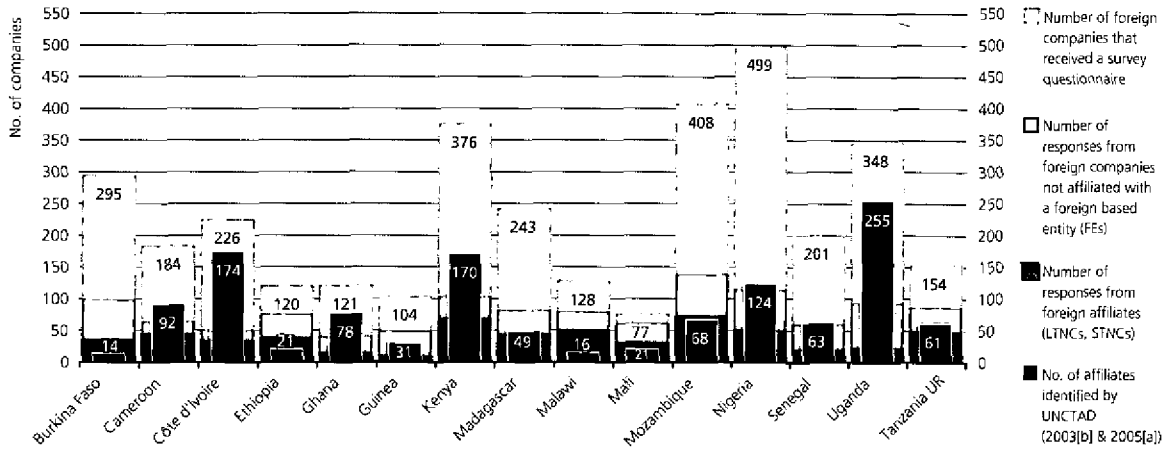
Figure 3.8 and Table 3.1 compares the FDI stock in each country, as given in UNCTAD, with the sum of the foreign share of the book values of firms included in the UNIDO Survey. It is noteworthy that in four countries – Burkina Faso, Cameroon, Kenya, and Malawi – foreign investors had book values (only of firms included in the

Figure 3.6 **Comparison of survey sample with balance of payments statistics**



Source: Survey data and UNCTAD World Investment Report 2005

Figure 3.7 **Number of foreign affiliates sampled in the survey countries compared to UNCTAD record of foreign affiliates**



Source: Survey data and UNCTAD World Investment Report 2005 (p. 264), and 2003 (p. 222) in the case of Burkina Faso

Figure 3.8 **FDI stock – book value of survey firms compared to balance of payment statistics**

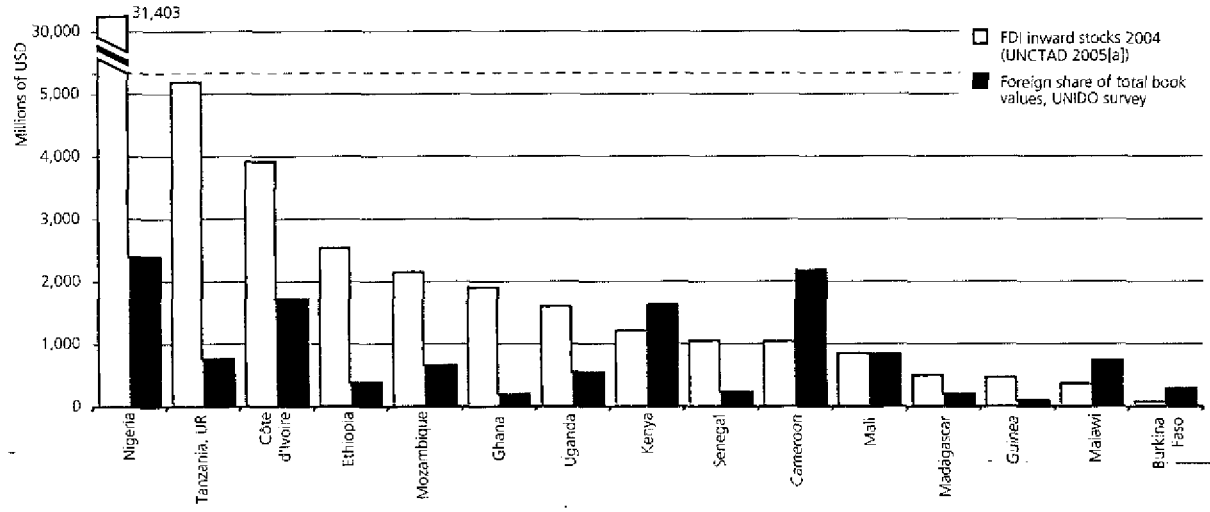


Table 3.1 **FDI stock – book value of survey firms compared to balance of payment statistics**

	Cumulated 2000–2004 FDI inflows (millions of USD) UNCTAD 2005[a]	*FDI inward stock 2004 (millions of USD), UNCTAD 2005[a]*	*Sum of initial investment (millions of USD), UNIDO*	*Foreign share of total book values (millions of USD), UNIDO*
Nigeria	8,925.7	31,402.5	649.1	2408.4
Tanzania, UR	2,175.7	5,203.3	360.9	771.9
Côte d'Ivoire	1,245.4	3,932.1	478.0	1733.7
Ethiopia	1,749.1	2,547.3	466.7	393.8
Mozambique	1,210.8	2,165.7	892.7	667.4
Ghana	590.0	1,917.4	74.7	209.5
Uganda	982.9	1,612.9	251.0	562.1
Kenya	402.4	1,222.7	252.5	1633.0
Senegal	295.4	1,064.9	105.7	246.4
Cameroon	0.6	1,053.6	953.2	2192.4
Mali	760.2	862.6	139.0	848.0
Madagascar	242.0	512.8	163.2	207.5
Guinea	220.6	473.9	121.3	107.4
Malawi	77.2	379.4	94.0	746.6
Burkina Faso	108.5	86.9	126.6	299.2
TOTAL	18,986.5	54,438.1	5128.3	13027.2

Survey) in excess of the value of the total country FDI stock. This again suggests significant under reporting of FDI stocks in the Balance of Payments statistics. In other countries, the FDI inward stocks recorded by UNCTAD are considerably higher than the foreign share of book values of the survey sample. This reflects the fact that the lion's share of FDI inward stock figures is made up by resource-based investments such as petroleum and mineral extraction which were excluded from this survey. In Nigeria, for example, 90 per cent of the 2004 inflows were directed to the petroleum sector, which may explain that FDI stocks are more than tenfold the figures for cumulated book value (UNCTAD, 2005[a]). In Tanzania almost 50 per cent of FDI inward stock is in the primary sector, which may again explain the sizable differences.

In conclusion, the in-country population of foreign direct investors covered by the survey was in some cases larger than the population of subsidiaries of TNCs recorded in the Balance of Payments statistics (UNCTAD, 2003[b]; UNCTAD, 2005[a]). This confirms the value of enterprise level surveys in capturing smaller units that may not register with the authorities now that investment regimes throughout the region have become liberalized and records types of investments (like reinvested earnings) that are not captured by the Balance of Payments statistics.

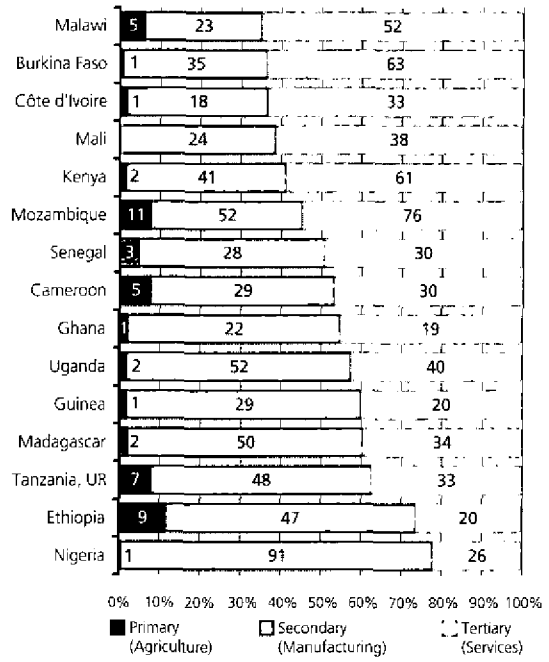
The profile of firms participating in the survey

Figure 3.9 shows the population of firms taking part in the survey is almost equally divided between manufacturing and services firms (keeping in mind that the largest sector, mining and minerals was excluded from the survey). The largest category – 18 per cent of the sample – consists of trading and distribution companies set-up to service the domestic markets. The size of this group may either be taken as a positive sign for the region indicating a growing consumer market, or a negative sign indicating retreat from local production as a result of liberalization and declining demand for domestically manufactured goods. The two most important manufacturing categories – one quarter of the sample – include the typical import-substituting industries found in most developing economies: chemicals and food. The next four sectors by number of firms cover typical market service functions – 27 per cent of the sample.

Figure 3.10 shows for each country the percentage of primary, secondary and tertiary firms making up the sample. Four of the smallest five economies of our sample in terms of 2003 GDP volume (African Development Bank and OECD, 2005), Burkina Faso, Malawi, Mali and Mozambique are among the countries with the highest proportion of services sector FDI firms. Côte d'Ivoire and Kenya, the most mature economies of East and West Africa, are the other two countries with the highest proportion of services sector. The largest economy, Nigeria, is almost 80 per cent composed of manufacturing firms.

Table 3.2 gives the ranking of subsectors for each country. At a country level the sample was dominated by trad-

Figure 3.10 **Distribution of main sectors by host country**



Note: Numbers in columns represent frequency for each group

Figure 3.9 **Distribution of firms by subsector**

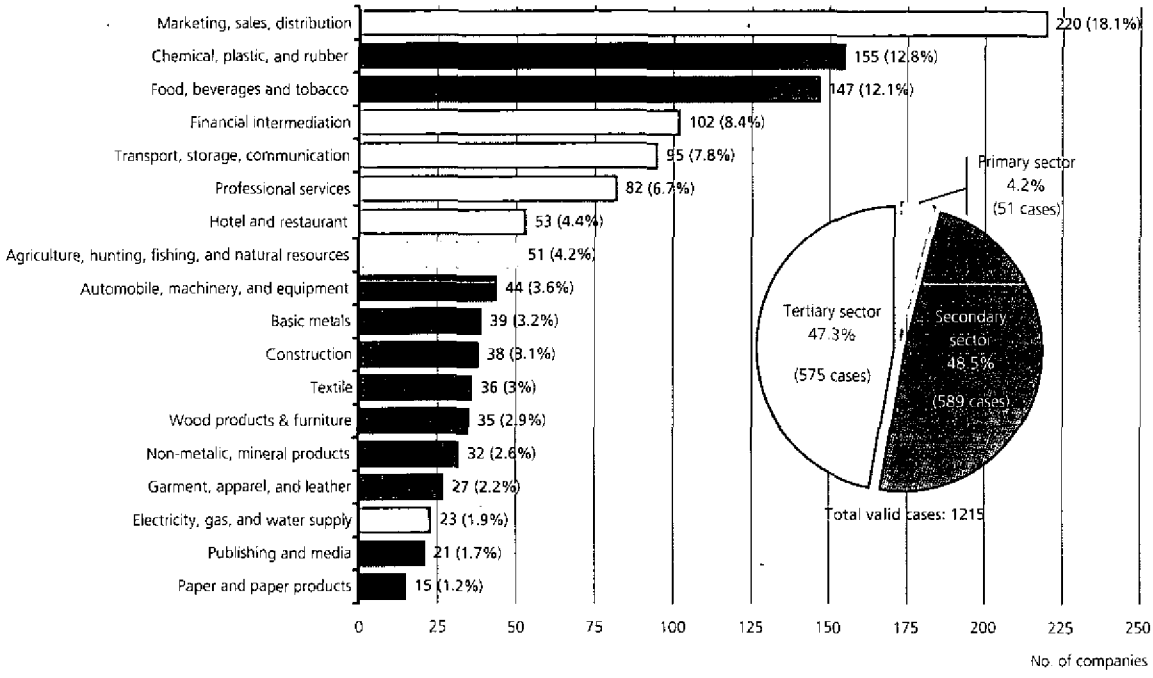


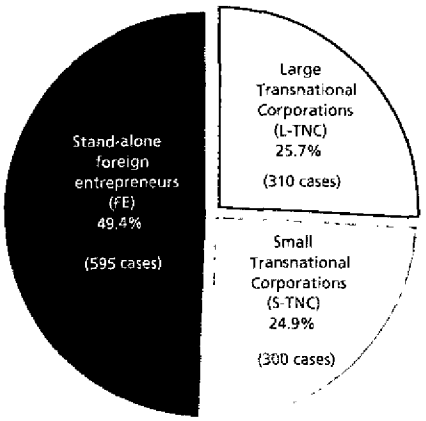
Table 3.2 **Top-5 foreign investor sub-sectors in each country**

RANK	*1.*	*%*	*2.*	*%*	*3.*	*%*	*4.*	*%*
Burkina Faso	Marketing, sales, distribution	26.3%	Transport, storage, communication	15.2%	Food, beverages and tobacco	9.1%	Professional services	9.1%
Cameroon	Food, beverages and tobacco	21.9%	Marketing, sales, distribution	20.3%	Transport, storage, communication	9.4%	Agriculture, hunting, fish. & nat. resources	7.8%
Côte d'Ivoire	Marketing, sales, distribution	21.2%	Food, beverages and tobacco	17.3%	Financial intermediation	15.4%	Transport, storage, communication	13.5%
Ethiopia	Food, beverages and tobacco	17.1%	Chemical, plastic & rubber	17.1%	Professional services	11.8%	Agriculture, hunting, fish. & nat. resources	11.8%
Ghana	Chemical, plastic & rubber	19.0%	Professional services	14.3%	Financial intermediation	11.9%	Food, beverages and tobacco	9.5%
Guinea	Food, beverages and tobacco	18.0%	Wood products & furniture	12.0%	Marketing, sales, distribution	12.0%	Transport, storage, communication	12.0%
Kenya	Marketing, sales, distribution	30.8%	Chemical, plastic & rubber	12.5%	Financial intermediation	9.6%	Food, beverages and tobacco	8.7%
Madagascar	Textile	22.1%	Marketing, sales, distribution	18.6%	Garment, apparel & leather	11.6%	Transport, storage, communication	9.3%
Malawi	Marketing, sales, distribution	26.3%	Financial intermediation	13.8%	Transport, storage, communication	11.3%	Professional services	11.3%
Mali	Marketing, sales, distribution	16.1%	Financial intermediation	12.9%	Hotel & restaurant	12.9%	Construction	11.3%
Mozambique	Marketing, sales, distribution	25.1%	Professional services	9.4%	Food, beverages and tobacco	8.6%	Agriculture, hunting, fish. & nat. resources	7.9%
Nigeria	Chemical, plastic & rubber	30.6%	Auto., machinery & equipment	9.3%	Marketing, sales, distribution	9.3%	Food, beverages and tobacco	8.5%
Senegal	Hotel & restaurant	18.0%	Chemical, plastic & rubber	13.1%	Construction	13.1%	Financial intermediation	11.5%
Tanzania, UR	Food, beverages and tobacco	22.7%	Marketing, sales, distribution	13.6%	Chemical, plastic & rubber	12.5%	Financial intermediation	11.4%
Uganda	Chemical, plastic & rubber	19.1%	Food, beverages and tobacco	17.0%	Financial intermediation	13.8%	Marketing, sales, distribution	13.8%

ing companies involved in marketing, sales and distribution, in eight out of the fifteen countries (more than 15 per cent of the each country's sample of firms).

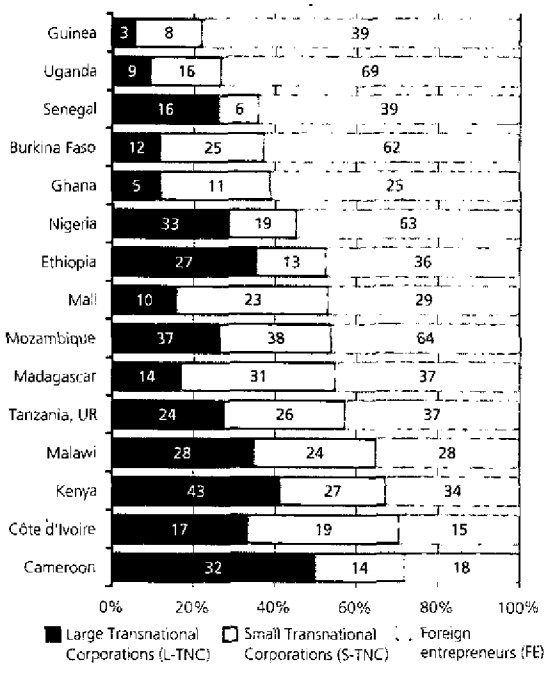
Figures 3.11–3.12 give the frequencies of the three organizational structure groups. Half of the sample consists of foreign investments that are not subsidiaries of any foreign-based entity but are stand-alone operations controlled by the foreign entrepreneur (FE). The remaining half was evenly split between subsidiaries of large TNCs and small TNCs.

Figure 3.11 **Distribution of organizational structure**



Total valid cases: 1205

Figure 3.12 **Distribution of organizational structure by host country**



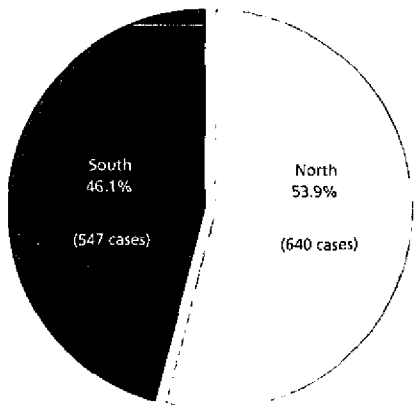
Note: Numbers in columns represent frequency for each category

5.	%	Five top sectors	Other
Financial intermediation	8.1%	67.8%	32.2%
Chemical, plastic & rubber	6.3%	65.7%	34.3%
Professional services	11.5%	78.9%	21.1%
Marketing, sales, distribution	6.6%	64.4%	35.6%
Transport, storage, communication	9.5%	64.2%	35.8%
Financial intermediation	12.0%	66.0%	34.0%
Garment,apparel & leather	6.7%	68.3%	31.7%
Food, beverages and tobacco	7.0%	68.6%	31.4%
Chemical, plastic & rubber	7.5%	70.2%	29.8%
Transport, storage, communication	11.3%	64.5%	35.5%
Transport, storage, communication	7.2%	58.2%	41.8%
Publishing & media	6.8%	64.5%	35.5%
Marketing, sales, distribution	11.5%	67.2%	32.8%
Agriculture, hunting, fish. & nat. resources	8.0%	68.2%	31.8%
Transport, storage, communication	5.3%	69.0%	31.0%

At the country level, the three largest economies in the group (after Nigeria), Cameroon, Côte d'Ivoire and Kenya, were the three countries with the highest proportion of TNCs in the country sample (more than 65 per cent). Guinea, Senegal and Uganda, by contrast, had the largest proportion of foreign entrepreneurs (FE) in the country sample (more than 60 per cent).

Figures 3.13–3.14 give the frequencies for investor origin in terms of North (developed economy) and South (developing economy). The sample is evenly split between the two groups. But at the country level they vary from almost 90 per cent North origin investors for Cameroon to less than 40 per cent North origin for Guinea and Uganda. Again the three largest economies (after Nigeria) have the highest proportion of investors from North (more than 80 per cent) and the same three countries, Guinea, Senegal and Uganda, that had the highest proportion of FEs also had the highest proportion of investors from South. It will be shown later however that this does not lead to the conclusion that most FEs are from South.

Figure 3.13 **Distribution of investor origin**

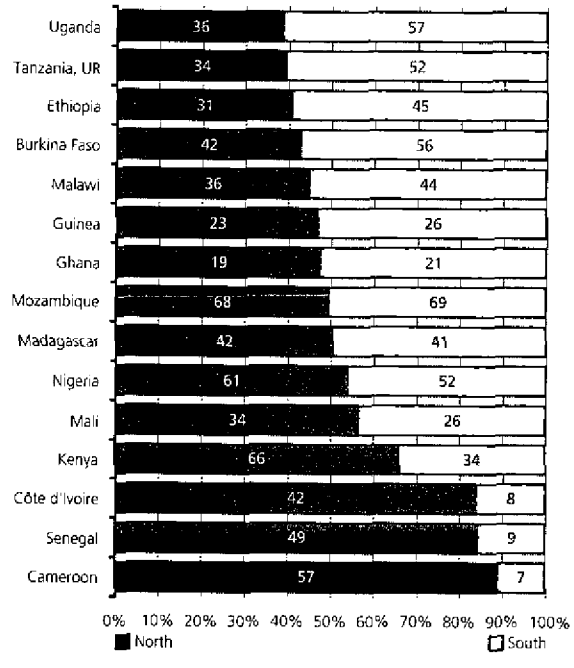


Total valid cases: 1187

Figures 3.15–3.16 give the frequencies of the exporters. 71.2 per cent of the sample exported less than 10 per cent of their output and were classified as local market seekers. 14.6 per cent exported more than 10 per cent of their output, more than half of which went to other SSA countries (regional market seekers). The remaining 14.2 per cent also exported more than 10 per cent of their output but more than half of that export was destined for global markets beyond SSA (global market seekers).

At the country level, the country with the largest proportion of local market seekers was predictably Nigeria, the largest economy. However, the five smallest economies, Burkina Faso, Guinea, Malawi, Mali and Mozambique, were also dominated by local market seekers, almost 80 per cent or more of the firms in those countries. Madagascar was the only country having the

Figure 3.14 **Distribution of investor origin by host country**



Note: Numbers in columns represent frequency for each category

majority of firms global exporters (more than 50 per cent). Two of the countries, Côte d'Ivoire and Kenya, might be considered to be *entrepôt* economies, supplying neighbouring land-locked countries with consumer goods (as a result of historical structures). This is also reflected, as shown earlier in table 3.2, by the fact that the dominating subsectors in these two countries are marketing, sales and distribution, which, in the case of Kenya, accounts for almost one third of the country sample. About 30 per cent of the companies in Côte d'Ivoire and Kenya are regional exporters. Senegal occupies a similar position – nearly 30 per cent of firms in the country sample were exporting to regional markets. However unlike Côte d'Ivoire and Kenya, Senegal has few globally-oriented exporters. It is also striking that all three countries were themselves significant sources of foreign firms operating in neighbouring countries – Kenya with 38, Côte d'Ivoire with 18 and Senegal with 11 firms in the survey sample (annex table 3.2). Indeed, firms of Kenyan origin were the most numerous of foreign firms located in the United Republic of Tanzania and second most numerous in the Uganda sample, while Côte d'Ivoire firms were third in

Figure 3.15 Distribution of market orientation

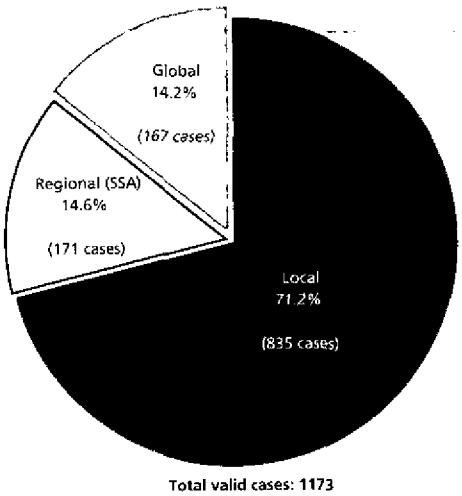
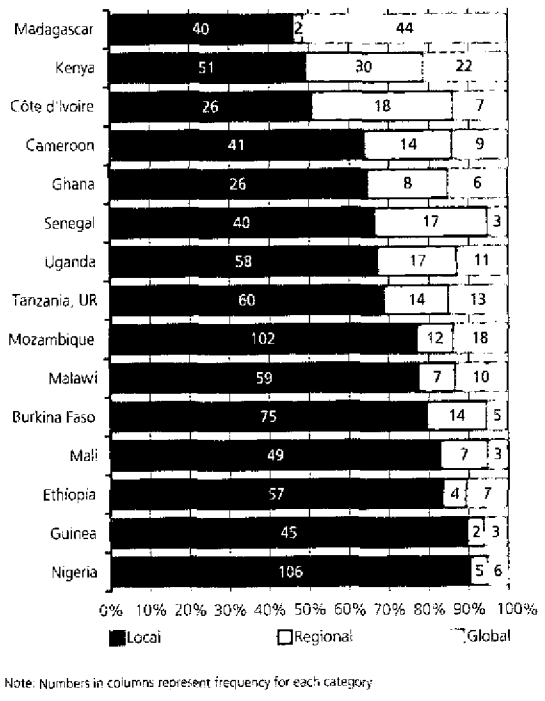


Figure 3.16 Distribution of market orientation by host country



Note: Numbers in columns represent frequency for each category

Figure 3.17 Distribution of share structure

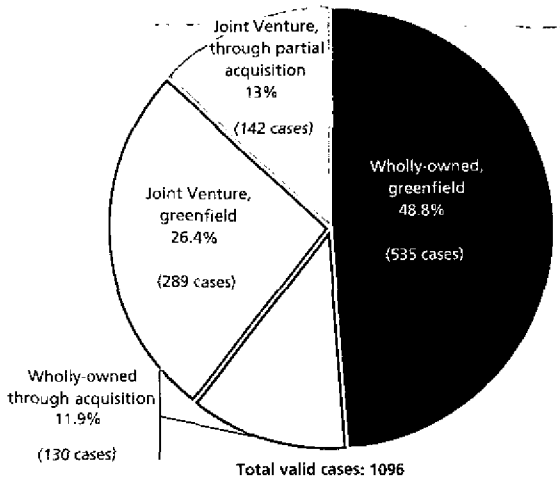
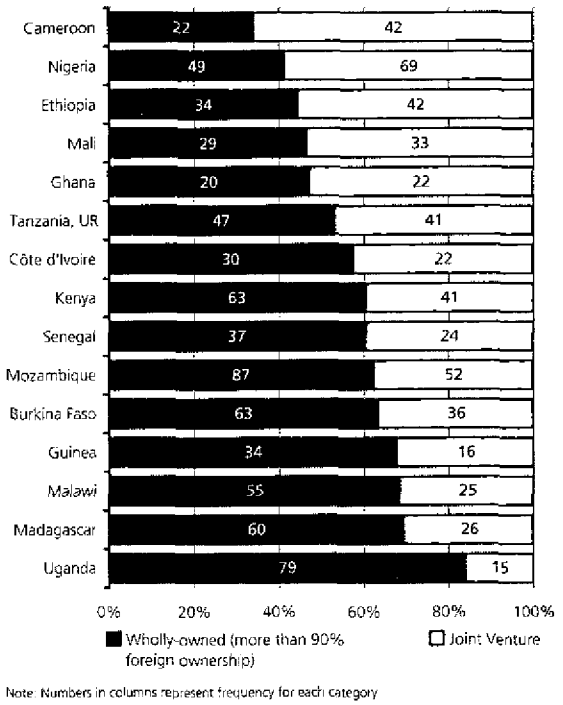


Figure 3.18 Distribution of share structure by host country

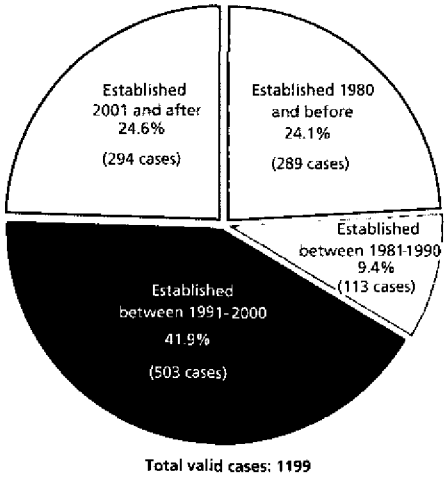


Note: Numbers in columns represent frequency for each category

Burkina Faso and Senegalese firms were third most numerous in the Mali sample (annex table 3.3).

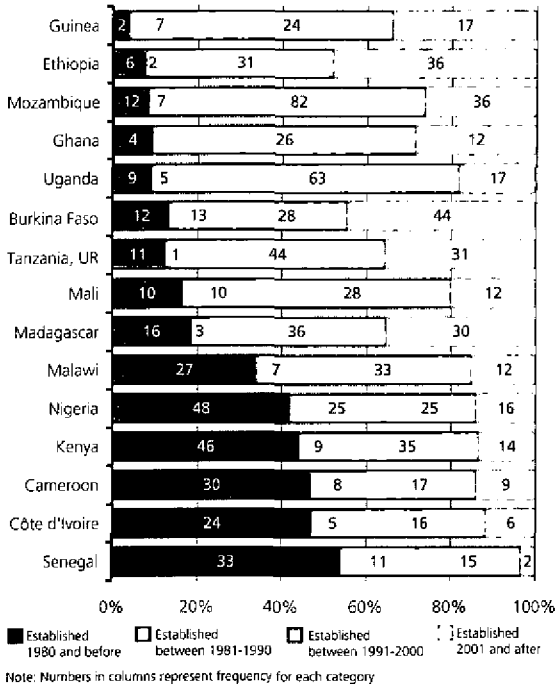
Figures 3.17–3.18 give the sample distribution in terms of foreign share ownership. Wholly foreign owned firms (more than 90 per cent foreign owned) represent 60.7 per cent of the sample and the rest are classified as joint ventures. These two classifications are further broken down into "greenfield" projects and those where the foreign investor entered through a partial or full acquisition of assets. The joint ventures are split two-to-one between greenfield and M&A and the wholly-owned firms are 80 per cent greenfield.

Figure 3.19 Distribution of firms by start-up period



Total valid cases: 1199

Figure 3.20 Distribution of firms' start-up period by country



Note: Numbers in columns represent frequency for each category

When looking at the individual country samples split along joint venture and wholly-owned categories, Uganda, the country that had the most new arrivals and FEs also has the highest proportion of wholly-owned foreign investments at more than 80 per cent. Madagascar, the country with the most global exporters is second with 70 per cent wholly-owned foreign firms. The small economies Burkina Faso, Guinea and Malawi also have large proportions of wholly-owned firms (between 60 and 70 per cent). At the other extreme are the two largest economies Nigeria and Cameroon with 60 or more per cent of the firms classified as joint ventures.

Figures 3.19–3.20 show the sample structure according to entry or start up periods of the firms' operations. 24 per cent of the firms in the sample started their operations prior to 1980, only 9 per cent started during the 1980s, the largest portion, 42 per cent during the 1990s and 24 per cent since 2000. This distribution reflects survivor bias since many firms that had started operations before 1980 (which is a much longer period than a decade like the other two periods) will have gone out of business or moved elsewhere. There is a striking paucity of firms that started up in the 1981–1990 decade. In addition to failures, this may also be explained by the fact that this was a period of political instability, war or dominance of nationalization policies in many of the survey countries. The high density of firms for the decade of the 90s reflects the upward inflexion point in the FDI stock data for the countries as seen in figures 3.1–3.3.

The date of establishment of firms can be used to divide the countries into three groups. The first group of countries consists of those that have a backbone of firms established before 1980 – Senegal, Côte d'Ivoire, Cameroon, Kenya and Nigeria with more than 40 per cent. Firms in these countries are on average between 19 and 23 years old (see Annex Table 3.1). These are also the four biggest economies in GDP terms plus one of the wealthiest in terms of GDP per capita (Senegal) (African Development Bank and OECD, 2005). The second group of countries, Uganda, Ghana and Mozambique, has few firms founded before 1980 but a large proportion between 1991 and 2000. This probably reflects the impact of a period of severe political instability in the 1970s and 1980s. The growing population of new foreign firms can be used to characterize a third group of countries. These countries had firms of which more than a third had been founded since 2000 – Madagascar, Burkina Faso, Tanzania and Ethiopia. The average age of firms in these countries ranges between 7 and 10 years.

Continuing links with the North

Figures 3.21–3.22 and annex table 3.2 give the composition of the sample in terms of home country and home region of the investors. The path dependence of foreign direct investment on past colonial and cultural ties is very evident in the distribution of the survey sample by home country of the investor. Some 233, or 20 per cent, of firms involved French investors; 106, or 9 per cent, were British and 42 were Portuguese in origin. Other groups with large representation were the more recent arrivals in sub-Saharan Africa; South Africa with 84, India with 66, Lebanon with 63 and China and Hong Kong SAR with 47. Kenya with 38 outward investors is the home of only one less investor in the survey countries than the United States at 39. Germany as home to 38 firms operating in the 15 African countries would seem to be under-represented in the sample.

When the survey population is grouped according to the region from which investors come, unsurprisingly Europe is the home to nearly half of the survey sample. Europe also constitutes 87 per cent of all North investors. Intra-regional investment ties are also important with almost one-third of firms originating from Africa and the Middle East.

France's continuing economic ties with Francophone Africa are striking. All seven of the countries that had colonial links with France have French investors ranked first in number in the country sample (annex table 3.3). In the Senegal sample, nearly 80 per cent of investors are of French origin. The United Kingdom is ranked first as a source of investors in four out of seven countries with past colonial links but no more than a quarter of investors are of British origin in any one country. Portugal ranks first as a source of investors in Mozambique. Lebanese investors are influential in six of the West African countries in the survey. Madagascar has perhaps the most diverse sources of foreign investment reflecting its participation in the global production networks of the garment and textile industry – France, Mauritius, China and Hong Kong SAR, India and Sri Lanka. In Uganda the top three investor groups originated from developing countries; South Africa, Kenya and India.

Figure 3.21 **Distribution by country of origin**

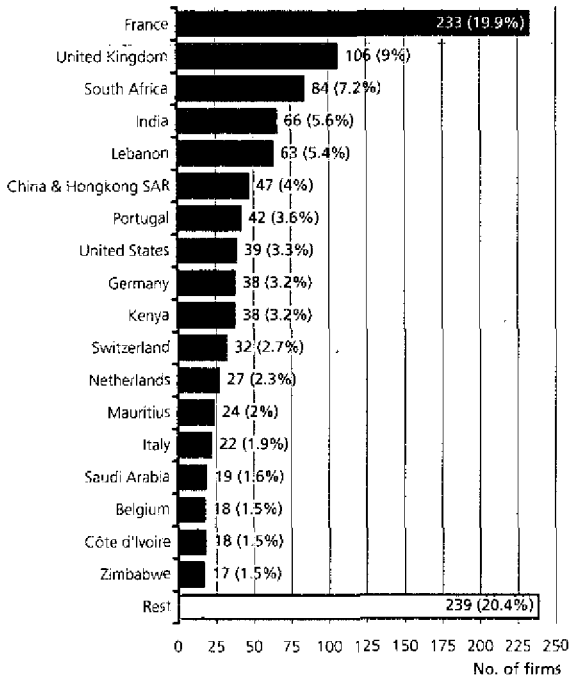
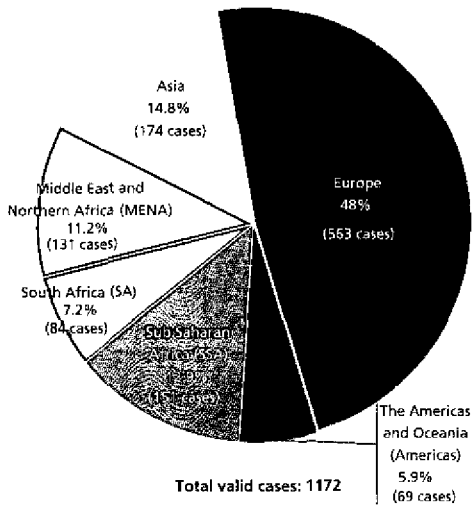


Figure 3.22 **Distribution by region of origin**

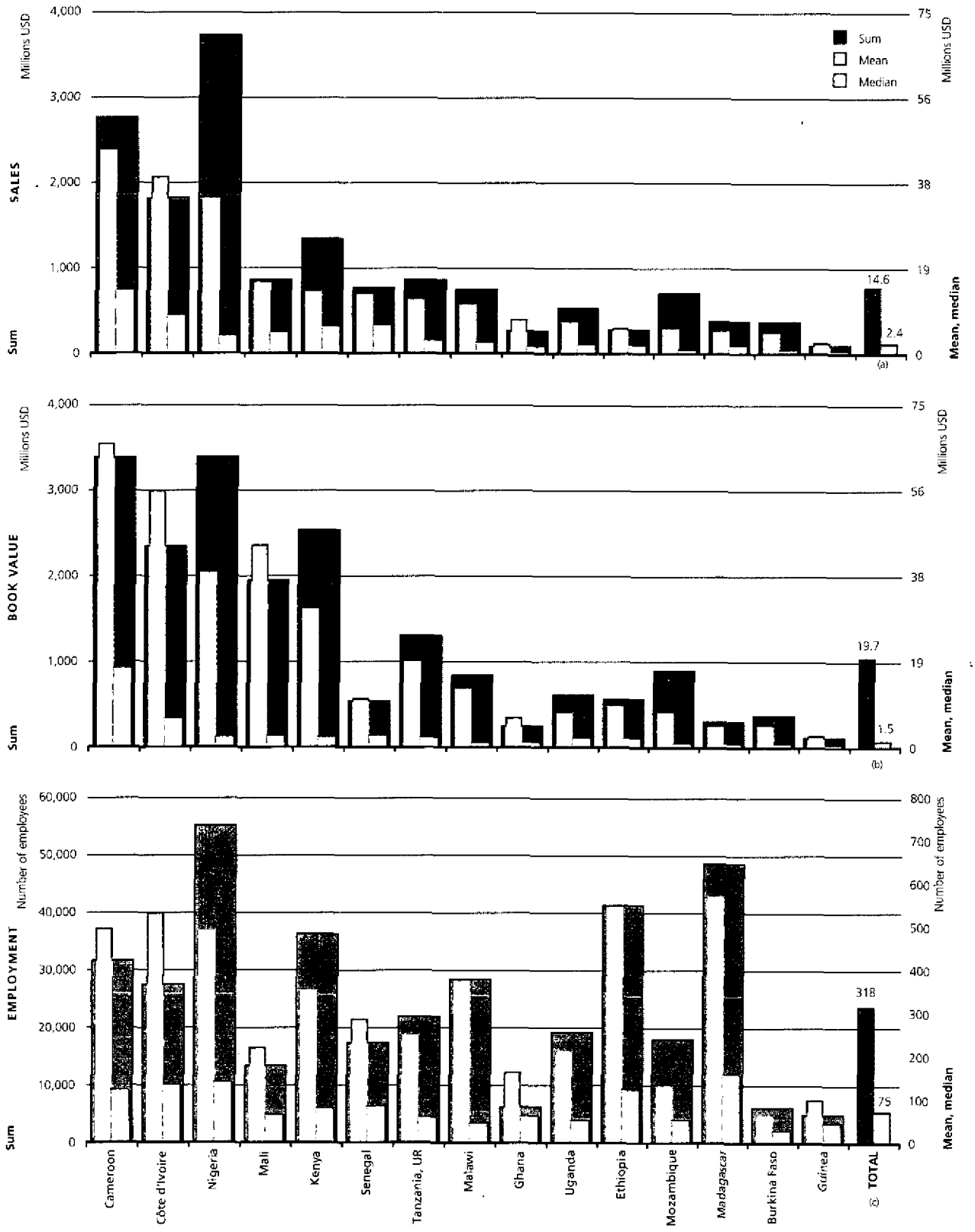


Firm size and performance at a country and subsector level

Figures 3.23 and annex table 3.4 give the size distribution of the firms in the sample in terms of sales, book value and workforce (means, medians and sums). The average sales figure for the whole sample is $14.6 million and the median is $2.4 million. The total sales figure for the sample is $15.7 billion. The mean and median book values for the whole sample are $19.7 million and $1.5 million respectively. The total book value for the sample is $19.6 billion. The average firm employed 318 people and half the firms employed less than 75. Altogether, the firms in the sample created almost 380,000 jobs. The totals are given on the left hand scale. In countries where the mean is large but the median relatively small, it is an indication that the sample for that country has a large variation in size.

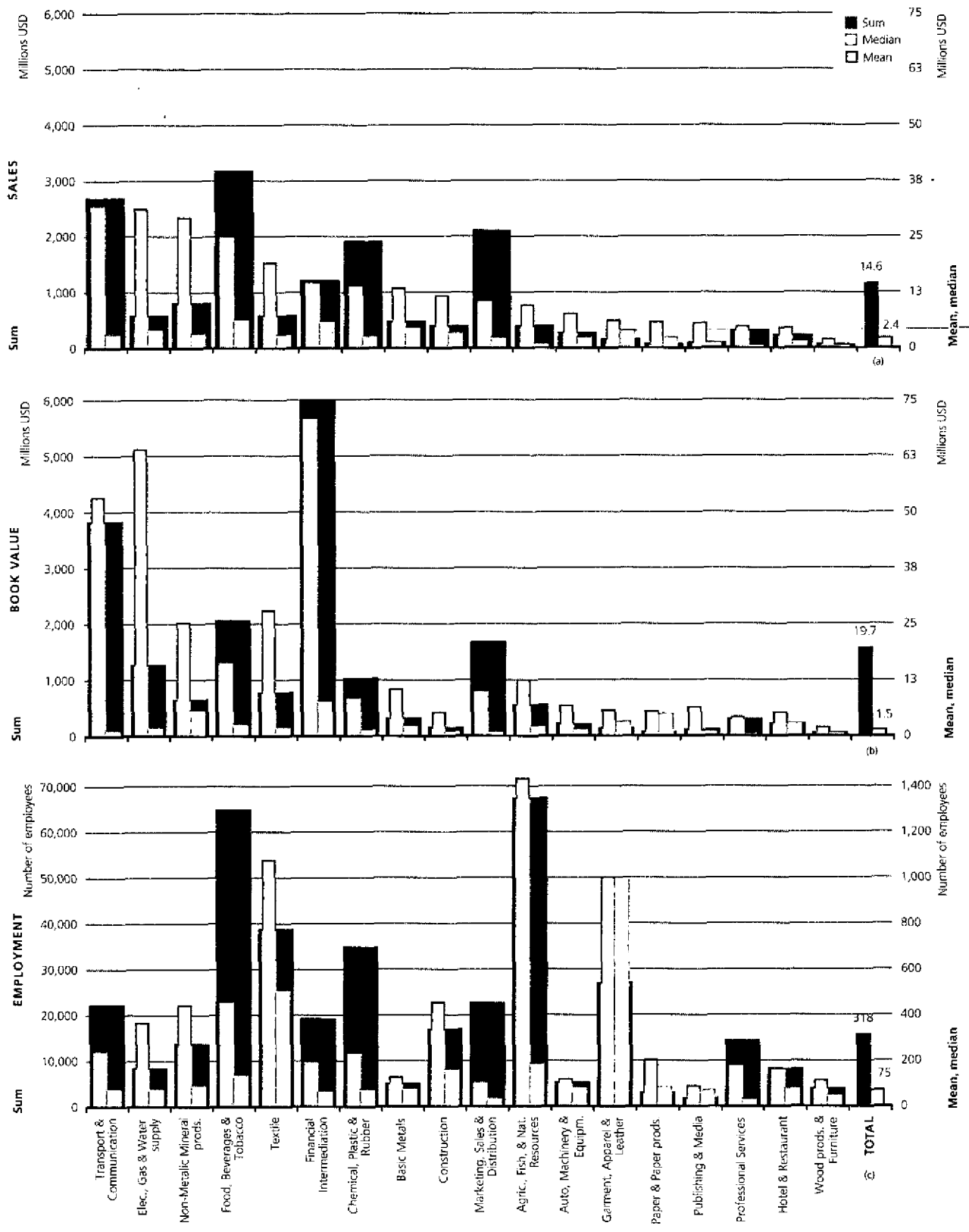
Firms located in Cameroon and Côte d'Ivoire were on average the largest by sales and book values, while in

Figure 3.23 **Sales, book value, and employment by host country**



Note. For complete sample (a) total sales = USD 15.69 billion (b) total book value = USD 19.57 billion (c) total employment 378,884

Figure 3.24 **Sales, book value, and employment by subsector**



Note: For complete sample (a) total sales = USD 15.69 billion (b) total book value = USD 19.57 billion (c) total employment 378,884

Madagascar and Ethiopia firms on average employed the most people. Overall, firms located in Burkina Faso, Guinea and Mozambique were significantly smaller than the survey average. Annex table 3.5 gives a composite ranking of average firm sizes referring to sales, book value and employment together.

Figures 3.24 and annex table 3.4 give the size of firms for the 18 ISIC groups. According to total value of sales, firms in the food, beverage and tobacco sub-sector are the largest, and with the large number of companies in that sub sector as well, the sum is the highest. The next two largest sub-sectors by sales are in the service sector: transport and communication and marketing, sales, and distribution. In the manufacturing sector, chemicals, plastic and rubber sub sector is second to the food sub sector in overall sales. Looking at size in terms of number of workers (Fig. 3.24c) the manufacturing firms with the highest average employment are in the garments, apparel and leather sub-sector and textile sub sector. Construction and agriculture sub-sectors are the other two that consist of companies with large work forces.

Figures 3.25–3.26 show the investors' own overall assessment of how their investments have performed over the last three years in relation to the expectations they had. For the whole group, 62 per cent feel their investments have performed in line with or better than their expectations.

At the country level the survey sample breaks down into three country groups. The first group consists of four countries – Ghana, Malawi, Uganda and the United Republic of Tanzania – where more than 70 per cent of firms have met foreign investors' performance expectations over the last three years. In particular, in Malawi and in Uganda, about the 30 per cent of the investors had results above expectations. The second and largest group consists of nine countries, where more than half of the firms surveyed reported performance in line with or better than expectations. The last group contains two countries – Côte d'Ivoire and Guinea – where performance was reported to be below expectations by a significant portion of the investors.

Figure 3.25 **Companies' own assessment of their performance over the past 3 years in relation to their expectations**

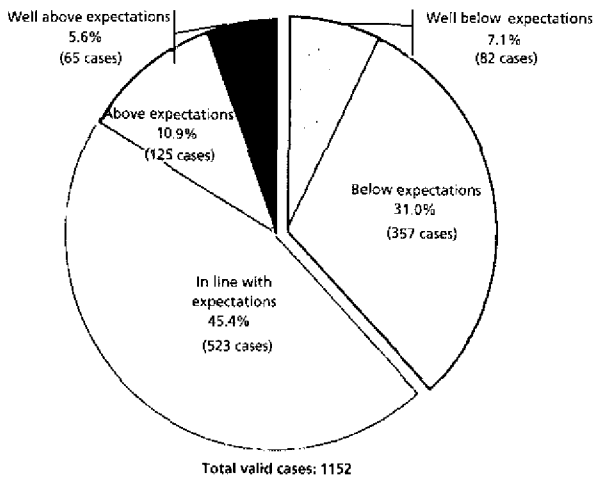
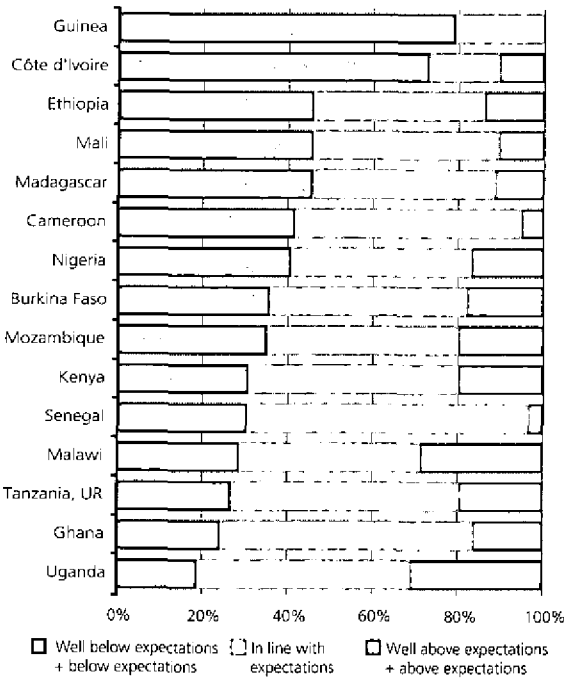


Figure 3.26 **Companies' own assessment of their performance over the past 3 years in relation to their expectations by country**



The 25 largest companies in the survey

The overall size distribution of the 1,216 firms in the survey is highly skewed. For example, 10 per cent of the firms generated 70 per cent of all reported sales, accounted for 85 per cent of book values and 65 per cent of employment. The top-25 companies by sales revenue accounted for 42 per cent of the total sales of the complete sample, 39 per cent of book values and 15 per cent of total employment reported by all firms. 15 of these very large companies operate in the manufacturing sector, nine in the services sector and one in plantation agriculture.

Ten of the Top-15 manufacturing concerns were traditional import-substitute producers (seven in food and three in chemicals). Three large services companies operated in transport, storage and communications while the remaining twelve companies operated in a variety of different sectors. Sixteen of the large companies were subsidiaries of large TNCs; five were subsidiaries of small TNCs and foreign entrepreneurs managed four. Twenty-one of the 25 largest companies by sales involved foreign investors from industrialized countries – 19 from Europe, one from the Unites States of America and one of unknown North origin. Of the four investors from the South, three originated from South Africa and one from Hong Kong, SAR of China.

Perhaps unsurprisingly, eight of the 25 largest companies were located in the largest economy in the Survey – Nigeria. Two other relatively large economies – Cameroon and Côte d'Ivoire – had respectively six and five of these large companies operating in them. The smallest economies did not have any very large foreign investor, that is – Burkina Faso, Ethiopia, Ghana, Madagascar, Mozambique, Senegal and Uganda. Mali was the exception with a large, previously state-owned electricity company, privatized in 2000.

Only one of the 25 largest companies was wholly foreign owned. It was located in Côte d'Ivoire. The other 24 companies were joint ventures. Ten involved partial acquisitions of an existing company, while fourteen of the joint ventures started as greenfield projects. Nearly three-quarters of the firms were established before 1981. This is unexpected since other studies suggest that as firms' foreign investments grow in size their revealed preference for control of those foreign assets increases.

Eleven of the top-25 firms were exporters and fourteen were exclusively domestic market oriented. Of the 23 companies that responded to the question as to whether their investment performance was in line with or above expectations, fourteen said it was. The remaining nine, including the five large companies from Côte d'Ivoire complained that performance was below expectations.

4. Size profiles for different subgroups of investors

This chapter gives a finer description of the survey sample by providing cross tabulations of the frequencies and firm size profiles for the six investor type categories under study (organizational structure, origin, main sector, market orientation, age and share structure). The size profile is given for each cross tabulation cell in the form of the mean, median and sum for sales, book values and workforce. In the case of frequency cross tabulations the significance level is given to indicate if, and to what degree, we can be confident that difference between cell values is not a chance occurrence.

The size profile graphs reflect the varying trends between sales and book values on the one hand and employment on the other. The means and medians looked at together provide a sense of the range of the size distribution in the particular group and the figure for the sum gives a feel of the significance of each group in terms of absolute value.

First, within the category of organizational structure, L-TNCs, S-TNCs and FEs are analysed by giving:

(a) Size of the firms within each group;
(b) The composition of each group in terms of main sectors and
(c) The composition of each group in terms of the age of the firms (period of entry).

The North and South origin investor groups are looked at to see how they differ from each other in terms of:

(a) Size of the firms;
(b) The composition of the 15 subsectors in terms of investors of North and South origin;
(c) The variations within the North and South groups in terms of organizational structure;
(d) The variations within the North and South groups in terms of period of entry (age) of the investor.

The three market orientation groups, the local market seekers, regional exporters and global exporters, are compared to each other to see if there are significant variations by looking at:

(a) The composition of the 15 subsectors in terms of local, regional and global market-oriented foreign investors;
(b) Size of the firms within the three market orientation categories;
(c) The variations within North and South investor origin groups in terms of market orientation.

The three main sectors, agro-business (primary), manufacturing (secondary) and services (tertiary), are studied in terms of:

(a) Size of the firms in each main sector;
(b) The composition of each main sector in terms of North-South;
(c) The composition of each main sector and subsector in terms of investors' region of origin;
(d) The variations within each main sector in terms of period of entry (age) of the investor.

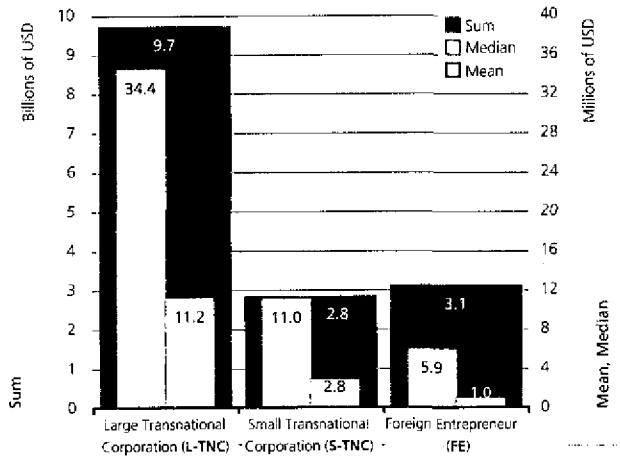
The share ownership categories of joint ventures and wholly-owned are also analysed to determine the characteristics of each in terms of:

(a) Size of the firms;
(b) The composition of each category in terms of subsector and investors' region of origin;
(c) The variations of each category in terms of period of entry (age) of the investor
(d) The variations in terms in terms of North-South;

Trends are analysed by looking at the changes in the make up of the age groups of the firms (or the periods of entry) in terms of:

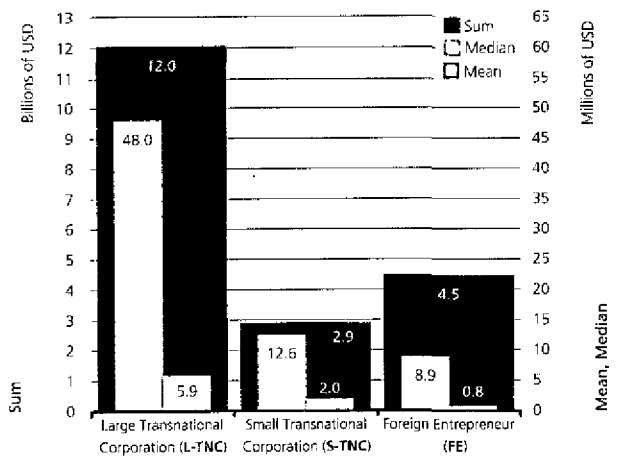
(a) Investors from which regions arrived when;
(b) Entry trends in the different subsectors;
(c) Size of the firms that started operations in different time periods;
(d) Market orientation of firms that started operations at different time periods.

Figure 4.1 **Sales according to organizational structure**



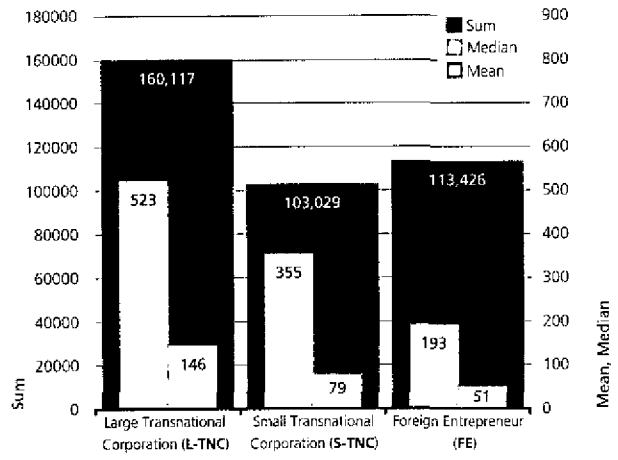
Significance: F(2,1061)=24.532, p<0.001, significant

Figure 4.2 **Book Value according to organizational structure**



Significance: F(2,981)=14.603, p<0.001, significant

Figure 4.3 **Employment according to organizational structure**



Significance: F(2,1181)=12.203, p<0.001, significant

Organizational structure

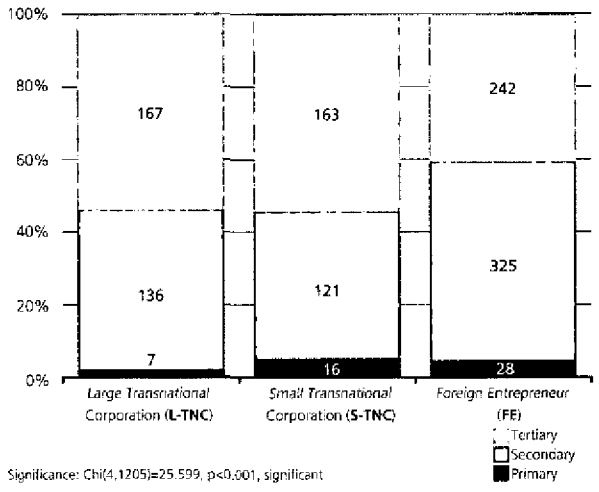
Organization structure – firm size

Figures 4.1–4.3 (and annex table 3.4) describe the size of the firms comprising the three groups L-TNC, S-TNC and FE in terms of sales, book value and employment.

Large TNCs tended to have subsidiaries that were considerably larger than those of other types of foreign investor in terms of sales and book value. But in terms of employment the differences were much less. The 310 L-TNCs represented a quarter of the firms in the survey and generated 62 per cent of all sales recorded. The average sales of large TNCs are three times that of S-TNCs and more than five times that of FEs. The observations are quite similar for the book value, where subsidiaries of L-TNCs had an average book value of nearly four times that of S-TNCs and more than five times that of FEs. L-TNCs employed on average 523 people, S-TNCs employed 355 and FEs employed 193 people per firm. The cumulated employment effect of these three types of organization structure though shows much smaller differences. As FEs represented a large portion of the sample, their cumulated employment effect reaches around 70 per cent of the overall employment of L-TNCs.

On aggregate L-TNCs contributed 160,000 jobs or 43 per cent of jobs of the total sample. By comparison, the 595 FE firms in the survey generated sales totaling 20 per cent of the sales of the complete sample yet accounted for 30 per cent of total employment. This suggests that smaller, foreign owner-managed enterprises were better at creating employment per invested amount of capital than more conventional TNCs.

Figure 4.4 **Sectoral distribution according to organizational structure**



Significance: Chi(4,1205)=25.599, p<0.001, significant

Organization structure – main sector

Figure 4.4 shows how the main sectors are represented within the three organizational structure categories (frequency cross-tabs) and figures 4.5–4.7 and annex table 4.1 describe the size of the firms comprising each main sector within the organizational structure groupings.

As mentioned earlier the primary sector is under represented in the sample due to selection criteria that excluded all extractive sectors and even agricultural foreign investors are most likely under represented. The 7 subsidiaries of primary sector (agriculture) L-TNCs in the survey had the largest workforces. Four agro-industrial L-TNCs, established before 1981, employed on average more than 5,000 people each. The average book value of a primary sector L-TNC subsidiary was $24 million with a workforce of over 5,400. The 28 FE primary sector firms (mostly in horticulture) were, by contrast, much smaller, with an average book value of $1.4 million and a workforce of 269.

The 136 manufacturing subsidiaries of L-TNCs generated the highest average sales revenue – $37 million – followed by L-TNC service sector firms with sales of $33 million. Amongst the subsidiaries of L-TNCs there were some very large services sector companies. The average book value was over $65 million, yet half had book values under $3 million implying a highly skewed size distribution in the sample of services sector firms. This is a result of aggregating financial services companies that have high average book values with other services such as professional services that have average book values that are very small. In the period 1991–2000, for example, 13 large logistics companies, average book value $93 million, and 17 financial services companies, average book value $75 million, were established.

At the other end of the scale, half of the 325 FE manufacturing firms participating in the survey had book values of less than $1 million, although the average book value was $7 million, again reflecting significant dispersion in firm size. The 242 FE service sector firms were even smaller – half had book values and annual sales of less than $710,000 and half employed 30 people or less. However the average book value of FE service sector firms of $12.5 million indicates there were also several large services firms in the FE sample.

Looking at just the manufacturing sector, the L-TNC subsidiaries are three times the sales size of the S-TNC subsidiaries and nearly five times that of FEs. However the total sales of manufacturing FEs is 50 per cent larger than that of S-TNC subsidiaries and only half of the total sales of the L-TNC subsidiaries. The total employment of manufacturing FEs is higher than the total employment of the manufacturing S-TNC and L-TNC subsidiaries. Again, as a group, the FEs are very important in terms of sales and, especially, employment generation.

Organization structure – period of entry

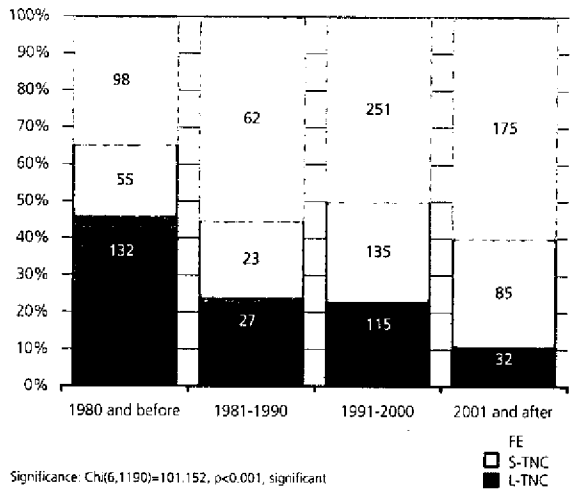
Figure 4.8 shows how the three organizational structures are represented by the firms that started operations in the four period categories (frequency cross-tabs). Figures 4.9–4.11 and annex table 4.2 describe the size of the firms for each organizational structure group within the four start-up periods.

As might be expected, most of the well-established subsidiaries of large TNCs set up their operations before 1981 and these 132 companies have the highest medians for all the size measures used. They also dominated the annual sales reported by firms participating in the survey – with a share of more than 36 per cent of total sales reported by the whole survey sample.

Moreover this tendency of older firms to dominate sales statistics was repeated by the sample of subsidiaries of small TNCs and FEs. For each organizational structure group, the older companies were in general larger than the younger companies.

What was less expected was the sharp decline in the proportion of L-TNCs in the population of more recent investors. While some 45 per cent of investors that had arrived before 1981 were subsidiaries of large TNCs, after 2000 the proportion dropped to just over 10 per cent. Nevertheless, of these 32 L-TNCs that started operations since 2001, some represented very large investments by mobile phone and energy companies that have been taking place recently. As a consequence, L-TNCs established after 2000 had a significantly higher average book value ($78 million) than those subsidiaries established before 1981 ($58 million) as well as higher average sales ($58 million as opposed to $44 million). However, the much smaller median for sales and book value for the post 2000 L-TNCs ($1 million and $ 2 million respectively) shows the wide dispersion in size and indicates that the group is dominated by a small number of very large subsidiaries.

Figure 4.8 Organizational structure by start-up period



Significance: Chi(6,1190)=101.152, p<0.001, significant

Figure 4.5 **Sales by main sector and organizational structure**

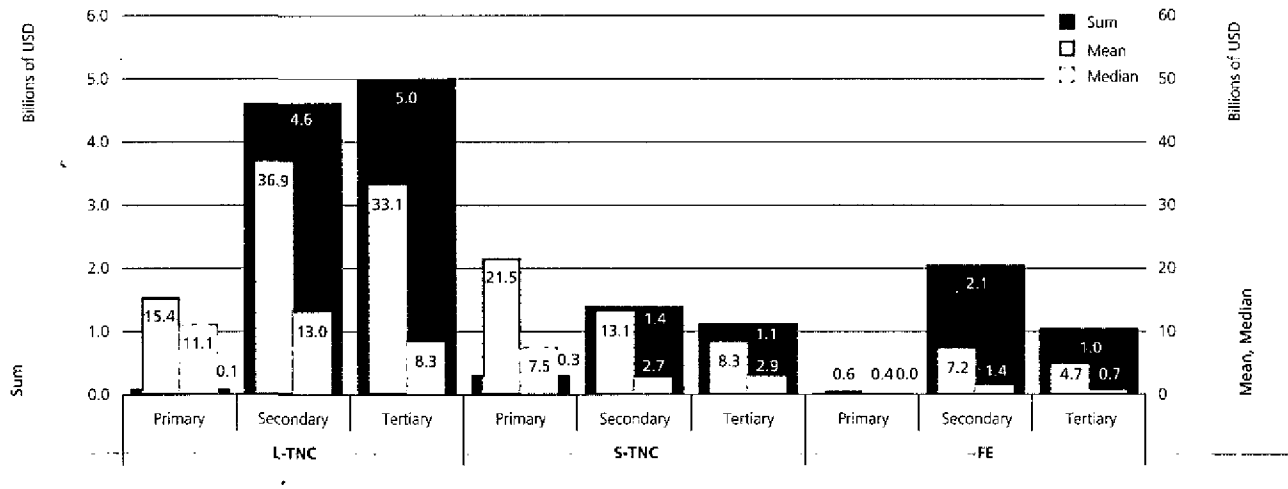


Figure 4.6 **Book value by main sector and organizational structure**

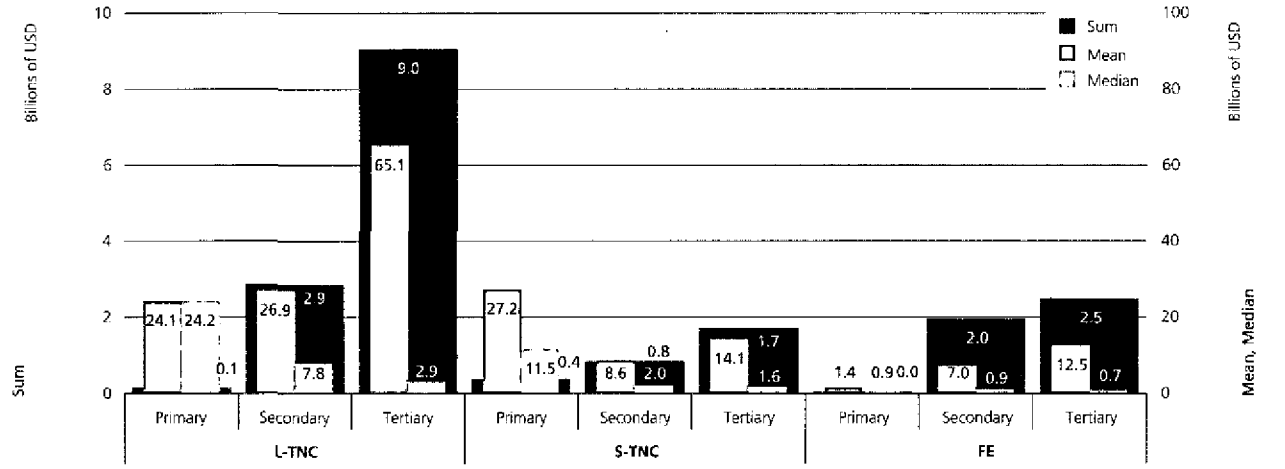


Figure 4.7 **Employment by main sector and organizational structure**

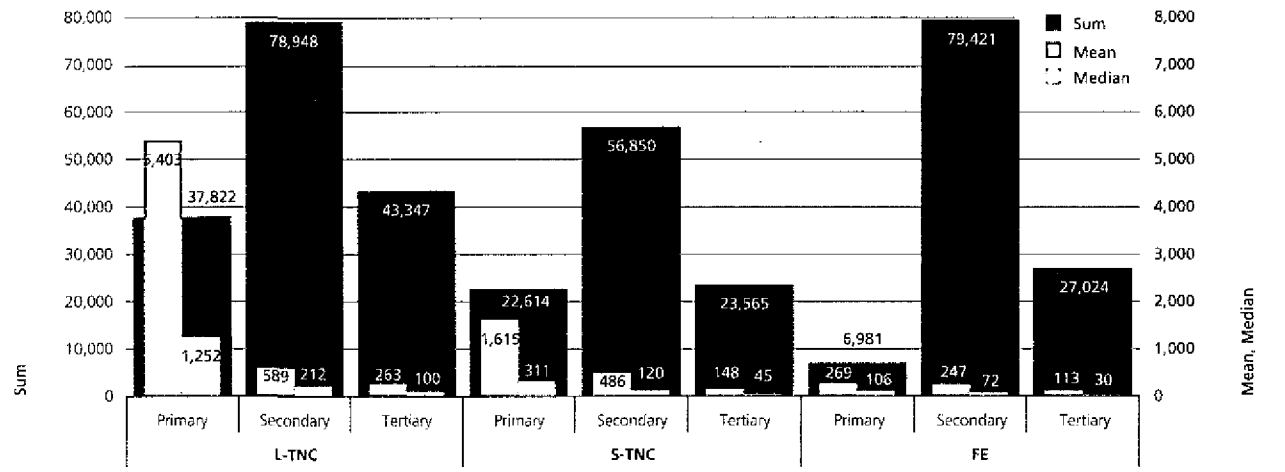


Figure 4.9 **Sales by organizational structure and start-up period**

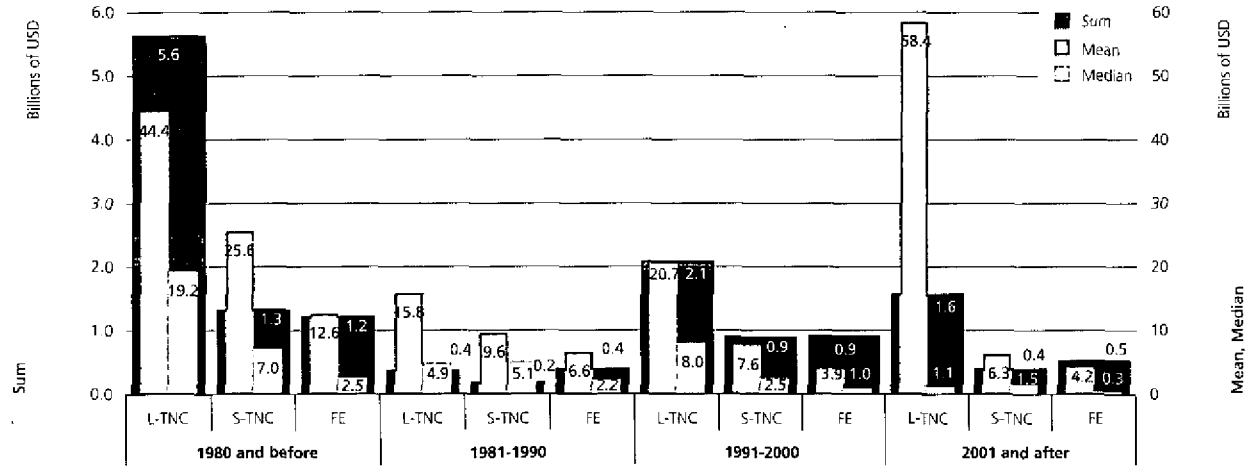


Figure 4.10 **Book value by organizational structure and start-up period**

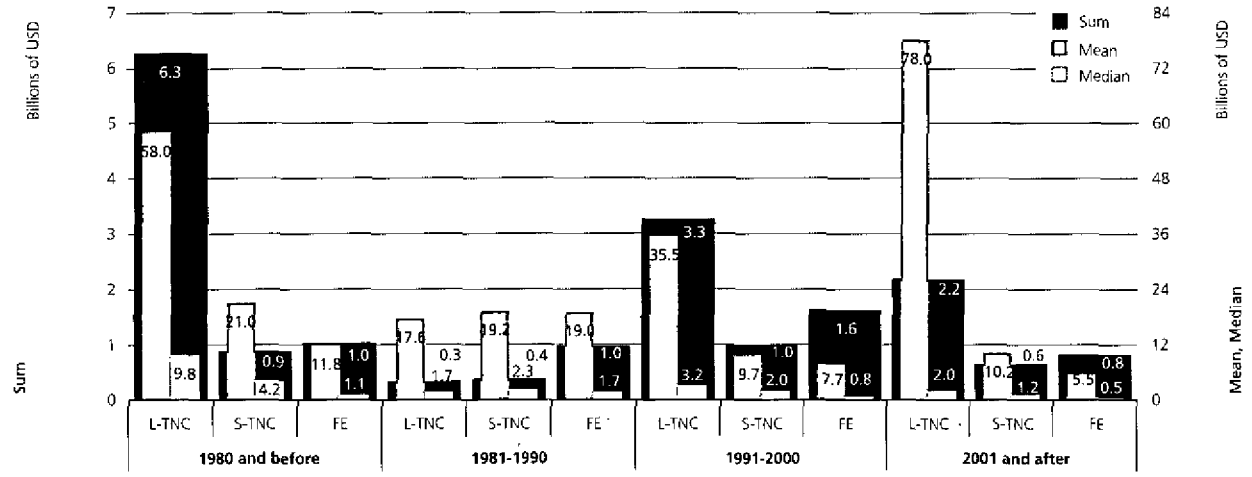
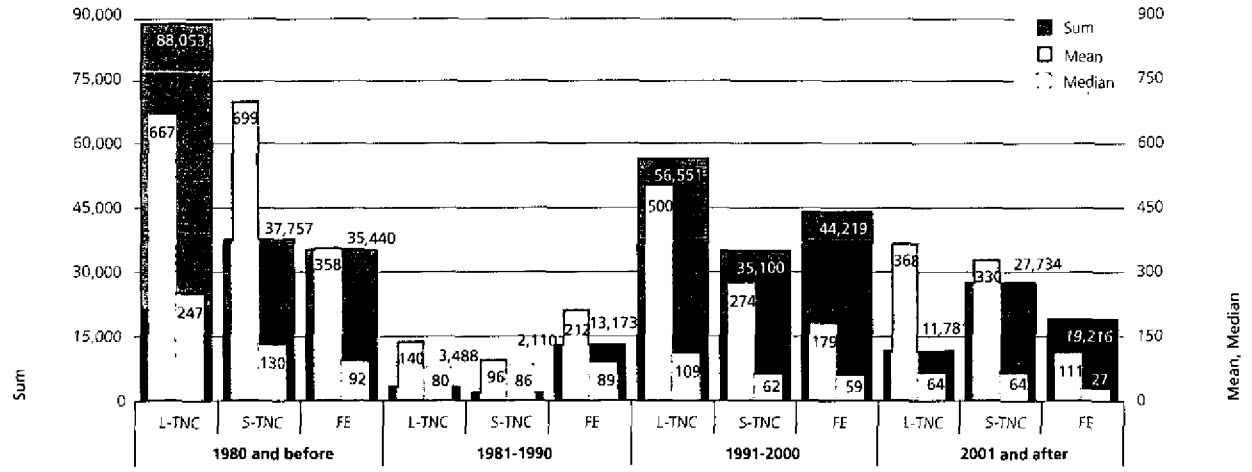


Figure 4.11 **Employment by organizational structure and start-up period**



In terms of job creation, it is clear that companies established between 1981–1990 show substantially smaller employment figures than companies established before or after this decade. Only 19,000 jobs, or 5 per cent of the 375,000 people working for the 1,216 firms covered by the survey, were working in firms established in the 1980s. Already by mid-decade, nearly 60,000 jobs had been created by the 292 firms established since 2001. It will be shown in later chapters, these young firms are the most optimistic with regard to future employment growth. Of course there is survivor bias in these statistics and many of these new jobs may disappear in the next 20 years.

Overall, the observed trends seem to indicate that recent entrants into the survey countries are dominated either by a few large TNCs responding to new opportunities created by de-regulation and privatization of utilities (especially telecommunications), or by large numbers of dynamic small TNCs and foreign owner-manager entrepreneurs (FEs). As might be expected, new arrivals suffered size disadvantages relative to more established S-TNCs and FEs.

Business origin

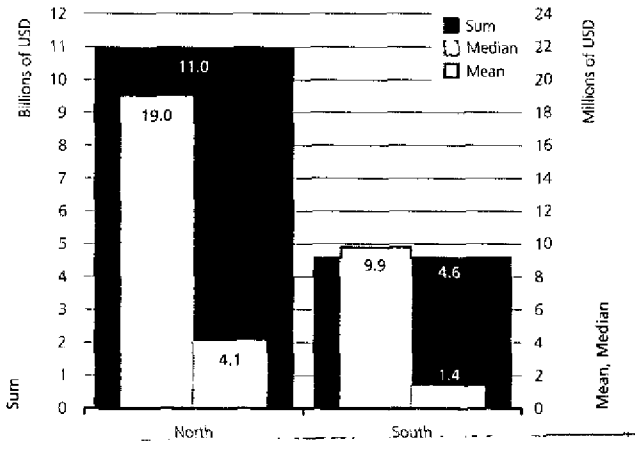
Business origin – firm size and subsectors

Figures 4.12–4.14 and annex table 3.4 show the size distribution of investors originating from developed (North) and developing (South) economies. Figure 4.15 shows the distribution of North and South origin investors among the subsectors.

The sectors dominated by investors originating from developed countries were services, infrastructure provision and agro-industries. Investors from developing countries dominated four sectors, machinery, paper and paper products; chemicals; and garments.

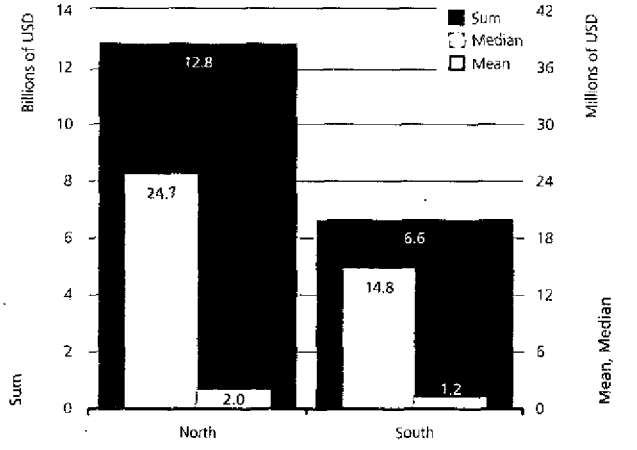
Unsurprisingly, foreign investors originating from developed countries tended to control larger firms in sub-Saharan Africa than investors originating from developing countries. The average book value for North companies was $25 million compared with $15 million for South companies. Average sales were $19 million for North companies and $10 million for South companies. The differences observable for the average workforce was much less, with North firms (347 workers) employing on average around 50 people more than South firms (295 workers) and this was reflected in the closeness between the total numbers employed by all the North investors (218,000) and all the South investors (158,000).

Figure 4.12 Sales according to investor origin



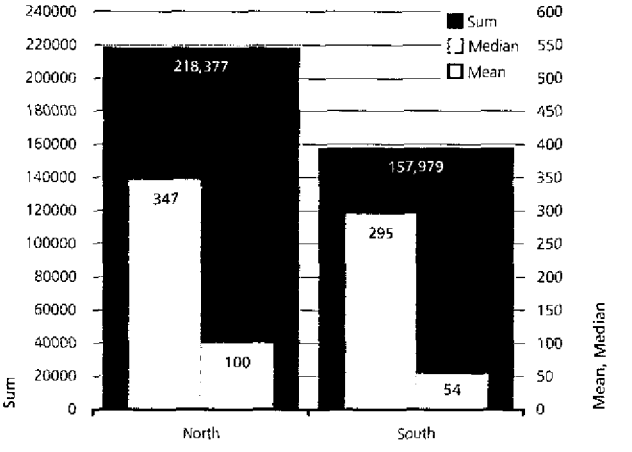
Significance: F(1,1044)=6.474, p=0.011, significant

Figure 4.13 Book value according to investor origin



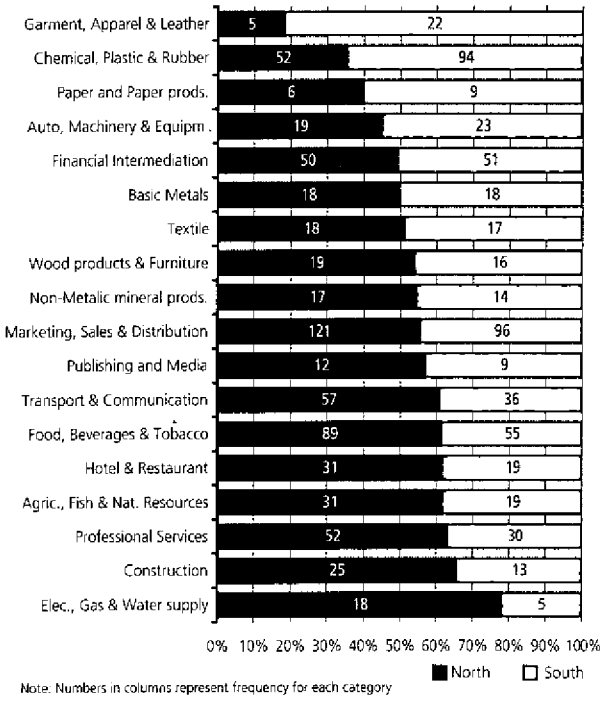
Significance: F(1,966)=2.457, p=0.117, insignificant

Figure 4.14 Employment according to investor origin



Significance: F(1,1164)=0.818, p=0.366, insignificant

Figure 4.15 **Distribution of investor origin by subsector**



Note: Numbers in columns represent frequency for each category

Business origin – organizational structure

Figure 4.16 shows the composition of the investor groups originating from North and South in terms of organizational structure. Figures 4.17–4.19 and annex table 4.3 describe the size of the firms comprising each organizational structure groupings subdivided into North origin and South origin investors.

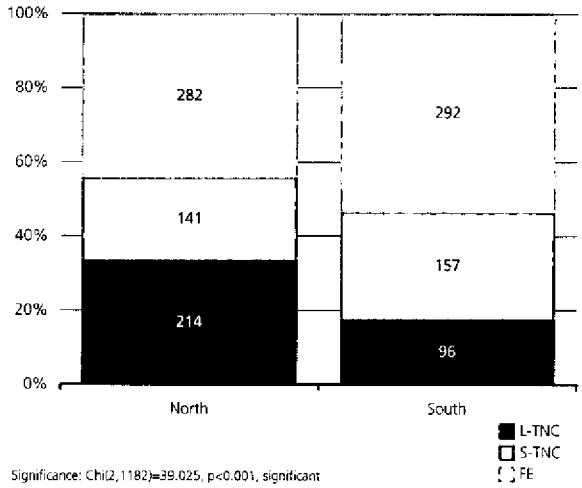
In the case of the South group there were more S-TNC subsidiaries than L-TNC subsidiaries – 157 compared to 96. In contrast, the North group had more L-TNC subsidiaries than S-TNCs – 214 compared to 141.

The average size in terms of the means of sales, book value and workforce were approximately the same for L-TNCs, regardless of whether the parent company was located in the North or South. However it is clear that the size of firms in the sample of South-based L-TNCs is much more widely dispersed than L-TNCs from the North. For example, the median subsidiary of an L-TNC based in the South had less than half of the sales of the median subsidiary of an L-TNC from the North – $5.2 million compared with $13.8 million.

Amongst S-TNCs, subsidiaries of firms originating from the South were significantly smaller than those from the North when measured in terms of sales and book value. In terms of work force the sizes are nearly the same. South S-TNCs were also mostly new to foreign investment in the region – only 14 per cent of subsidiaries were more than 15 years old.

FEs or firms owned by foreign entrepreneurs were of quite similar average size especially for employment and

Figure 4.16 **Organizational structure according to investor origin**



Significance: Chi(2, 1182)=39.025, p<0.001, significant

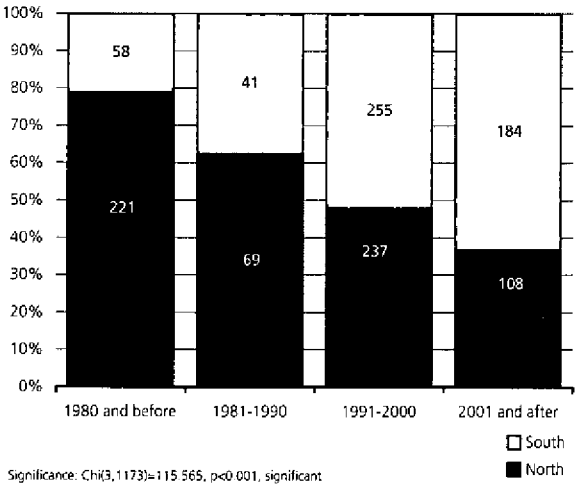
book value, regardless of whether their owners originated from an industrialized country or an emerging market. More than half of the firms originating from the South carry out their operations as a stand-alone foreign entrepreneur. Most of these 292 companies come from Lebanon (63 companies), India (54 companies) and Kenya (23 companies).

Perhaps less expected, the proportion of FE-controlled firms from the North still represented the most common organizational structure – 282 out of 637, or 44 per cent, of firms originating from the North.

Business origin – period of entry

Figure 4.20 shows the North – South composition of the different age groups (start-up periods). Figures 4.21–4.23 and annex table 4.4 describe the size of the North and South firms for each age group. There is a very

Figure 4.20 **Investor origin by start-up period**



Significance: Chi(3, 1173)=115.565, p<0.001, significant

Figure 4.17 **Sales by organizational structure and investor origin**

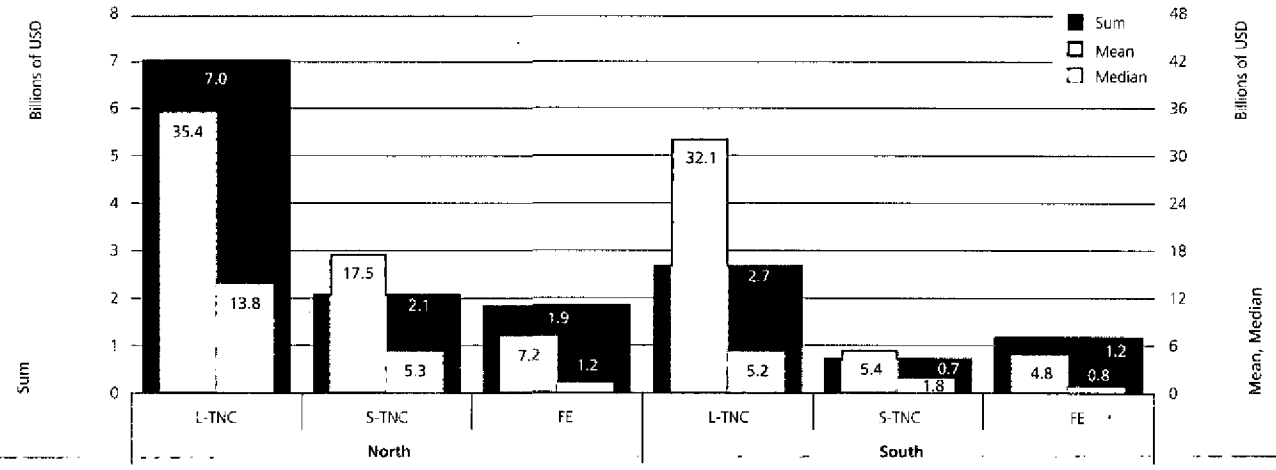


Figure 4.18 **Book value by organizational structure and investor origin**

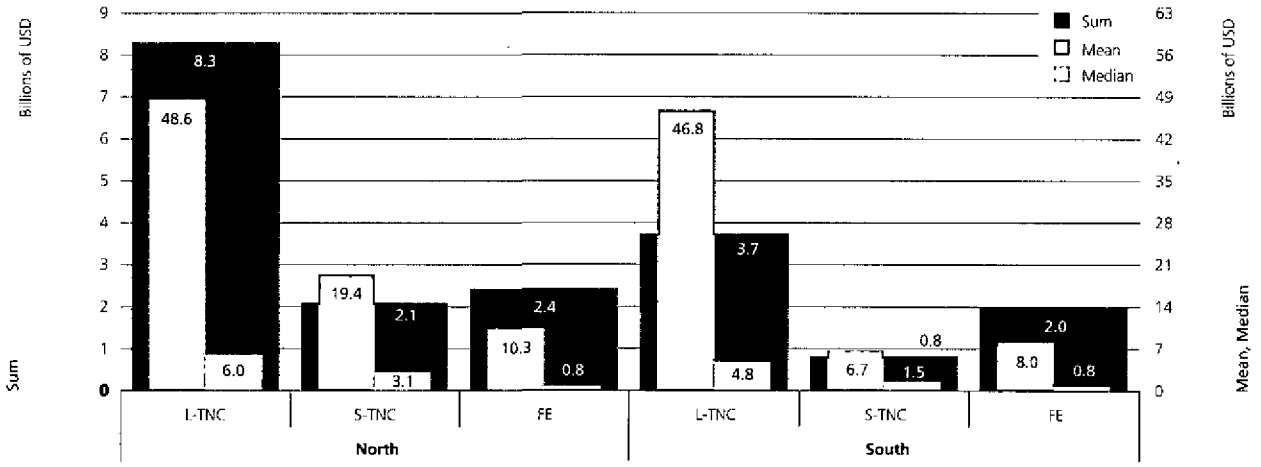


Figure 4.19 **Employment by organizational structure and investor origin**

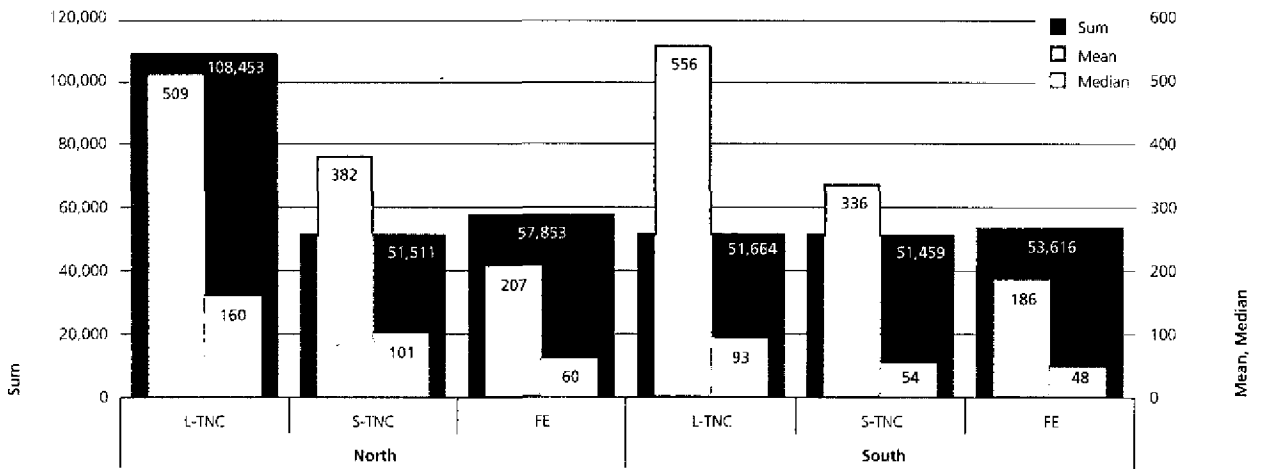


Figure 4.21 **Sales by investor origin and start-up period**

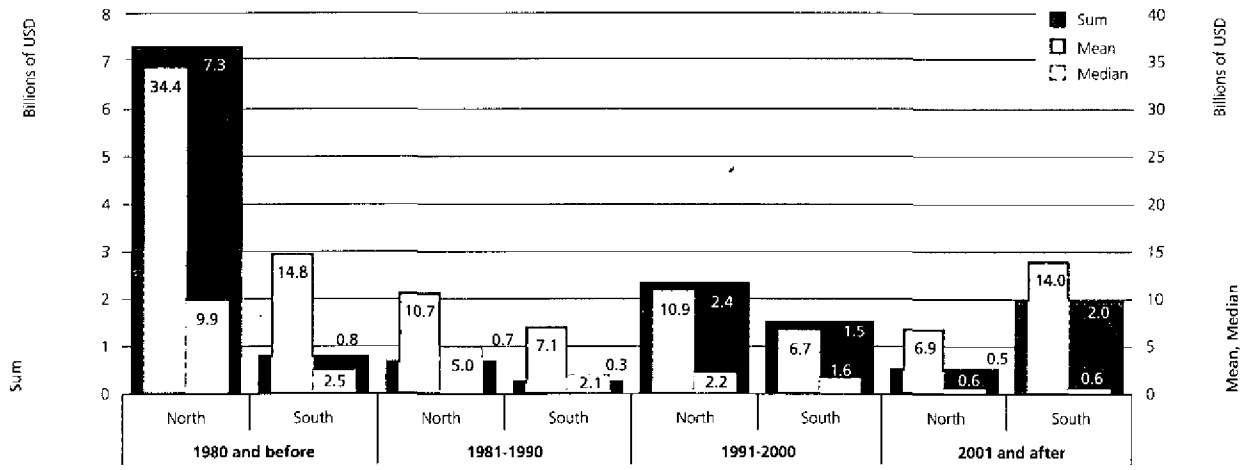


Figure 4.22 **Book value by investor origin and start-up period**

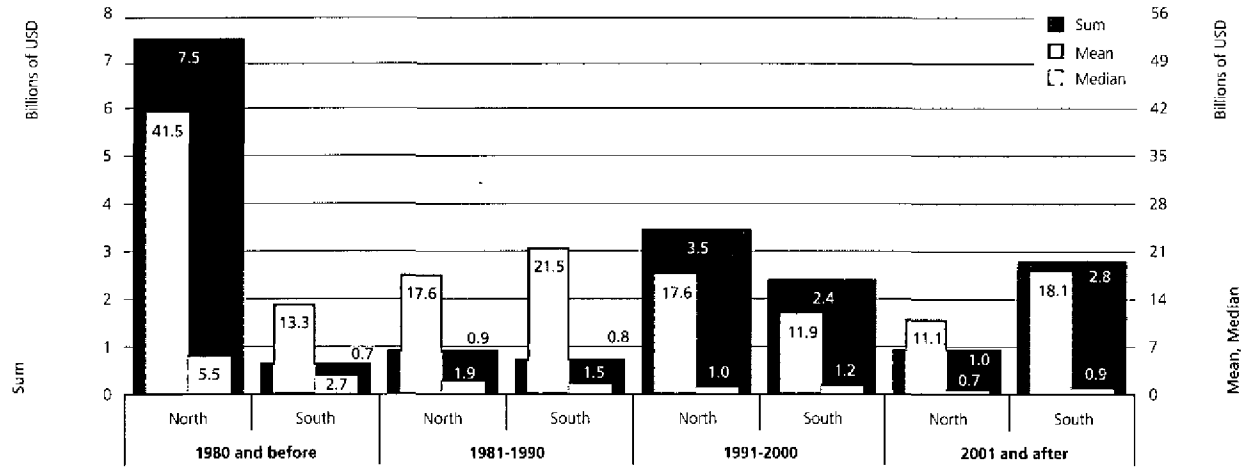
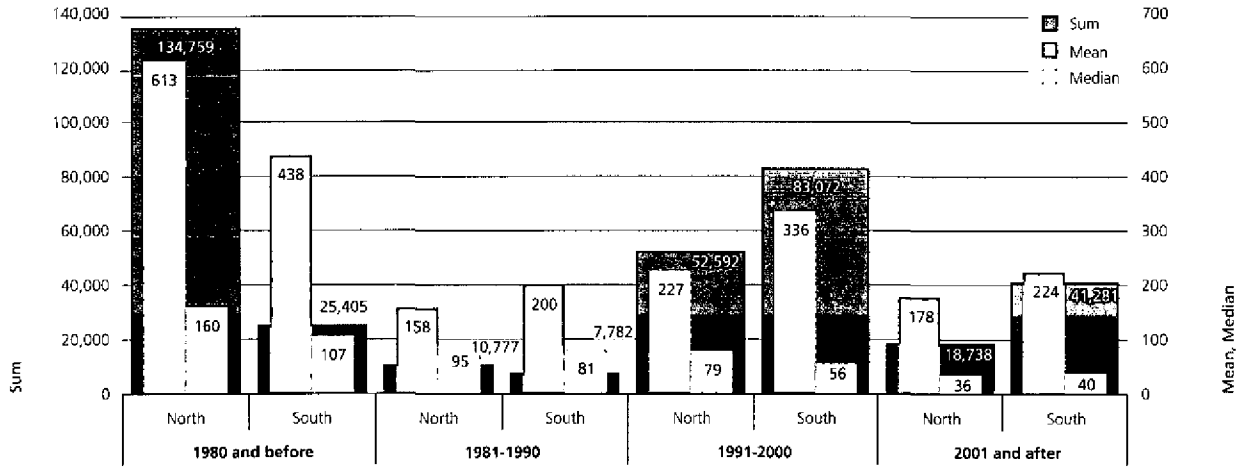


Figure 4.23 **Employment by investor origin and start-up period**



clear trend of increasing South composition among foreign investors.

Among the companies that started operations prior to 1981, 79 per cent were from the North and the percentage of North origin companies drops steadily and significantly for each subsequent start up period. Among companies that started operations after 2001 the proportion of North origin is only 37 per cent. Over the past three decades, a complete shift is visible with older established firms being mainly from the North and recent newcomer firms being from the South. This difference in sample populations probably reflects to some extent the higher propensity of family-owned businesses (FEs) from the South to quit during the political and economic turbulences before1990. Furthermore, all South African investors were excluded from the region until 1994. North TNCs could be said to have been in a better position to defend themselves from regulatory interference by virtue of their superior average size and political influence. More than half of the S-TNCs from the South originated from sub-Saharan Africa and around a third from Asia.

The survey sample also reflects the recent dynamism of emerging economies in expanding into foreign markets. Thus, 439 investors from the South, or 82 per cent of all South origin investors in the survey sample arrived after 1991 securing some 124,000 jobs. This compares with 345 investors, or 54 per cent of the sample from the North securing 71,000 jobs during the same time period. In the post 2000 period, investors of South origin have supported 40,000 jobs or nearly 70 per cent of all employment created by new investors since the beginning of 2001.

North origin firms that started operating in the survey countries prior to 1980 achieved average sales of $34.4 million compared with South firms that achieved average sales of $14.8 million. In the course of the subsequent two decades the gap between North and South closes in terms of average sales but in terms of employment, South origin firms are bigger than their North origin counterparts from the 1980's onwards. Of the firms arriving after 2001, South firms achieve higher average sales of twice that of North investors, albeit from higher-average-book-values – $18.1 million compared to $11.1 million. Nevertheless, many of the new arrivals, both from the North and the South, were small businesses – half had sales of less than $0.6 million and half had a book value of less than $0.9 million – and many may very well fail in the near future. While it is encouraging that new foreign investors of all sizes are choosing to start up in sub-Saharan Africa, it is important that policies and support mechanisms reinforce these positive trends.

Market orientation

Nearly three-quarters of the firms in the survey reported that they did not export, confirming the widely reported observation that foreign investors in the region are mostly seeking domestic markets. As pointed out earlier in the previous chapter, 15 per cent of firms were classified as regionally-oriented exporters and 14 per cent as globally-oriented exporters.

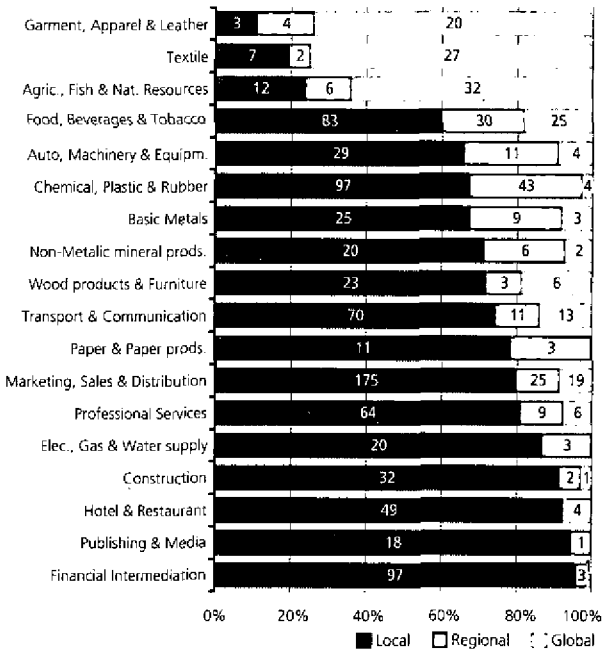
Market orientation – subsector

Figure 4.24 shows the number and percentage of the firms in each subsector that sells mainly to the local, regional or global markets (the structure of the subsectors in terms of market orientation of foreign investors).

Three sectors dominated by exporting companies were garments and leather goods; textiles and agriculture including fisheries. More than three-quarters of firms in these three sectors were significant exporters, mostly globally. While agro-industrial companies mainly belong to European and United States investors, the large majority of companies in the garments and textile sector come from Asia.

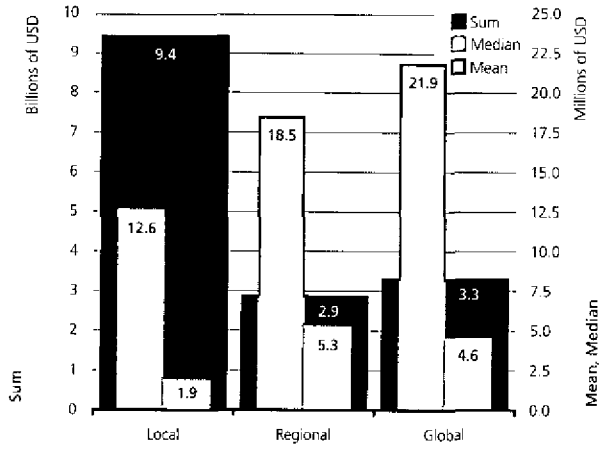
Four sectors have a sizeable regional exporter population. These were: food; automobiles, machinery and equipment (machinery); chemical, plastic and rubber products; and basic metals. More than a third of firms in each of these four sectors exported, mostly regionally. A large portion of regional market seekers are situated in Kenya, mainly serving the adjacent markets of Uganda and United Republic

Figure 4.24 Distribution of market orientation by subsector



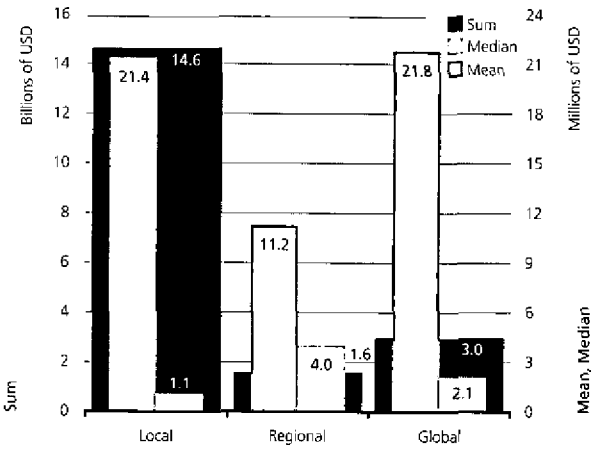
Note: Numbers in columns represent frequency for each category

Figure 4.25 Sales according to market orientation



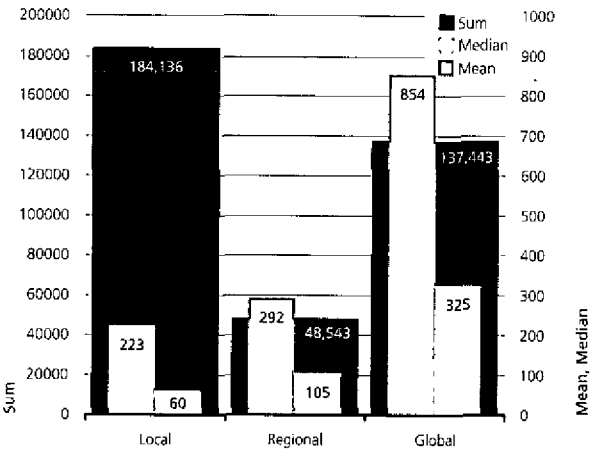
Significance: F(2,1051)=1.995, p=0.136, insignificant

Figure 4.26 Book value according to market orientation



Significance: F(2,958)=0.648, p=0.523, insignificant

Figure 4.27 Employment according to market orientation



Significance: F(2,1149)=29.745, p<0.001, significant

of Tanzania. In Western Africa, Côte d'Ivoire seems to be attractive for regional-market seeking investment (the entrepôt economies).

Market orientation – size of firms

Figures 4.25–4.27 (and annex table 3.4) give the relative sizes of firms with different market orientation.

Given the relatively small size of the domestic market of the 15 countries in the survey – Nigeria being the exception – it is not surprising that the average sales of firms that exported were higher than sales of firms that were only local market seekers. The global-market oriented investors are strongly represented in labour-intensive sectors (agro-industry, garments and textile). While global market seekers employ on average 854 people, regional or local market seekers employ less than 300. As a consequence, the total employment effects of 167 global-market seekers reach 75% of the total employment of the 835 local-market seekers, employing a total of 184,000 people. The smallest employment impact is from the 171 regional market seekers, with less than a total of 50,000 people employed.

The employment impact of global exporters is further illustrated in figure 4.28. For each organizational structure the largest employers are the global exporters. Globally-oriented subsidiaries of L-TNCs and S-TNCs had on average the largest workforces – 1,114 and 1,230 respectively (with medians of 500 and 650). This reflects the high concentration of employment intensive agro-industries in the group of L-TNCs, mostly established longer than 25 years ago, as well as a high concentration of relatively newly established garments and textile firms among the smaller TNCs. Generally, local market-oriented firms were very much smaller – half of the firms employed less than 60 people.

Market orientation – investor origin

Figure 4.29 gives the composition of North and South origin investors in terms of market orientation. Figures 4.30–4.32 and annex table 4.3 describes the size of the North and South firms subdivided into local, regional and global oriented groups.

The orientation towards local, regional or global markets does not substantially differ between North and South investors, except that North investors have a relatively higher emphasis on regional markets than South investors.

The book value of local market-oriented South and North origin firms was widely dispersed reflecting the impact of large service sector firms – banks, energy and telecommunications subsidiaries – and a much more numerous group of small manufacturing, marketing, sales and distribution firms. For example, the average

Figure 4.29 Market orientation according to investor origin

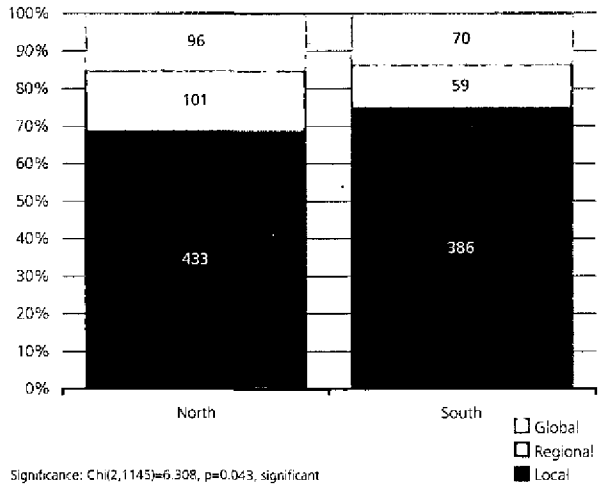


Figure 4.28 Employment by market orientation and organizational structure

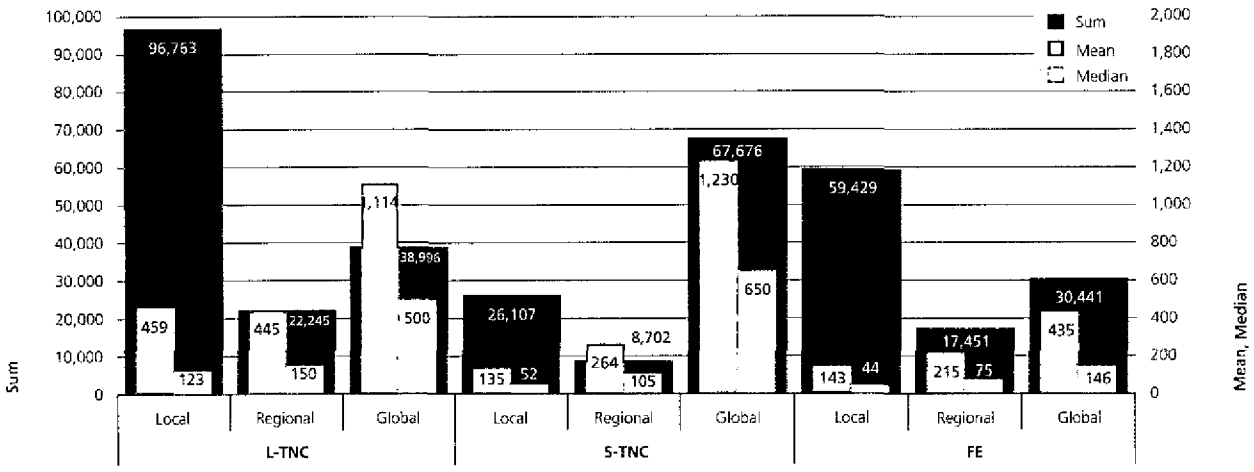


Figure 4.30 **Sales by market orientation and investor origin**

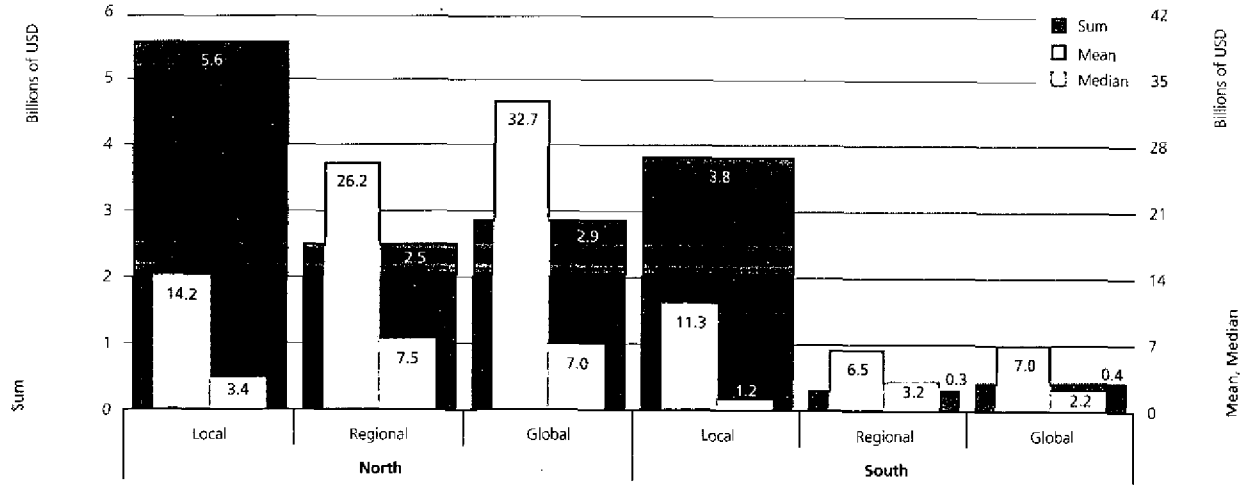


Figure 4.31 **Book value by market orientation and investor origin**

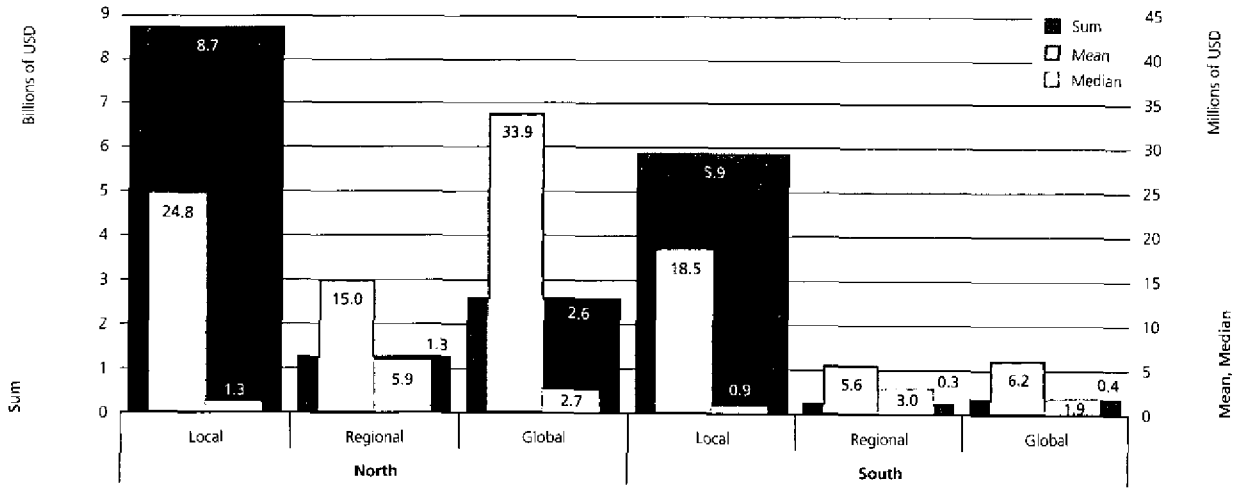
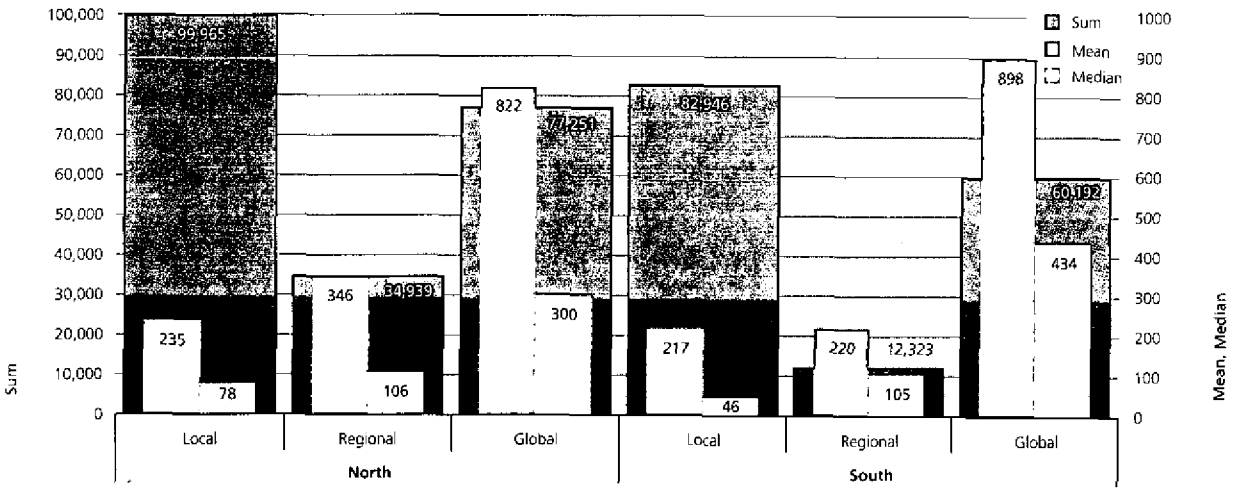


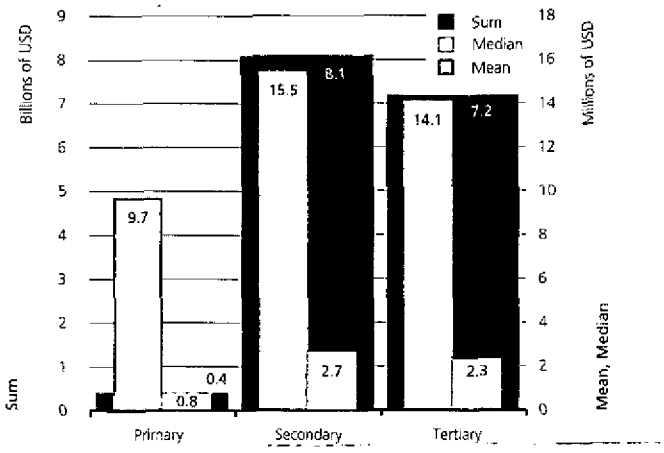
Figure 4.32 **Employment by market orientation and investor origin**



book value of South controlled, local market oriented firms was $18.5 million, yet half of these domestic-oriented firms had a book value of less than $1 million.

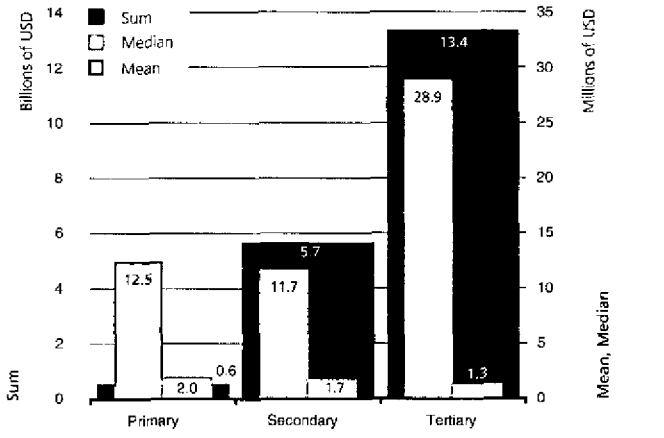
Sales of subsidiaries of North firms that exported were significantly higher on average than those that did not export. Thus the average sales of firms originating in the North that did not export were $14 million, those that exported to sub-Saharan Africa were $26 million, while global exporters' sales averaged $33 million. However it should be noted that the average sales value of North, globally-oriented exporters was skewed significantly by four companies in the chemicals sector with average sales of $215 million. Regional and global exporters from the South were significantly smaller than their North counterparts – with average book values of about a third and sales of around a quarter of North exporters. Despite their smaller book value, South global exporters employed on average slightly more than North global exporters – 898 compared to 822 employees.

Figure 4.33 Sales according to main sectors



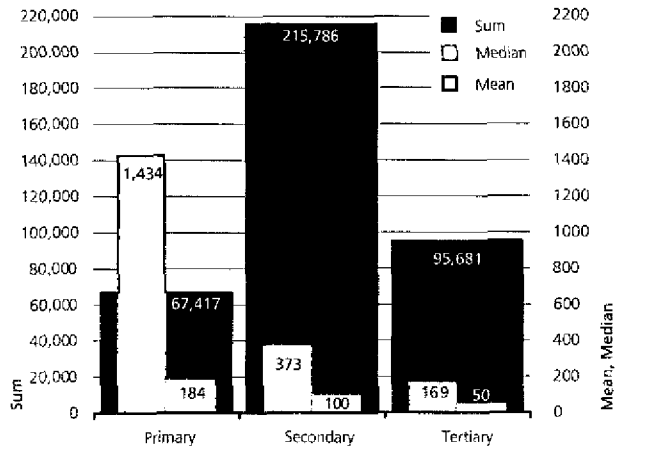
Significance: F(2,1071)=0.237, p=0.789, insignificant

Figure 4.34 Book value according to main sectors



Significance: F(2,989)=3.861, p=0.021, significant

Figure 4.35 Employment according to main sectors



Significance: F(2,1189)=41.747, p<0.001, significant

Sectoral distribution

Sectoral distribution – size of firms

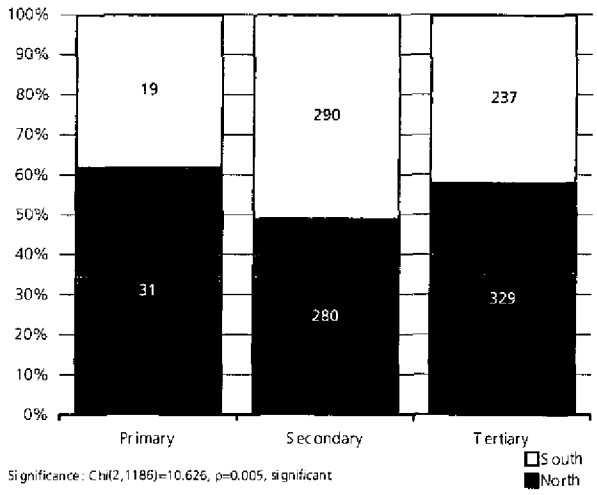
Figures 4.33–4.35 (and annex table 3.4) show the size distribution of the firms in the three main sectors.

The observations reflect the drastic differences in factor intensities between the capital-intensive services sector and the labor-intensive agriculture and manufacturing. The companies in the services sector employ less than half as many as the companies in the manufacturing sector (this applies to means as well as sums). In terms of average sales, the differences are less distinct - the manufacturing and services sector both average about $15 million in sales per company. However, in terms of book value, the average services company is almost three times that of an average manufacturing company.

However, looking at the employment figures, the agro-business sector on average employs by far the most workers, 1434 compared to 373 in the manufacturing sector and 169 in the service sector. However, the total employment created by the manufacturing firms in the sample makes up 57 per cent of the 379,000 jobs in the entire sample.

The service sector delivers approximately the same total sales ($7.2 billion) as the manufacturing sector ($8.1 billion) with more than double the capital ($13.4 billion as opposed to $5.7 billion). The employment opportunities generated by the services sector at 96,000 is less than half of that generated by the manufacturing sector at 216,000.

Figure 4.36 **Investor origin according to main sectors**



Sectoral distribution – investor origin

Figure 4.36 shows the North–South composition of the three main sectors and figures 4.37–4.39 and annex table 4.5 gives the size distribution of the North and South firms within the main sectors.

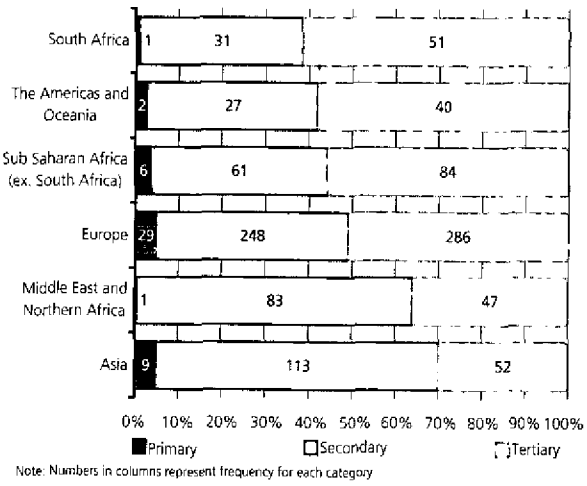
The book values of service sector firms were widely dispersed for both North and South origin investors. The average book value of the 329 North origin services sector firms was $32 million yet half of the firms had book values of less than $1.4 million. The average book value of South service firms was slightly less with $27 million and a very low median of $1.1 million. The book value of North origin manufacturing firms was much less dispersed with an average value of $18.6 million and a median value of $2.5 million. Amongst South origin firms the pattern of dispersion was similar. It is noteworthy that in each of the three main sectors, North firms have higher average and total book values than South firms with the highest difference in the manufacturing sector. This observation is similar for sales. Again the highest average difference in sales occurs in the manufacturing sector with average sales of South-owned firms of $7.4 million compared to average sales of North-owned firms of $24 million.

Analyses of the average work force structure show a much smaller gap between North and South. The 280 North-owned firms and the 290 South owned firms in the manufacturing sector thus employ more than 100,000 people, and together that adds up to 56% of the employment in the total sample.

Sectoral distribution – regional origin and subsectors

Figure 4.40 shows the sectoral composition of the six regional groups of investor origin and figure 4.41 and annex table 4.6 show the regional distribution of investors in the subsectors.

Figure 4.40 **Main sectors according to region of origin**



Investors from Asia and the Middle East and North Africa tended to be concentrated in the manufacturing sector – 65 per cent. Of the 290 South origin manufacturers, 48 originated from Lebanon, 43 from India and 31 from South Africa. South African firms as a group were more concentrated in the services sector – 51 out of 84 South African investors, more than 60 per cent, pursuing business activities mainly in marketing, sales and distribution and transport, storage and communication. European companies dominated the agro-industries, utilities and construction, while Asian companies dominated the garments subsectors.

Figure 4.41 **Region of origin according to subsector**

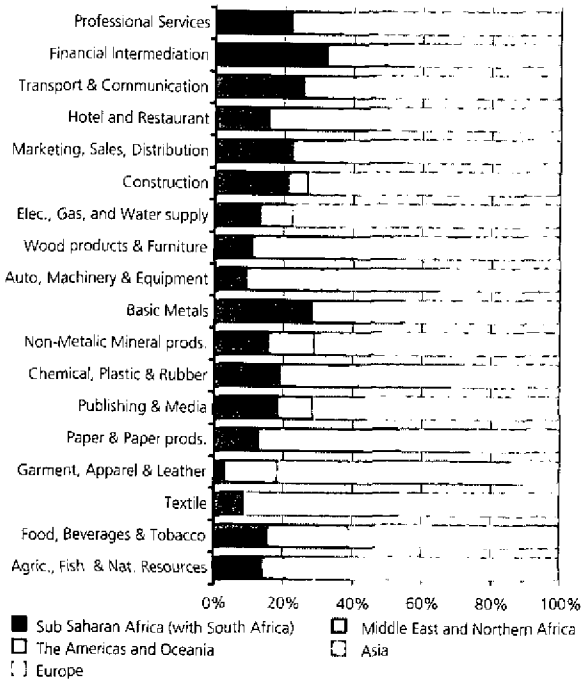


Figure 4.37 **Sales by investor origin and main sectors**

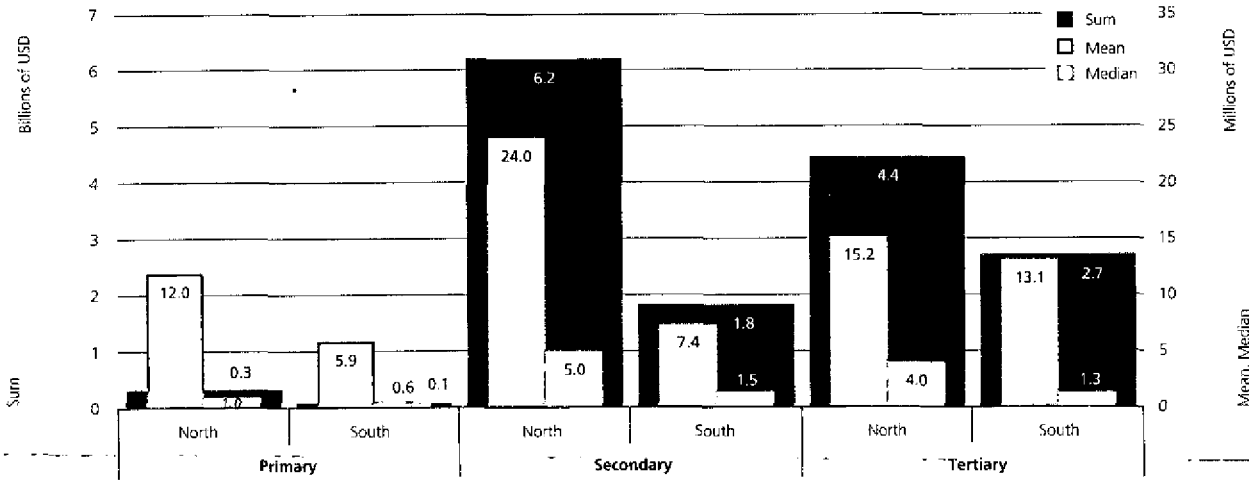


Figure 4.38 **Book value by investor origin and main sectors**

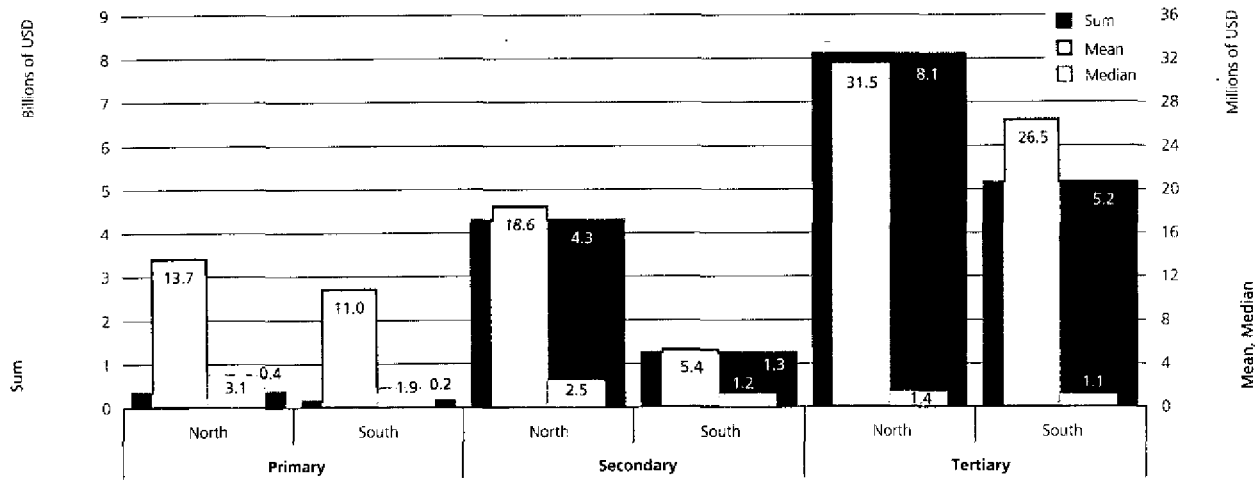
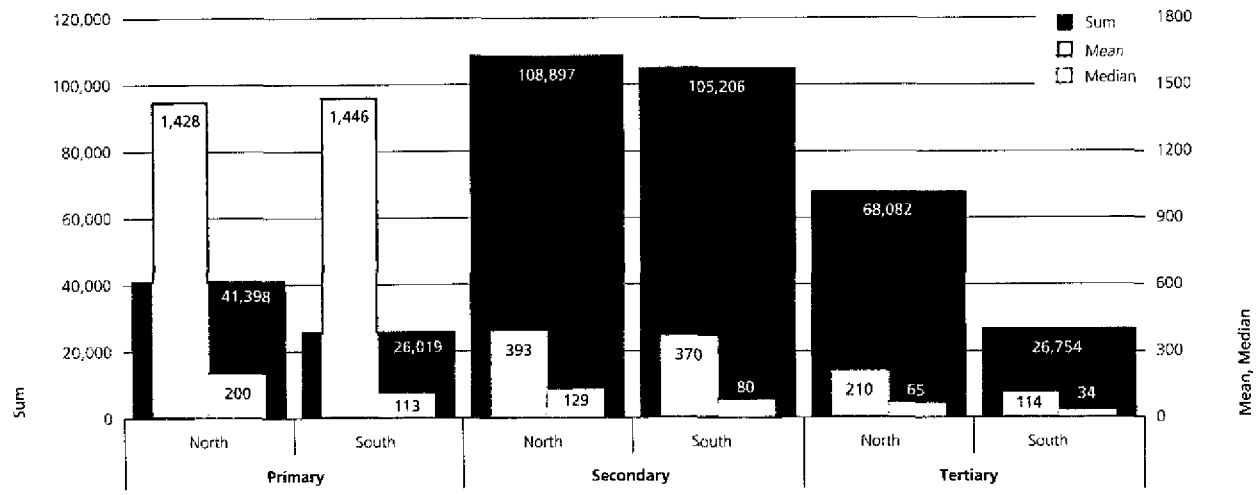


Figure 4.39 **Employment by investor origin and main sectors**

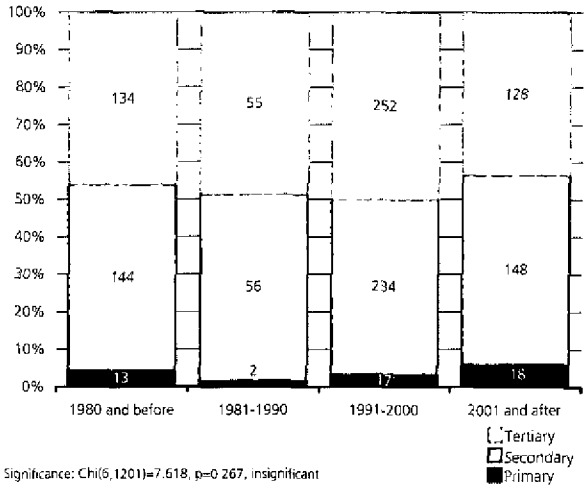


Sectoral distribution – period of entry

Figure 4.42 shows the composition of each age group (start up period) in terms of main sectors. Figures 4.43–4.45 and annex table 4.5 describe the size of the firms within the main sectors for each age group (start up period).

It is striking that import-substituting manufacturing firms continued to maintain their position in different start-date groups. For example, of the 144 manufacturing firms in the survey that arrived before 1980, 35 were in the food products subsector and 32 were in the chemicals subsector. In the group that arrived after 2001, 35 out of 148 firms were in the food subsector and 34 were in the chemicals subsector. The only significant change was the appearance of 17 export-oriented textile manufacturers in the post-2000 group. In spite of these similarities, the organizational structure as well as the origin of these firms has drastically changed. While manufacturing firms established before 1980 are mostly large TNCs from developed countries, the manufacturing firms of the new age are dominated by South origin firms whose organization structure is small TNCs (especially in the labour-intensive industries such as garments) or the stand-alone foreign entrepreneurs (particularly active in the chemical sector).

Figure 4.42 Main sectors according to start-up period



Significance: Chi(6,1201)=7.618, p=0.267, insignificant

In the services sector there were 55 marketing, sales and distribution firms out of a group of 134 services firms that had arrive before 1980. In the post-2000 group of 128 services firms, 49 were in marketing, sales and distribution. The main change in the composition of the services sector groups was that banks and financial services firms had mostly arrived before 1980, while transport, storage and communications (mostly mobile phone operators) firms arrived in significant numbers after 2001.

When manufacturing firms are grouped by sector and date of start of operations, older manufacturing concerns show significantly higher average sales and book values than more recent starts. However, in the services sector the distribution pattern of average sales and book values over time is U-shaped. This is because the pre-1980 group includes most of the large financial services companies in the survey sample, while deregulation and privatization of utilities and the introduction of mobile-phone technology has attracted more recent large-scale investment.

Figure 4.43 **Sales in each start-up period and main sector**

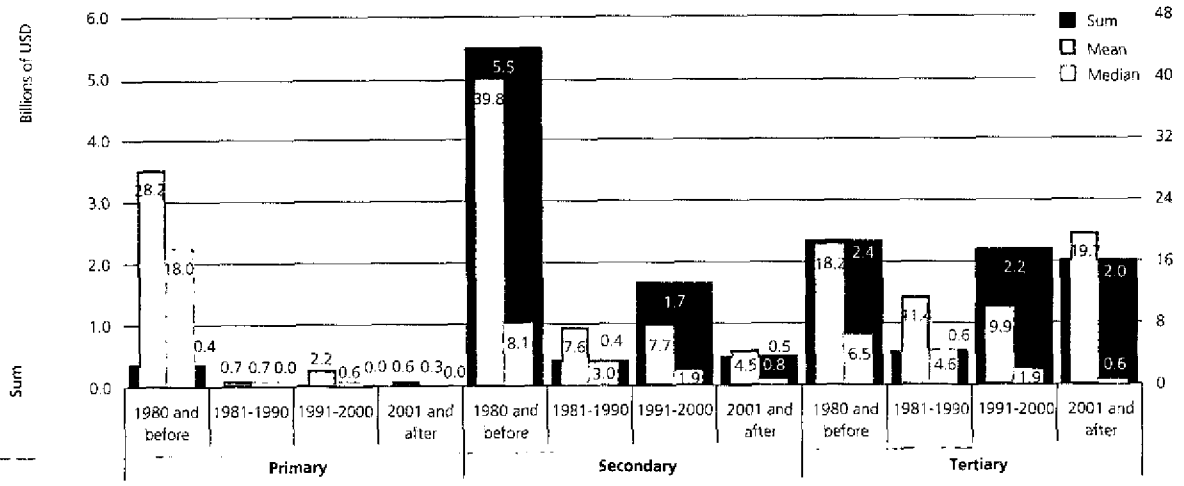


Figure 4.44 **Book value in each start-up period and main sector**

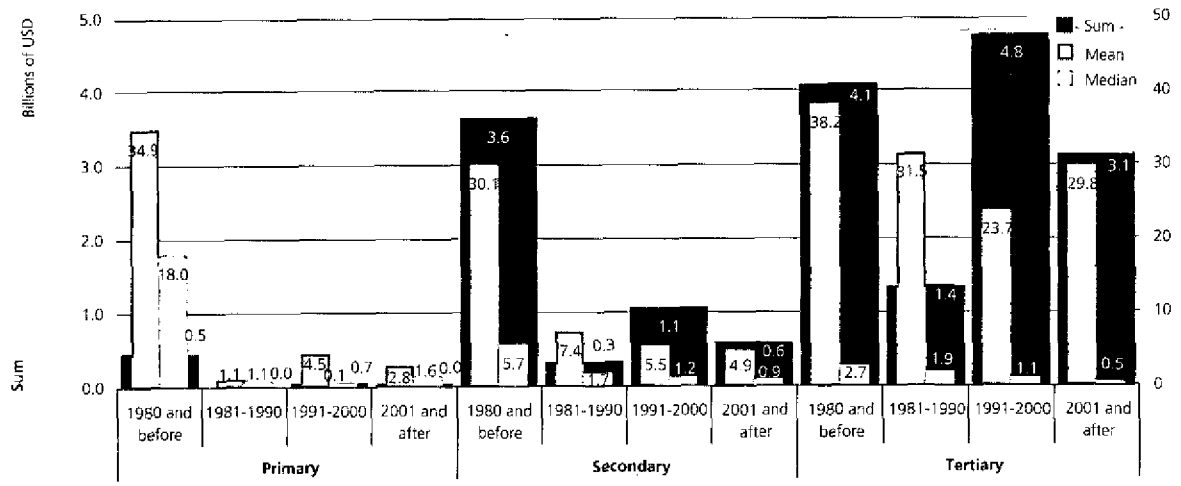


Figure 4.45 **Employment in each start-up period and main sector**

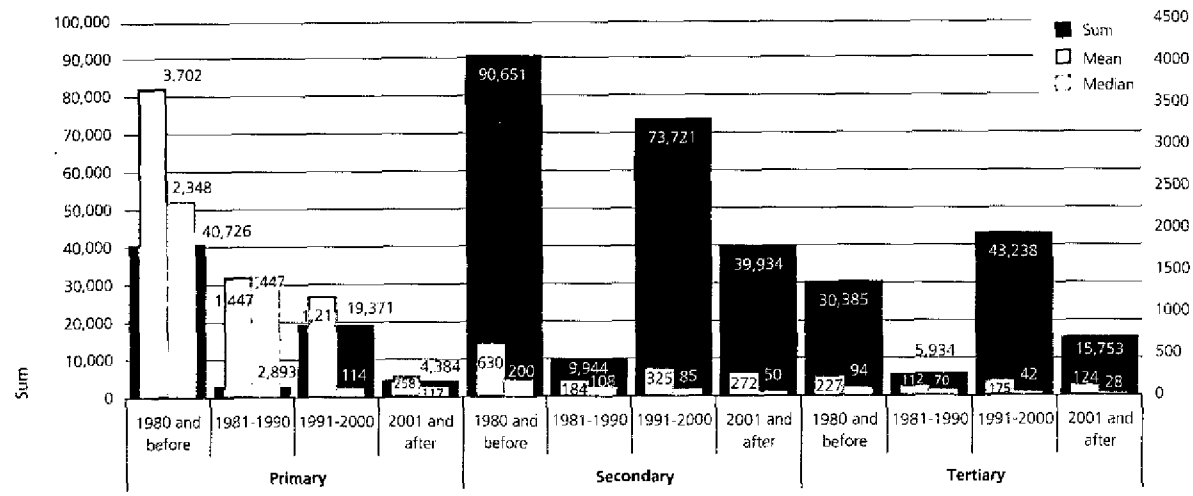
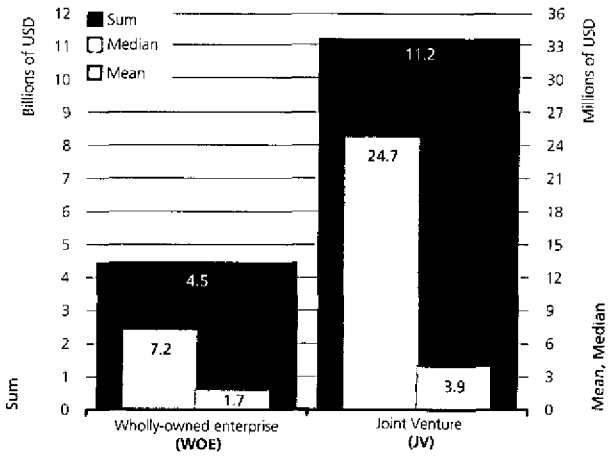
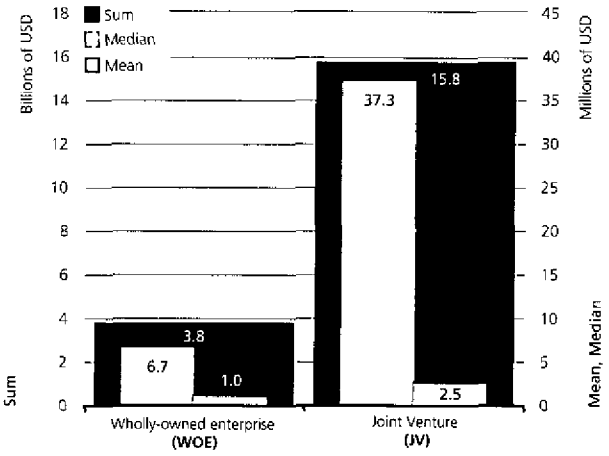


Figure 4.46 Sales according to share structure



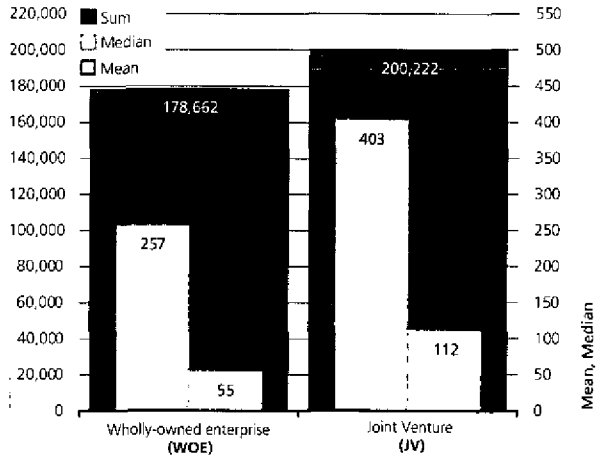
Significance: F(1,1072)=25.362, p<0.001, significant

Figure 4.47 Book value according to share structure



Significance: F(1,990)=24.511, p<0.001, significant

Figure 4.48 Employment according to share structure



Significance: F(1,1190)=6.627, p=0.01, significant

Share structure (wholly-owned enterprises and joint ventures)

Share structure – size of firms

Figures 4.46–4.48 (and annex table 3.4) show the size variations between companies that are partly foreign owned (joint ventures) and those that are wholly foreign owned.

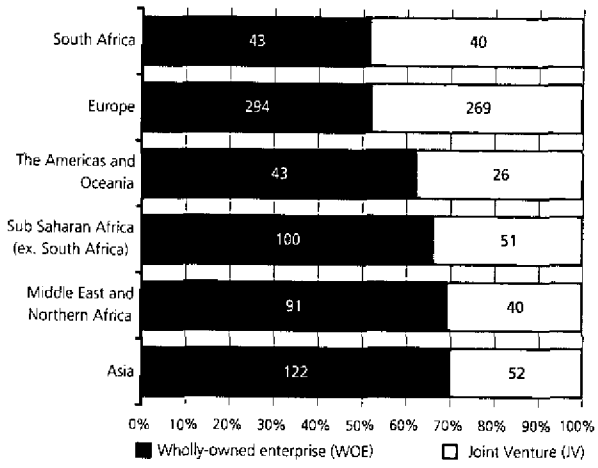
Joint ventures were on average larger than wholly foreign owned firms, whether measured in terms of book value, sales or size of the workforce. One possible explanation is that the established L-TNCs which are very large in terms of investment, sales and work force have been partnering with local entities or partially acquiring local assets. This would have shifted them from being wholly-owned to a JV form. With regard to workforce, the average work force of Joint Venture firms is more than 50 per cent higher than the work force of wholly-owned companies. The difference is smaller than that observed for sales and book value because many of the labor-intensive global oriented manufacturing firms, especially garment manufacturers from Asia, are generally wholly owned.

Share structure – regions of origin and subsectors

Figures 4.49–4.50 show the composition of the regions of origin and the subsectors in terms of wholly foreign owned and joint venture.

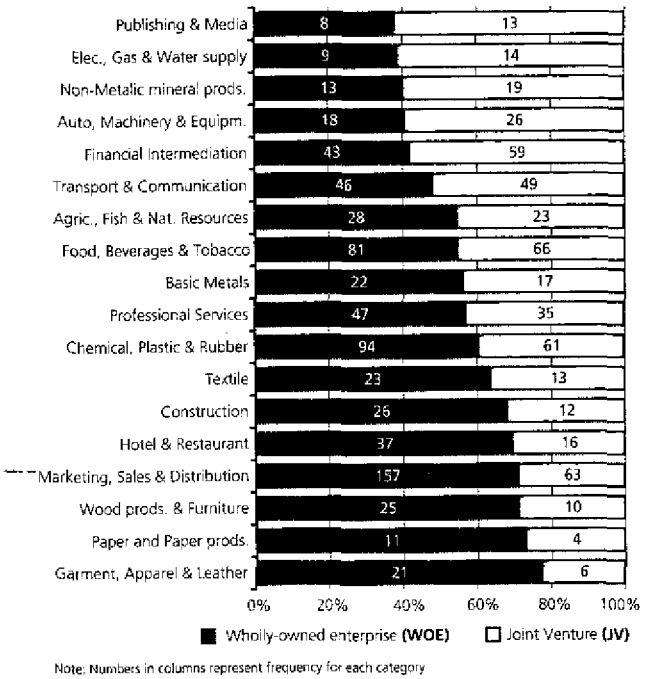
There was considerable variation in the preference for joint ventures by subsector, ranging from 62 per cent of firms in publishing and media and 61 per cent of electricity, gas and water supply companies through to only 22 per cent for garments and 27 per cent for paper and

Figure 4.49 Share structure distribution by region of origin



Note: Numbers in columns represent frequency for each category

Figure 4.50 **Share structure distribution by subsector**



Note: Numbers in columns represent frequency for each category

paper products. Firms originating from South (apart from South Africa) had a greater revealed preference for being wholly-owned – more than two-thirds of firms.

Looking at the breakdown by main sectors (Annex Figures 4.1 through 4.4 and Annex Table 4.5), services companies that are joint ventures had significantly higher book values than manufacturing or primary sector joint venture firms – $59 million compared to $20 million for manufacturing and $15 million for primary sector joint ventures, reflecting the overall higher book values for the services sector. However this is not reflected among the wholly owned firms where the book values between the services and the manufacturing firms are of similar magnitude. As for the whole sample, on average, wholly foreign owned enterprises had significantly smaller book values than joint ventures in each sector. Average book values of services sector joint ventures were boosted by the presence of a small number of very large telecommunications and other infrastructure joint ventures in the sample. Six telecommunication companies in this group have a book value higher than $100 million, of which only 2 companies started their business as a new greenfield operation. Three companies acquired the assets from the state in the course of privatization and one company acquired parts of the shares from a local private entity. Other very large service sector joint ventures are six banks also with a book value of more than $100 million. With the exception of one bank, all those financial institutions started completely new operations at the time of arrival.

When the preference for a joint venture strategy was examined in terms of the organizational structure, it was apparent that half of the sample of large TNCs opted for a joint venture compared with 39 per cent of small TNCs and 38 per cent of owner-managed firms. In each case, whether L-TNC, S-TNC or FE, joint ventures had higher average book values and annual sales, and employed more people than comparable wholly-owned enterprises. For example, L-TNC joint venture subsidiaries had an average book value of $82 million compared to L-TNC WOEs that had an average book value of $11 million (annex table 4.1). The group of 156 firms that made up the sample of L-TNC joint ventures included 24 banks and insurance companies with $170 million average book value, 28 food companies and 17 Transport, storage and communication companies. Two thirds of these companies started operations as greenfield, 19 per cent through an M&A deal and 16 per cent in the course of state privatization programs. The latter, i.e. firms that incorporated former state-owned assets have a book value of $87 million which is significantly higher than the average book value of L-TNC group.

It would appear that when operating in sub-Saharan Africa, bigger foreign investors preferred joint ventures, whatever the particular characteristics of the foreign interest. Even FE-joint ventures had an average book value greater than that of wholly-owned FEs – $15.5 million compared to $4.8 million – and average sales of $9.5 million compared to $3.7 million.

Share structure – export orientation

A consideration of the relative efficiencies of the joint venture form of organization and the wholly foreign-owned unit might suggest that export-oriented companies would favor sole ownership when operating in competitive export markets. The advantages of a clear-cut line of command in managing a cross-national supply and distribution chain and lack of ambiguity in the division of profits tend to be preferred over the complexities of shared executive responsibilities inherent in a joint venture arrangement. Even if the local knowledge and business connections of a local partner are important, this expertise can be acquired over time. Contrary to expectations however, the survey suggested that export-oriented firms had no more than an slight preference for wholly-owned enterprises of no statistical significance. Moreover, global-oriented joint ventures had sales on average more than three times as great as that of wholly-owned global exporters – $40.4 million compared to just $9 million. Regional market-seeking joint ventures have also higher average sales of $24.8 million compared to their wholly-owned counterparts with $13.4 million. They also have higher average book values and employment.

However, the cumulative employment contribution of 101 wholly foreign owned globally-oriented companies exceeds the cumulative employment of the 66 global joint venture firms in the sample, mostly due to the high labour forces of the wholly-owned Asian garment manufacturers.

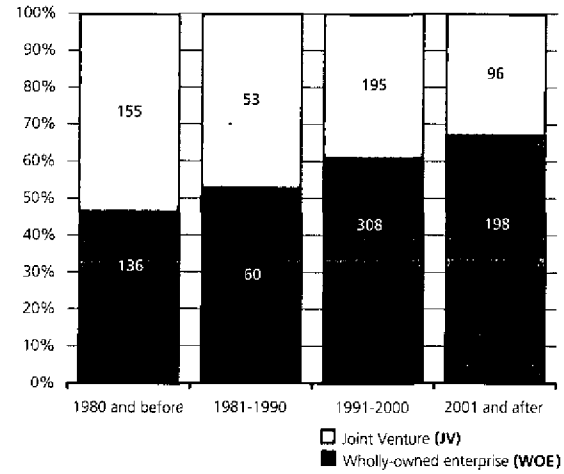
Share structure – period of entry

Figure 4.51 gives the share ownership structure for the age groups. Figures 4.52–4.54 and annex table 4.4 describe the respective sizes of the wholly foreign owned firms and joint ventures within each age group.

In a favorable investment climate for foreign companies, it might be expected that over time, with the accumulation of greater operational experience, foreign investors who deem their investments to be a success would takeover their local partner in order to obtain the benefits of complete managerial control. This is not observed in the data. The proportion of joint ventures was higher among firms that had been in the country longer. Thus, of the 289 firms established before 1980, 53 per cent were joint ventures, while of the 294 firms established after 2001, only a third were joint ventures. Even more striking, when sales and book values were compared, it was clear that regardless of the time period in which firms started operations, joint ventures had higher average sales and book values than wholly foreign owned companies founded in the same time period. Again, the older, larger TNC subsidiaries are more likely to be joint ventures, supporting the notion that investors that have been in the country longer have had better opportunities to acquire more assets, likely through partial buyouts.

The finding that only a third of firms in the survey founded after 2001 were on the basis of joint ventures could be interpreted as a positive sign indicating that an increasing proportion of inward investors were willing to go-it-alone in sub-Saharan Africa. On the other hand, the average book value of joint ventures founded after 2001 remained much greater than for WOEs – $37.5 million compared to $4.3 million. However, this was largely a result of the contribution of 13 large joint ventures in the utilities and transport services subsector. Even so the median joint venture had a book value of $1.5 million compared to the median book value of a WOE of just $600,000.

Figure 4.51 Share structure distribution in each start-up period



Significance: Chi(3,1201)=28.963, p<0.001, significant

Figure 4.52 **Sales by share structure and start-up period**

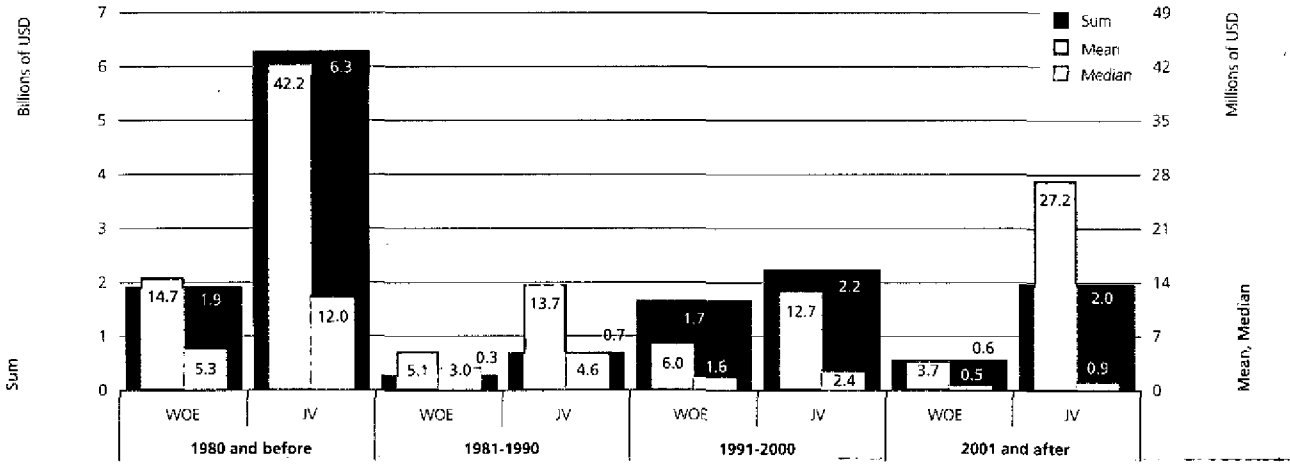


Figure 4.53 **Book value by share structure and start-up period**

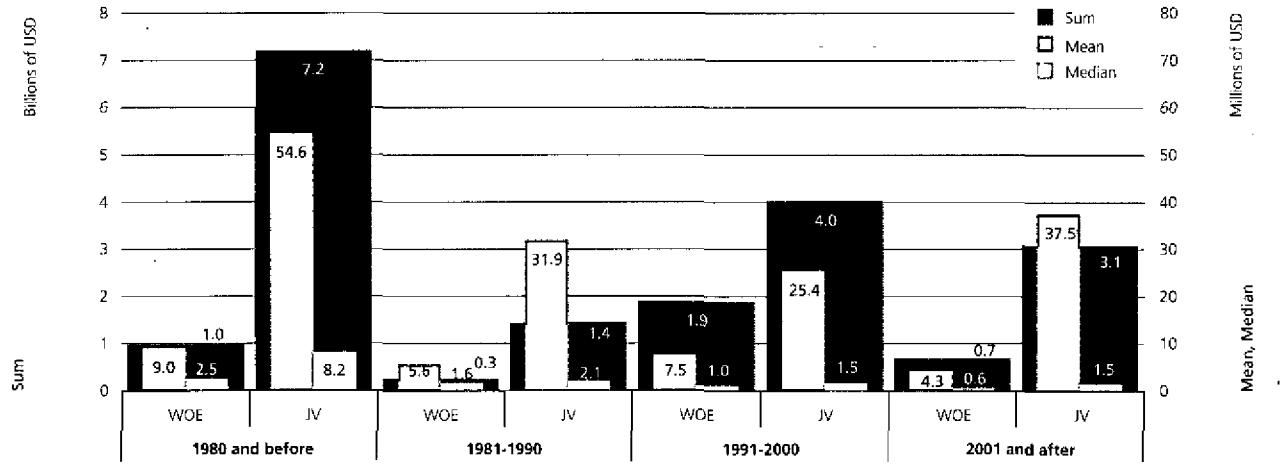
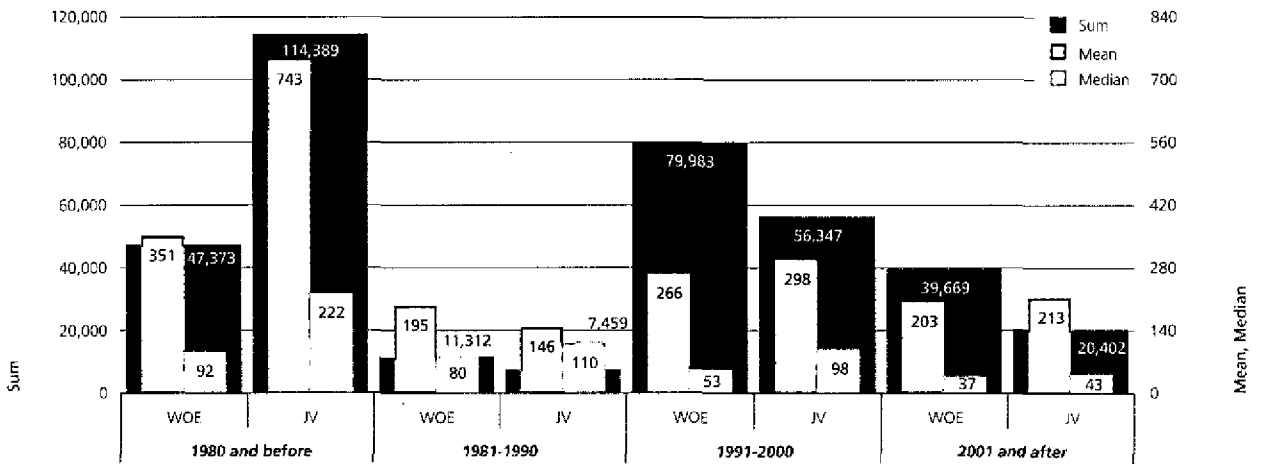


Figure 4.54 **Employment by share structure and start-up period**



Share structure – investor origin

Figure 4.55 gives the share ownership structure of companies from North and South. Figures 4.56–4.58 describe the respective sizes of the wholly foreign owned firms and joint ventures within the North and South groups.

When the origins of investors were compared with their preference for operating as wholly-owned foreign enterprises, it was clear that investors from South had a greater propensity to enter African markets as wholly-owned – two-thirds of South investors compared to just over half of North investors. Thus managerial control appeared to be of greater strategic importance to South investors than any benefits that might be gained from partnering with a local investor. Perhaps South investors are more confident about the operating conditions in sub-Saharan Africa to be able to perform well without the need for a local partner. On the other hand, it may have had more to do with the small average size of South investors – half of the firms had sales of less than $1 million. Another alternative explanation might be related to the dynamics of family-owned firms and the difficulties of entering into a sustainable equity arrangement with a non-family member. Indian and Lebanese firms owned by an entrepreneur tended to be wholly-owned. Another factor influencing the choice of a strategy may have been the subsector in which firms operated. For example, South wholly-owned companies were heavily concentrated in the trading and distribution services sector while North wholly-owned companies were more concentrated in the hotel and restaurant subsector and the provision of various professional services and transportation. These services companies were typically SMEs with high cash flow and low margins, not a business environment conducive to complex managerial systems.

Figure 4.55 Share structure according to investor origin

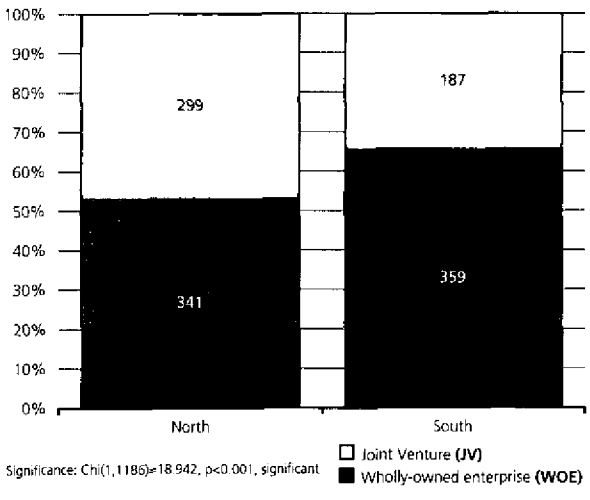


Figure 4.56 Sales by share structure and investor origin

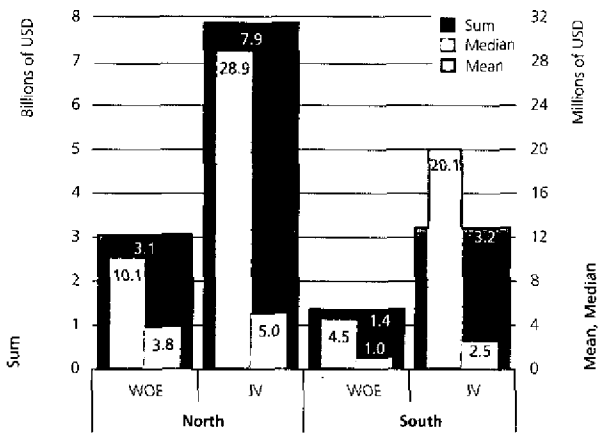


Figure 4.57 Book value by share structure and investor origin

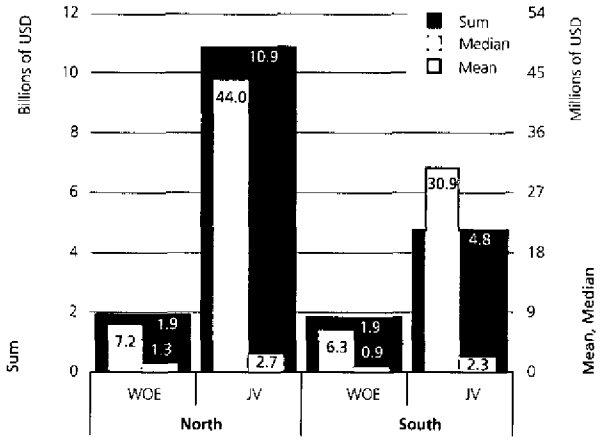
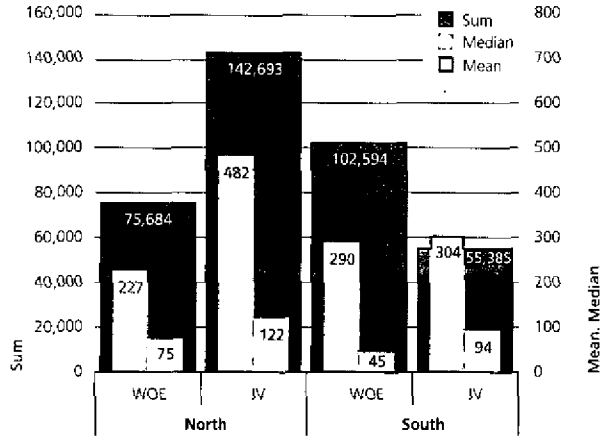


Figure 4.58 Employment by share structure and investor origin



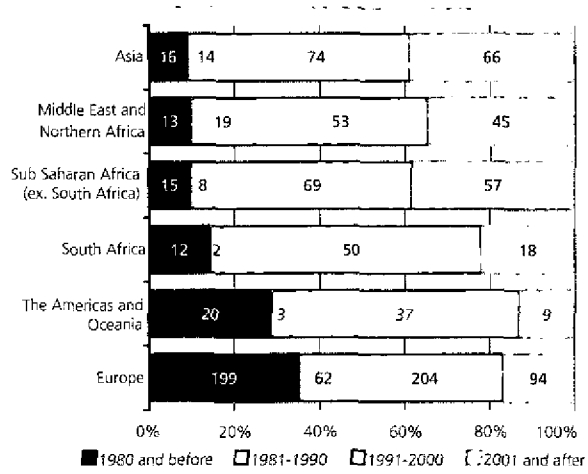
Entry period (start of operations)

Entry period (start of operations) – regions of investor origin and subsectors

Figures 4.59–4.60 give the age distribution for the regions of investor origin and of the subsectors.

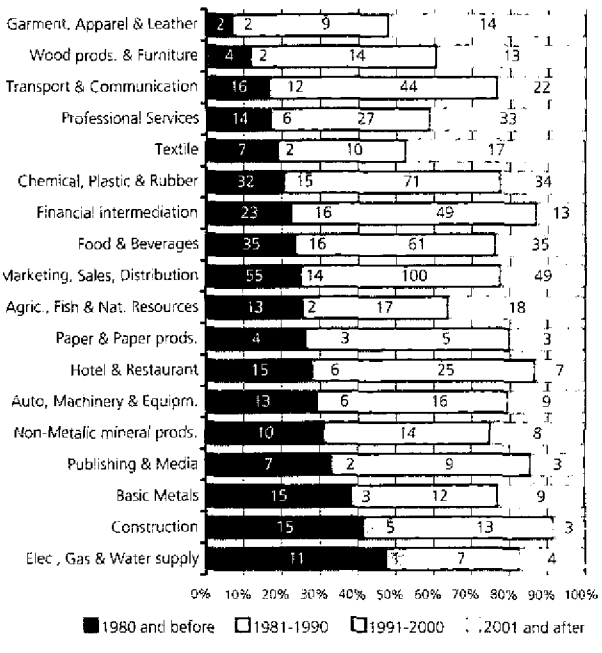
The investors that had established their operations before 1980 were typically European in origin and were concentrated in the utilities sector (electricity, gas and water supply); construction; basic metal production; publishing and media; and non-metalic mineral production.

Figure 4.59 Start-up period of investors by region of origin



Note: Numbers in columns represent frequency for each category

Figure 4.60 Start-up period of investors by subsector



Note: Numbers in columns represent frequency for each category

Large TNCs are the most well-established (oldest) foreign investor type, 43 per cent of all L-TNCs had started operations before 1980 (less than 20 per cent of all S-TNCs and FE firms started operations before 1980).

Entry period (start of operations) – size of firms

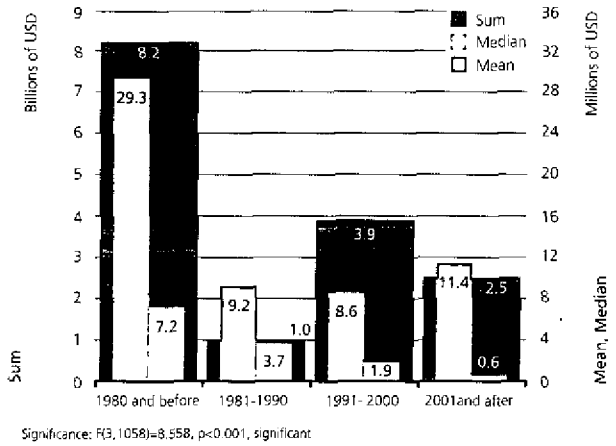
Figures 4.61–4.63 (and annex table 3.4) give the size distribution of the firms for the four start up periods. On average, firms that had more than 25 years of operating experience in sub-Saharan Africa had established a dominant position in the economies in which they were located. These firms established before 1980, on average have a higher book value ($34 million), greater sales ($29 million) and employ more people (560) than firms established afterwards. It is also noticeable that few firms in the total sample were established in the decade 1981–1990 – less than 10 per cent.

New inward foreign investment picked up during the 1990s, so those firms established between 1991 and 2000 constituted 30 per cent by book value of all firms in the survey sample. In this decade, there was an influx of a wide variety of service providers – hotels and restaurants; financial intermediation; marketing, sales and distribution; transport and communications; and professional services. This trend seems to have continued into the new millennium with firms established from 2001 onwards accounting for nearly 20 per cent of the total sample's book value. At a sectoral level, new arrivals after 2001 have typically flowed into the primary agro-industries (especially in horticulture) and into manufacturing – wood products and furniture; textiles; and garments and leather goods. There have also been notable, very large investments by mobile phone companies, particularly from South Africa.

When examined in terms of where investors had originated from and when their operations were established, the observation was noted that there was a sharp decrease in the proportion of investors from the north over time (figure 4.20). The statistical significance of this finding is very high[11]. At a region of origin level the shift is even more dramatic. Only 15 per cent of sub-Saharan African and 18 per cent of Asian firms in the survey were established before 1991. The big surge in investors from South Africa occurred between 1991 and 2000– no less than 50 out of 84 firms in the survey. Nearly 40 per cent of the surveyed firms from Asia and sub-Saharan Africa were established in the period after 2001. Many of these recently established firms were small – half had sales of less than $600,000 and book values of less than a million USD. As shown earlier in Figures 4.21 through 4.23, the recently established South firms are larger than recently established North firms for all average and cumulated figures of book value, sales and workforce.

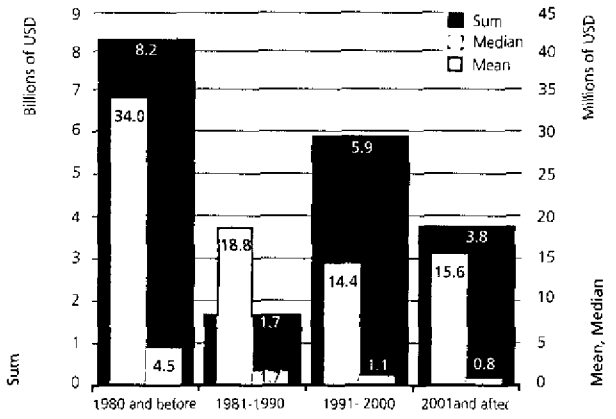
[11] Chi (3,1173)=115.565 and p<0.001.

Figure 4.61 **Sales according to start-up period**



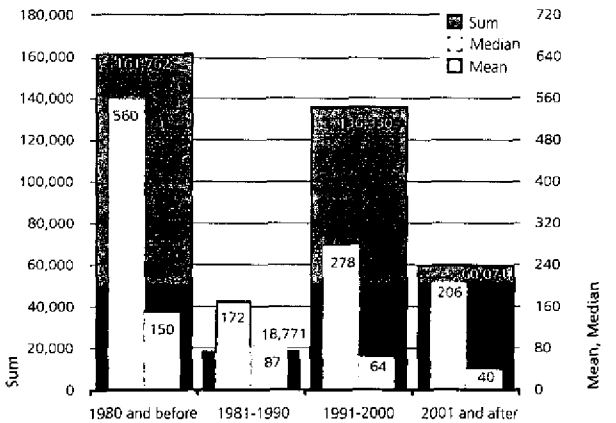
Significance: F(3,1058)=8.558, p<0.001, significant

Figure 4.62 **Book value according to start-up period**



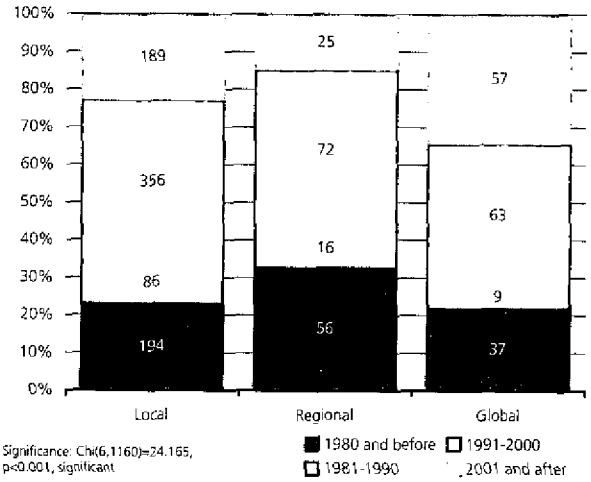
Significance: F(3,978)=2.264, p=0.08, insignificant

Figure 4.63 **Employment according to start-up period**



Significance: F(3,1175)=8.501, p<0.001, significant

Figure 4.64 **Start-up period of investors according to market orientation**



Significance: Chi(6,1160)=24.165, p<0.001, significant

Entry period (start of operations) – market orientation

Figure 4.64 gives the age distribution within the categories for local, regional and global oriented investors. Figures 4.65–4.67 and annex table 4.2 describe the size of firms in each market orientation group for the different start up periods.

Further investigation of the subset of foreign invested firms that exported shows that (again) well-established exporting firms with origins before 1980 had higher average book values, outsold all other firms by a considerable margin and employed more people. This group of 93 firms, of which 37 are exporting to global markets and 56 to regional markets, included three large chemical and plastics companies with average sales of $286 million and two textile companies with sales of $135 million. More recent exporters, as expected, tended to have lesser book values, sales and workforces. The arrival of a new group of export-oriented garment manufacturers from the 1990s onwards gave a significant boost to employment in their host countries. Most of these companies have located in Madagascar (27 companies) and Kenya (8 companies) where, within the past 15 years, they have created 30,000 and 11,000 jobs respectively.

Figure 4.65 **Sales by market orientation and start-up period**

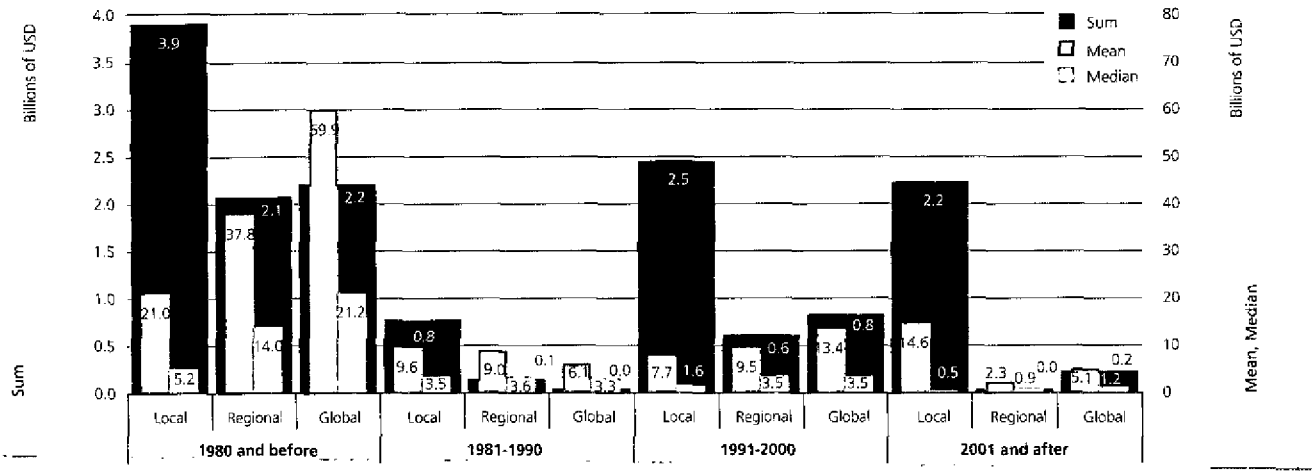


Figure 4.66 **Book value by market orientation and start-up period**

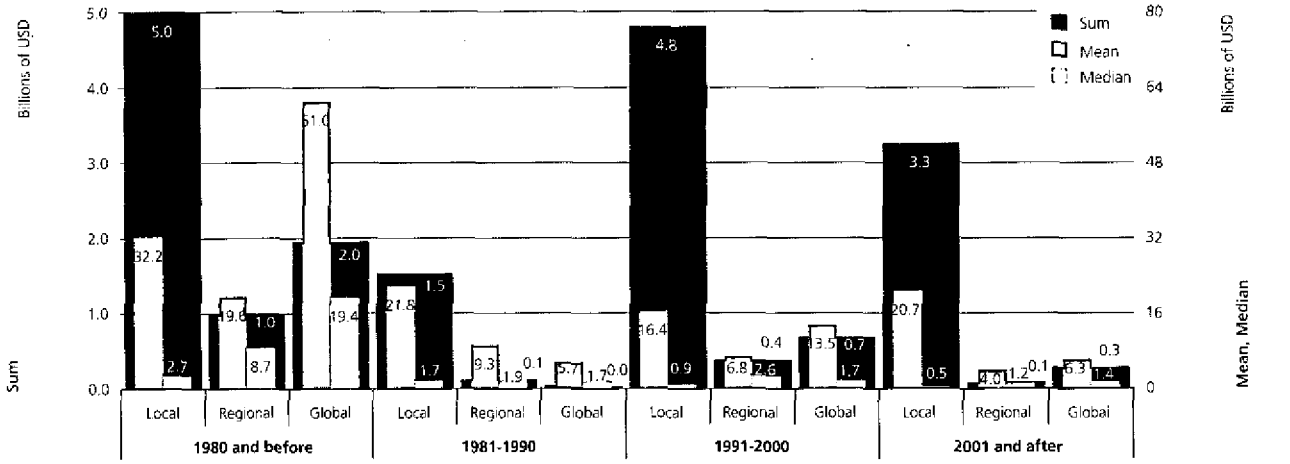
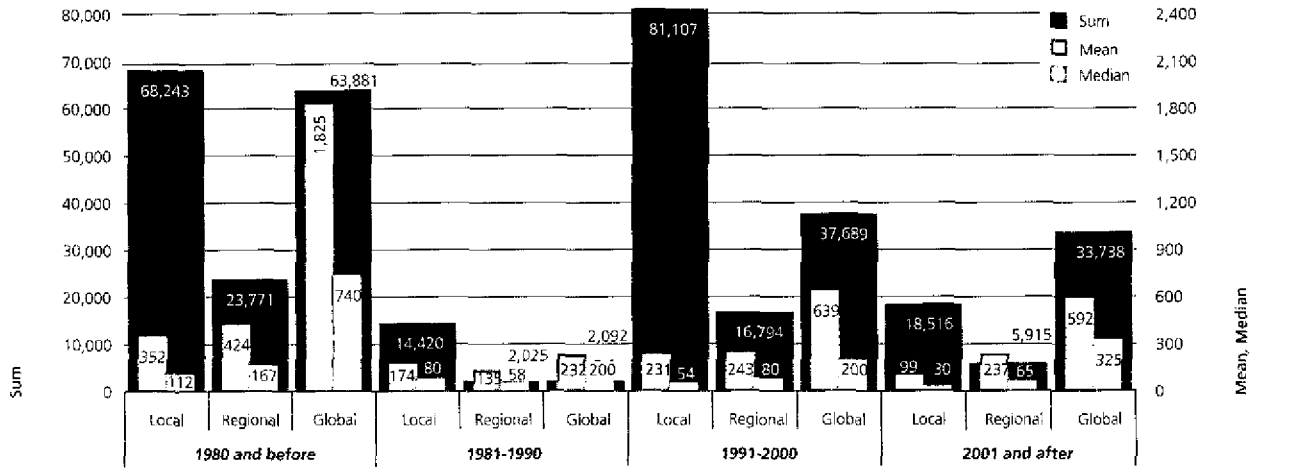


Figure 4.67 **Employment by market orientation and start-up period**



5. Analysis of performance

This chapter analyses investors' self assessment of the performance in their investments and discusses these ratings in the light of growth rates of their operations. It goes on to analyse future sales growth forecasts, capital intensity and labour productivity.

Survey participants were asked to rate the overall performance of their operations during the past three years as either well below expectations; below expectations; in-line with expectations; above expectations or well above expectations. They were also asked to report the percentage growth of sales over the previous fiscal year and forecast the annual increase in sales for the next three years. This chapter provides an analysis of this self-assessment and the past and predicted future sales growth rates. In particular, the performance self-appraisal will be looked at in the framework of sales growth as reported last year.

In the 2003 survey it was observed that some classes of investors, for example those in the garments and textile sectors had very high growth rates and yet assessed their overall performance as below expectations (UNIDO, 2003). The question left unanswered was whether these investors had very high expectations that left them unsatisfied with even exceptionally high growth rates or whether they were recent investors just beginning to expand into recently installed capacity, thus growing from a very low output base.

The chapter will go further into the analysis of growth to see which investor groups have the strongest growth rates and which expect to grow the fastest over the next three years. This analysis will be concluded with discussions about the relative efficiencies of the different investor categories.

Evaluation of past performance

The growing evidence that foreign investment flows into sub-Saharan Africa are improving, as presented in chapters 3 and 4, is further supported through trends in perceptions of enterprise-level performance. In each of the UNIDO surveys of 2001, 2003 and 2005, participants were asked to evaluate their company's performance over the previous three years against their expectations.

Figure 5.1 (and annex table 5.1) compares the responses to the self-appraisal in the three consecutive bi-annual surveys and a clear growing bias toward "meeting and exceeding expectations" is apparent. It is clear from the replies that on average, the investment performance in sub-Saharan Africa is slowly improving according to existing investors. For example, in 2001, 53 per cent of the sample rated their company performance as in line with or above expectations, in 2003 this proportion increased to 59.4 per cent while in the 2005 survey, 62 per cent of respondents rated performance as in line with or above expectations.

Figure 5.2 (annex table 5.2) shows the distribution of investor performance perception for each country. It is interesting that the 2005 survey has a higher overall proportion of satisfied investors despite the fact that the two countries with the most unhappy investors in the 2005 survey had not been included in the previous surveys, Côte d'Ivoire and Guinea, both of which have a much higher rate (over 70 per cent) of disgruntled investors. For all other countries, more than half of the surveyed investors report performing in line with or better than

Figure 5.1 Investors' self-evaluation of their performance in three UNIDO surveys

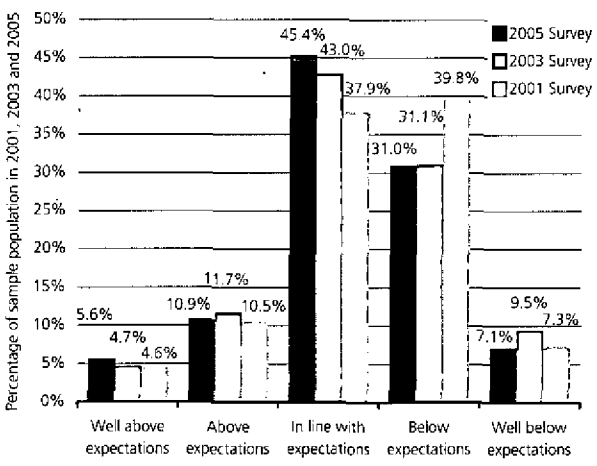
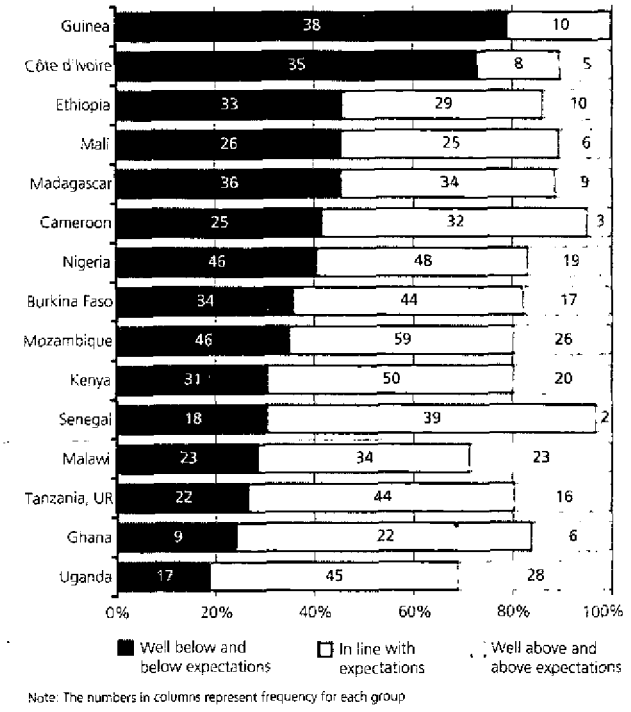
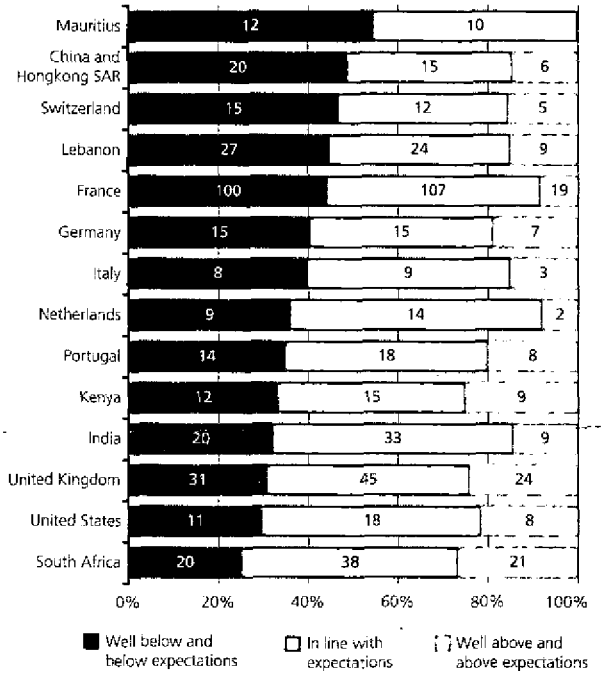


Figure 5.2 **Investors' self-evaluation of their performance by host country**



Note: The numbers in columns represent frequency for each group

Figure 5.3 **Investors' self evaluation of their performance by country of origin**



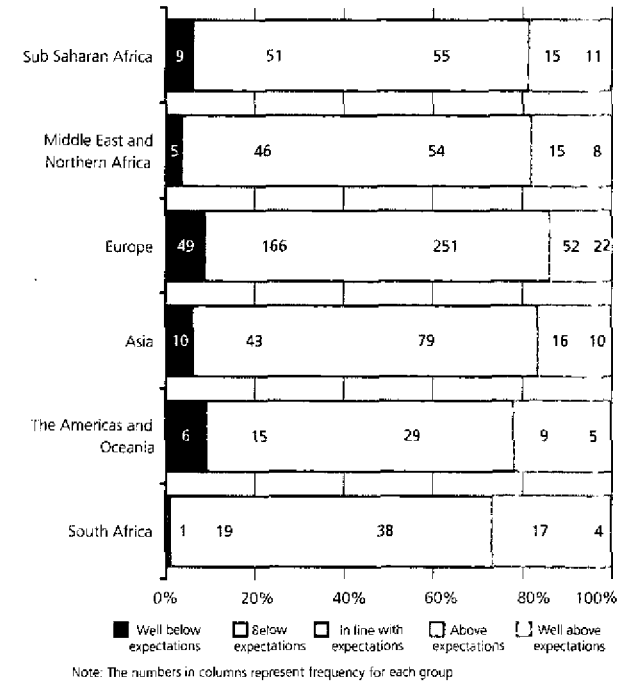
Note: The numbers in columns represent frequency for each group

expected and, for Uganda, the country with one of the youngest population of foreign investors, the figure of happy investors is over 80 per cent. This is even more remarkable when it is noted that, for the sample overall, investors that started operations after 2000 are somewhat less content than their older counterparts and those that started operation between 1981 and 1990 are also less happy.

Figures 5.3–5.4 (annex tables 5.3–5.4) show the breakdown of investor performance in terms of country and region of investor origin. South Africans were the most bullish (75 per cent in line with or above expected performance), while investors from sub-Saharan Africa (SSA) were the most dissatisfied group (43 per cent below expectations). Part of the explanation for this can be traced to the higher proportion of post-2000 investors from the SSA group who tended to be more dissatisfied with their firm's performance than more established investors. Dissatisfied investors from SSA also tended to be concentrated in the import substituting and trading sectors where market conditions may be more competitive than others. By contrast, the small number of SSA firms that operated in the financial services and transport and communications sectors were generally up-beat about investment performance. The most dissatisfied investors were from Mauritius and China and Hong Kong SAR, since most of them are the more recently arrived investors and those in the garment subsector.

Figure 5.5 (annex table 5.5) gives the subsector composition of investor performance. At this level, there was

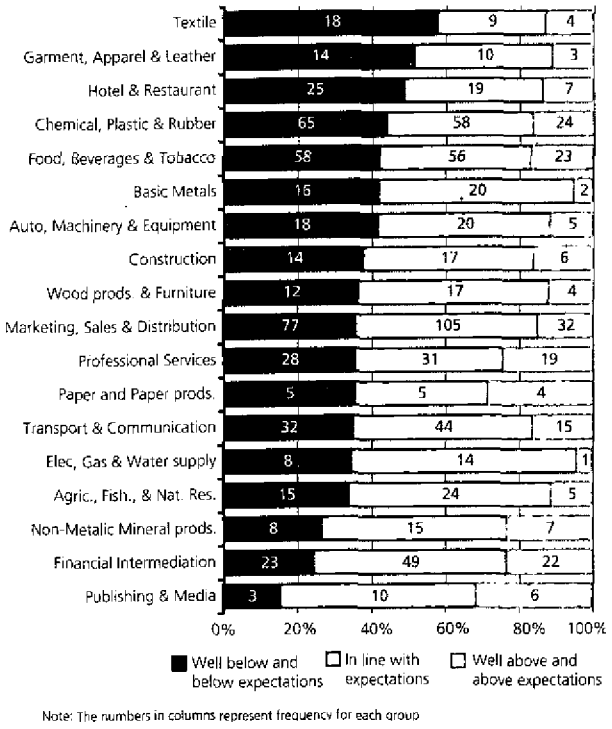
Figure 5.4 **Investors' self evaluation of their performance by region of origin**



Note: The numbers in columns represent frequency for each group

little systematic difference in terms of respondents' performance evaluations. The most satisfied firms were in financial services and publishing and media – more than three-quarters of firms reported performance in line with

Figure 5.5 **Investors' self evaluation of their performance by subsector**



Note: The numbers in columns represent frequency for each group

or above expectations. The two major export-oriented subsectors – textile and garments– were least satisfied with firm performance. More than half of the firms in these two subsectors were dissatisfied with performance.

Past and future sales growth

Figure 5.6 (Annex Table 5.6) gives the means and medians for the percentage growth in sales for the last fiscal year recorded by the firms in the categories being analyzed. For the sample as a whole, the average sales growth was 17.9 per cent and half of the firms had sales growth rates of 10 per cent or less. Within each of the six investor type groupings, only four: organizational structure; North and South origin; market orientation and period of establishment showed statistically significant differences between means of group components. S-TNCs grew faster than L-TNCs and FEs; global exporters reported an average increase in sales of over 30 per cent, double that of regional and local market oriented investors; South origin firms grew faster than North origin firms. Establishments founded after 2000, which, as shown earlier (figure 4.20), are 63 per cent of South origin, achieved high growth, averaging nearly 30 per cent. This could be a powerful motivator behind new investments into the 15 SSA countries. The comparatively high significance for start up period indicates that this is the most important determinant for sales growth. Slow growth firms were more concentrated in the survey population established before 1991, where more than half of firms achieved a sales growth of less than 10 per cent.

Figure 5.7 (annex table 5.7) shows the average and median growth rates for the subsectors. The two sectors that reported the highest growth in sales – on average at over 40 per cent – were textile and garments. However these two are precisely the subsectors that reported the highest proportion of firms failing to meet investors' expectations (figure 5.5). This paradox that already appeared in the 2003 survey results will be studied later in this chapter. Looking at other subsectors, the construction sector has a surprisingly high mean at 28.1 per cent. This high average sales growth is particularly interesting when considering that more than half of these firms started operations before 1991 and only 3 firms are post 2000 (see figure 4.60). The three poorest performing subsectors in terms of sales growth were all engaged in traditional import-substituting manufacturing.

Figure 5.6 **Last year's sales growth for main investor categories**

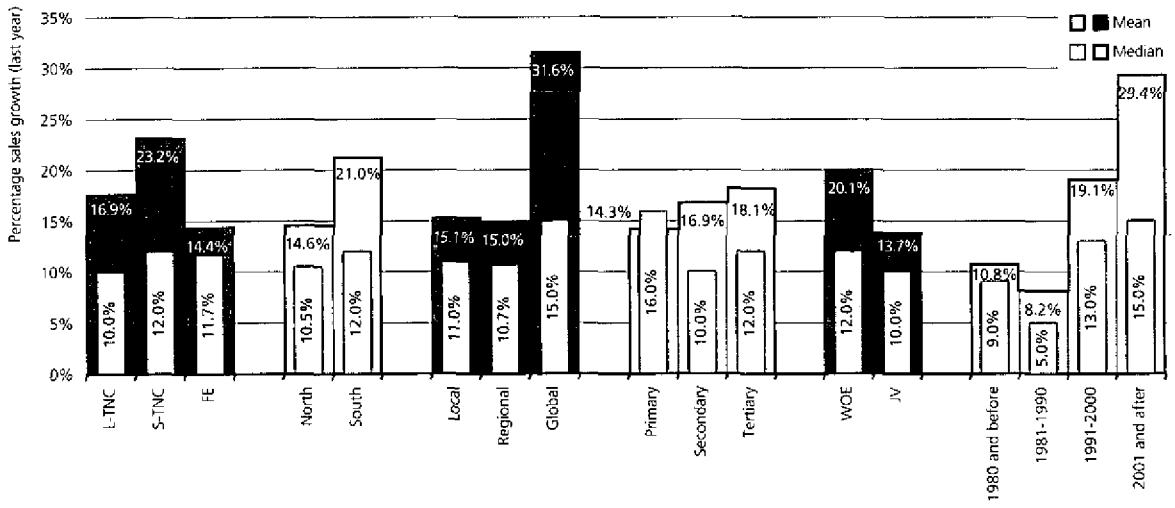


Figure 5.7 Last year's sales growth by subsector

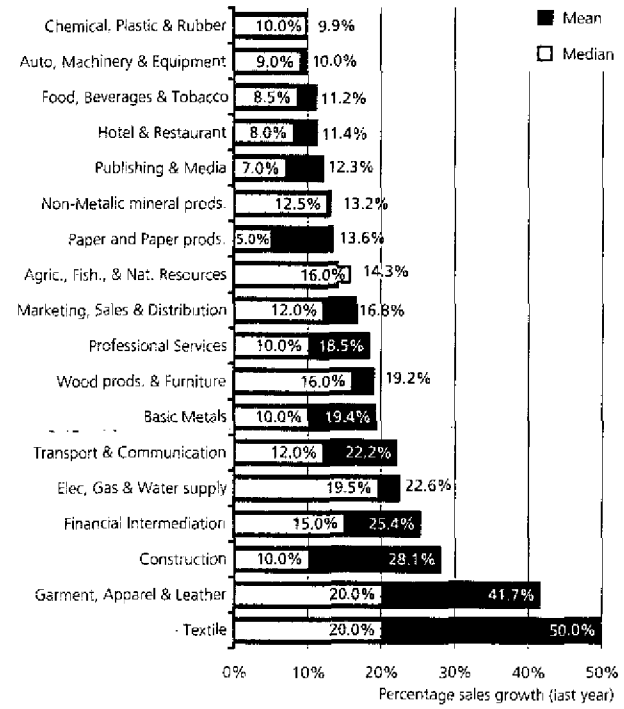


Figure 5.8 Last year's sales growth by host country

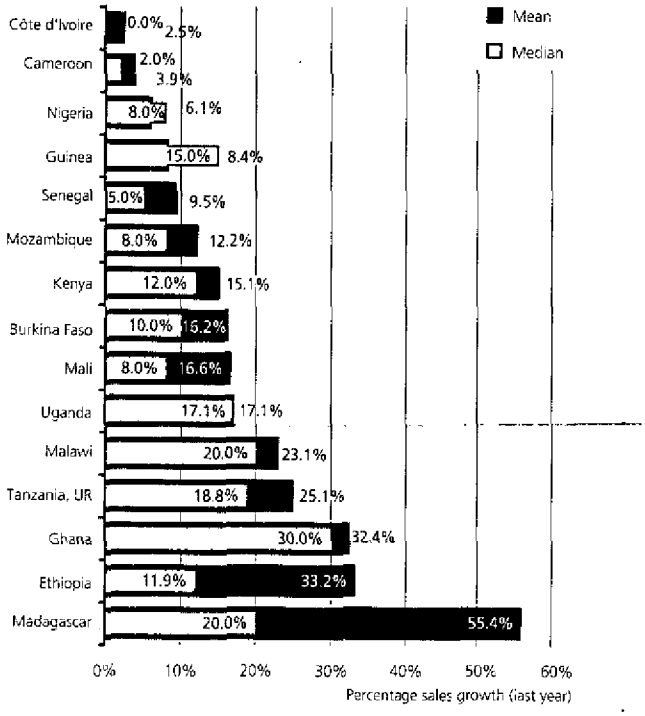


Figure 5.8 (annex table 5.8) gives last year's sales growth figures for each country. Firms located in Ethiopia and Madagascar had the enviable record of achieving the highest average sales growth of 55 per cent and 33 per cent respectively.

In order to isolate distinct groups that exhibit high growth, the classification tree methodology was applied to subdivide the sample into groupings with growth mean differences that are statistically significant (see Chapter 2.4 for description of decision tree methodology). The analysis revealed groupings with very high or low growth rates as described below.

Overall, global market seeking firms that originated from the emerging markets of the South achieved the highest sales growth rates last year of almost 60 per cent. These 70 hyper-growth firms were typically established after 2000 (39 companies), were wholly foreign-owned subsidiaries of small TNCs and were concentrated in agro-industries, garments and textile. Most were located in Madagascar, Kenya or Mozambique. The China-Hong Kong-India-Mauritius nexus was much in evidence in the ownership pattern. South global market-seeking firms are significantly different from North global market-seeking firms. The latter have experienced an average sales growth of only 13 per cent.

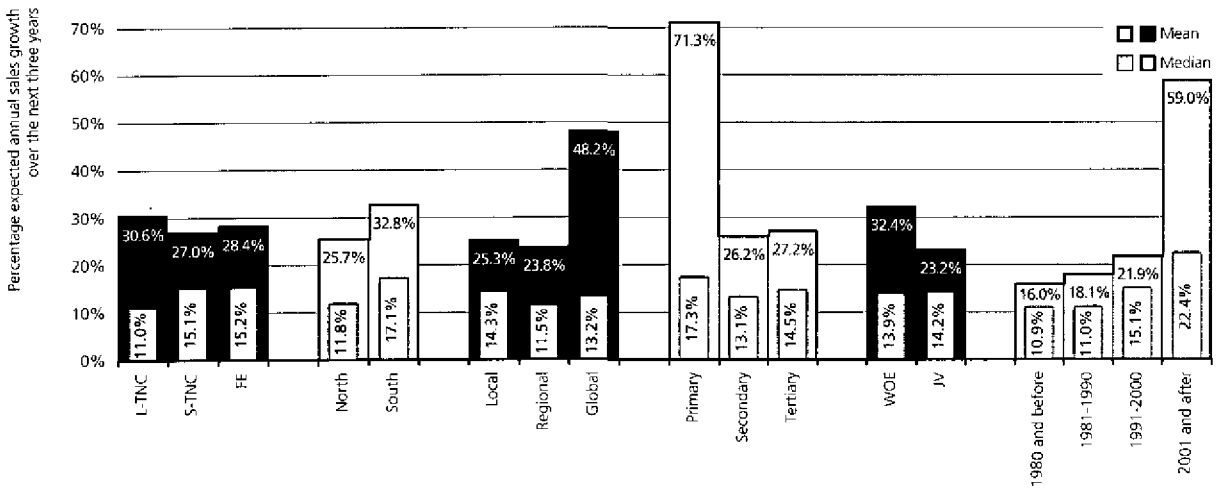
Another distinct group of high growth firms consisted of 96 subsidiaries of large TNCs originating from the South. This group includes 39 firms from South Africa and 17 firms in Ethiopia that are mostly owned by one investor from Saudi Arabia . The 96 firms of this group had achieved an average sales growth of 32 per cent in the last fiscal year. Most of these firms are again very recently established– 72 of the 96 firms were established after 1990. Half of these fast-growing subsidiaries from Southern L-TNCs are in the services sector (48 of the 96 firms). The average growth rates of these 43 services companies is almost 50 per cent and is highly influenced by six telecommunication firms that had on average doubled their sales as well as 13 financial services companies that had grown sales by two-thirds.

The slow sales growth companies were concentrated in a group of 200 manufacturing firms established before 1991 – with average sales growth of 8 per cent compared to 17 per cent achieved by manufacturers established between 1991– 2000 and 36 per cent of the post-2000 manufacturers.[12] Two-thirds of these slow growing manufacturers originated from the North – 119 from Europe mostly France. Most were operating in mature import-substituting sectors such as food (48 firms with average past sales growth of + 7 per cent) and basic metals (18 firms with average past sales growth of only 2 per cent). These older manufacturing firms can mostly be found in Nigeria, Kenya, Senegal and Cameroon.

Figure 5.9 (annex table 5.9) looks at the optimism of foreign investors regarding how much they think their sales will grow in the next three years. It gives the predicted compound average annual sales growth rates (CAGR) over the next three years for the six investor type

[12] $F(2, 486)=10.096$ and $p<0.001$.

Figure 5.9 **Forecast of annual sales growth for main investor categories**



categories. The groups with statistically significant component differences are market orientation, main sectors and period of establishment. Again the global exporters expect to grow sales at an average of 48 per cent per year over the three years, which is double the rate predicted by the regional and local market oriented firms. The high mean for the primary sector is influenced by a small number of firms (median is moderate at 17 per cent) perhaps reflecting rising commodity price related forecasts and, again, the post 2000 arrivals expect to grow sales at 59 per cent per year, almost three times the groups from the earlier periods.

The firms that had highest growth values for past sales are also those that have the most optimistic sales growth plans for the future. 57 newly established firms with global market orientation are expecting sales to double every year. Unsurprisingly, most of these 57 firms are wholly-owned firms from the South, especially from Asia, with operations mainly in Madagascar, Tanzania and Kenya. The group of Southern L-TNCs, which was scrutinized earlier, also expects very high future growth rates of 67 per cent every year.

Two groups of firms with slow future sales growth could be identified. The first group of firms was based in Cameroon and Côte d'Ivoire. The 116 firms based in these two countries reported average expected sales growth of below 10 per cent. This pessimism about the future was clearly influenced by the adverse political and economic environment, especially in the case of Côte d'Ivoire (EIU, 2005). The survey population of firms from these two countries was also weighted towards older firms which have established before 1991 – nearly 60 per cent compared with 34 per cent for the whole sample – which itself probably reflected the poor investment climate prevailing in these countries over recent years. Cameroon and Côte d'Ivoire are the countries with the highest share of large and small TNCs (see figure 3.12).

The second group consisted of 136 wholly foreign-owned firms established before 1981. They were expecting only a 12 per cent average annual growth rate in sales compared with the joint ventures founded before 1981, expecting sales growth of nearly 19 per cent.[13] Most of these older firms were local market-oriented businesses. This slow sales growth group of firms can be contrasted with the survey sample of new investors (post-2000). In this latter group, wholly foreign-owned firms were much more optimistic about their likely sales growth than joint ventures founded during the same time period.

A comparison of past and expected future sales performance

The section below (Figures 5.10-5.14) analyzes the differences between actual past growth rates and future growth expectations. Therefore, only those firms that reported the results for both past and future sales growth are included. The population figures are hence smaller than in previous sections where those giving replies to only one were included in the analysis. In most instances this resulted in only minor deviations.

Figure 5.10 (annex table 5.10) compares last year's actual sales growth rate with the expected average annual growth rate for the next three years for firms that have indicated how they rate their overall performance. As would be expected firms that meet or beat their expectations also have higher past and future expected sales growth rates. A salient feature of replies to questions about past and projected sales performance over the next three years was the optimism of most firms. Even firms reporting below average sales in the previous year claimed they expected future sales growth of nearly 8 per

[13] Significance for share structure in pre-1980 group is: F(1, 265)=4.923 and p=0.027

cent per annum, and those with performance "below expectations" expected to double sales growth over the next three years – from 9 per cent to 19 per cent a year.

Looking at country level comparisons between past and future annual sales growth rates (figure 5.11, annex table 5.11) firms in four countries anticipated on average declines in the rate of sales growth – Ethiopia, Madagascar, Malawi and Mali. Even so, all four were forecasting a creditable annual growth rate of over 15 per cent over (30 per cent for Madagascar) the next three years, down from above average sales growth in the previous year. Nigerian firms were anticipating the sharpest improvement in sales, rising from 7 per cent last year to 37 per cent average annual growth, perhaps anticipating the demand stimulation feeding through into the domestic economy from higher oil prices.

When firms were grouped according to their market orientation and their organizational structure, it was noticeable there was convergence towards a mean average sales growth of 20–25 per cent over the next three years. Firms that had grown fastest tended to anticipate some modest reduction in sales growth in the future, while the laggards believed they would catch up (figures 5.12–5.13, annex table 5.12). Looking at investor origin, the South African firms as a whole were particularly optimistic about opportunities in SSA, anticipating average annual sales growth rate of 45 per cent for the next three years and Asia was second with 32 per cent (figure 5.14, annex table 5.12).

Figure 5.10 **Annual sales growth (past and future) compared to investor's self evaluation of performance**

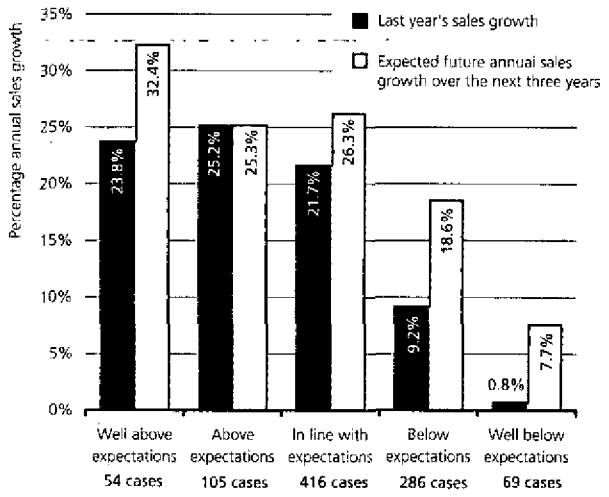


Figure 5.11 **Annual sales growth (past and future) by host country**

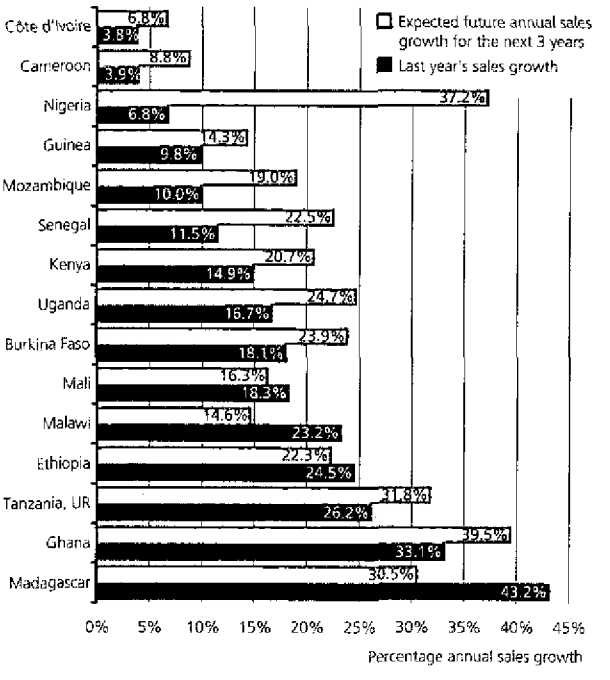


Figure 5.12 **Annual sales growth (past and future) by market orientation**

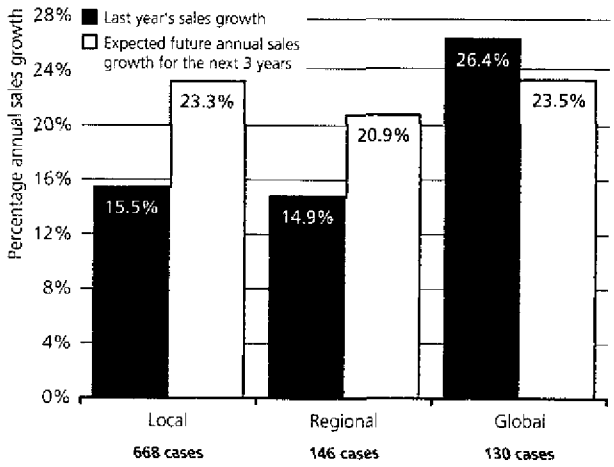


Figure 5.13 **Annual sales growth (past and future) by organizational structure**

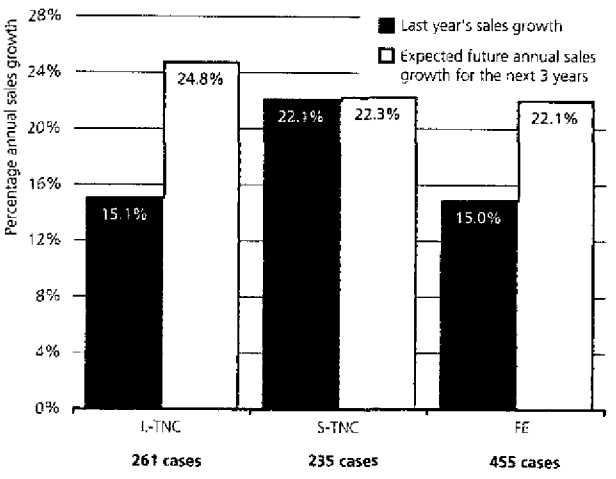


Figure 5.14 **Annual sales growth (past and future) by region of origin**

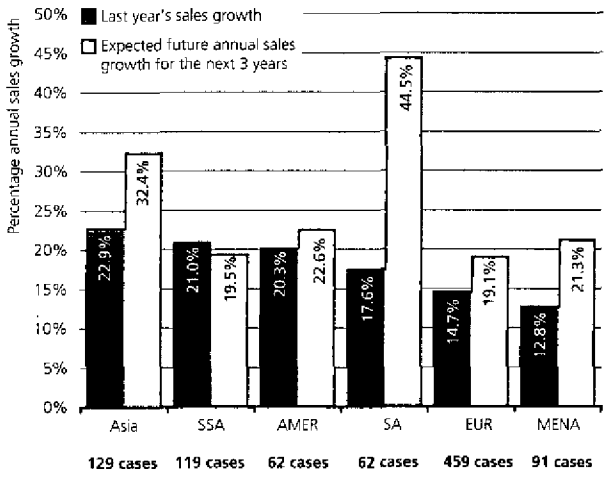
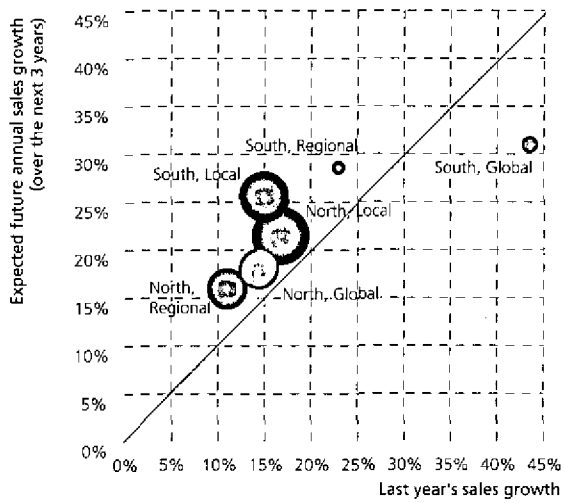


Figure 5.15 **Annual sales growth (past and future) by investor origin and market orientation**

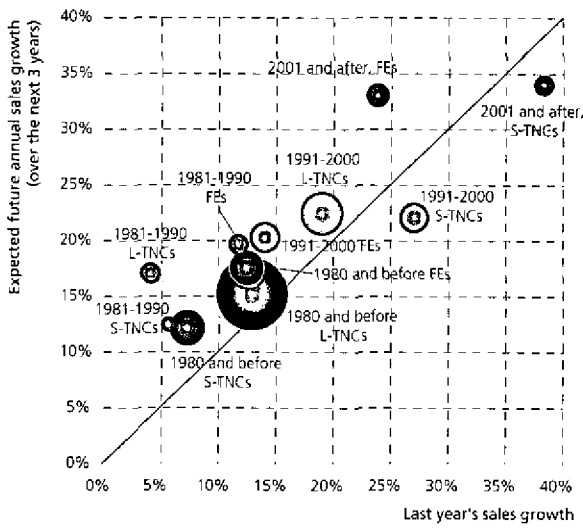


Note: The bubble size reflects the total work force in the respective group. Values were taken from the separated observations of past and future sales growth.

An overall diagrammatic representation of the past and projected sales growth of selected groups of firms is presented in figures 5.15–5.17 (annex tables 5.13–5.15). In figure 5.15 firms are grouped according to whether the foreign investor originated from a developed North economy or from an emerging South economy and whether the market-orientation of the firm was towards the domestic, regional or global market. The resulting six subgroups are: North-Local; South-Local; North-Regional; South-Regional; North-Global and South-Global. It is noticeable that South firms were, on average, more optimistic about sales growth than their North counterparts for every market orientation. Furthermore, except for local market oriented firms, past sales growth figures of South firms were also higher than that of North counterparts. There was a contrast between the North and South groups in that, among the North firms, local market seekers were growing sales faster than the exporters and among the South firms, the exporters were growing sales faster.

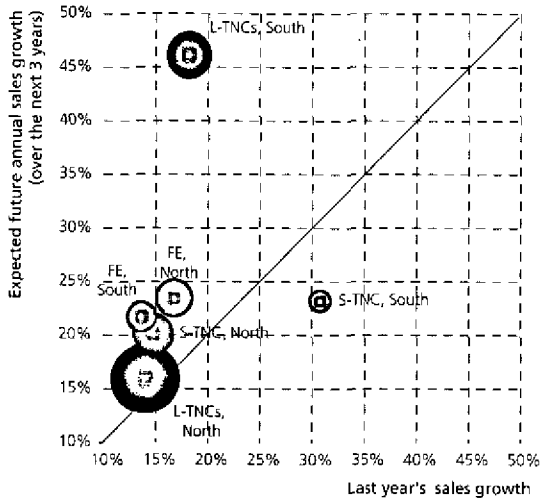
When firms were grouped by organizational structure and start date of in-country operations, the unique position of subsidiaries of large TNCs founded in 2001 and after stands out (Figure 5.16 and Annex Table 5.14). The group with the highest cumulated

Figure 5.16 **Annual sales growth (past and future) by organizational structure and start-up period**



Note: The bubble size reflects the total work force in the respective group. Values were taken from the separated observations of past and future sales growth.
The values for '2001 and after, L-TNCs' are not shown in order to enhance clarity.
The figures for '2001 and after, L-TNCs' are:
Last year's sales growth: 25.9%
Expected future annual sales growth: 101.9%
Total sales value: USD 1.57 billion

Figure 5.17 **Annual sales growth (past and future) by organizational structure and investor origin**



Note: The bubble size reflects the total work force in the respective group. Values were taken from the separated observations of past and future sales growth.

sales, old L-TNC, is among the lowest of all groups for both past and future sales growth. Only 78 S-TNCs established before 1991 are growing output at an even lower rate.

The six subgroupings of L-TNCs, S-TNCs and FEs each split into North and South components is plotted in figure 5.17 (annex table 5.15). The much higher past and future growth rates for South L-TNCs over North L-TNCs; and South S-TNCs over North S-TNCs is very striking. However, North FEs have grown and expect to grow faster than South FEs. Another observation from this graph is that only in the case of L-TNCs does South differ appreciably from North in terms of future growth. For all other subgroupings, the value of expected future growth is between 16 and 25 per cent, but South L-TNCs have a future growth rate of almost 50 per cent. Similarly, in terms of past growth rate, South S-TNCs stand out with over 30 per cent growth.

Last year's sales and overall performance of investments

Figure 5.10 showed that there was general correlation between growth rates and how investors feel they have performed, those that indicated they had met or exceeded expectations had grown faster than those that did not meet expected targets for overall performance. However, when the data is examined in more depth, some interesting results are revealed.

First, when self-evaluation of performance and last year's reported sales growth was compared at a subsectoral level, it was even more apparent that overall satisfaction correlated strongly with sales performance (table 5.1). For example, in the textile sector, the 11 firms that reported satisfaction with performance had on average more than doubled sales, while the 16 firms that were dissatisfied with performance had increased sales by 18 per cent. In the construction subsector, 22 satisfied firms reported

Table 5.1 **Investors' satisfaction with last year's sales growth by subsector**

	Last years sales growth, mean in per cent			*Last years sales growth, frequencies*		
	Satisfied (in line with, above or well above expectations)	*Dissatisfied (below or well below expectations)*	*Total*	*Satisfied (in line with, above or well above expectations)*	*Dissatisfied (below or well below expectations)*	*Total*
Agric., fish, & nat. resources	19.7%	5.8%	15.6%	24	10	34
Food, beverages & tobacco	18.5%	1.6%	11.6%	70	48	118
Textile	102.5%	18.3%	52.6%	11	16	27
Garment, apparel & leather	50.0%	34.6%	41.7%	11	13	24
Paper & paper prods.	9.0%	21.0%	13.6%	8	5	13
Publishing & media	15.3%	-7.5%	12.3%	13	2	15
Chemical, plastic & rubber	20.6%	-2.1%	10.2%	71	60	131
Non-metalic mineral prods.	8.9%	20.4%	12.2%	18	7	25
Basic metals	20.7%	18.3%	19.6%	16	14	30
Auto, machinery & equipm.	13.3%	5.2%	10.3%	22	13	35
Wood prods. & furniture	19.1%	20.1%	19.5%	15	10	25
Elec., gas & water supply	26.4%	12.8%	22.6%	13	5	18
Construction	47.4%	-4.5%	28.1%	22	13	35
Marketing, sales & distribution	21.3%	9.9%	17.1%	118	68	186
Hotel & restaurant	18.0%	2.7%	10.7%	25	23	48
Transport & communication	25.7%	11.0%	20.5%	53	29	82
Financial intermediation	24.6%	-2.9%	18.7%	63	17	80
Professional services	24.6%	7.0%	18.7%	45	23	68
Total	23.6%	7.1%	17.4%	618	376	994

Table 5.2 **Investors' satisfaction with last year's sales growth by region of origin**

	Last years sales growth, mean in per cent			*Last years sales growth, frequencies*		
	Satisfied (in line with, above or well above expectations)	*Dissatisfied (below or well below expectations)*	*Total*	*Satisfied (in line with, above or well above expectations)*	*Dissatisfied (below or well below expectations)*	*Total*
Sub Saharan Africa	28.3%	8.4%	20.5%	73	47	120
South Africa	21.1%	2.8%	16.0%	46	18	64
Middle East and Northern Africa	16.5%	8.1%	13.0%	60	42	102
The Americas and Oceania	23.5%	11.1%	19.3%	39	20	59
Asia	38.6%	14.4%	30.6%	91	45	136
Europe	20.3%	4.4%	14.1%	290	187	477
Total	23.9%	6.9%	17.6%	599	359	958

Table 5.3 **Investors' satisfaction with last year's sales growth for main investor categories**

	Last years sales growth, mean in per cent			*Last years sales growth, frequencies*			
	Satisfied (in line with, above or well above expectations)	*Dissatisfied (below or well below expectations)*	*Total*	*Satisfied (in line with, above or well above expectations)*	*Dissatisfied (below or well below expectations)*	*Total*	*Significance (for pairwise differences)*
L-TNC	21.0%	9.1%	17.4%	181	80	261	F(1,259)=4.139, p=0.043
S-TNC	32.8%	8.4%	23.4%	141	89	230	F(1,228)=10.055, p=0.002
FE	21.2%	5.9%	14.9%	267	186	453	F(1,451)=21.555, p<0.001
TOTAL	23.9%	7.2%	17.6%	589	355	944	F(1,941)=32.559, p<0.001
North	20.8%	5.2%	14.9%	331	204	535	F(1,533)=29.454, p<0.001
South	28.0%	10.0%	21.3%	258	151	409	F(1,407)=10.262, p=0.001
TOTAL	23.9%	7.2%	17.7%	589	355	944	F(1,941)=32.559, p<0.001
Local	21.3%	4.5%	15.2%	429	242	671	F(1,669)=42.539, p<0.001
Regional	20.0%	9.3%	15.3%	78	61	139	insignificant
Global	41.6%	17.4%	32.2%	82	52	134	insignificant
TOTAL	23.9%	7.2%	17.7%	589	355	944	F(1,941)=32.559, p<0.001
Primary	20.1%	5.8%	15.7%	22	10	32	insignificant
Secondary	25.1%	7.2%	17.6%	259	186	445	F(1,443)=14.240, p<0.001
Tertiary	23.3%	7.3%	17.8%	308	159	467	F(1,465)=18.242, p<0.001
TOTAL	23.9%	7.2%	17.7%	589	355	944	F(1,941)=32.559, p<0.001
WOE	28.5%	8.5%	20.6%	330	219	549	F(1,547)=19.245, p<0.001
JV	18.1%	5.2%	13.6%	259	136	395	F(1,393)=21.581, p<0.001
TOTAL	23.9%	7.2%	17.7%	589	355	944	F(1,942)=32.559, p<0.001
1980 and before	14.2%	5.1%	11.1%	165	87	252	F(1,250)=5.914, p=0.015
1981–1990	15.9%	-4.2%	8.2%	63	39	102	F(1,100)=14.011, p<0.001
1991–2000	27.4%	5.4%	19.6%	267	148	415	F(1,413)=21.042, p<0.001
2001 and after	36.4%	18.3%	28.0%	94	81	175	F(1,173)=4.412, p=0.037
TOTAL	23.9%	7.2%	17.7%	589	355	944	F(1,941)=32.559, p<0.001

average sales increases of close to 50 per cent, while the 13 dissatisfied firms averaged a slight decline in sales. In the garments sector however, the 11 satisfied firms grew at 50 per cent and the 13 dissatisfied investors still had an average sales growth of 35 per cent.

On the other hand there are three subsectors where the average growth of the satisfied firms is actually lower than that of the dissatisfied group (paper products, non-metallic mineral products and wood products). Here, the degree of satisfaction seems to be depending on factors other than past sales growth alone.

Table 5.2 shows that satisfaction with sales performance was relative. For example, in order for 91 foreign investors from Asia to be satisfied with performance, last year's average sales growth had to be nearly 40 per cent. Over the same time period, 45 Asian investors evaluated their firm's performance as below expectations and yet achieved average sales increases of 14 per cent – quite close to the increase in sales reported by satisfied investors from the Middle East and North Africa.

Table 5.3 presents the average sales growth rates and frequencies for the satisfied and unsatisfied investors in the investor categories analysed in this report. Some interesting observations are that the 52 unhappy global exporters had an average sales growth rate (17.4 per cent) very close to the average growth rate (21.3 per cent) achieved by the 429 local market seekers who were content with their performance. The least satisfied performance self-evaluations came from regional exporters, 44 per cent of them indicating dissatisfaction with their performance.

Services firms, on average, reported the highest level of satisfaction with their performance, even though last year's sales growth for the 308 satisfied services investors averaged 23.3 per cent, not much better than average for the survey population at 17.7 per cent.

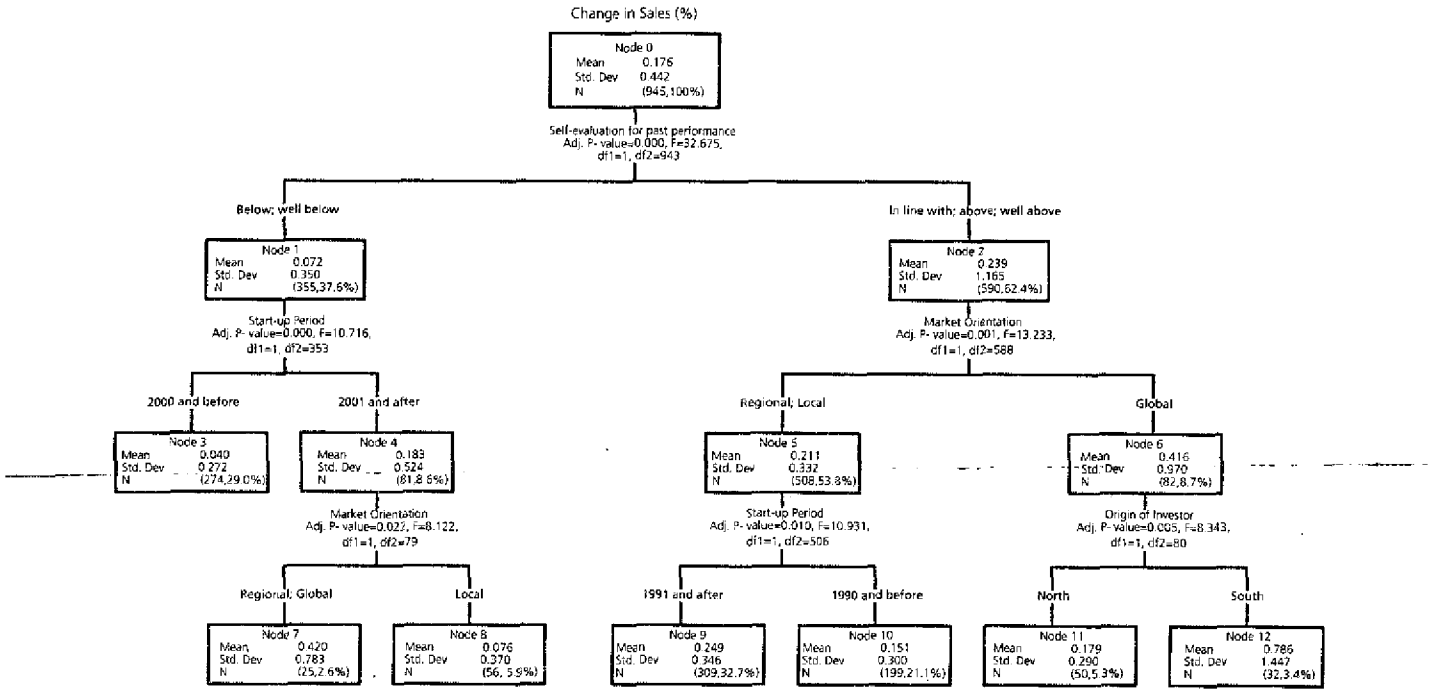
Figure 5.18 shows the classification tree analysis for subdividing the sample into distinct groups with differences in mean growth rates that are statistically significant. The first level of separation is into two main groups with a mean sales growth rate difference that is highly significant.[14] The first group has 355 firms that evaluated their performance as "below", or "well below" expectations and had an average growth rate of 7.2 per cent. The second group contained 590 firms that evaluated their performance as "in line with expectations", "above", or "well above" expectations and had an average growth rate of 23.9 per cent.

The group of 355 firms, that considered their performance to be below expectations, was then split into two significantly different subgroups.[15] The first subgroup contained 81 young firms that had started operations in 2001 or later and had an average growth rate of 18.3 per cent (which is somewhat higher than the average growth

[14] $F(1,944)=32.619$; $p<0.001$.

[15] $F(1,355)=10.716$; $p=0.012$.

Figure 5.18 **Classification tree of past sales growth for investors with different performance self-evaluations**



rate of the whole sample). The second subgroup contained 274 firms established before 2001 with an average growth rate of 4 per cent. The pre-2001 group of 274 firms could not be significantly split into further subgroupings but the group of 81 young firms was split further to distinguish between 25 exporting firms and 56 local market seeking firms.[16] It can be seen that the comparably high growth of the newly established but dissatisfied firms is highly influenced only by these 25 exporters, having an average sales growth rate of 42 per cent.

The paradox of high sales growth with below expected performance evaluations was investigated further and it was noted that the 25 firms, 17 were from the South, recording average sales growth of 57 per cent last year compared to just 11 per cent growth attained by the 8 North firms. Twenty of the firms were wholly-owned. The majority was owner-managed FE (15 out of 25). 8 were garment manufacturers from Asia – with sales growth of 53 per cent. These new Southern investors in sub-Saharan Africa would appear to have set themselves ambitious rate-of-return targets for establishing what was considered to be high-risk export platforms. Essentially, a short payback period was expected and any hint of failure to meet targets was experienced directly by owner-managers.

The differences between the 81 young firms and the second subgroup of 274 under performing older firms, established before 2001, were considerable. The latter group was more heterogeneous than the subgroup of young firms. It consisted of 73 subsidiaries of large TNCs, 67 subsidiaries of small TNCs and 134 foreign entrepreneurs. 173 originated in the North. The 139 manufacturing firms in the group appeared to be struggling the most, reporting average sales growth last year of just 1 per cent. The firms having the greatest difficulty maintaining sales growth momentum operated in traditional import-substituting sectors. For example, 37 firms in the food sector reported an average sales decline of 2 per cent last year, while 41 engaged in the manufacture of chemicals reported a decline of 7 per cent over the previous year.

Amongst the group of 590 firms that evaluated their performance as "in line with", "above" or 'well above' expectations, two significantly distinct subgroups were revealed.[17] The first subgroup of 82 firms consisted of global exporters. Although these firms' performance was rated as acceptable or better, their average sales growth last year was not different from that achieved by the subgroup of 25 dissatisfied young exporting firms identified above – 42 per cent. However, when the 50 North foreign investors were removed from the group, average sales growth last year of the remaining 32 South investors shot up to 79 per cent. Clearly, part of the negative performance self-evaluation of the group of 17 young South-based foreign investors that achieved sales growth of "just" 57 per cent, was by comparison with what was achieved by their 32 high-performing peers. Indeed, the characteristics of these hyper-growth firms were very similar to those of the 25 exporters that rated themselves as "under-performers". Thirteen of the firms began operations in 2001 or later and 14 between 1991 and 2000. Nineteen originated from Asia and eleven belonged to

[16] $F(1,79)=8.122$; $p=0.022$.

[17] $F(1.589)=13.233$, $p=.001$.

the textile and garments sector. What was distinctive was the near doubling of sales last year.

The second subgroup of firms, which evaluated their performance as in line or above expectations, consisted of 508 firms that were regional or local market-oriented. Some 199 were established before 1991 and 309 in 1991 or later. The older group of firms showed signs of operating in mature markets. For example, average sales growth for the group of 199 firms was 15 per cent, compared to sales growth of nearly 25 per cent for the 309 firms founded in 1991 or more recently.

Amongst this group of 199 well-established (old) firms, it was noticeable that positive self-evaluations were not associated with high sales growth rates in the previous year. Although for majority of the sub-sectors sales growth rates were below the overall sampleaverage of 18 per cent, firms were satisfied with their performance. For example, 27 financial services companies achieved an average sales growth of 17 per cent and 33 marketing, sales and distribution companies were satisfied with sales growth of 14 per cent. At the other extreme of the services sector, hotels and restaurants were content with an average sales growth of just 3 per cent. In the manufacturing sector, sales growth in non-metalic mineral products of 4 per cent and of 5 per cent amongst machinery manufacturers was sufficient to meet or surpass performance expectations. Nigeria was host to 39 of these mature and contented firms and Senegal and Kenya to 27 each.

These findings appear to confirm that firms, which have been operating in sub-Saharan Africa for a long time, have achieved local market domination and now have limited further growth opportunities unless the local markets they serve expand. Indeed, there was some evidence that domestic markets have come under increased pressure from imports following greater trade liberalization in the 1990s (UNCTAD, 2003[c]). For example, amongst the group of 67 companies evaluating their performance as well-below expectations, there were 41 manufacturers that reported an average decline in sales of 3 per cent last year. Approximately half of these companies operated in the traditional import substituting sectors of chemicals and food.

One more approach at investigating how much of the high growth in the textile and garments sector is due to start up conditions involved looking only at firms that started operation between 1995 and 2002. Among these firms the global exporters numbered 70 of which 35 were South and 35 were North. The South firms had an average reported sales growth last year of 59 per cent and were expecting annual growth of 37 per cent per year for the next three years. The North group grew at an average of only 13 per cent and was expecting an average of 27 per cent per year for the next three years.

Furthermore, only the textile and garment firms were analysed, each individually looked at in terms of total sales, book value, output per worker, output per USD wage, past and future sales growth, past and future employment growth. Not a single case was identified where a firm that gave replies to all the relevant questions could be classified as an early stage start-up growth situation.

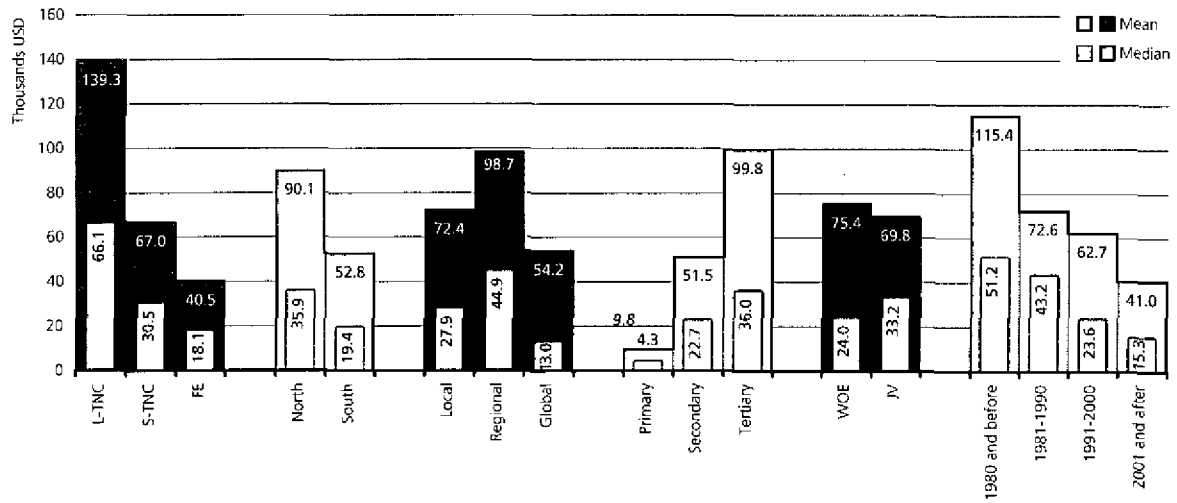
The conclusion therefore is either they have high growth expectations, because they regard the operation as having a short or limited life span or their margins are too low regardless of how fast the top line grows.

Sales per worker (labour productivity)

In the previous section, the sales performance of firms was analysed in terms of past and future sales growth. This was then compared with respondent's self-evaluation of their firm's overall performance. The characteristics of high and low sales growth firms were identified. In this section firm's performance is analysed in terms of sales per employee.

The average output per employee for the whole sample is $74,000. Figure 5.19 and Annex Table 5.16 give the

Figure 5.19 **Sales per employee for main investor categories**



mean and median of the output per employee for the six investor type groups. The mean differences between group components are significant for four of them: organizational structure; North/South origin; main sectors and start-up period. Large TNCs' output per employee is double that of S-TNCs which is about 75 per cent higher than that of FEs. North investors average $90,000 sales per employee and South investors average $53,000. Services sector achieves output per employee double that of the manufacturers which is five-fold that of agro-business (primary). Firms established before 1981 on average achieved sales per employee last year of over $115,000 compared to between $40,000 and $70,000 for the rest. Groups that exhibited slow sales growth rates seem to have the highest sales per employee. Evidently, different parameters were involved in driving high sales revenue-per-employee compared to those that determined whether a particular firm attained high sales growth. High labour productivity may be associated with stable, capital intensive, low growth market conditions where the firms command considerable market share and do not go after spectacular growth rates to compete.

Figure 5.20 and annex table 5.17 present the variations in sales per employee at the subsectoral level. As expected, trading companies and financial services firms attained the highest average sales per employee. Export-oriented and local resource-intensive businesses, garment manufacturers, agro-industries, textiles and wood products, achieved the lowest level of sales per employee. These are by definition the high labor-intensive sectors that move to locations in pursuit of the lowest labor cost. Figure 5.21 and Annex Table 5.18 show the enormous variation in sales per employee between countries. Fore example, foreign investment in Côte d'Ivoire had very different outcomes in terms of average sales per employee from that in Madagascar reflecting the higher concentration of North L-TNCs in the services sector in Côte d'Ivoire and the higher concentration of garments and textile exporters in Madagascar.

When sales per employee was computed according to the country of origin of the investor, enormous dispersion in values was obvious reflecting wide differences in the types of firms originating from different countries. This is presented through log-transformation in order to smooth out the impact of outliers in relatively small-sized country samples (table 5.4). The figures for each country gives the percentage difference between the log transformed country mean and the sample mean. It can be regarded as a relative scale of highest to lowest labour productivity.

The log-transformed value of sales per employee by company characteristics was used to identify the features of companies with high sales per employee. Subsidiaries of large TNCs had sales per employee of 120 per cent above the average for all firms. Subsidiaries of small TNCs achieved the same average sales as that for all firms in the sample, while foreign entrepreneur-invested firms attained sales per employee 35 per cent below the average.

When the 167 subsidiaries of services sector L-TNCs were examined separately, the overall mean of sales per employee increased to more than 180 per cent above the

Figure 5.20 Sales per employee by subsector

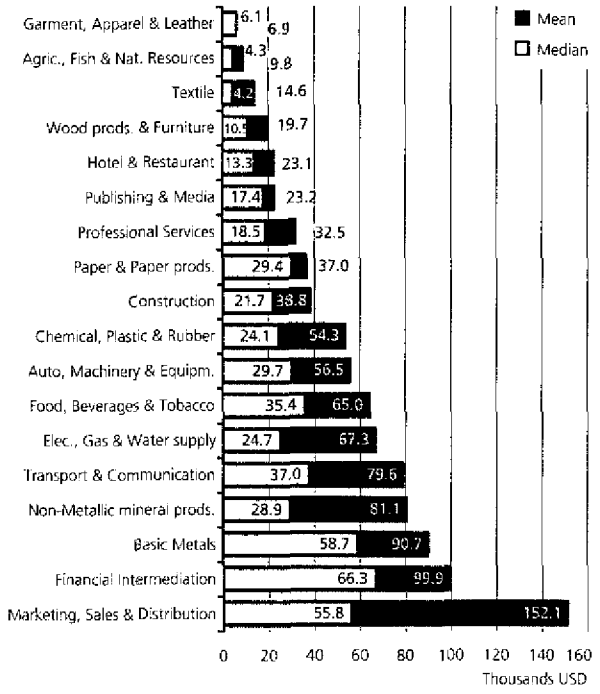


Figure 5.21 Sales per employee by host country

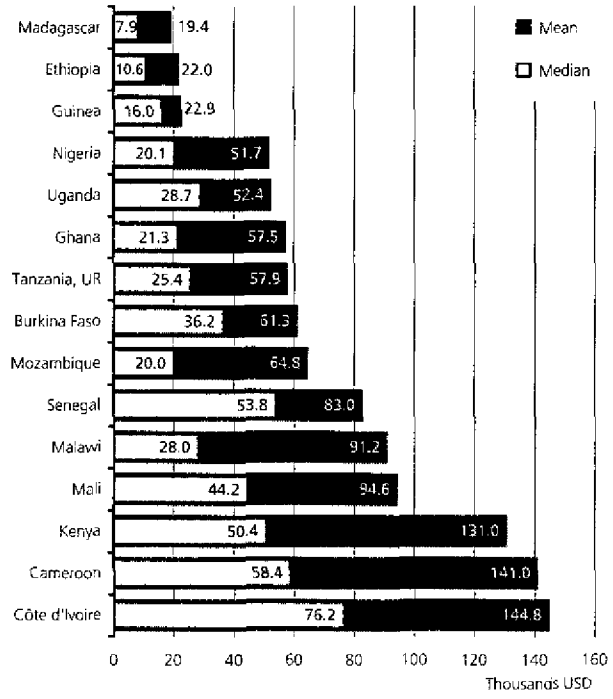


Table 5.4 **Sales per employee deviations by country of origin**

	N	*log-deviation from log-transformed mean**
Switzerland	25	123.4%
United Kingdom	95	70.1%
Kenya	31	67.0%
France	218	51.7%
United States	33	43.5%
South Africa	72	17.9%
Germany	32	12.3%
Netherlands	21	-1.5%
Mauritius	20	-14.8%
Portugal	41	-24.6%
India	58	-30.5%
Lebanon	58	-52.7%
China and Hongkong SAR	37	-77.4%

*Difference between the log-transformations of the country of origin mean and whole sample mean.

mean of the whole sample. This outcome can be attributed to the composition of the services sector L-TNC group. 60, or more than a third of the sub-group, were trading companies that typically had high stock turnover and cash flow, if little value-added. Many were financial services companies that had high cash flow. 60 were founded before 1981 and 119, or nearly three-quarters, were subsidiaries of North TNCs. 47 were French, 22 were South African and 18 were British.

A group of 55 well-established regional market seeking firms could be distinguished from the population on the basis of their outstanding sales per employee, with a mean of more than 230 per cent above the log transformed total survey sample mean. 36 were subsidiaries of North TNCs. Many operated as regional manufacturing hubs in entrepôt economies such as Kenya (18 firms) and Côte d'Ivoire (9 firms).

Predictably, the group of companies with the lowest sales per employee by market orientation was the group of 167 global exporters. This was because the majority of firms in this group were either operating in low value-added agro-industries, textile or garments. There may also have been a tendency to understate the value of sales turnover for internal transfer pricing reasons. After log-transformation, global market-seekers achieved sales per employee 47 per cent below the average for the whole survey sample.

When the sub-group of 70 Southern global exporters was examined separately, it was found that the mean of sales per employee was 72 per cent below the average of the overall sample. 17 of the firms were garment manufacturers, 14 were textile companies and twelve were agro-businesses. More than half of the companies had been established only in the last five years.

Sales per asset value (book value)

When the ratio of sales per USD of assets was calculated for each firm, and then grouped to estimate the mean value of the ratio, there was no clear distinction between group means, apart from that based on grouping firms according to whether they were wholly-owned or a joint venture ($p<0.002$) (figure 5.22 and annex table 5.19). This suggests that when capital productivity reaches a high rate of return, then there is a revealed preference for complete managerial control.

At a subsectoral level, construction companies stood out as generating the highest ratio of sales per USD of assets – 7.3 compared to the survey average of 3.4. Trading, communication and garment companies all achieved a mean sales-to-asset ratio of greater than four. Wood products companies delivered the poorest sales return on assets, followed by publishing and energy companies (figure 5.23 and annex table 5.20). In terms of region of origin, South African firms on average obtained the highest capital productivity in terms of gross sales – 4.0 compared to Euro-

Figure 5.22 **Sales per USD book value for main investor categories**

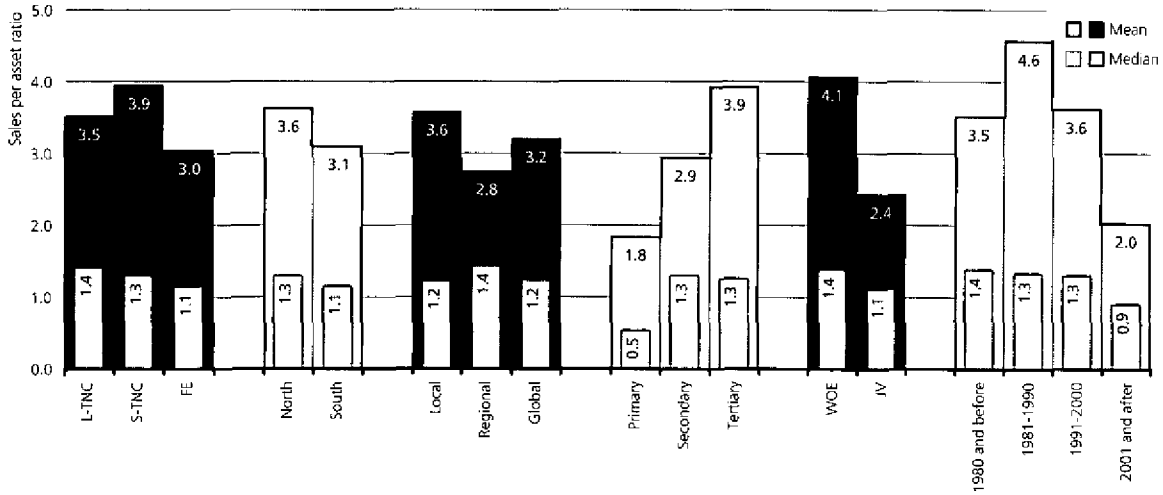
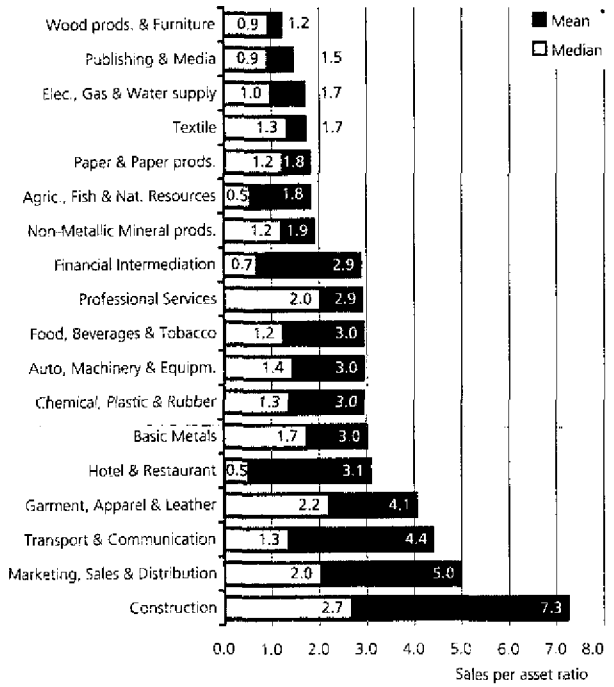


Figure 5.23 **Sales per USD book value by subsector**



pean companies, which achieved 3.6. This would suggest that South African companies possess some special expertise in using their assets more efficiently in sub-Saharan Africa than their competitors in the region. Also companies from Sub-Saharan Africa have capital productivity values which are above the sample average.

Closer examination of the characteristics of firms obtaining a high rate of sales per USD of assets after normalization through log-transformation, revealed that the 289 firms starting operations before 1981, were able to extract 24 per cent more sales from their assets than the Survey sample as a whole. This would seem to suggest *some learning effect at work differentiating capital efficient firms from others.*

Further evidence of this learning effect was obtained from examining the capital productivity of the 294 new companies in the Survey. The sales/assets productivity of the new companies proved to be 37 per cent below the average of the complete sample. From this set of new firms, a sub-group of 148 new manufacturing firms was created for further investigation. This group only managed to attain a sales/assets productivity level of 42 per cent below the overall mean. Again this would seem to confirm an important productivity learning effect at work in the Survey firms. In addition, new Northern manufacturing firms were significantly less effective in extracting sales from their assets than Southern manufacturing firms – 52 per cent below average capital productivity compared to 33 per cent below average for new Southern manufacturing firms.

Capital intensity

The significant relationships between organizational parameters and capital intensity, measured in terms of USD assets per worker, were as expected (figure 5.24 and annex table 5.21). Thus, subsidiaries of large TNCs and services sector firms were significantly more capital intensive than other groups of firms ($p<0.001$).

Less anticipated was the lack of a statistically significant difference between firms from the North and South. The notion that firms originating from the South typically concentrate in labour-intensive industries because of the supposed scarcity of capital in developing countries is not sustained by the survey data. Globalization of capital markets would appear to have removed the capital constraint from viable foreign investment whatever its country of origin. When foreign investors were grouped by region of origin,

Figure 5.24 **Book value per employee for main investor categories**

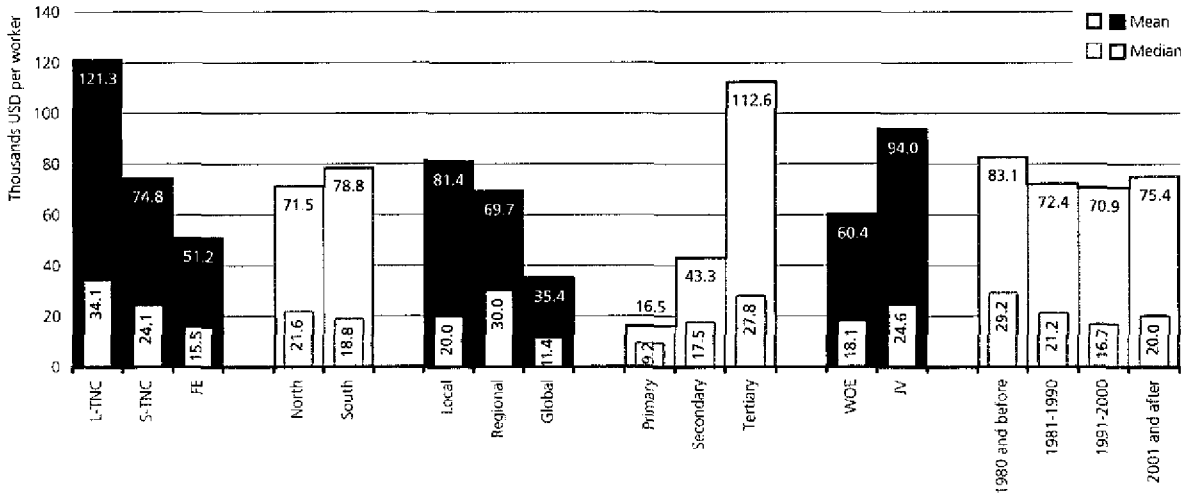
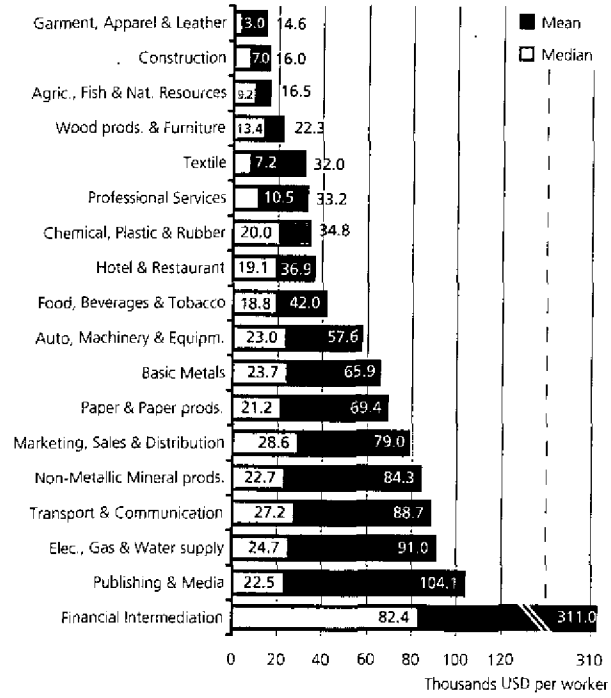


Figure 5.25 **Book value per employee by subsector**



it became clearer that investors from the South should be split into two groups – capital-intensive investors from Africa and the Middle East and labour-intensive investors from Asia (table 5.5). European and North American investors, on average, operated middle-range capital intensive firms , close to the total sample average of $75,000 invested capital per employee.

The variation in assets per worker at a subsectoral level was pronounced, ranging from an average of over $300,000 for financial services companies to less than $15,000 for garment manufacturers (figure 5.25 and annex table 5.22). Closer analysis reveals that 72 subsidiaries of large TNCs, operating in the services sector as joint ventures, have asset-per-worker values that are 233 per cent above the overall (log transformed) mean. 24 of these joint ventures are financial services firms and 17 are telecommunication companies.

Examination of the group of labour-intensive firms discloses that FEs run significantly less capital intensive

Table 5.5 **Book value per employee by region of origin**

	N	*MEAN*	*MEDIAN*
SA	66	106,959	24,426
SSA	125	104,254	29,059
MENA	111	83,469	16,667
EUR	449	73,671	20,870
AMER	60	60,302	31,118
ASIA	129	39,167	14,918
TOTAL	940	75,644	21,075

firms than TNCs – 27 per cent below the average level of capital intensity ($p<0.000$). Within this group, a further subgroup of 73 labour-intensive, global-market seeking FEs can be identified that deviates more than 55 per cent below the overall mean value of assets-per-worker. Most are located in Madagascar, Mozambique or United Republic of Tanzania.

Summary

The investors most satisfied with the performance of their operations are the South Africans and they were not the investor origin group that had the fastest rate of sales growth last year. On the other hand, the Asian and SSA investors had the fastest rates of growth last year and they were the investors least content with the performance of their investments. Similar disparities were seen when other groupings were observed. Certain subsectors like garments and textiles had sales growth rates over 40 and 50 per cent, but more than 50 per cent of the them reported below expectation performance. Yet, almost 60 per cent of investors in the food and beverage subsector were satisfied with just 11 per cent growth last year. The upshot is that growth rate in sales is not the main criteria used by many firms in setting their expectations.

The analysis in the chapter however does zoom in on several groups that exhibit extremely high sales growth levels. Given that the results were similar for the same groups in the 2003 survey and the future expectations of these firms are not indicating an imminent slow down, it can be assumed that this growth phase is not necessarily a short-term phenomenon. This observation is probably most apparent for the labour-intensive manufacturing firms such as garment and textiles. The countries can use this evidence to adapt their promotion strategies. IPAs can present these results to international investors in the sectors and the subgroups described in the analysis to demonstrate to them the opportunities that their competitors are already taking advantage of.

The underlying linkages between sales growth performance and different groups' views of that performance can also provide be valuable background knowledge for IPAs in their dealings with investors in those groups.

The factor productivity of the sample revealed the relative efficiency of regional exporters as compared to local market seekers in the same subsectors. It also highlighted the propensity of operations with the greatest output per asset USD (proxy for returns on capital) to shun local partners and prefer whole ownership of the productive assets. The expected relationship between high factor productivity and scale was also observed. Thus the usually smaller and younger FEs exhibited lower factor productivity (both capital and labour productivity) than the large, established subsidiaries of TNCs.

6. Impact on the local economy

This chapter will investigate the extent to which the different subgroups interact with and affect the host economy. The survey asked several questions regarding the interaction. Here only the following elements are being assessed: the wage rate; employment and employment growth rate; new investments past and future; amount of local purchases and the proportion of local content in total inputs; local content of sales (local purchases, local outsourcing and subcontracts as per cent of sales); training expenditure; university graduates in labour force; expatriate graduates in graduate labour force; R&D expenditure; use of foreign patents, bands and trademarks; and assessments of the know-how and marketing contributions of the foreign investor.

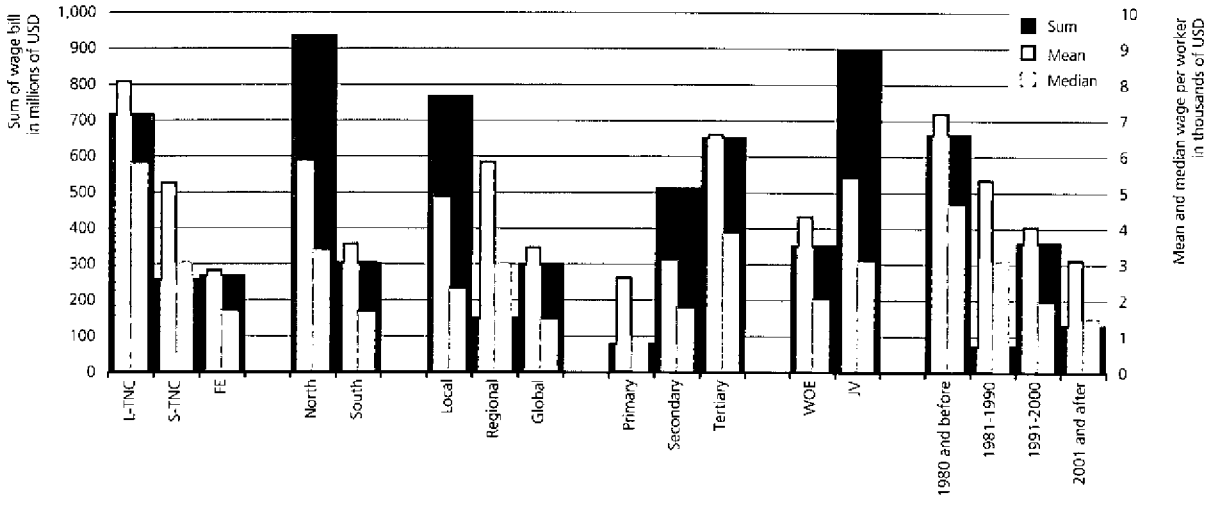
Employment impact

Effects of foreign investment on wage levels

Figure 6.1 and annex table 6.1 give the mean and median of wage per employee for the six categories. The differences in values are statistically significant as shown in the table. This results in the expected relationships reflecting the underlying variations in capital intensity and sales per employee discussed in chapter 5. This implies that foreign investors share the economic benefits of their activities in a rational manner, namely where employees are responsible for higher valued assets and/or achieve above average sales, they receive recognition of this through higher wages.

The average wage per worker for the sample as a whole was $4,800. Subsidiaries of L-TNCs pay above average wages – $8,100 per year compared to $5,300 for subsidiaries of S-TNCs and $2,900 for FEs ($p<0.001$). Services sector firms pay on average higher wages – $6,600 compared to $3,100 in the manufacturing sector ($p<0.001$). Older firms pay the highest average wages – those founded before 1981 pay $7,200 per annum compared to only $3,200 paid by firms starting operations after 2000 ($p<0.001$). North firms paid on average $5,900 compared to Southern firms that paid $3,600 per annum. Closer examination of the investors' origin by region indicates that South African, North American and European firms paid above average wages, while investors from Asia,

Figure 6.1 Total wages bill and wages per employee for main investor categories



on average, paid 40 per cent of the average wages of all firms (Figure 6.2 and Annex Table 6.1).

At a sub-sectoral level, the 93 financial services companies pay average annual wages of $11,400, more than twice the average for the whole sample. Three other services sub-sectors – communication and transportation, professional services and energy companies – pay on average more than $6,000. As might be expected, the three sub-sectors paying on average less than $2,000 per annum are export-oriented, labor-intensive manufacturing concerns – wood products, textiles and garments (Figure 6.3 and Annex Table 6.1). The variations between countries reflect the differences in sectoral, age and size distribution of foreign enterprises. Côte d'Ivoire with the largest and oldest firms and a large proportion of services investments has the highest average annual wage at $13,200 and Madagascar, with the highest proportion of export-oriented/labor-intensive sectors has the lowest average annual wage level at $1,300 (Figure 6.4 and Annex Table 6.1).

A classification tree analysis of log-transformation of annual wages identifies a group of 118 services companies, which are subsidiaries of large TNCs from Europe, the United States or South Africa, as being the highest wage paying sub-group in the sample (Annex Figure 6.1). Translating back the difference of the log-transformed means indicates that this group pays a wage level that is 200 per cent higher than that for the whole sample. The 84 L-TNCs in the manufacturing and primary sectors from these three regions, as expected, pay above average wages but on a more modest scale compared to their peers in the services sector. This group of 118 high wage services firms consists of 43 trading companies, 27 financial services firms, 25 transportation and telecommunication companies and 23 other services providers. 100 originate from the North and 18 from South Africa. The latter 18 companies pay higher wages than those from the North (almost 250 per cent above the full sample compared to North firms that pay "only" 200 per cent above the full sample average). The 27 financial services firms that are a part of the group of 118 high wages serv-

Figure 6.2 **Wages per employee by region of origin**

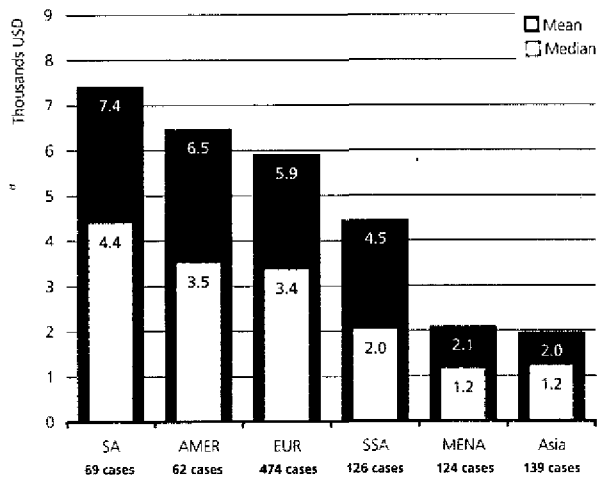


Figure 6.3 **Wages per employee by subsector**

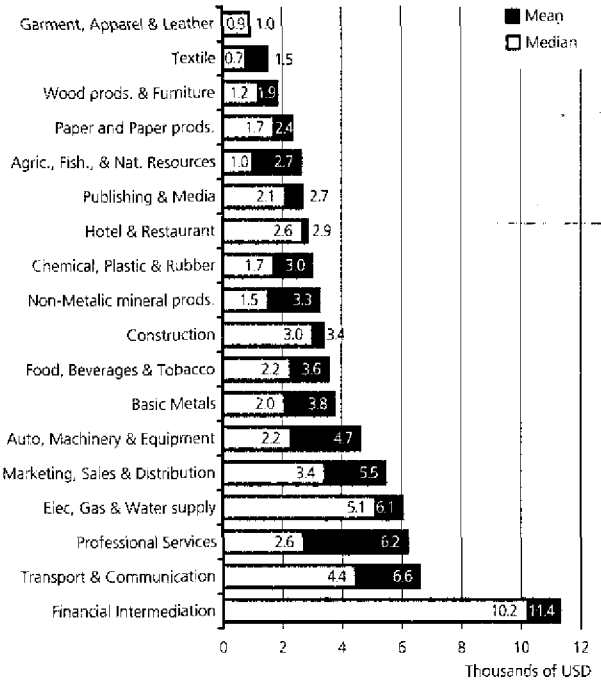
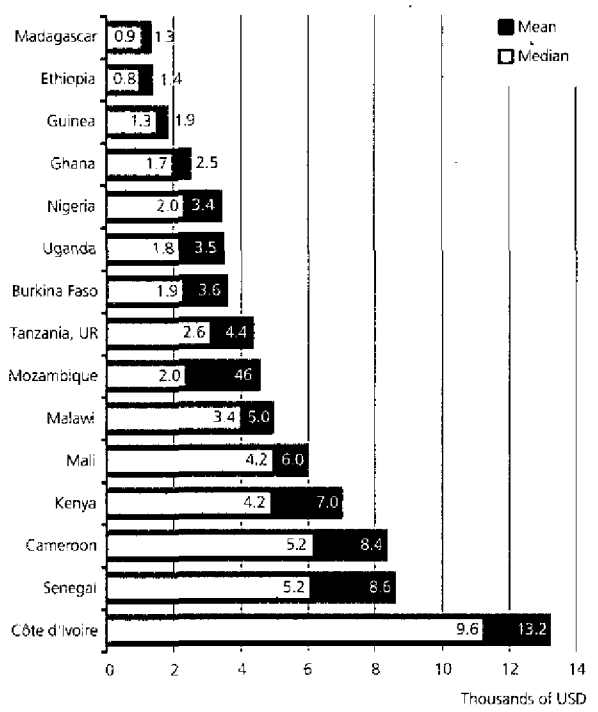


Figure 6.4 **Wages per employee by host country**



ices firms pay wages that are more than 400 per cent above average. The 50 older service L-TNCs, mostly banks and insurance companies, pay wages double that paid by newly arrived service L-TNCs .

Node 9 of the same classification tree (annex figure 6.1) defines another subgroup of 59 relatively high wage companies originated from sub-Saharan Africa, demonstrating that region of origin alone does not determine by itself lower than average wages. In this case, 39, or two-thirds of the firms, operate in the services sector and, as noted above, this sector pays above average wages. Forty-nine were established after 1990: 16 came from Mauritius, 12 from Côte d'Ivoire and 11 from Kenya. Seven Ivorian firms were invested in the neighbouring state of Burkina Faso and 10 Mauritian firms were located nearby Madagascar.

Another classification tree of log transformed average wages with the first level split between secondary and tertiary sectors (annex figure 6.2) yields a group of 64 FEs established before 1991 (node 13). The wages paid by these services firms reveal that determinants of higher than average wages are not only the sector (services) and origin and size (L-TNC) but also the operational experience of the investor on the wage levels. This subgroup paid on average nearly 50 per cent above the sample average wage, while FE services firms established between 1991 and 2000 paid on average 18 per cent below the average wage. Those FE services firms established after 2000 paid on average 45 per cent below average wage ($p<0.000$). In other words, taking a homogeneous group like services sector FEs, the observation is that the older companies pay the higher wages. Within this group of 64 pre-1991 services firms, private investors from the North own 46, mostly from France and the United Kingdom. Twenty-two are trading companies, 13 are hotels or restaurants, 11 provide professional business services and ten are financial services companies.

The same "operational experience" effect on wage levels seems to be evident in the subgroup of 50 manufacturers (node 9) that are the subsidiaries of large TNCs, established before 1981. These firms typically maintain wages 134 per cent above the total sample average. However it can be argued that this is a Northern effect because 45 companies originated there, or a subsectoral composition effect, as 16 firms manufacture food products, and ten chemicals. On the other hand, the fact that they have survived more than 25 years of political and economic volatility in Africa may also reflect the long-run economic benefits to be had from rewarding skills and disciplined work habits.

At the other end of the wages scale, a subgroup of 150 FEs originating from the South can be identified (annex figure 6.3, Node 14). They pay on average 60 per cent below the overall survey sample's average wage level. These firms are manufacturers or in agro-business. 117 were established after 1990 and 104 are wholly owned firms. Fifty-four involve Asian investors and Lebanese investors control 45 firms. Interestingly, the manufacturing firms are concentrated in the same subsectors as the high paying subsidiaries of large TNCs, namely chemicals (55 firms), food (26 firms) plus an additional group of 14 machinery manufacturers. This would seem to suggest that many FEs are operating in the fiercely competitive market "space" in the periphery of large TNCs and are using less capital intensive technology and they compete on the basis of low labour costs.

As expected, a subgroup of 53 textiles, garments firms paid wages well below the average wage level. Fourty one of these companies were global exporters. Twenty-four were located in Madagascar and paid wages 76 per cent below the average wage level.

The most important predictor of wage levels was labour productivity at the firm level. Wage level per worker (log values) has a moderately high correlation with labour productivity (log values)[18] . However looking at different start up periods within sectors the workforce size becomes an important factor in explaining wage level differences, with younger and larger firms paying lower wages per worker. Tertiary sector always had a higher wage per worker relative to its productivity..

Foreign investment and employment generation – the last three years

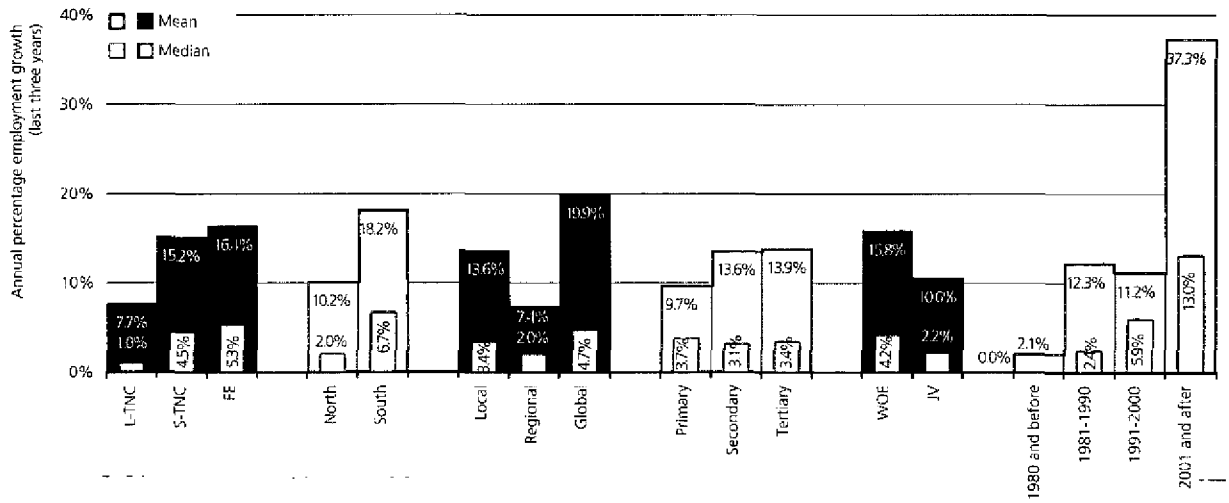
The average annual employment growth rate (over the last three years) was 13 per cent for the total sample. Half of the sample has increased the number of employees by less than 3.4 per cent.

Figure 6.5 and annex table 6.2 show the means and medians of the last three years' average annual employment growth for the six categories. The relationship between FDI and employment generation was found to be the obverse of the relationship between FDI and average wages at the firm level. Thus, well-established (pre-1981) large TNCs from the North have experienced low employment growth of less than 1 per cent a year over the past three years. On the other hand, as noted above, they tend to pay the highest wages. By contrast, the 185 newest investors in the fifteen survey countries, mostly originating from the South, had on average more than doubled their workforce over the last three years, while paying below average wages.

Labour-intensive global market seekers also display a high level of past employment growth, however (statistically) the most significant factors are age (especially old L-TNCs) and origin. South firms are generally younger

[18] Correlation=+0.672, $p<.000$), $R^2=.43$

Figure 6.5 **Past annual employment growth for main investor categories**



than North firms which may partly explain their significantly higher levels of past employment growth.

When employment growth is analysed by country (figure 6.6 and annex table 6.3), it is Madagascar, the country with the lowest average wages that stands out as the country with the highest rate of employment growth generated by foreign investors. At a growth rate of 26 per cent per annum over the last three years, it means that employment has almost doubled during this period across the 73 survey firms, primarily concentrated in the textile and garment sectors. By contrast, the 45 firms from Côte d'Ivoire, on average, actually recorded a decline in employment over the last three years.

At a subsectoral level (figure 6.7 and annex table 6.4), the fastest growing firms are textiles and garments and professional services. In the garments sector the high median indicates, unlike some of the other sectors (e.g. publishing/media) with high means, that it is not affected by a small number of firms with very high employment growth. A large majority of the firms in this sector are uniformly high in terms of employment growth. The rapid growth of employment in publishing

Figure 6.6 **Past annual employment growth by host country**

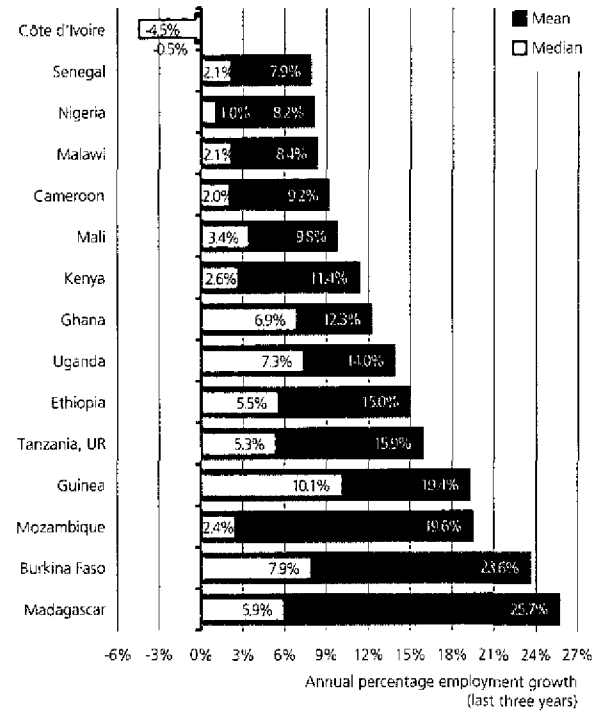
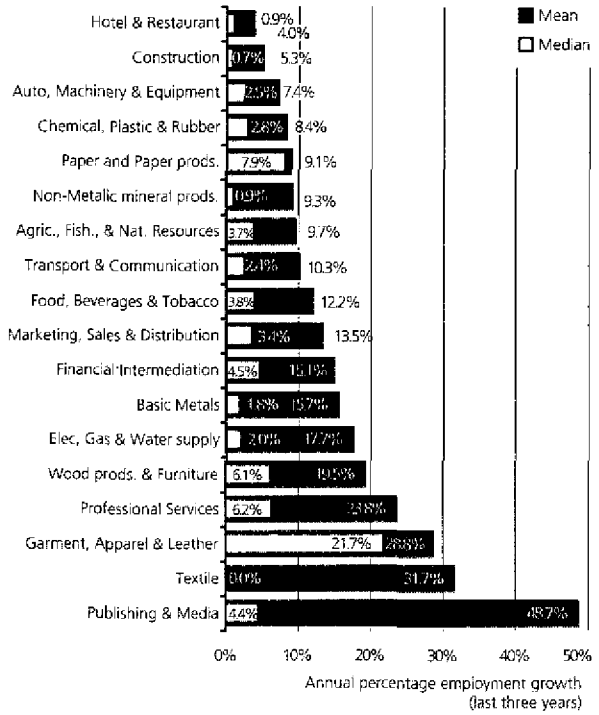


Figure 6.7 **Past annual employment growth by subsector**



may be affected by the small size in the sample. The growth of professional services firms can be interpreted as a positive sign of maturing social, economic and political life in many of the countries covered by the survey. The slow growth of employment in the hotel and restaurant and construction subsectors is a less positive sign of business expansion and investment in physical infrastructure. As many studies of the investment climate in sub-Saharan Africa observe, poor infrastructure is the most important constraint on investment growth (Collier and Gunning, 1999; Kumar, 2002; Bigsten and Söderbom, 2005).

Looking more closely at firms experiencing high employment growth, two groups of firms can be identified through classification tree analysis (annex figure 6.4) as having had very high employment growth over the last three years. The first group consists of 103 companies originating from the Middle East and North Africa, Asia and sub-Saharan Africa founded after 2000 (Node 6). On average, they have experienced a compound annual growth rate (CAGR) of employment of 41 per cent over the last three years. Drilling into this group reveals that most of them are global exporters in the garments and textile sectors. Eight of them are L-TNCs that have expanded employment by a CAGR of 62 per cent. 21 trading companies have also been growing at a very respectable CAGR of 34 per cent.

Annex figure 6.5 presents another classification tree with the first level separation North and South. This shows that post 2000 firms from South (node 7) grew faster (39.4 per cent) than post 2000 firms from North (node 5) (33.9 per cent). But the growth rate of the post 2000 North group is still much higher than the 12 per cent growth rate for North firms founded between 1981 and 2000 (node 3) and less than 2 per cent for North firms operating before 1981 (node 4) ($p<0.001$). Nearly, two-thirds of this fast growing group of 66 post 2000 North firms consists of owner-managed businesses (FEs). Forty-nine are local market-oriented firms, including 14 professional services providers.

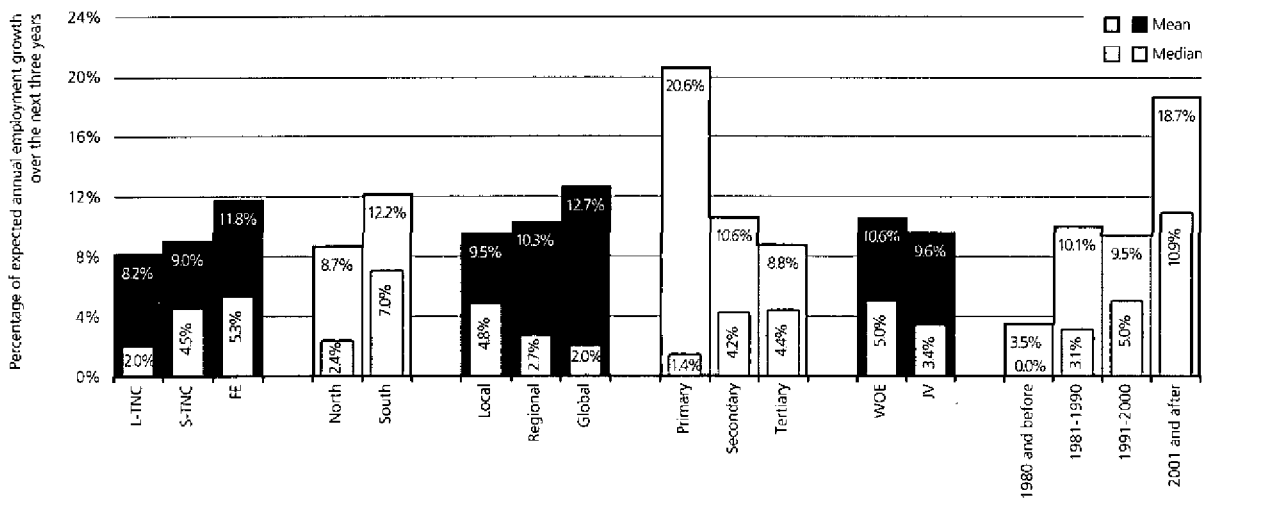
It would appear that, on average, all new foreign firms have grown employment at a fast rate, regardless of whether they originate from the North or the South – doubling their payrolls over the last three years. The difference being however that high growth new North investors are local market seekers, while new South investors are seeking to establish export platforms from which to supply global markets.

Groups of investors with low employment growth rates are more difficult to pinpoint suggesting greater heterogeneity in the factors causing slow growth than those associated with high employment growth. However, one subgroup of 46 subsidiaries of large TNCs was identified that had experienced an average annual reduction in employment over the last three years of 1 per cent. These companies were regional exporters. Twenty-nine of the 46 subsidiaries were of European origin and included 14 companies in the food sector. The 29 European firms reported reducing their payrolls at 3 per cent per annum over the last three years. 16 are based in Kenya and eight in Cameroon.

Forecast of employment growth over the next three years

Survey participants' projected employment growth, shown in figure 6.8 and annex table 6.2, unsurprisingly, mirrored the pattern of past growth, although at a lower average compound annual growth rate (CAGR) –10 per cent compared to 14 per cent per annum for the whole sample. Again, young firms are predicting significant

Figure 6.8 **Forecast of annual employment growth for main investor categories**



growth in payrolls compared to more established firms – 19 per cent compared to 4 per cent CAGR for firms that started before 1981 ($p<0.001$) and firms in agro-business are predicting rapid growth, at a CAGR of 21 per cent. This is influenced by thirteen firms with start of operationsafter 2000 and that reported very high percentage increases in employment growth.

At a subsectoral level (figure 6.9 and annex table 6.4), the notable reversals in employment expectations are in machinery and construction – up from a CAGR of 7 and 5 per cent, respectively, to 17 and 14 per cent.

In terms of employment growth in host countries (figures 6.6, 6.10 and annex table 6.3), the sharpest expected improvement occurs in Côte d'Ivoire, from no growth reported over the last three years to a forecast average CAGR of 8 per cent over the following three years. Next is Ethiopia, up from a past average CAGR of 15 per cent to a projected CAGR of 20 per cent. The United Republic of Tanzania and Uganda show consistent high growth in employment rates. The sharpest decline in growth rates can be expected in Madagascar with a drop of 14 percentage points, from 26 per cent in the past down to 12 per cent in the future. Also companies in Burkina Faso, ranked second position for past employment growth, expect a much slower growth in the future, of 11 per cent instead of 24 per cent in the past. Growth rates are also reduced considerably in Mozambique and Guinea.

As with past growth in employee numbers, foreign investors from the South are predicting further rapid growth in hiring. Some 134 Asian investors are estimating an average CAGR of 18 per cent over the next three years (figure 6.11). The 453 European investors expect to increase jobs by an average CAGR of 7 per cent, down from 10 per cent over the last three years. At a home country level, only investors from Switzerland and Belgium are forecasting employment growth that is faster than reported over the last three years.

The companies making the most optimistic forecasts of employment growth constitute a group of 32 subsidiaries of large TNCs established after 2000. Together they forecast an average CAGR of 25 per cent in employment. Half are manufacturers and half operate in the services sector. Half are South and half are North origin; half are joint ventures and half are wholly foreign owned. The South origin firms within this sub-group grow employment, as well as past and future sales, much faster than North firms.

A subgroup of 104 local market-seeking firms from the South, founded after 2000, also expect to expand employment rapidly at an average CAGR of 21 per cent. There is an overlap with the group presented above (New LTNCs) only in the case of 12 firms so the employment growth potential remains high also for smaller investors. Fifty of these companies operate in the manufacturing sector. Nearly three-quarters of firms are wholly owned, confirming the earlier observation that new high growth companies are reluctant to share rising income streams, whether this growth is measured in terms of employment or sales.

A closer inspection of firms founded before 1981

Figure 6.9 **Forecast annual employment growth by subsector**

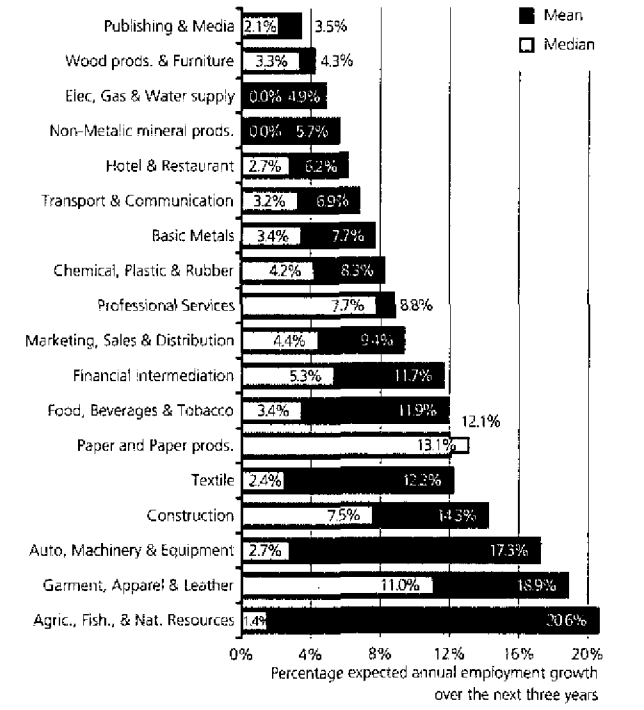
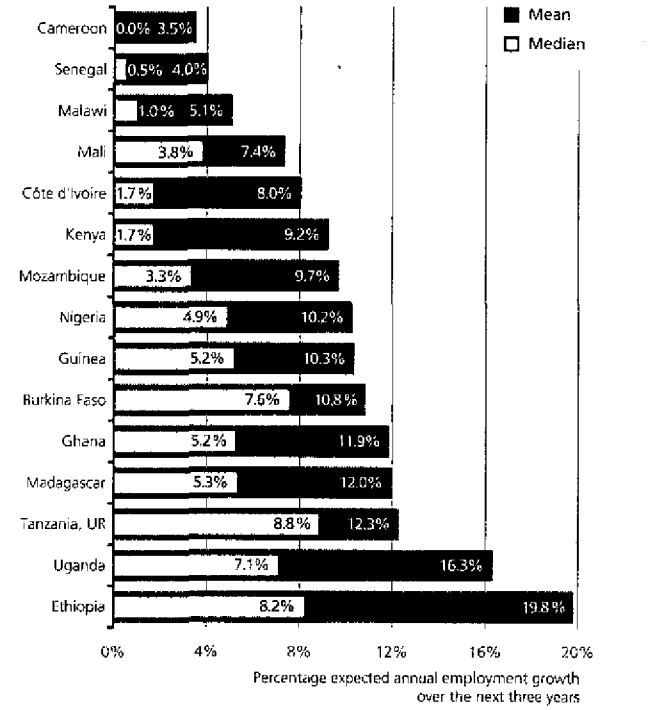
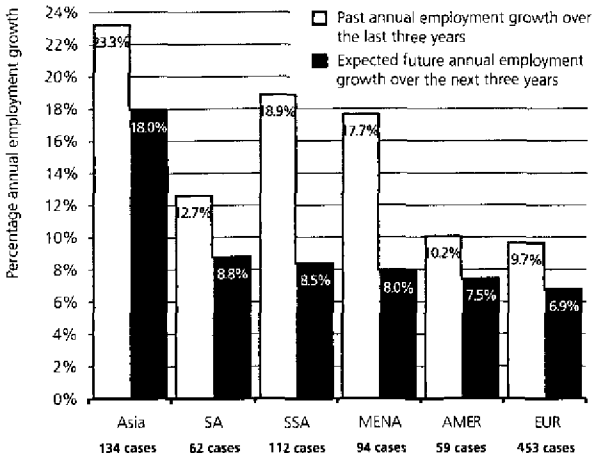


Figure 6.10 **Forecast annual employment growth by host country**



reveals a group of 77 subsidiaries of large and small TNCs that are manufacturers and anticipate no growth in their payrolls over the next three years (see annex figure 6.6, node 11). Almost 90 per cent of these foreign investors are from North. Fourteen subsidiaries are located each in Nigeria and Cameroon and 13 are in Kenya. As already noted, these slow growth firms typically operate in import substituting industries such as food (23 companies) and chemicals (16 companies). Approximately two-thirds of the group operates as joint ventures, again indicating the willingness of foreign investors in slow growth companies to reduce their financial exposure and share managerial control with local investors.

Figure 6.11 **Annual employment growth (past and future) by region of origin**

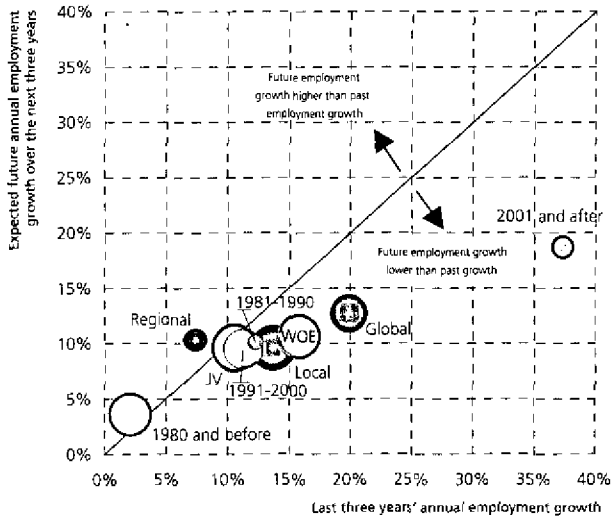


Comparing past and forecast employment growth

Figures 6.11–6.13 and annex table 6.2 summarize the differences between past and future expectations of employment growth grouping firms' responses by various categories. The figures give the comparative growth rates of the groups within each category. The size of each "ball" represents the total number of employees for that group. One thing that is clear is that firms are less optimistic going forward about their hiring plans (the majority of groups are below the 45 degree line). It is also noticeable that new firms are scaling back their expectations over the next three years though these remain well above the average for the complete sample. This is also a result of start up hiring that may be influencing the high rates of past employment growth for the most recent arrivals. Of course, if the observed dynamic of new foreign investment continues in sub-Saharan Africa, future investors or those just entering the marke can be expected to generate significant employment growth, thereby sustaining the overall average growth rate observed over the last three years.

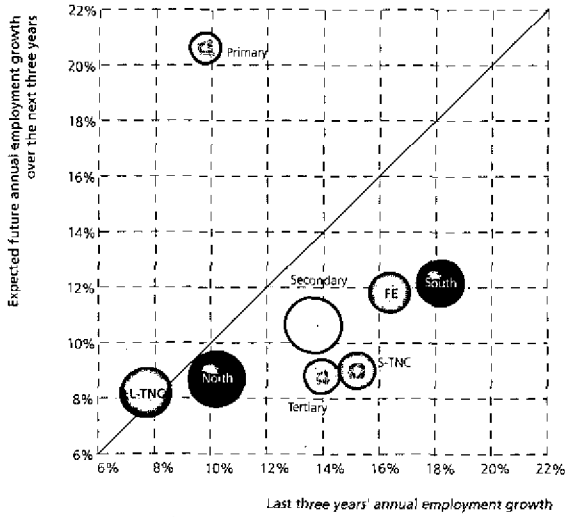
The graphs plotting past and projected future employment growth by a range of different firm categories suggest a regression towards a mean compound annual growth rate of around 8-12 per cent for all categorizations of firms. The only major exception is the group of firms founded before 1981, which remain stubbornly stuck with a CAGR of less than 5 per cent. The high future growth rate for the primary sector is influenced by only very few hyper growth firms which is not necessarily representative for the whole sector.

Figure 6.12 **Annual employment growth (past and future) by start-up period, market orientation and share structure**



Note: The bubble size reflects the total work force in the respective group. Values were taken from the separated observations of past and future employment growth.

Figure 6.13 **Annual employment growth (past and future) by organizational structure, investor origin and main sectors**



Note: The bubble size reflects the total work force in the respective group. Values were taken from the separated observations of past and future employment growth.

Investment impact

Past investment

The amount of new investment that existing investors make is a good indication of where they see opportunities and how they assess business conditions. The whole sample of investors reported investing a total of $4.373 billion over the last three years (over and above the normal replacement of depreciated capital). However, $1.6 billion of this, or 36 per cent is from one investment: MTN-Nigeria. The analysis of past (and future expected) investment flows from the sample can therefore be meaningfully conducted only by excluding MTN-Nigeria from the sample.

Without MTN-Nigeria the total value of the investments made in the past three years by the companies in the sample is $2.781 billion. The average for all companies comes to almost $3 million. Table 6.1 shows the distribution of past investment among the groups. Only the numbers for organizational structure and share structure categories show significant differences between groups ($p<0.001$) because of obvious size correlation. These are the categories with distinct size differences between groups and investment magnitude is a function of firm size.

Table 6.1 **Re-investment over the last three years by main investor categories**

		N	MEAN (in USD)	MEDIAN (in USD)	SUM (in millions of USD)	Sig.
Organizational structure	L-TNC	252	6,590,705	1,000,000	1,660.9	F(2,948)=18.267
	S-TNC	231	2,299,551	320,000	531.2	p<0.001
	FE	468	1,199,334	188,868	561.3	
	TOTAL	951	2,895,208	288,600	2,753.3	
Origin of investor	North	526	3,132,474	400,000	1,647.7	insignificant
	South	409	2,711,669	191,075	1,109.1	
	TOTAL	935	2,948,400	288,600	2,756.8	
Market orientation	Local	661	2,797,874	192,400	1,849.4	insignificant
	Regional	146	3,328,377	981,000	485.9	
	Global	137	2,966,314	943,784	406.4	
	TOTAL	944	2,904,367	288,600	2,741.7	
Main sectors	Primary	34	2,402,680	500,000	81.7	insignificant
	Secondary	480	2,831,247	381,344	1,359.0	
	Tertiary	447	3,003,760	200,000	1,342.7	
	TOTAL	961	2,896,327	288,600	2,783.4	
Share structure	WOE	556	1,502,003	230,085	835.1	F(1,959)=19.102
	JV	405	4,810,510	436,030	1,948.3	p<0.001
	TOTAL	961	2,896,327	288,600	2,783.4	
Start-up period	1980 and before	255	3,514,113	533,820	896.1	insignificant
	1981–1990	95	1,378,183	229,290	130.9	
	1991–2000	414	3,226,351	282,553	1,335.7	
	2001 and after	189	2,214,355	156,000	418.5	
	TOTAL	953	2,918,414	299,165	2,781.2	

Table 6.2 **Re-investment over the last three years by subsector**

	N	MEAN in (USD)	MEDIAN (in USD)	SUM (in millions of USD)
Food, beverages & tobacco	121	6,290,836	767,453	761.2
Transport & communication	75	5,881,507	500,000	441.1
Elec., gas & water supply	19	5,199,078	200,000	98.8
Financial intermediation	75	3,513,575	740,000	263.5
Marketing, sales & distribution	169	2,488,457	200,000	420.5
Agric., fish, & nat. resources	34	2,402,680	500,000	81.7
Garment, apparel & leather	25	2,322,219	450,000	58.1
Chemical, plastic & rubber	132	2,112,482	500,000	278.8
Basic metals	33	1,822,333	400,000	60.1
Textile	27	1,809,529	650,000	48.9
Non-metalic mineral products	26	1,546,089	183,432	40.2
Professional services	63	1,246,432	100,000	78.5
Auto, machinery & equipment	36	1,209,066	225,000	43.5
Paper & paper prods.	12	1,189,690	204,645	14.3
Construction	31	1,134,993	115,440	35.2
Hotel & restaurant	46	873,756	118,888	40.2
Publishing & media	14	731,587	201,716	10.2
Wood prods. & furniture	23	368,777	100,000	8.5
TOTAL	961	2,896,327	288,600	2783.4

Table 6.2 gives the distribution by subsectors and table 6.3 by host country. The largest investments were in four subsectors, food (average investment of $6.3 million); transportation and communication (average $5.9 million); electricity, gas and water supply (average $5.2 million) and financial intermediation (average $3.5 million). The 290 firms in these four subsectors made investments totaling $1.565 billion or 56 per cent of the total (excluding MTN Nigeria). The three subsectors that on average have invested less than $1 million per firm are hotels and restaurants, publishing and wood products. Cameroon is the top country with a total new investment of $717.5 million over the last three years. Of this comparatively large figure, almost $500 million is from four investments, two in telecom, one in food and one in transportation. These high investments do not seem to be reflected in the BOP FDI inflow statistics for Cameroon published by UNCTAD (see Figure 3.2), (UNCTAD, 2005[a]).

South Africa, with a massive investment contribution from MTN, is the home country of investors that invested most in the last three years. With MTN-Nigeria included the average new investment of South African investor is over $35 million. But even excluding MTN Nigeria, South Africa still has the largest mean at $8.5 million. Second to South Africa with the largest mean is Europe with $3.2 million investment per firm and this group has been the major source of new investment in the region totaling $1.5 billion (tables 6.4 and 6.5). The investors from Americas group have the largest median at $800,000.

The correlation between investment and the value of sales over the last three years proved to be strong amongst the survey firms. When the log of new investment made over the past three years for the complete sample of firms is regressed against the log of the value of last year's sales (figure 6.14), there is a highly significant correlation between the two variables.[19] The log of the value of sales also proved to be a good predictor of the log of forward investment planned over the next three years .[20]

Expected future investment

The surveyed firms were also asked to report the amounts of new investment they were expecting to make in the next three years. The forecast of new investment that investors provide in the survey is one of the most important measures of investor confidence and indicator of future FDI growth. It provides a gauge of both the magnitude and direction of future investment flows. These forecasts will be monitored in forthcoming surveys

[19]Correlation coef.: 0.68 ($p<0.001$, $R^2= 0.463$).

[20]Correlation coef.: 0.61 ($p<0.001$, $R^2= 0.373$).

Table 6.3 **Re-investment over the last three years by host country**

	N	*MEAN in (USD)*	*MEDIAN (in USD)*	*SUM (in millions of USD)*
Cameroon	56	12,812,048	845,598	717.5
Mali	48	4,074,595	577,200	195.6
Mozambique	92	4,020,267	180,000	369.9
Côte d'Ivoire	43	2,951,560	1,038,960	126.9
Senegal	53	2,946,987	962,000	156.2
Ethiopia	50	2,778,629	366,500	138.9
Uganda	75	2,252,795	404,293	169.0
Nigeria	106	2,147,255	229,290	227.6
Tanzania, UR	70	2,090,904	275,000	146.4
Burkina Faso	68	1,751,319	203,414	119.1
Kenya	91	1,725,190	320,000	157.0
Malawi	59	1,431,779	100,000	84.5
Madagascar	75	1,345,356	189,092	100.9
Ghana	32	1,305,507	275,000	41.8
Guinea	43	749,884	118,000	32.2
TOTAL	961	2,896,327	288,600	2,783.4

Table 6.4 **Re-investment over the last three years by region of origin**

	N	*MEAN in (USD)*	*MEDIAN (in USD)*	*SUM (in millions of USD)*
South Africa	58	8,494,361	103,382	492.7
Europe	464	3,190,931	389,610	1,480.6
The Americas and Oceania	55	2,459,840	800,000	135.3
Sub-Saharan Africa	115	1,964,780	247,526	225.9
Middle East and Northern Africa	96	1,659,949	221,859	159.4
Asia	133	1,523,392	191,075	202.6
TOTAL	921	2,927,766	288,600	2696.5

Table 6.5 **Re-investment over the last three years by investors from selected countries**

	N	MEAN in (USD)	MEDIAN (in USD)	SUM (in millions of USD)
South Africa	58	8,494,361	103,382	492.7
Switzerland	25	6,191,856	1,038,960	154.8
France	195	4,221,681	481,000	823.2
Portugal	31	4,108,180	380,000	127.4
United Kingdom	89	1,894,732	569,000	168.6
Mauritius	23	1,718,186	300,000	39.5
United States	30	1,702,912	566,910	51.1
China and Hongkong SAR	37	1,243,282	152,864	46.0
Germany	32	877,753	240,440	28.1
Kenya	23	851,285	400,000	19.6
India	54	777,815	112,500	42.0
Lebanon	51	556,518	161,726	28.4

Figure 6.14 **Last year's sales against re-investment over the last three years (log transformed)**

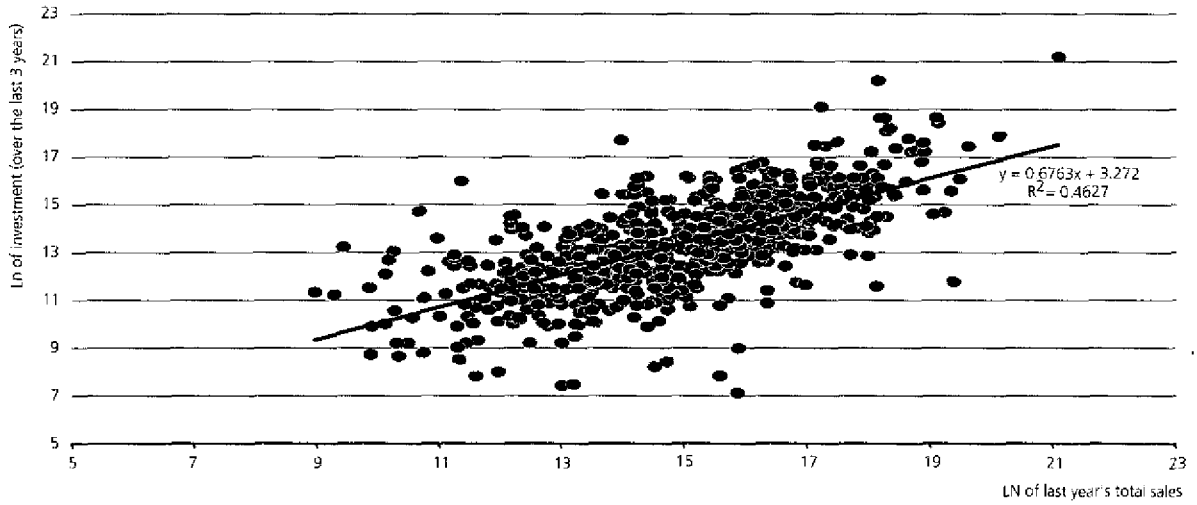


Table 6.6 **Expected re-investment over the next three years by main investor categories**

		N	MEAN (in USD)	MEDIAN (in USD)	SUM (in millions of USD)	Sig.
Organizational structure	L-TNC	225	6,444,940	660,000	1,450.1	F(2,894)=9.121
	S-TNC	214	3,759,817	250,000	804.6	p<0.001
	FE	458	1,619,581	182,597	741.8	
	TOTAL	897	3,340,558	250,000	2,996.5	
Origin of investor	North	481	3,526,968	384,800	1,696.5	insignificant
	South	401	3,269,820	167,000	1,311.2	
	TOTAL	882	3,410,056	250,000	3,007.7	
Market orientation	Local	624	3,138,924	164,500	1,958.7	insignificant
	Regional	139	4,716,530	577,200	655.6	
	Global	121	2,836,726	400,000	343.2	
	TOTAL	884	3,345,622	250,000	2,957.5	
Main sectors	Primary	41	2,161,411	500,000	88.6	insignificant
	Secondary	456	3,049,644	251,061	1,390.6	
	Tertiary	408	3,802,879	200,000	1,551.6	
	TOTAL	905	3,348,984	250,000	3,030.8	
Share structure	WOE	528	1,737,171	192,400	917.2	F(1,903)=16.960
	JV	377	5,606,376	384,800	2,113.6	p<0.001
	TOTAL	905	3,348,984	250,000	3,030.8	
Start-up period	1980 and before	233	2,818,718	393,930	656.8	insignificant
	1981–1990	86	1,904,807	250,000	163.8	
	1991–2000	361	2,916,065	200,000	1,052.7	
	2001 and after	216	5,318,630	158,500	1,148.8	
	TOTAL	896	3,372,877	250,000	3,022.1	

for accuracy. The whole sample expects to make new investments in the next three years totaling over $3 billion if again we exclude the anticipated MTN-Nigeria investments. That is an increase of 9 per cent in investments from the past three years for the sample companies. The average new investment the companies are planning to make is $3.34 million (excluding MTN Nigeria) and table 6.6 gives the means, medians and the sums for each group.

As was the case for past investment, there are no statistically significant differences between group means except where firm size is the defining parameter (L-TNCs and JVs). Table 6.7 gives the future investment means and medians and sums at the country level. Comparing the investments made in the past (table 6.3) with forecasts of future investments, Cameroon maintains the top position with the most total new investments expected ($430.5 million), but Mali moves to top position in terms of average investment per firm ($11 million). Actually Mali and the United Republic of Tanzania are two countries poised to make a major jump in new investments in coming years, 113 per cent and 189 per cent increases respectively in the total amount of new past investment from the survey sample in those countries. The United Republic of Tanzania moves from eighth place in total investment to second. The only other country expected to experience a major increase in new investment from the surveyed investors is Madagascar, with a 117 per cent increase to $219 million in total investments and average investment level almost tripling from $1.3 million to $3.4 million. Burkina Faso and Ethiopia are also expected to register significant increases in investment of 85 per cent and 90 per cent and both seeing a doubling of the average investment levels. Investors in the other countries are not committing themselves to higher levels of investment than they did in the past years, with most indicating small reductions in the total levels.

At the subsector level (table 6.8), firms in the garments and textiles sectors are making forecasts of high increases

Table 6.7 **Expected re-investment over the next three years by host country**

	N	*MEAN (in USD)*	*MEDIAN (in USD)*	*SUM (in millions of USD)*
Mali	38	10,947,235	577,200	416.0
Cameroon	53	8,122,000	577,200	430.5
Tanzania, UR	76	5,570,643	482,750	423.4
Ethiopia	58	4,549,279	325,470	263.9
Mozambique	86	3,896,047	100,000	335.1
Madagascar	65	3,362,682	100,849	218.6
Côte d'Ivoire	35	3,187,843	404,040	111.6
Burkina Faso	71	3,107,334	250,000	220.6
Senegal	45	2,209,855	480,000	99.4
Nigeria	98	1,809,536	343,935	177.3
Uganda	70	1,675,309	200,000	117.3
Malawi	52	1,155,492	100,000	60.1
Kenya	84	1,143,730	250,000	96.1
Guinea	43	849,722	120,000	36.5
Ghana	31	792,452	250,000	24.6
TOTAL	905	3,348,984	250,000	3,030.8

Table 6.8 **Expected re-investment over the next three years by subsector**

	N	*MEAN (in USD)*	*MEDIAN (in USD)*	*SUM (in millions of USD)*
Transport & communication	67	7,739,167	384,800	518.5
Elec., gas & water supply	17	6,107,175	192,400	103.8
Garment, apparel & leather	23	5,977,332	300,000	137.5
Financial intermediation	71	4,373,072	457,912	310.5
Chemical, plastic & rubber	126	4,009,733	275,000	505.2
Food, beverages & tobacco	116	3,913,097	500,000	453.9
Marketing, sales & distribution	153	2,871,228	157,572	439.3
Non-metalic mineral products	26	2,511,421	65,265	65.3
Hotel & restaurant	42	2,420,677	100,424	101.7
Textile	26	2,358,313	175,000	61.3
Agric., fish, & nat. resources	41	2,161,411	500,000	88.6
Basic metals	28	1,990,403	292,400	55.7
Paper & paper products	14	1,748,856	398,398	24.5
Professional services	58	1,340,930	40,000	77.8
Construction	27	1,270,522	200,000	34.3
Auto, machinery & equipment	35	1,111,747	209,142	38.9
Publishing & media	13	519,946	350,000	6.8
Wood products & furniture	22	327,752	73,100	7.2
TOTAL	905	3,348,984	250,000	3030.8

in investments compared to the past three years (Table 6.2). That is a positive indicator of optimism about exports from SSA since these are the most export-oriented sectors. The garments sector is expecting to increase total investment by 137 per cent from $58 million to $138 million and the average investment is expected to almost triple to $6 million.

On the opposite end, firms in the food sector, which by output volume is the most dominant subsector, will be reducing levels of investments. In the past three years 121 firms in the sector made total investments of $761 million, making this the top growth sector in terms of both total new investments and average new investment per firm. During the next three years this subsector will reduce total investments by 40 per cent to $454 million. And the average investment level will reduce from $6 million to $4 million placing the sector sixth in terms of average investment and third in terms of total new investment. The transport and communication subsector, even with MTN-Nigeria taken out, will be making the most new investment in the next three years, followed by the chemical, plastics and rubber subsector that will be increasing total new investments by 81 per cent to over $500 million. Other sectors indicating large increases in total new investments going forward are the hotels and restaurants (150 per cent increase from $40 million in past investments to $100 million in new investments), non-metalic minerals (62 per cent) and textile (25 per cent).

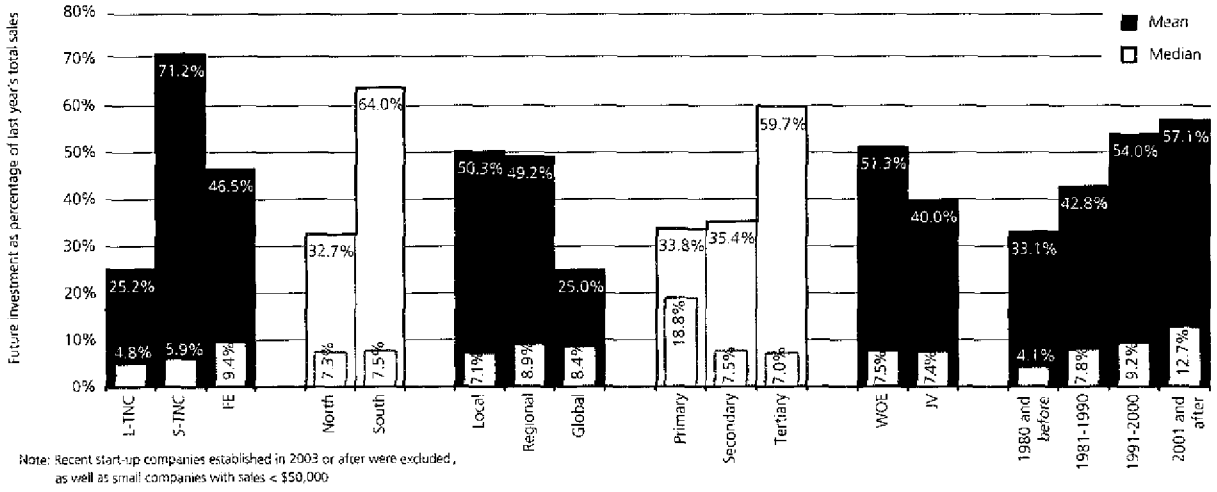
In order to assess investment levels without the influence of company size and gauge relative growth rates, new investment was analysed as a percentage of sales (figure 6.15 and annex table 6.5). In order to avoid the artificially large investment to sales ratios that would be observed for start-ups and very small firms, with establishment date later than 2002 and annual sales less than $50,000, the latter were excluded.

When normalized for size the statistically significant differences are reversed. L-TNCs have a lower investment to output ratio than S-TNCs or FEs. Similarly, North has lower investment per output than South. Especially for manufacturing firms, South group has an investment to sales ratio twice that of North, which means South firms are investing considerably more than North relative to their size. They are growing investments much more rapidly.

Looking at future investment as a percentage of sales for host countries reveals that the United Republic of Tanzania and Uganda have the highest medians. In Tanzania, half of the foreign firms will make new investments at a rate of more than 15 per cent of their current sales and in Uganda 13 per cent. In Ghana, Burkina Faso and Madagascar the means of the new investment to sales ratios are over 80 per cent but the medians are low, indicating that there are a few companies that plan to make very large investments with respect to their current sales. The lowest amounts of new investment to sales ratios are in Côte d'Ivoire, Malawi and Ethiopia. The values for Ethiopia were influenced by the fact that there were many post 2002 firms that were therefore excluded from consideration. The large subsectors with meaningful investment to sales ratios are transport and communication, chemical, plastics and rubber and hotel and restaurant (as shown in annex table 6.6).

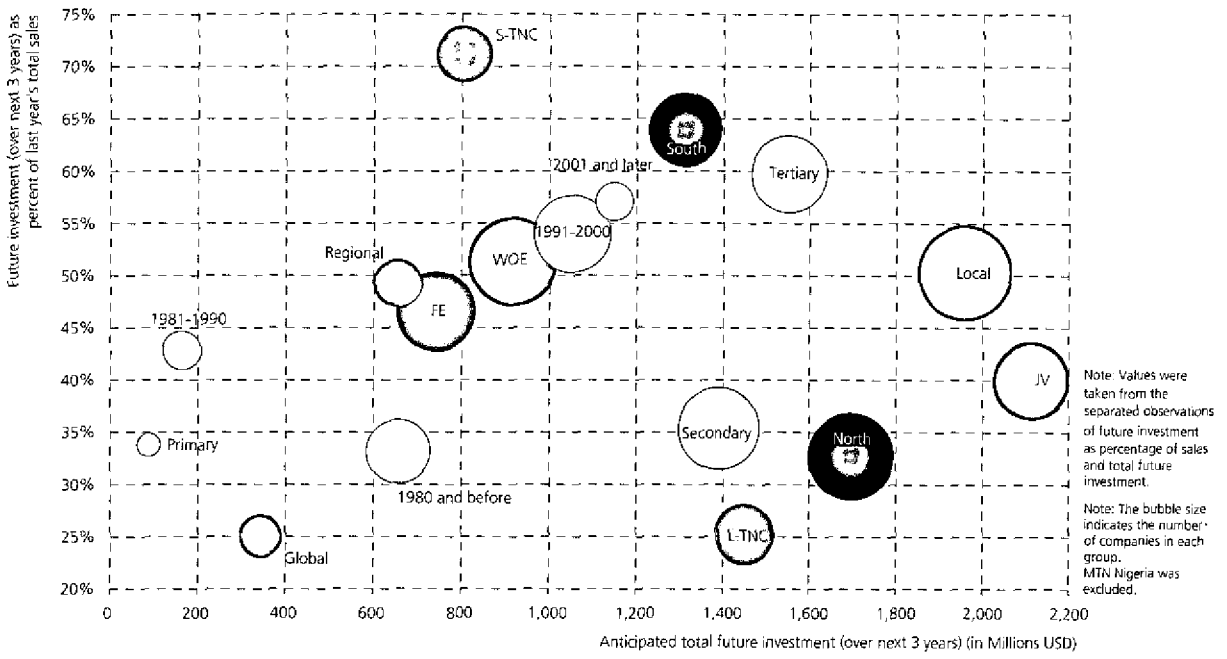
It is important to look at these investment growth rates with the perspective of the total quantity of new investment that is expected to be made by each group to see both growth and absolute impact. For that purpose the figure 6.16 plots future investment as a percentage of sales on the vertical axis and the total invest-

Figure 6.15 **Ratio of expected re-investment to last year's sales for main investor categories**



Note: Recent start-up companies established in 2003 or after were excluded, as well as small companies with sales < $50,000

Figure 6.16 **Expected re-investment volume and ratio of expected re-investment to last year's total sales for main investor categories**



ment amount on the horizontal axis to portray in one view the rate and absolute amount of new investment (again the figures for MTN-Nigeria are excluded). The graph shows from their relative positions that South firms are expecting to invest a higher percentage of sales during the next three years (64 per cent for South and 33 per cent for North) but the absolute amount that North firms expect to invest is higher ($1.7 billion for North and $1.3 billion for South). Similarly, S-TNCs and FEs are expecting to invest higher percentages (71 per cent for S-TNC, 47 per cent for FE and 25 per cent for L-TNC) but the total amount that L-TNCs forecast is higher ($1.45 billion for L-TNCs, $0.8 billion for S-TNC and $0.74 billion for FE). The local market seekers, by virtue of the large number of firms in that group, have a total new investment figure that is very high. The average investment rate as a percentage of sales is similar to the regional market seekers and double that of global exporters. This suggests that local market seeking FDI remains the main source of new capital investment in Sub Saharan Africa while most of the employment growth effects are generated by globally oriented FDI.

Figure 6.17 shows the same plot for subsectors. The subsectors with the highest growth rates as well as high amounts of new investment are those on the upper right hand corner of the graph: marketing, sales and distribution; transportation and communication; chemical, plastics and rubber. Food is not a fast growing subsector but, by virtue of its size, is expected to deliver substantial amounts of total new investment in the next three years.

Figure 6.18 shows the plot for the countries. The United Republic of Tanzania and Mozambique are two countries with projections that are both a high rate of investment and high total investment. Cameroon and Mali have projected large amounts of total investment but the rate in terms of sales is low (indicating most of the new investment is being planned by large firms with very large sales figures). On the other extreme Ghana has the lowest new investment projected for the next three years, but has the highest rate of new investment growth a a percentage of sales. It has to be borne in mind that the total values are determined by the sample sizes for countries. For example, the mean investment figuresin Nigeria and Senegal are similar. However the country sample size in Nigeria is double that of Senegal hence the total investment figure for Nigeria is $177 million, double the $99 million in Senegal.

Figure 6.17 **Expected re-investment volume and ratio of expected re-investment to last year's total sales by subsector**

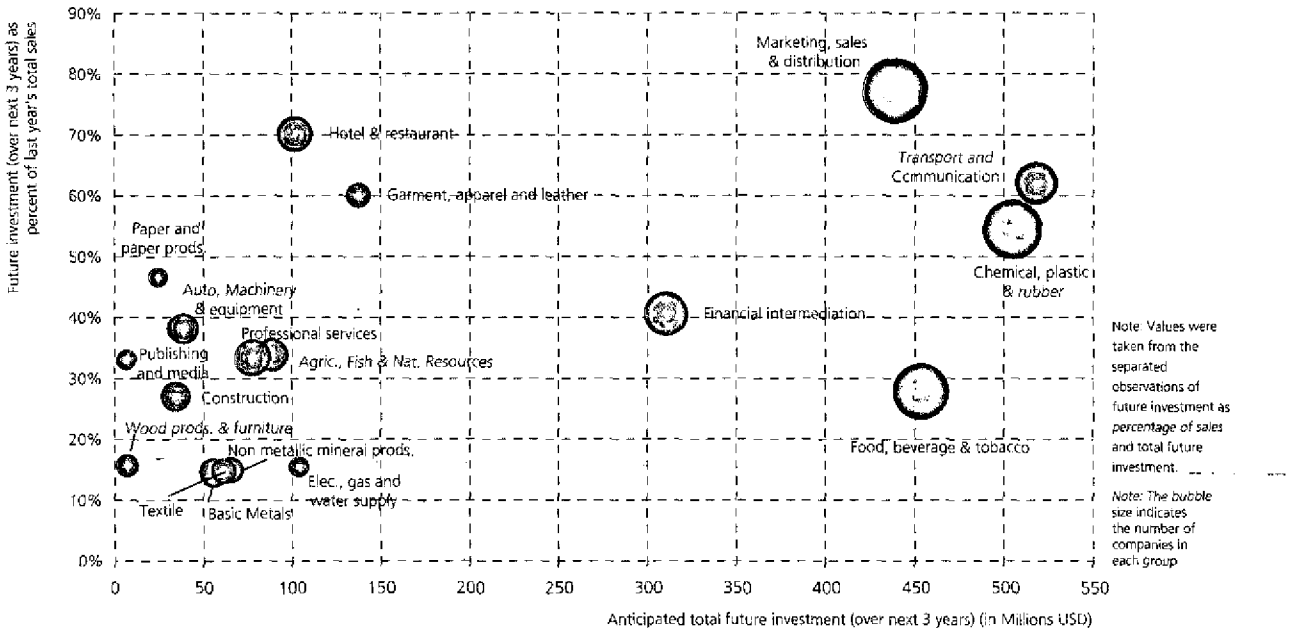
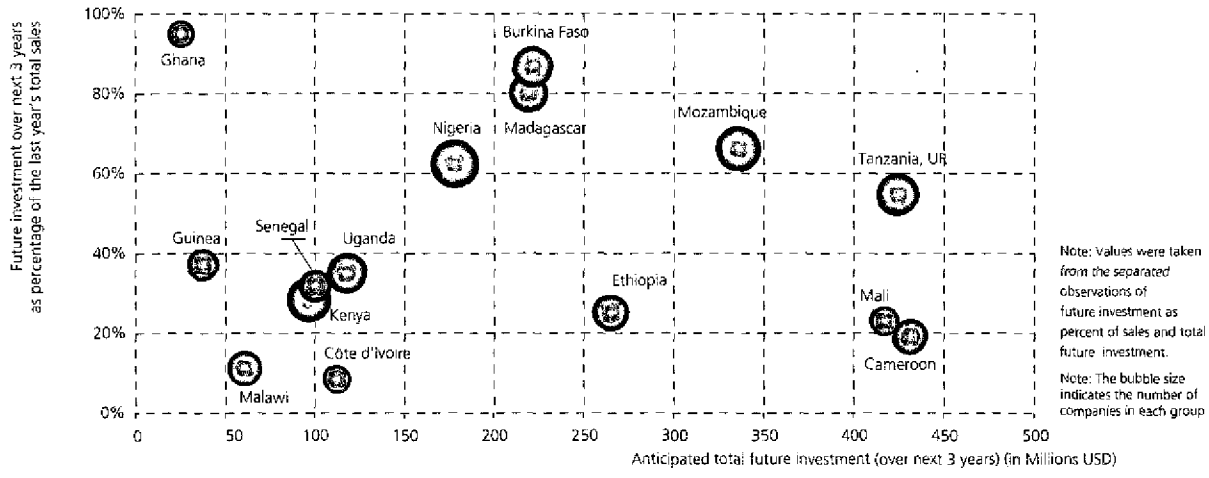


Figure 6.18 **Expected re-investment volume and ratio of expected re-investment to last year's total sales by host country**



Local content impacts

The analysis of expenditure on locally sourced materials is restricted to the 435-manufacturing firms that replied to questions on sourcing. In total, these firms reported spending nearly $900 million a year on locally purchased materials or, on average, $2.1 million per firm per annum. The average local content of bought in materials is 38 per cent. As expected the subsidiaries of large TNCs spent on average more than other groupings of firms – $5.6 million compared to $1.6 million by subsidiaries of small TNCs and $870,000 by foreign owner-managed firms (figure 6.19 and annex table 6.7). Export-oriented firms also spent on average significantly more than local market-oriented firms did – $3.6 million compared to $1.3 million per annum. There is also evidence that, over time, firms source more locally than new arrivals do. Thus the 112 manufacturers, established before 1981, purchased on average $5.7 million worth of inputs in the local market last year, while the 103 firms, established after 2000, only spent $280,000 ($p<0.001$).

The benefits to be had for the local economy from local purchasing by foreign investors vary enormously in volume terms. For example, 15 manufacturers in Côte d'Ivoire, on average, spent nearly $10 million last year on local purchases equivalent to 52 per cent of local content, compared to just $150,000 by 24 companies in Guinea representing only 27 per cent of local content in output per firm (see table 6.9).

Northern firms spend much more on local content than firms from the South do – $3.4 million compared to $920,000 – so, for example, 42 British firms bought on average $5.5 million worth of goods each in the local market last year, compared with 35 Indian firms that each spent $530,000. Northern firms on average use 43 per cent of local content compared to 34 per cent by southern firms (annex table 6.7). Closer examination (figure 6.20) of this North-South divide reveals that

Figure 6.19 **Local expenditure on material inputs for main investor categories (manufacturing)**

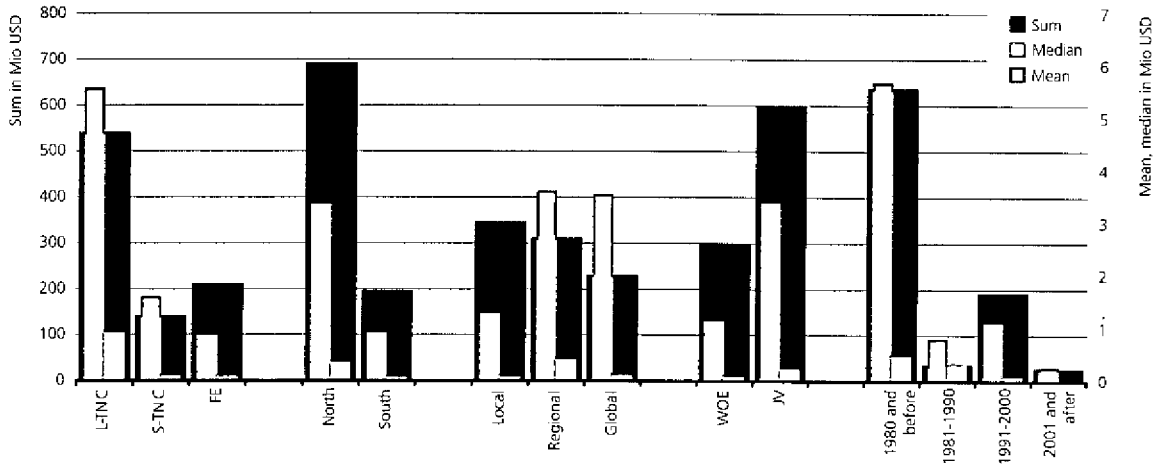


Table 6.9 **Local expenditure on material inputs by host country (manufacturing)**

	N	*MEAN in (USD)*	*MEDIAN (in USD)*	*SUM (in millions of USD)*
Côte d'Ivoire	15	9,890,461	927,809	148.4
Cameroon	18	6,865,709	1,147,069	123.6
Nigeria	74	3,762,218	340,114	278.4
Kenya	28	3,087,790	1,250,000	86.5
Ghana	20	2,609,392	85,000	52.2
Senegal	23	1,291,850	391,568	29.7
Tanzania, UR	37	1,289,888	187,096	47.7
Mali	13	1,131,831	44,153	14.7
Ethiopia	33	971,894	140,000	32.1
Uganda	36	958,338	37,000	34.5
Malawi	15	811,364	107,994	12.2
Madagascar	32	440,421	52,493	14.1
Burkina Faso	23	335,872	90,496	7.7
Mozambique	44	301,082	10,875	13.2
Guinea	24	149,422	6,665	3.6
Total	435	2,065,603	137,574	898.5

Northern companies have on average a greater propensity to use local content than Southern companies regardless of whether they are subsidiaries of TNCs or are FEs. Thus Northern FEs (node 6) use 47 per cent of local content and Northern TNCs (node 4) use 38 per cent of local content, while Southern FEs use 37 per cent of local content and Southern TNCs use 26 per cent of local content.

Inspection of the firms at a subsectoral level reveals the concentration of firms using an above average proportion of local content in the natural resources and agricultural raw materials processing industries (table 6.10 and figure 6.21). In particular, one group stands out as a major of local inputs – food manufacturers. The 105 firms in the survey sample each use, on average, $4.4 million worth of local inputs and hence, as a group, consume more than half the value of all the local content bought by the total sample of 435 manufacturing firms. As might be expected, food companies source a relatively high proportion of their production content locally – 47 per cent.

Less expected, 38 subsidiaries of TNCs from the North in the food subsector use 48 per cent local content, while 15 TNCs from the South in the same subsector use only 32 of local content. This pattern is repeated amongst foreign owner-managed firms but with a higher use of local content so Northern FEs in the food subsector use on average 57 per cent local content, compared to 39 per cent local content by 27 FEs from the South in the same subsector.

Production techniques and process technologies developed in the context of an emerging market business environment are commonly assumed to be more "appropriate" for other emerging markets on the grounds that they are better adapted to using available domestic resources. The results reported above are therefore surprising as Southern manufacturers might be expected to be more skilled in making do with local factor inputs and therefore use more local content than Northern firms. On the

Figure 6.20 **Classification tree for share of local content**

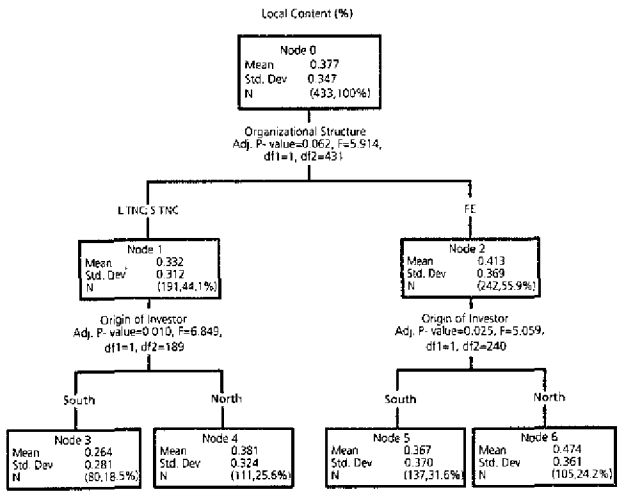


Figure 6.21 **Share of local content in material inputs by manufacturing subsectors**

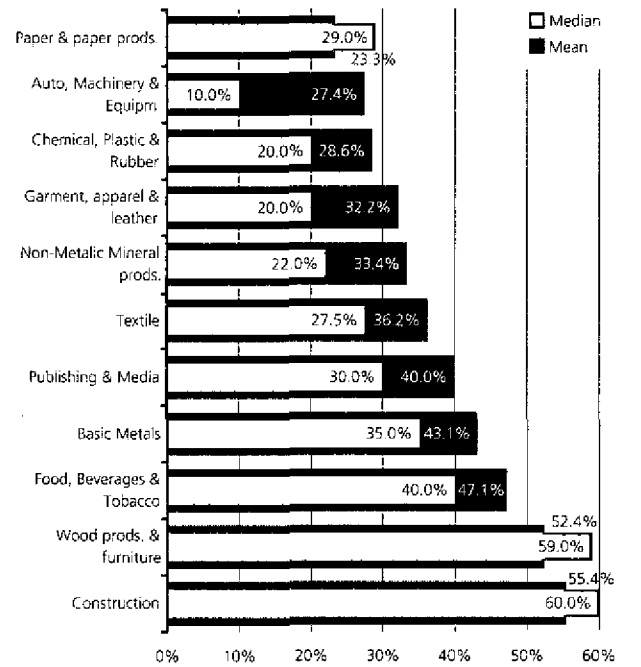


Table 6.10 **Local expenditure on material inputs by manufacturing subsectors**

	N	*MEAN (in USD)*	*MEDIAN (in USD)*	*SUM (in millions of USD)*
Food, beverages & tobacco	105	4,449,944	356,604	467.2
Textile	26	3,103,795	119,714	80.7
Construction	27	2,421,692	353,054	65.4
Basic metals	29	2,399,003	180,000	69.6
Non-metalic mineral prods.	18	1,382,929	68,250	24.9
Auto, machinery & equipm.	35	1,250,626	26,905	43.8
Paper & paper prods.	13	1,131,955	207,900	14.7
Garment, apparel & leather	19	826,021	75,557	15.7
Chemical, plastic & rubber	120	801,653	148,019	96.2
Wood prods. & furniture	27	655,812	43,956	17.7
Publishing & media	16	166,130	103,282	2.7
Total	435	2,065,603	137,574	898.5

other hand, the thesis, according to which TNCs have the option of sourcing inputs from their global supplier networks and tend to use less local content, is confirmed. Stand-alone foreign owner-managed firms do indeed use more local content but, paradoxically, it would seem that those who are best equipped to operate with local inputs are owner-managers from the North. Perhaps a more nuanced notion of operational expertise is required in the sub-Saharan African context.

It is also noteworthy that while textile companies buy on average $3.1 million worth of inputs a year, garment manufacturers spend only $800,000 a year. This simply reflects the greater size of textile companies. Garment manufacturers operate relatively small units as part of a globally dispersed production network, processing fabric and accessories received by container and exporting finished clothing by container.

Figure 6.22 presents the percentage of local content on the vertical scale and the total value of local purchases on the horizontal scale. It is possible to see which subsectors spend the most on local inputs as a proportion of inputs (the highest on the graph) and which spend most in absolute terms on local inputs (those to the right of the graph). The size of the bubbles is an indication of the number of firms in that sector. Predictably, construction companies source the highest proportion of local content – 55 per cent. Although wood products and furniture manufacturers only purchase $660,000 of local content per firm per year, this represents 52 per cent of the average value of output. Chemicals companies and machinery manufacturers clearly rely more heavily on imported intermediates – using just 29 per cent and 27 per cent of local content respectively. The biggest consumer of local inputs is the food sector. The bubble for the food sector is not shown because the amount of local purchases by firms in that sector amount to $467 million and the bubble is too far to the right to be represented on the graph. The percentage of local input is 47 per cent.

If each of these subsectors is disaggregated between subsidiaries of TNCs and foreign owner-managed firms, it is striking that FEs use very much more local content than TNCs (table 6.11). In construction, FEs use 69 per

Figure 6.22 **Share and value of local content in material inputs by manufacturing subsectors**

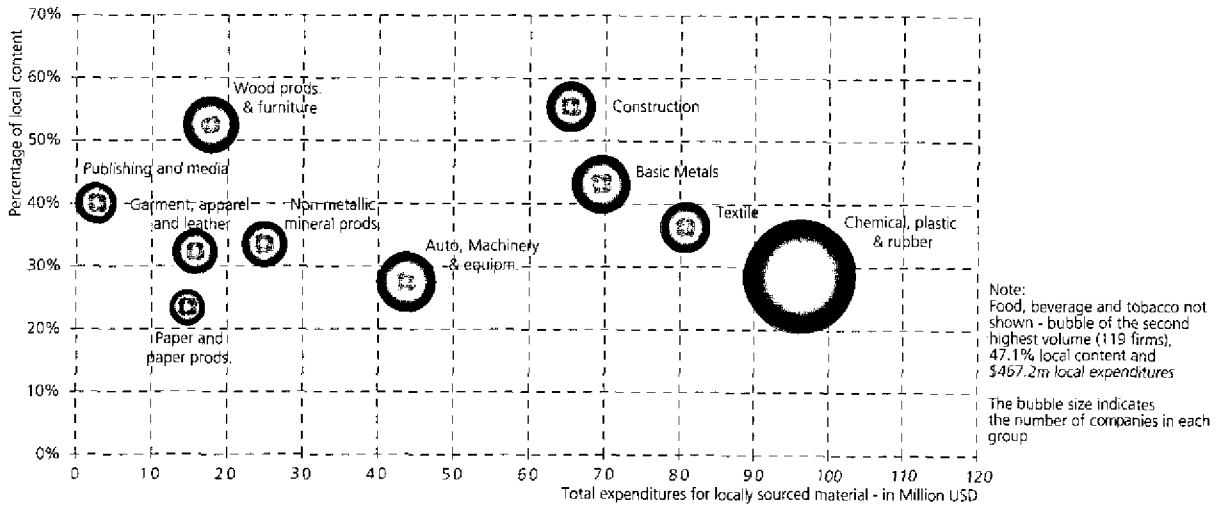
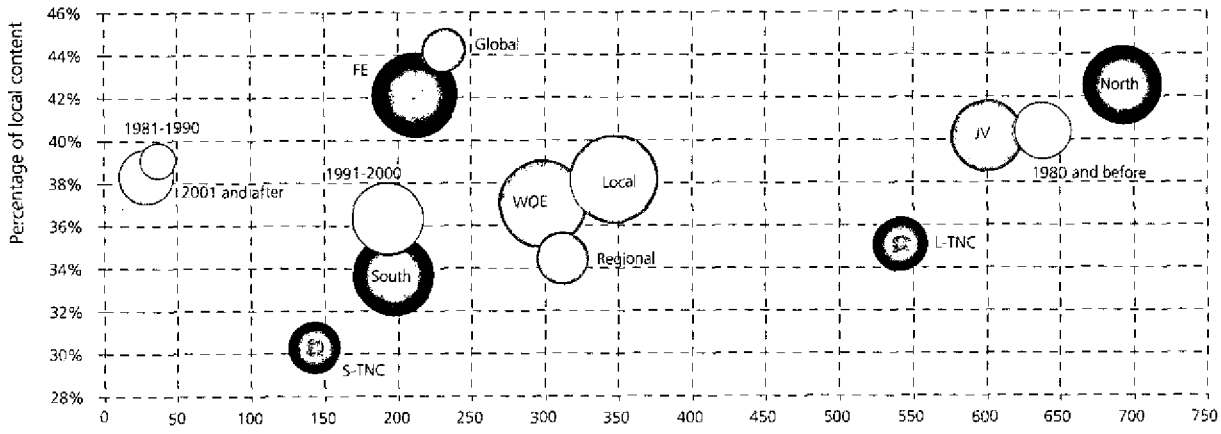


Table 6.11 **Share of local content in material inputs by organizational structure and manufacturing subsectors**

	TNC (large or small)			FE			Total		
	N	*Mean*	*Median*	*N*	*Mean*	*Median*	*N*	*Mean*	*Median*
Food, beverages & tobacco	53	43.3%	40.0%	66	50.2%	50.0%	119	47.1%	40.0%
Textile	12	26.3%	15.5%	14	44.7%	55.0%	26	36.2%	27.5%
Garment, apparel & leather	12	33.1%	22.5%	8	30.9%	10.0%	20	32.2%	20.0%
Paper & paper products	4	23.8%	20.0%	9	23.1%	29.0%	13	23.3%	29.0%
Publishing & media	6	21.7%	5.0%	11	50.0%	40.0%	17	40.0%	30.0%
Chemical, plastic & rubber	49	26.3%	20.0%	80	30.1%	20.0%	129	28.6%	20.0%
Non-metalic mineral products	9	32.1%	22.0%	12	34.4%	22.5%	21	33.4%	22.0%
Basic metals	19	31.8%	18.0%	14	54.4%	57.0%	33	41.4%	30.0%
Auto, machinery & equipment	17	16.2%	1.0%	18	37.4%	13.5%	35	27.1%	10.0%
Wood products & furniture	8	47.5%	45.0%	23	53.3%	53.0%	31	51.8%	53.0%
Construction	13	42.9%	40.0%	12	68.9%	80.0%	25	55.4%	60.0%
TOTAL	202	32.8%	20.0%	267	42.1%	30.0%	469	38.1%	29.0%

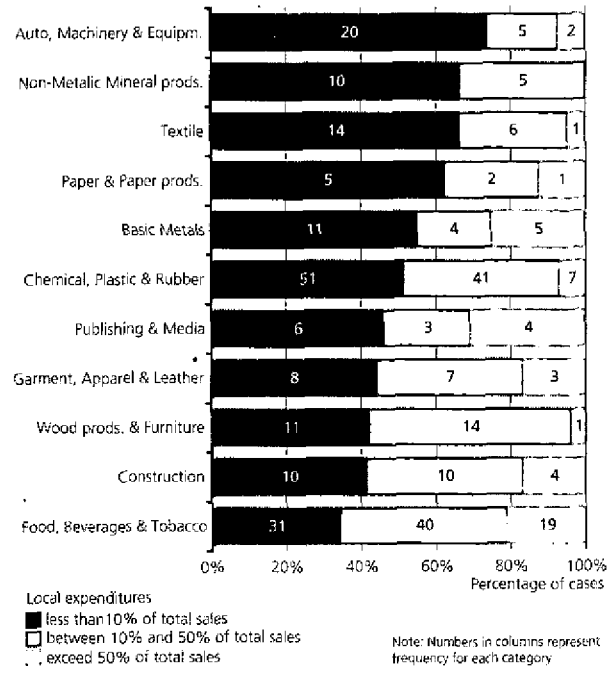
Figure 6.23 **Share and value of local content in material inputs for main investor categories**



Note: The bubble size indicates the number of companies in each group

cent of local content and TNCs 43 per cent; in textile, FEs use 45 per cent of local content and TNCs only 26 per cent; in chemicals production, FEs use 30 per cent of local content and TNCs 26 per cent; and in auto components and machinery manufacture, FEs use 37 per cent of local content and TNCs just 16 per cent. These findings are also compatible with the thesis that TNCs do not use as much local content as independent foreign owner-managed firms (FEs) do, if not conclusive, because of the relatively small size of the samples.

Figure 6.24 **Distribution of manufacturing firms according to share of expenditures on local material and subcontracting in total sales**



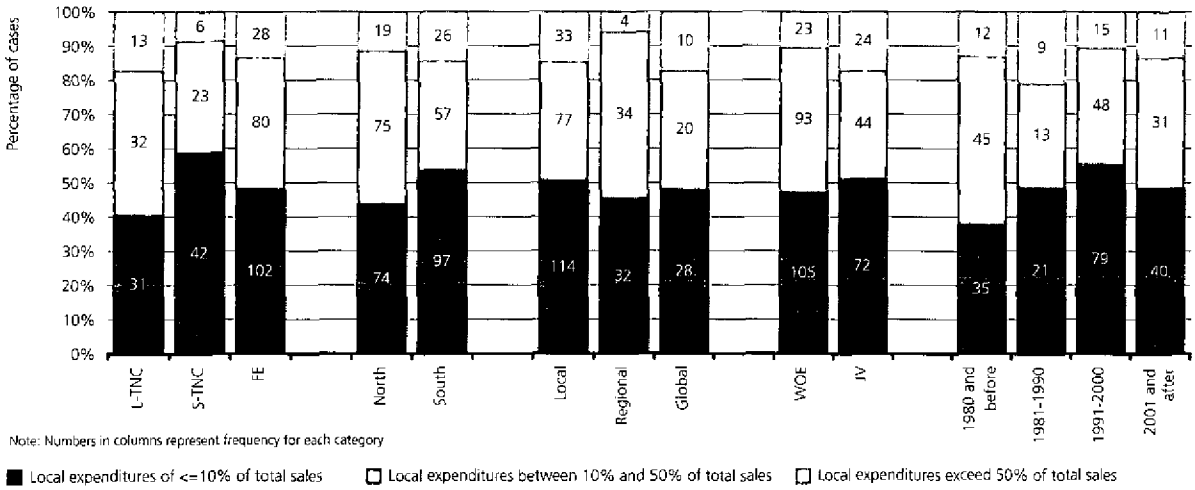
Note: Numbers in columns represent frequency for each category

Figure 6.23 again presents the percentage of locally sourced material on the vertical scale and the total value of local purchases on the horizontal scale. This time the bubbles represent the main groupings. This diagram highlights the main findings discussed above, namely, that Northern firms on average use a higher percentage of local content than firms with their origins in the South; owner-managed FEs also use a higher percentage of local content than subsidiaries of TNCs, but because they are on average smaller firms, their aggregate expenditure on local purchases is less than that of TNCs; and older firms in general use more local content (annex table 6.7).

One way of expressing the economic linkage of manufacturing firms to the domestic economy is in terms of total expenditure on local content plus on subcontracting as a percentage of sales (figures 6.24–6.25 and annex table 6.8). Nearly half of the manufacturing firms spend less than 10 per cent of sales on local purchases. Just 13 per cent of firms spend more than half of sales revenue on local content and subcontracts. Amongst the broad groupings, the firms established before 1981 have the highest proportion of firms that spend more than 10 per cent of sales revenue on subcontracts and materials. Similar to earlier observations about percentage of local content, the most closely "linked" subsectors are food, construction and wood products. Auto components and machinery, mineral products and textile producers are the least linked subsectors.

For the sample as a whole, an average of 22 per cent of sales was spent on local expenditures (excluding wages). The ordering of the subsectors with high levels of local expenditures differs somewhat from the ranking obtained by using the 10 per cent cut-off (figure 6.26, annex table 6.9 and annex figure 7). However, this can be mostly explained as a consequence of the distribution of firms according to expenditures. If the median value is used to rank subsectors then, as expected, the food subsector is

Figure 6.25 **Distribution of main investor categories according to share of expenditures on local material and subcontracting in total sales**



ranked first, while publishing and garments remain second and third respectively. The three least linked subsectors remain the same.

The distribution of average local expenditures as a percentage of sales by country appears to be a reasonable proxy for industrial linkages. In the relatively industrialized group are Cameroon, Côte d'Ivoire, Kenya, Nigeria and the United Republic of Tanzania, each of which has more than 60 per cent of firms with local expenditures of more than 10 per cent of sales revenues (figure 6.27 and annex table 6.9). At the other end of the scale, Burkina Faso, Malawi, Mali, Mozambique and Uganda have less than 40 per cent of manufacturing firms that spend more than 10 per cent of sales revenues on local purchases.

Region of investor origin confirms the earlier observation above that, in general, Northern investors spend a higher proportion of sales revenues in the local market than investors from the South do with the notable exception of investors from MENA. However when the country of origin of the investor is used instead of region, the North/South split is not so clear. For example, 59 French manufacturers spend 17 per cent of sales revenue on local inputs and subcontracts, while 29 Indian companies spend 22 per cent of sales revenue (table 6.12).

Figure 6.26 **Share of expenditures on local materials and subcontracting in total sales for manufacturing subsectors**

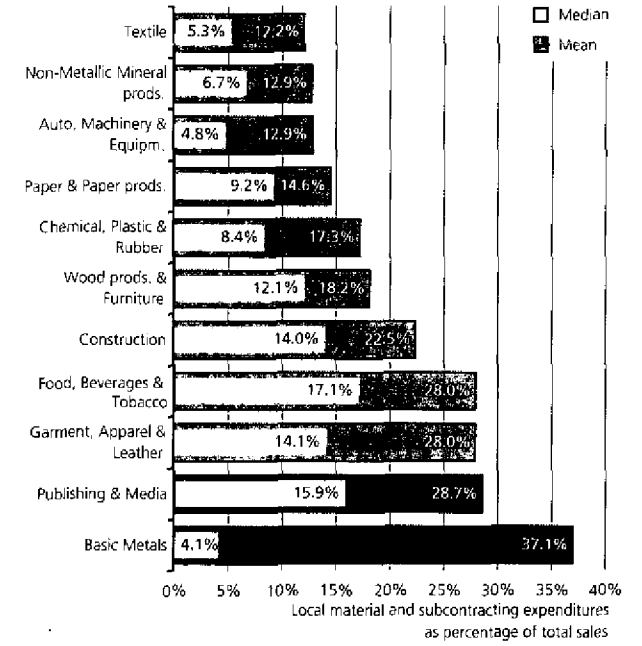


Figure 6.27 **Distribution of host countries according to share of expenditures on local material and subcontracting in total sales**

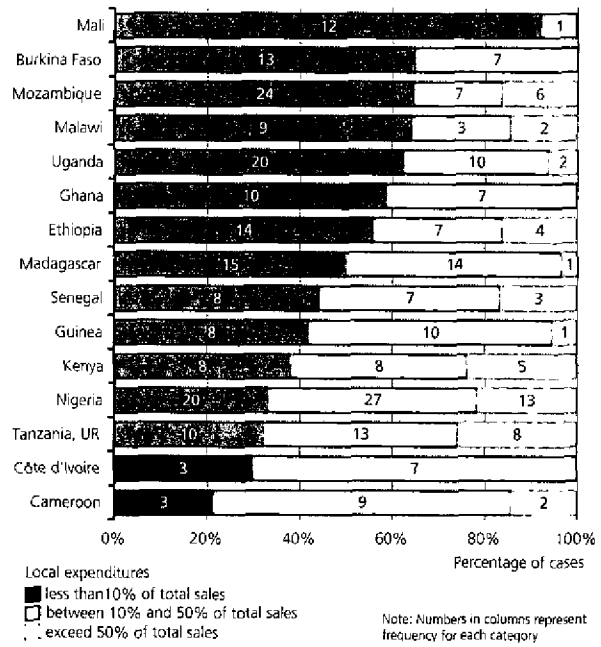


Table 6.12 **Share of expenditures on local materials and subcontracting in total sales by investor's region of origin**

			N	MEAN (in % of total sales)	MEDIAN (in % of total sales)
The Americas and Oceania			22	33.6%	32.3%
Middle East and Northern Africa			55	29.9%	16.2%
	of which:	Lebanon	32	24.9%	14.9%
Europe			144	20.3%	11.9%
	of which:	United Kingdom	33	24.1%	12.8%
		Portugal	12	22.9%	0.8%
		France	59	16.7%	9.9%
Asia			65	17.8%	7.6%
	of which:	India	29	22.0%	7.6%
		China & Hongkong SAR	18	14.1%	7.4%
South Africa			21	17.4%	7.1%
Sub-Saharan Africa			35	13.0%	7.4%
	of which:	Kenya	11	15.4%	7.4%
TOTAL			342	21.3%	10.9%

When expenditure only on local subcontracts is examined across the complete survey sample, including the services sector firms, it is apparent that the subsidiaries of large TNCs spend significantly more on average than other types of investor – $2.8 million compared to just over $100,000 by FEs ($p<0.001$). Large TNCs are therefore significantly above the average total sample's subcontracting expenditure of $880,000. Also firms that are joint ventures on average spend significantly more than wholly owned enterprises – $1.8 million compared to 230,000 (annex table 6.10). If expenditure is totaled across groups, the differences are even more striking. 223 subsidiaries of large TNCs spent a total of $620 million last year on subcontractors compared with a total spend of $807 million by the complete sample of 916 firms. Owner-managed foreign enterprises are the least likely to subcontract out work, probably because of their small average size and managerial culture of "do-it yourself".

On average, firms let subcontracts of around 5 per cent of the value of sales revenue. Half of the companies in the total sample only spent a fractional amount of sales on subcontracting. In the agricultural, textile and machinery sector the medians are zero. Firms in the two subsectors that spend on average the most on subcontracting are utilities – telecommunications and electricity, gas and water companies (annex table 6.10). When subsectors are compared on the basis of expenditure on subcontracting as a percentage of last year's sales revenue, electricity, gas and water utilities and construction companies emerge as the major users of subcontractors – spending respectively on average 13 per cent and 10 per cent of sales revenue.

Technology and know-how transfer

Investment in training

Some 794 companies out of the survey total sample of 1,216 or 65 per cent responded to the questions about expenditure on training. Of those who responded 41 per cent reported that they spent nothing on training last year (table 6.13). Some 200 subsidiaries of large TNCs responded and 73 per cent of them said they invested in some form of employee training. Regional exporters are another likely subgroup to invest in training of their employees – also 73 per cent reported investing in training. The least likely firms to invest in training are owner-managed firms (FE) and those that have started up operations since 2001 – in both cases more than half have reported that they do not invest in training at all. In terms of investor origin, there is a clear North/South division with nearly two-thirds of Northern firms investing in training compared with just over a half of Southern firms ($p<0.001$).

At subsector level (table 6.14) out of 81 firms responding to the question in the financial intermediation sector 60 indicated they invested in training of staff, whereas only half of the 136 firms in the marketing, sales and distribution sector responded affirmatively.

Table 6.13 **Training provision for main investor categories**

		No training provided		*Training provided*			
		N	*%*	*N*	*%*	*Total N*	*Chi-square*
Organizational structure	L-TNC	54	27.0%	146	73.0%	200	Chi(2,787)=33.718
	S-TNC	68	36.6%	118	63.4%	186	p<0.001
	FE	204	50.9%	197	49.1%	401	
	TOTAL	326	41.4%	461	58.6%	787	
Origin of investor	North	145	35.2%	267	64.8%	412	Chi(1,775)=12.932
	South	174	47.9%	189	52.1%	363	p<0.001
	Total	319	41.2%	456	58.8%	775	
Market orientation	Local	248	43.7%	319	56.3%	567	Chi(2,781)=10.783
	Regional	29	26.9%	79	73.1%	108	p=0.005
	Global	42	39.6%	64	60.4%	106	
	TOTAL	319	40.8%	462	59.2%	781	
Main sectors	Primary	17	50.0%	17	50.0%	34	insignificant
	Secondary	161	42.8%	215	57.2%	376	
	Tertiary	149	38.8%	235	61.2%	384	
	TOTAL	327	41.2%	467	58.8%	794	
Share structure	WOE	210	45.2%	255	54.8%	465	Chi(1,794)=7.329
	JV	117	35.6%	212	64.4%	329	p=0.007
	TOTAL	327	41.2%	467	58.8%	794	
Start-up period	1980 and before	61	30.3%	140	69.7%	201	Chi(3,787)=18.140
	1981–1990	34	42.5%	46	57.5%	80	p<0.001
	1991–2000	137	42.3%	187	57.7%	324	
	2001 and after	94	51.6%	88	48.4%	182	
	TOTAL	326	41.4%	461	58.6%	787	

Table 6.14 **Training provision by subsector**

	No training provided		*Training provided*		
	N	*%*	*N*	*%*	*Total N*
Paper & paper products	2	22.2%	7	77.8%	9
Financial intermediation	21	25.9%	60	74.1%	81
Professional services	14	29.2%	34	70.8%	48
Food, beverages & tobacco	28	31.1%	62	68.9%	90
Auto, machinery & equipment	9	33.3%	18	66.7%	27
Transport & communication	24	35.8%	43	64.2%	67
Basic metals	9	37.5%	15	62.5%	24
Elec., gas & water supply	6	37.5%	10	62.5%	16
Chemical, plastic & rubber	43	42.6%	58	57.4%	101
Textile	11	44.0%	14	56.0%	25
Marketing, sales & distribution	65	47.8%	71	52.2%	136
Agric., fish, & nat. resources	17	50.0%	17	50.0%	34
Garment, apparel & leather	9	50.0%	9	50.0%	18
Wood products & furniture	11	52.4%	10	47.6%	21
Hotel & restaurant	19	52.8%	17	47.2%	36
Non-metalic mineral products	12	60.0%	8	40.0%	20
Publishing & media	8	61.5%	5	38.5%	13
Construction	19	67.9%	9	32.1%	28
TOTAL	327	41.2%	467	58.8%	794

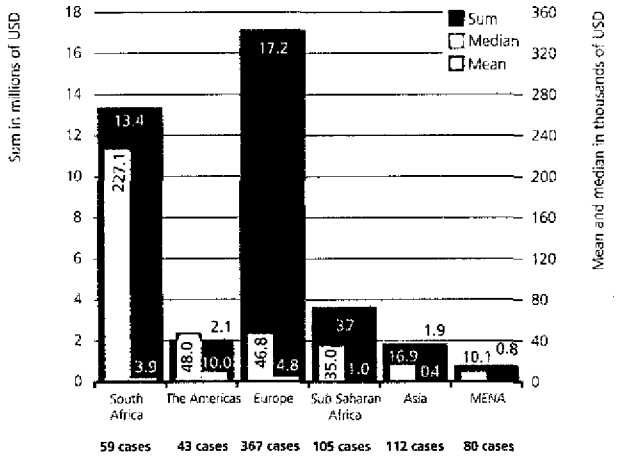
Table 6.15 **Training provision by host country**

	No training provided		Training provided		
	N	%	N	%	Total N
Côte d'Ivoire	3	8.3%	33	91.7%	36
Nigeria	17	22.7%	58	77.3%	75
Ghana	5	22.7%	17	77.3%	22
Malawi	17	27.9%	44	72.1%	61
Kenya	25	32.9%	51	67.1%	76
Tanzania, UR	19	34.5%	36	65.5%	55
Madagascar	23	35.4%	42	64.6%	65
Uganda	18	37.5%	30	62.5%	48
Mali	14	38.9%	22	61.1%	36
Ethiopia	18	46.2%	21	53.8%	39
Cameroon	17	53.1%	15	46.9%	32
Guinea	27	57.4%	20	42.6%	47
Mozambique	52	59.1%	36	40.9%	88
Senegal	27	60.0%	18	40.0%	45
Burkina Faso	45	65.2%	24	34.8%	69
TOTAL	327	41.2%	467	58.8%	794

Looking at host countries, Côte d'Ivoire and Nigeria have the highest proportion of firms reporting expenditure on training and Burkina Faso and Senegal have the lowest (table 6.15). These countries have a large share of foreign entrepreneurs that were found to invest very little in training, except in Ghana and Uganda.

As shown in annex table 6.11, the total reported annual expenditure on training amounted to over $39 million or $50,000 on average per company (among the 794 firms that responded to the question with a zero or a positive dollar amount spent on training). However, half of these companies spent less than $2,300 per year on training. Unsurprisingly, subsidiaries of large TNCs on average spent significantly more on training – $132,000. The 367 European investors together spent $17 million or just under $47,000 per firm (figure 6.28). Fifty-nine South African firms invested a total of over $13.4 million in training or $230,000 per firm. At the other extreme, investors from the Middle East and North Africa spent rather modestly on training – only $10,000 per firm.

Figure 6.28 **Expenditure on training by investor's region of origin**



When training per employee is analysed, whether a firm is the subsidiary of a large TNC remains a significant determinant of training expenditure. L-TNCs spend on average $459 per employee compared with the total sample average of $286. Service sector firms also spend more per employee on training than manufacturers and agro-industries – Almost $400 compared to $188 and $76 per worker respectively (figure 6.29 and annex table 6.12).

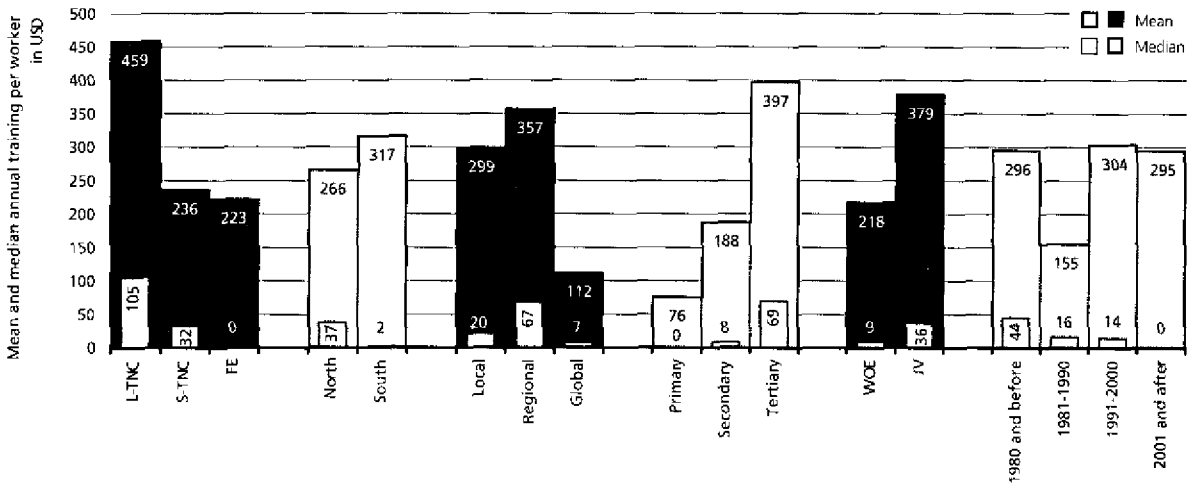
South firms show a higher average spending on training per employee than North but the much higher North median indicates that most of the South training spending is concentrated in a few firms, mostly South African and large services sector firms. Therefore, if South Africa is excluded from the sample of Southern-based investors, it is noticeable that investors originating from Northern countries invest more in training employees than Southern investors do.

The metal fabrication subsector outspends by a large margin all other subsectors on training at more than $700 per worker. However, one South African metal packaging company influences the average for this group of 24 firms. The particular company reported spending $13,000 per worker on training, which is the second highest value of the whole sample. The second biggest spending subsector is finance with an average of $581 per worker and a median of $195 indicating that there is a relatively even spread of training resources for the subsector (annex table 6.12).

The companies that spend very little on training their employees operate in the labour-intensive garment and textile sectors spending on average less than $23 per worker. Hotels and restaurants businesses and construction companies also spend little on training.

Conducting classification tree analysis for training expenditure per worker shows that for global exporters the subgroup of 41 firms from the South invests around $27 per worker compared with $165 per worker spent by 61

Figure 6.29 **Expenditure on training per employee for main investor categories**



global exporters from the North. Eleven of these 41 South companies operate in the garments sector and 9 manufacture textiles. Eighteen of these Southern investors are located in Madagascar. The 10 companies originating from China spend on average only $3 per employee on training.

Another 34 manufacturing companies that began operations between 1981 and 1990 were also pinpointed as a group investing relatively little in training. Twenty-five of the group are FE businesses, mostly SMEs operating in either the chemicals sector or food manufacturing. As noted earlier in the section on sales growth, these firms are competing with well-established, large subsidiaries of TNCs and this competition is waged through simpler lower cost and higher labour-intensive technologies.

A large cluster of 154 firms that invest significantly above average amounts in training are joint ventures operating in the services sector – $550 per employee. The 52 companies in this subgroup originating from the South outspent the 102 companies from the North by $920 to $370 per worker. Older firms, those founded before 1991, spent less than half the amount spent by more recent investors in the region – $310 compared to $700 per worker spent by more recent vintage services firms. The more-well-established European joint venture services companies spent on average noticeably less on training than others did.

A further group of 79 subsidiaries of large TNCs operating in the manufacturing and agro-business sectors also invest significantly above average in training their workforce– over $500 per worker. Of this subgroup 43 companies sell only to the local market and 24 supply regional markets. The 23 food manufacturing L-TNCs spend on average $730 per worker on training. As discussed in chapter 5, these firms typically exhibit the highest labour productivity and thus make above average investments per worker and pay above average wages, but are not expanding their payroll or growing sales to any great extent. They produce professionally branded and marketed goods that are heavily promoted in the region. Investment in training is a well-tested component of the management's strategy for securing high quality and reliable output of branded fast moving consumer goods.

University graduates in labour force

The survey sample of firms reported employing a total of nearly 26,000 university graduates, including 1,860 expatriate graduates (table 6.16). As expected, subsidiaries of large TNCs employed on average the largest number of graduates – 57. These graduates tend to be concentrated in the services sector and firms established before 1981.

To remove the size effect figure 6.30 and annex table 6.13 look at employment of university graduates as a percentage of the total workforce. The firms in the sample employ on average 26 graduates or 16 per cent of the total workforce. When the average percentage of university graduates in the workforce is calculated according to firm groupings, it is evident that this is a good proxy for skill intensity of a workforce. The group of services sector firms employs the highest proportion of graduates on average – 23 per cent. Local market-oriented firms, which include most of these services sector firms, employ a higher proportion of graduates than export-oriented firms.

There are wide variations in the proportion of graduates in the workforce employed by companies. Nigerian companies employ many more graduates than their counterparts elsewhere in the region – 78 contrasting with only seven in the average Mozambican company.

Figure 6.30 **Proportion of university graduates in the workforce for main investor categories**

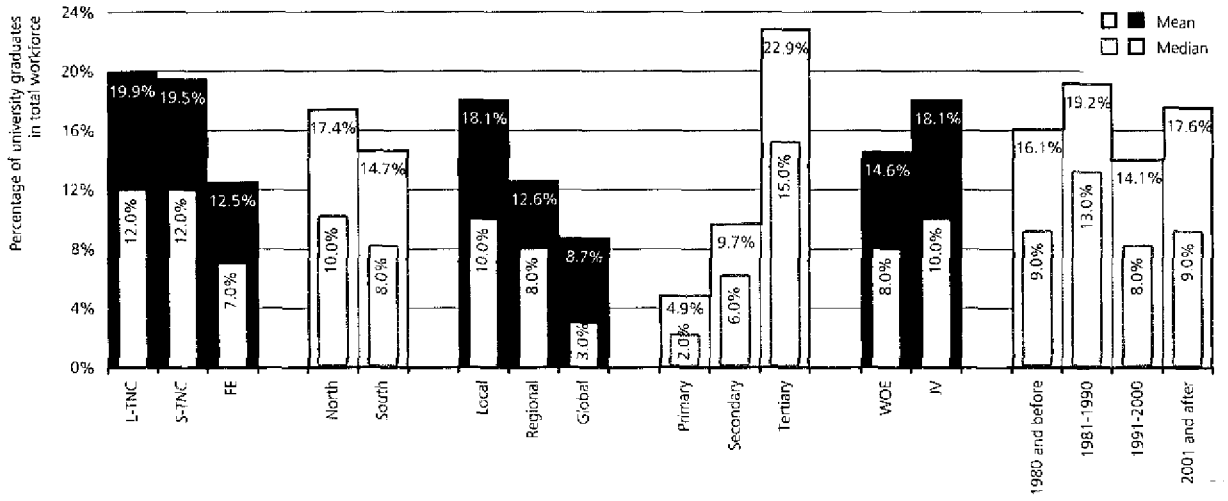


Table 6.16 **Number of university graduates and expatriate university graduates for main investor categories**

		No. of university graduates					No. of expat university graduates				
		N	*MEAN*	*MEDIAN*	*SUM*	*Sig.*	*N*	*MEAN*	*MEDIAN*	*SUM*	*Sig.*
Organizational structure	L-TNC	264	57	12	14964	F(2,1021)=	245	2.55	1	624	F(2,944)=7.651
	S-TNC	244	21	8	5221	22.297	219	2.99	1	654	p=0.001
	FE	516	12	4	6284	p<0.001	483	1.20	0	578	
	TOTAL	1024	26	5	26469		947	1.96	0	1856	
Origin of investor	North	531	31	7	16618	insignificant	492	1.69	0	833	insignificant
	South	474	21	4	9751		438	2.31	0	1013	
	TOTAL	1005	26	5	26369		930	1.98	0	1846	
Market orientation	Local	727	28	5	20024	insignificant	674	1.84	0	1241	insignificant
	Regional	137	16	7	2157		127	1.83	0	233	
	Global	135	30	6	4091		121	2.84	0	344	
	TOTAL	999	26	5	26272		922	1.97	0	1818	
Main sectors	Primary	42	15	4	617	F(2,1029)=	37	1.68	0	62	insignificant
	Secondary	484	19	5	9184	3.393	454	2.04	0	928	
	Tertiary	506	33	6	16781	p=0.034	462	1.88	0	870	
	TOTAL	1032	26	5	26582		953	1.95	0	1860	
Share structure	WOE	603	13	4	7743	F(1,1030)=	561	1.75	0	981	insignificant
	JV	429	44	9	18839	30.483	392	2.24	0	879	
	TOTAL	1032	26	5	26582	p<0.001	953	1.95	0	1860	
Start-up period	1980 and before	244	44	10	10675	F(3,1019)=	227	1.64	0	372	insignificant
	1981–1990	93	27	8	2510	4.555	85	1.49	0	127	
	1991–2000	437	18	5	8013	p=0.001	400	2.03	0	810	
	2001 and after	249	20	4	5029		233	2.31	0	539	
	TOTAL	1023	26	5	26227		945	1.96	0	1848	

Firms in Nigeria and Burkina Faso employ on average 24 and 23 per cent of graduates, while the 132 firms in the survey sample from Mozambique employ on average only 8 per cent of graduates. The inter-country variations reflect both demand side elements – variations in the knowledge intensity of the firms in the country samples – and supply side elements – the availability of different types of graduates of the required quality in the individual national labour markets (annex table 6.14).

The employment of expatriates, in part, compensates for perceived deficiencies in the domestic labour supply, but it also partly reflects a managerial preference for nationals of the owner's country of origin. Whether foreign management is able to exercise its preference is constrained by host country work-permit regulations and salary cost considerations. Some 138 Asian firms employ a total of 519 expatriate graduate employees, while more than three times that number of European firms employ just 721 expatriate graduates or 4 expatriates per Asian firm compared to 2 per European firm (table 6.17).

Investigating graduate employment more closely at a subsector level, it is evident that service companies dominate the market for graduate employees (annex table 6.14). Thus the top six subsectors in terms of graduate employment are all in the services sector – financial services (32 per cent), professional services (30 per cent),

Table 6.17 **Number of university graduates and expatriate university graduates by investor's region of origin**

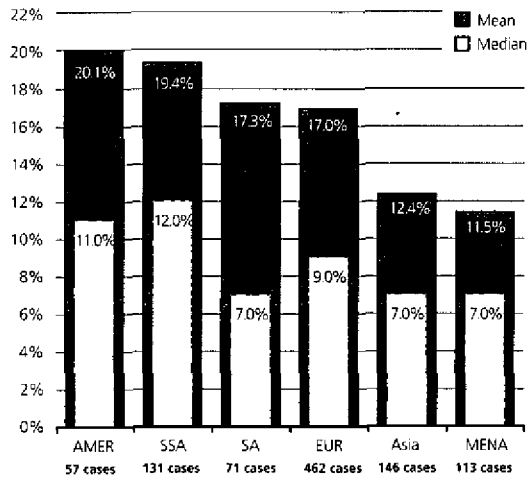
	No. of university graduates				No. of expat. university graduates				Percentage university graduates in total workforce		
	N	MEAN	MEDIAN	SUM	N	MEAN	MEDIAN	SUM	N	MEAN	MEDIAN
SSA	133	12	5	1600	125	1.35	0	169	131	19.4%	12.0%
SA	73	48	4	3534	68	2.51	0	171	71	17.3%	7.0%
MENA	113	23	5	2589	104	1.38	0	144	113	11.5%	7.0%
AMER	57	20	8	1137	52	2.23	1	116	57	20.1%	11.0%
Asia	148	14	5	2139	138	3.76	1	519	146	12.4%	7.0%
EUR	467	31	7	14682	433	1.67	0	721	462	17.0%	9.0%
TOTAL	991	26	5	25,681	920	2.00	0	1,840	980	16.2%	9.0%

telecommunications (25 per cent), publishing (24 per cent), trading companies (19 per cent) and energy (15 per cent). The least intensive employers of graduates are all export-oriented subsectors – garments (3 per cent), textiles (4 per cent), agro-industries (5 per cent) and wood products (5 per cent).

As has been noted in earlier chapters, country of investor's origin and subsector of investment activity tend to correlate and so unsurprisingly, does the proportion of graduates employed. Hence, investors from Asia and the Middle East and North Africa employ the least proportion of graduates because firms from these regions tend to be concentrated in export-oriented subsectors that are also labour-intensive (figure 6.31). European and North American investors, because they mostly focus on local markets and their operations are more capital intensive, have a significantly higher revealed preference for hiring graduates. French, Portuguese and Swiss investors, however, do not follow this trend (annex table 6.14).

Closer examination of firms that employ few graduates using classification tree analysis reveals two subgroups. The first group, as might be predicted from their spending on training, is the group of 43 Southern export-oriented manufacturers and agro-businesses. They employ on average only 4.4 per cent of graduates in their workforce. Twelve firms operate in each of the textiles and the garment manufacturing subsectors. Nine Chinese and 8 sub-Saharan African companies on average employ just 2 per cent of graduates.

Figure 6.31 **Proportion of university graduates in the workforce by investor's region of origin**



The second subgroup, employing relatively few graduates consists of 179 firms, owner-managed manufacturing firms and agro-businesses that are focused on serving the domestic market. On average, they employ 9 per cent of university graduates in their workforce. Eighteen owner-managed construction companies in the subgroup employ just 2 per cent of graduates and 13 wooden furniture manufacturers employ 5 per cent of graduates. The 60 chemicals firms and 38 food firms in the subgroup employ on average around 8 per cent of graduates.

As discussed above, firms that typically invest heavily in training are services sector joint ventures involving investors from the South. It is therefore expected that firms employing a high proportion of graduates are typically the same companies – Southern joint ventures operating in the services sector. This is strongly confirmed from the data - 66 such companies were identified that employed on average a workforce made up of 29 per cent university graduates. Forty-one are subsidiaries of TNCs. The difference between wholly foreign-owned and joint venture services firms is quite striking with WOE employing on average only 18 per cent of graduates ($p<0.001$).

The 19 joint venture services companies from the South established after 2000 employ a higher proportion of graduates – 35 per cent – compared to more well-established firms. It is unclear whether this is because more recent investors are taking advantage of the greater availability of graduates in the labour markets of the survey countries; or whether it reflects the increased knowledge intensity of new entrant services firms; or whether firms in partnership with local investors feel pressure to hire more graduates than they would normally choose to do. Certainly, the 14 joint venture companies providing mobile phone and other telecommunication services

employ on average more than 40 per cent of graduates in their workforce. The local joint venture partner is often state-owned.

Another important subgroup of firms that employ a high proportion of university graduates consists of 67 owner-managed FEs originating from the North and operating in the services sector. These firms employ on average less than 50 people and provide a wide range of professional business services. Where a local partner is involved, the proportion of graduates employed tends to rise.

Role of expatriate graduates

An analysis of the proportion of expatriates in the graduate workforce of each firm participating in the survey indicates that those that employ a high proportion of expatriate graduates fall into the groups of wholly-owned enterprise; originating from the South; and starting up in 2001 or after ($p<0.001$) (figure 6.32 and annex table 6.15). There are significant differences at a subsector level (annex table 6.16). It is particularly noteworthy that labour-intensive manufacturing concerns paying relatively low wages employ, on average, the highest proportion of expatriate graduates, while the same manufacturing subsectors – garments, textiles, wood products and construction – employ the lowest proportion of graduates in their workforce overall. For example, the 30 textile companies in the survey reporting how many graduates they employ said they employed 24 on average or 3.6 per cent of the workforce. Of these 24 graduates, more than a quarter are expatriates.

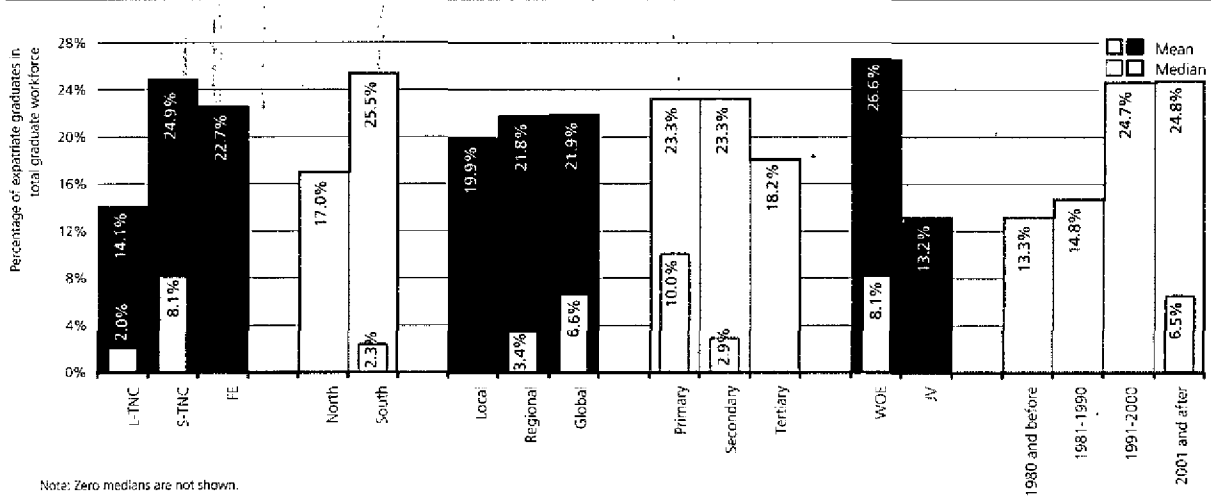
By contrast, subsectors that employ a high proportion of graduates such as financial services, telecommunications and publishing companies employ proportionally fewer expatriates. For example, the 92 financial services firms responding to the questions about the employment of graduates reported that they employed on average 48 graduates or 32 per cent of the workforce. Of these 48 graduates, only about 10 per cent are expatriates. Of course, neither of these examples provides evidence as to which type of firm is more tightly controlled by expatriates, although it is suggestive.

In terms of foreign investors' country of origin (annex table 6.16), it is noticeable that Indian, Chinese and Kenyan firms employ significantly more expatriate graduates than other nationalities do – 40 per cent, 37 per cent and 32 per cent respectively. The reasons for investors from these three countries to believe it is worthwhile incurring the extra expenses associated with employing expatriates instead of local graduates is open to conjecture. Certainly the costs of expatriation are likely to be much lower for firms from the South than those that would be incurred by Northern investors.

Further analysis of the types of firm that employ expatriates using classification tree analysis reveals some other factors underlying this choice. Some 99 manufacturing firms, established before 1991 and originating from the North, employ a significantly lower proportion of expatriates amongst their graduate employees than the sample average – less than 9 per cent compared to an average of 19 per cent of expatriates amongst graduates employed by all manufacturers. This seems to confirm that knowledge transfer mechanisms in established Northern firms are sufficiently well-developed for cost considerations to minimize the employment of expatriates.

The group of 99 Northern firms can be contrasted with the group of 79 wholly-owned enterprises originating from Asia. In the latter firms, 41 per cent of graduate employees are expatriates. These firms are heavily concentrated in the trading sector, where stock and cash flow

Figure 6.32 **Proportion of expatriate university graduates in the graduate workforce for main investor categories**



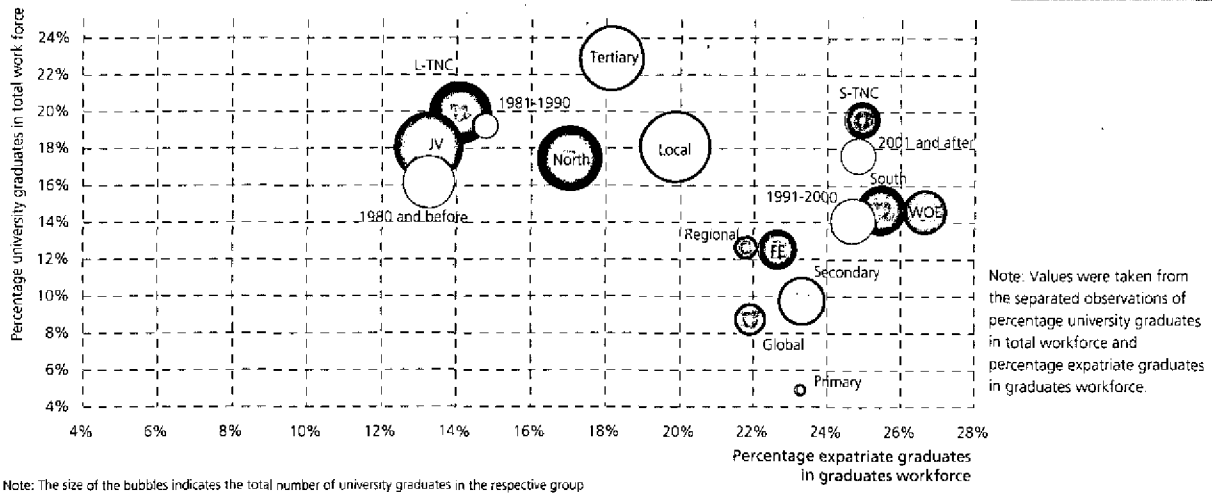
Note: Zero medians are not shown.

control is of paramount importance as is inter-personal trust in handling substantial cash based transactions. On average, more than half of the graduates employed by Asian wholly- owned trading companies are expatriates. In the services sector, more generally, about half of the graduates are expatriates.

In figures 6.33–6.34 the size of each bubble represents the total number of university graduates in the specified groupings of firms. The horizontal axis is the percentage of expatriates among the university graduates in that group, and the vertical axis is the percentage of graduates in the total workforce of the group. From figure 6.33, it can be seen that subsidiaries of TNCs, joint ventures and service firms tend to employ a larger proportion of graduates than other types of firms. Of the graduates employed in sevice firms, a smaller proportion is expatriate compared to manufacturing companies and agro-businesses. As regards organizational structure, the share of university graduates in the total work force is similar between S-TNCs and L-TNCs, yet S-TNCs rely much more on expatriate university graduates.

Firms that have arrived in Africa after 2000 tend to employ both an above average proportion of graduates and an above average proportion of expatriate graduates. figure 6.34 plots firms grouped according to subsector. It is clear that financial services firms, telecommunication companies, publishers and providers of professional services employ a large proportion of graduates. It is also clear that garment makers, textile and paper manufacturers employ a very much smaller proportion of graduates in their workforce. However, amongst the latter firms, the proportion of graduates who are expatriates is much higher than it is for services firms. The chemical sector has a proportion of graduates below the total sample average of 16 per cent but of these graduates an above average proportion is expatriate.

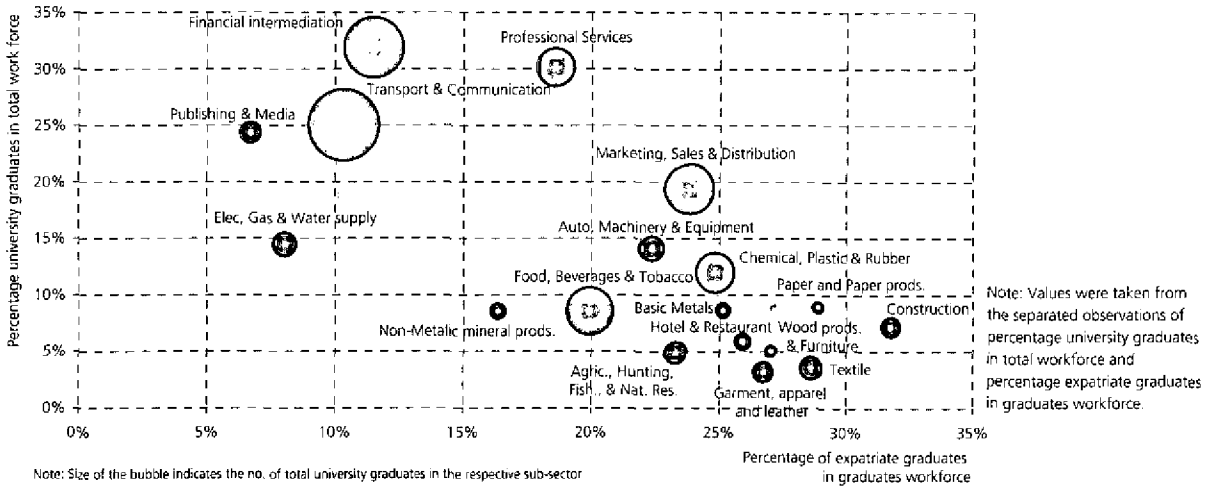
Figure 6.33 **Proportion of university graduates in the workforce and expatriate university graduates in the graduate workforce for main investor categories**



Note: Values were taken from the separated observations of percentage university graduates in total workforce and percentage expatriate graduates in graduates workforce.

Note: The size of the bubbles indicates the total number of university graduates in the respective group

Figure 6.34 **Proportion of university graduates in the workforce and expatriate university graduates in the graduate workforce by subsector**



Note: Values were taken from the separated observations of percentage university graduates in total workforce and percentage expatriate graduates in graduates workforce.

Note: Size of the bubble indicates the no. of total university graduates in the respective sub-sector

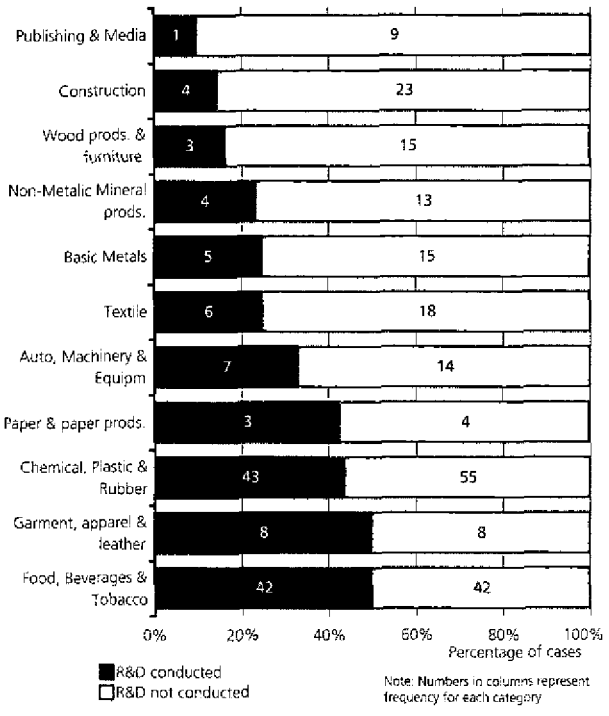
Research and development activity of manufacturing companies

A total of 342 manufacturing firms answered the question whether some form of research and development activity is undertaken. Of these, only 126 or 37 per cent responded positively (figure 6.35). It is probably reasonable to assume that the remaining 247 manufacturers – the total number of manufacturers in the sample is 589- that did not answer questions on R&D activity are not undertaking R&D in the African country where the Survey took place. This would then imply that 21.4 per cent of manufacturing firms in the Survey sample are undertaking some form of R&D in the country in which they operate.

The analysis below is based on the responses of the 109 manufacturers who spend more than $5,000 a year on R&D activity. Seventeen firms were removed from the sample as they spend less than $5,000 a year on R&D. Total expenditure on R&D of the 109 firms amounted to $24 million.

A higher proportion of North firms undertake R&D than firms originating from the South do. However, among fims investing in R&D, the 42 South firms together outspend the 59 North firms on R&D; with a total R&D expenditure of $15 million compared to $8.9 million. Seventeen R&D active global exporters invest on average just $96,000 on R&D, 33 R&D-active regional exporters invest $129,000 per firm and 68 R&D-active local market-oriented firms spend on average the highest with $300,000 per firm. This suggests those firms seeking to compete in regional and local sub-Saharan African markets invest in R&D in order to adapt products and processes to reflect consumer preferences and local input availability. Global exporters, if they carry out R&D, do it mostly elsewhere.

Figure 6.35 R&D activities of manufacturing subsectors



The manufacturing firms that invest significantly in R&D all use significant quantities of local inputs. In terms of overall R&D volume, the food and drink sector is the most important. The 39 companies in this sector spend an average of $270,000 on R&D, which adds up to $10.5 million or 44 per cent of total expenditure on R&D by the manufacturing sector. As shown in Figure 6.21, this sub-sector is a major consumer of locally sourced inputs, some 47 per cent on average. A further group of 12 agro-businesses spend on average $310,000 per firm totaling $3.7 million. By contrast, the 36 chemicals manufacturers that are research active spend on average only $110,000 per firm. This subsector consumes just 29 per cent of local inputs.

This association between high use of local content and R&D would suggest that R&D is primarily used to monitor and secure quality standards and production efficiencies. Where the competitiveness of import substitution manufactures depends on local raw material supplies, it becomes critical to cultivate self-sufficiency and "make-do" capabilities. Although wood products manufacturers and construction companies also use a high proportion of local content, there is little R&D activity in these subsectors because product development is part of the production process. Developing a prototype design for a piece of furniture or building is not ordinarily described as R&D.

Introduction of brands and managerial know-how

All respondents participating in the UNIDO survey were asked to evaluate the contribution of the foreign investor to the operations of their company in terms of use of brands and trademarks, access to know-how and access to the global value of the foreign investor.

About one fifth of all firms rate the contribution from brands and patents as being crucial to their operational success. Substantially higher importance to brands and patents is attached by subsidiaries of large TNCs (36 per cent), regional exporters (34 per cent) and agro-businesses (32 per cent). It would appear, then, that branding and the benefits of brand recognition are most important for subsidiaries of large TNCs servicing regional markets (table 6.18).

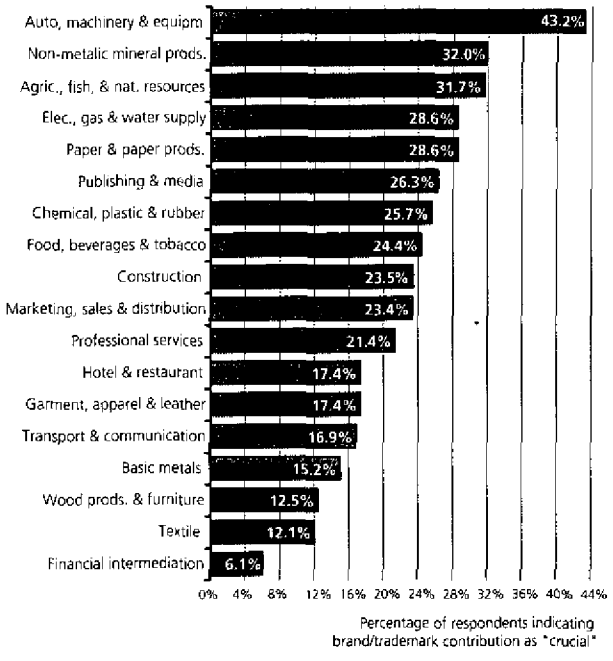
At a subsectoral level, brands and patents are important for about a third of machinery manufacturers, nieral producers, agro-businesses and energy supply companies (figure 6.36, annex table 6.17). Amongst manufac-

Table 6.18 **Foreign investor's brand or trademark contribution for main investor categories**

		Frequency of "crucial"	*Total N*	*Percentage of "crucial" in the group*
Organizational structure	L TNC	98	274	35.8%
	S TNC	55	257	21.4%
	FE	77	516	14.9%
	TOTAL	230	1047	22.0%
Origin of Investor	North	136	551	24.7%
	South	92	480	19.2%
	TOTAL	228	1031	22.1%
Market orientation	*Local*	146	730	20.0%
	Regional	49	146	33.6%
	Global	28	140	20.0%
	TOTAL	223	1016	21.9%
Main sectors	Primary	13	41	31.7%
	Secondary	125	517	24.2%
	Tertiary	93	494	18.8%
	TOTAL	231	1052	22.0%
Share structure	WOE	132	615	21.5%
	JV	99	437	22.7%
	TOTAL	231	1052	22.0%
Start-up period	1980 and before	68	254	26.8%
	1981-1990	20	96	20.8%
	1991-2000	92	436	21.1%
	2001 and after	49	252	19.4%
	TOTAL	229	1038	22.1%

turers, brands and patents are unimportant for nearly 90 per cent of wood furniture and textile companies. More surprising, financial services companies do not seem to recognize the importance of foreign endorsement through branding either. Perhaps the significance of an international corporate logo on a financial agreement or product for marketing a financial service is simply taken for granted.

Figure 6.36 **Foreign investor's brand or trademark contribution by subsector**

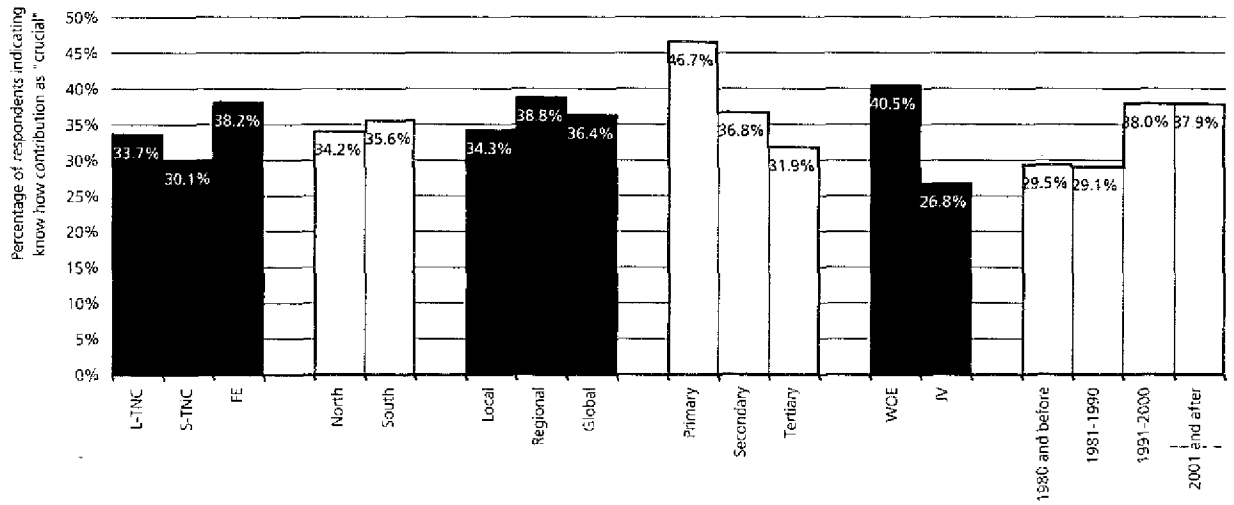


A higher proportion of firms originating from North America than from any other region rate brand power as crucial to their success. This is consistent with the notion that investors from the North seek to achieve competitive advantage in foreign markets by developing products with high brand equity and global recognition or what might be described as the "coca cola effect" (annex table 6.17).

Know-how contribution was on average rated more highly than access to brands and trademarks – by 35 per cent of firms as "crucial" compared with 22 per cent of firms rating access to brands and trademarks in a similar manner. Interestingly, 38 per cent of owner-managed firms rated access to know-how as a crucial benefit of foreign investors' involvement with the business (figure 6.37, annex table 6.18). Thirty eight per cent of firms established since 1990 valued foreign know how inputs compared to less than 30 per cent of firms established before. This suggests that well-established firms have a greater propensity to develop their own mechanisms for accessing technology, most probably through equipment suppliers who over time begin to include them in their sales visits. Another feature of evaluations of know-how inputs is the much greater importance attached to these inputs by wholly-owned firms when compared to joint ventures. It would seem that being wholly-owned confers superior access to important proprietary knowledge, or alternatively, that joint ventures are more independent of the foreign investor for know-how.

Joint venture companies in the marketing, sales and distribution sub-sectorare independent of their foreign partner – only thirteen out of 57 companies considered they received crucial know how from their foreign partners. On the other hand, paper manufacturers, wood

Figure 6.37 **Foreign investor's know-how contribution for main investor categories**

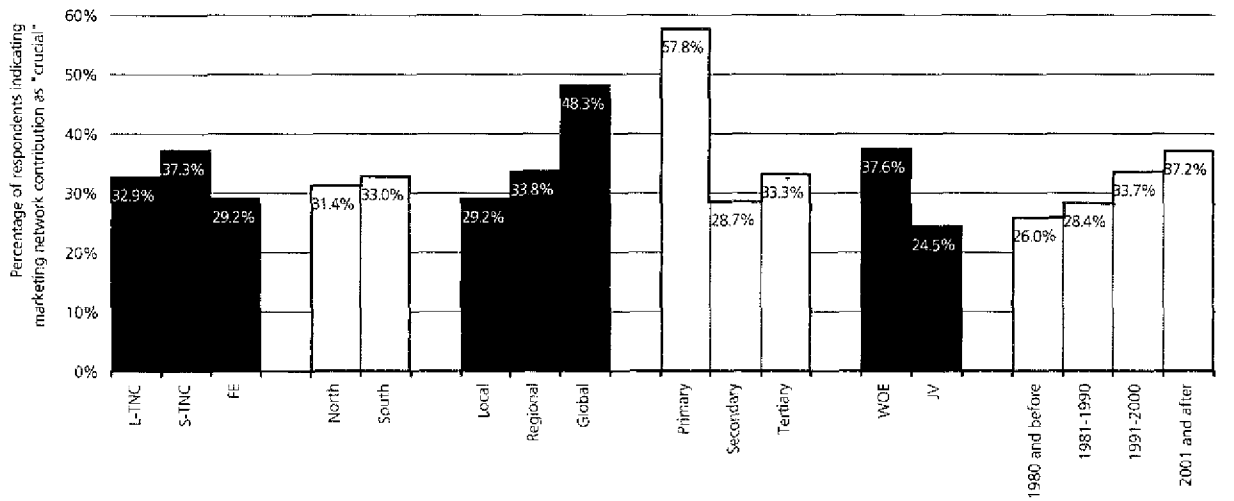


manufacturers and agrobusinesses appear to be heavily dependent on the know-how of foreign investors (annex table 6.17) Companies associated with North American investors seem to be the most dependent on know-how from their foreign partner.

The third benefit that subsidiaries were asked about was participation in the marketing network of their foreign partner (figure 6.38 and annex table 6.19). For the survey sample of firms as a whole, just under a third of firms considers access to marketing and distribution channels to be "crucial". Although this is a lower proportion of firms when compared to the rating of the importance of know-how flows from foreign investors to firms, it is noticeable that for 48 per cent of global exporters and 58 per cent of agro-businesses access to marketing channels is crucial. In the manufacturing sector, it is specifically the garments, machinery and textile subsectors that highly value access to marketing networks. In the services sector, unsurprisingly, trading companies and professional services firms value access to marketing channels.

There is also evidence of a learning curve effect in that new firms value the help they receive with marketing from foreign partners more highly than do well-established firms – 37 per cent of firms founded 2001 or after compared with just 26 per cent for firms founded before 1981 values access to marketing channels as "crucial". At a country level, there is virtually an East Africa-West Africa split, with more than a third of firms in each of the seven East African countries valuing access to marketing channels. In West Africa, only in Ghana do more than a third of firms value access to marketing channels facilitated by a foreign investor.

Figure 6.38 **Foreign investor's marketing network contribution for main investor categories**



Summary

Wage and employment growth levels

The average wage per worker is, as predicted, closely linked to the productivity of labour or (put differently) the capital intensity. Thus, the sectors and countries that are represented in the sample by a large proportion of investors that exhibited high labour productivity are also likely to have high average wages. The chapter digs to identify specific subgroups that pay the highest wages. The groups that pay high wages are also the groups that have the slowest employment growth, at below 2 per cent. The lowest wage groups, on the other hand, doubled their employment numbers within last three years. The high wage – low employment growth firms are better represented among North, L-TNC, and older groups whereas the low wage – high employment growth firms are better represented among the recently arrived, South groups.

Some of the large regional exporters that were found to be very factor efficient to compete in broader markets were also found to have stagnant employment levels.

The predicted future employment growth among the groups mirrored the past growth rates. One notable exception is Côte d'Ivoire that has experienced a reduction in employment over the past three years but where employment figures are likely to resume again.

For all groups except Asian investors the predicted average employment growth rate converges to around 10 per cent annually. Asian investors, especially those in the garments and other low value export sectors, are anticipating the highest employment growth rates for the next three years.

Re-investment

New investments made by existing investors during the past three years amounted to $2.8 billion (not including MTN-Nigeria) and the subsectors that have increased their current investments the most are communication, finance, utilities and food. In the next three years the investors in the sample plan to invest another $3 billion (again excluding MTN-Nigeria). The distribution of this for each country and each subsector is provide, and the individual data can be used by IPAs to targeting aftercare services.

In the last three years the biggest investor country for SSA has been South Africa. SSA countries have also invested a total of $226 million in each other making them the third biggest investor group behind Europe and South Africa.

The subsectors that will increase the level of investment in comparison to the last three years are communications and chemicals sectors. The food sector, which was the biggest investor in the past, will reduce its investments in the next three years from an average of $6.3 million to $4 million.

From among the survey firms, the United Republic of Tanzania and Mali are expecting the biggest jump in new investments, 189 per cent and 113 per cent respectively.

Local sourcing and local skills enhancement

Inputs sourced locally by foreign owned firms can be used as a measure of how much the local economy is linked into FDI. The main surprise was that North firms, in almost every subgroup, had a higher share of local content than South firms. This was contrary to expectation since the technological and cultural proximity was thought to make South investors more amenable to using local inputs. Within North firms, FEs had higher local content.

Investors that add lasting value through human capital development are the same, to a large extent, as those that pay high wages, have the largest proportion of skilled workers (university graduates) in the workforce and have the greatest output to labour ratios. These are the services sector and L-TNC subsidiaries in general. One outstanding group in terms of training expenditure per worker is South Africa. Some 84 South African firms spent almost as much, $13.4 versus $17.2 million, on training as 563 European investors (assuming those who did not answer the question do not spend anything on training).

The chapter identifies several investor groups with high training expenditure per worker to help IPAs identify where most of the spill over value is being created.

The skill intensity of different groups is assessed (proportion of university graduates is used) and the extent to which investors depend on foreign nationals to run the operations is also investigated. The general finding is that small manufacturing firms from South, mostly in the labour-intensive export sectors, use the least amount of university graduates in the workforce. Within these limited numbers however, they also have the highest proportion of foreign university graduates. It is suspected that these mostly FE and S-TNC operations rely on the expertise and market links of these individuals (who in the case of FE are frequently owners and family) to run them. This technical, managerial know-how of these individuals is the intellectual and networking capital that the foreign investors is contributing. This form of know-how transfer is assessed as very important to the operations of some of the firms surveyed.

These issues as well as others not yet covered will by presented in subsequent papers on the impact of FDI in SSA. There are several other indicators of impact that have been obtained through the questionnaire including the amount of effort that investors spend on providing assistance to local suppliers to increase quality, the importance of internal corporate channels for various transfers, etc. will be incorporated into future analyses.

7. Foreign trade

Export volumes

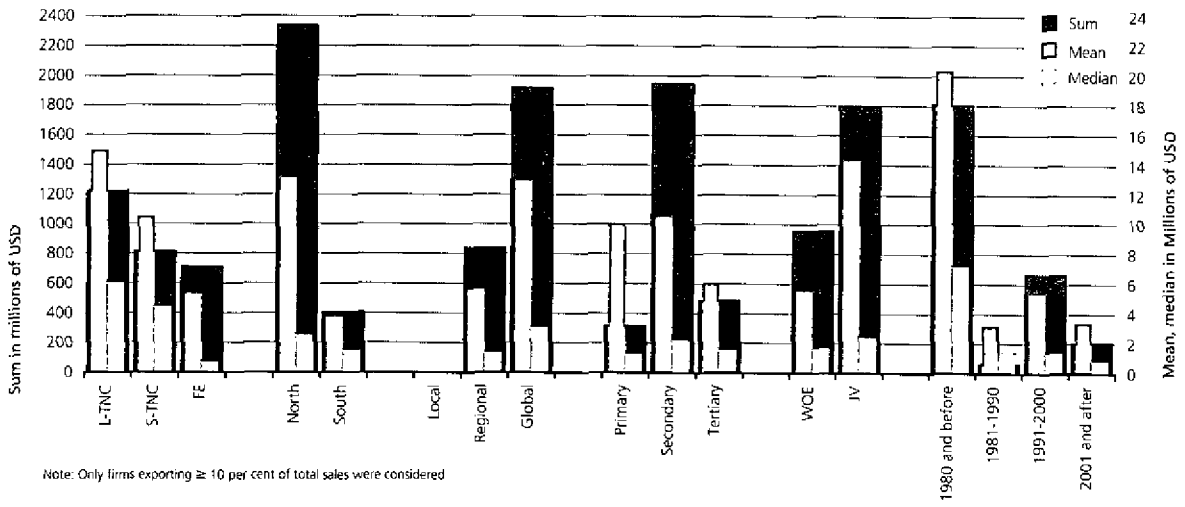
Within the sample of 1,216 firms, 322 firms reported that they exported more than 10 per cent of their sales. The total value of these exports amounted to $2.77 billion or 17.7 per cent of total sales of all companies in the sample. If the export volume of firms with less than 10 per cent of export sales is considered, the total export volume should be adjusted upwards by $67 million or 2 per cent.

Figure 7.1 and table 7.1 give the export volumes according to the six categories. The largest exporters are investors that are L-TNCs; are from the North; are global exporters and were established before 1981. Of the total export volume, $0.85 billion or 31 per cent was exported to other SSA countries, $1.06 billion was to the EU, $0.26 billion to the United States and $0.51 billion to the rest of the world.

Table 7.2 gives the total export volumes by exporting firms for each host country. Cameroon has the highest volume of exports with $572 million and Côte d'Ivoire is a close second with $521 million. Some of the exporting firms in these two countries are very large exporters. Even with twice the number of exporters in the country sample, the third largest exporting country Kenya, exported just under $300 million. The average size of exporters in Kenya is much smaller and more evenly distributed in contrast to Cameroon and Côte d'Ivoire where the bulk of the export volume is accounted for by a few large firms. Mali is a more extreme example with only nine exporting companies yet the average export volume for these firms is $33.15 million, the highest country average. Madagascar, as mentioned before, has the most export-intensive population of firms of any country in the survey with almost half of total sales of firms being exports.

Annex tables 7.1–7.2 report the top three subsectors that export from each country and the breakdown by main destinations of exports. It is striking that only two countries, Mozambique and Nigeria, do not have the food subsector amongst the top three export subsectors. Only Mali has the automobile components and machinery subsector amongst the top three exporters, but in this case it is a single company. In terms of export destination, the predominantly global exporting countries (those

Figure 7.1 **Exports for main investor categories**



Note: Only firms exporting ≥ 10 per cent of total sales were considered

Table 7.1 **Exports for main investor categories**

		N	MEAN (in USD)	MEDIAN (in USD)	SUM (in millions USD)	Sig.
Organizational structure	L-TNC	82	14,980,741	6,070,732	1,228.4	F(2,292)=3.806p=0.023
	S-TNC	78	10,509,310	4,434,961	819.7	
	FE	135	5,307,473	696,258	716.5	
	TOTAL	295	9,371,715	1,950,000	2,764.7	
Origin of Investor	North	179	13,083,591	2,529,868	2,342.0	F(1,288)=9.231p=0.003
	South	111	3,731,364	1,497,600	414.2	
	TOTAL	290	9,503,945	1,984,825	2,756.1	
Market orientation	Local	n.a	n.a	n.a	n.a	F(1,298)=6.296p=0.013
	Regional	151	5,602,262	1,346,800	845.9	
	Global	149	12,911,412	3,048,155	1,923.8	
	TOTAL	300	9,232,473	1,833,275	2,769.7	
Main sectors	Primary	32	10,040,509	1,279,047	321.3	insignificant
	Secondary	186	10,505,092	2,177,297	1,953.9	
	Tertiary	82	6,030,470	1,548,800	494.5	
	TOTAL	300	9,232,473	1,833,275	2,769.7	
Share structure	WOE	174	5,542,858	1,691,200	964.5	F(1,298)=8.940p=0.003
	JV	126	14,327,656	2,423,652	1,805.3	
	TOTAL	300	9,232,473	1,833,275	2,769.7	
Start-up period	1980 and before	89	20,367,554	7,200,000	1,812.7	F(3,293)=8.644p<0.001
	1981-1990	22	3,212,903	1,528,144	70.7	
	1991-2000	124	5,409,210	1,407,993	670.7	
	2001 and after	62	3,435,101	866,946	213.0	
	TOTAL	297	9,316,884	1,890,915	2,767.1	

Note: Only firms exporting ≥10 per cent of sales were considered.

Table 7.2 **Exports by host country**

	N	MEAN (in USD)	MEDIAN (in USD)	SUM(in millions USD)	% of total sum	Total sales (in millions USD)	% of total sales
Cameroon	23	24,871,798	10,909,359	572.1	20.7%	2,773.7	20.6%
Côte d'Ivoire	23	22,663,942	8,111,095	521.3	18.8%	1,831.9	28.5%
Kenya	49	5,998,960	4,500,000	293.9	10.6%	1,353.1	21.7%
Mali	8	33,133,616	2,432,764	265.1	9.6%	873.6	30.3%
Malawi	13	16,784,480	3,000,000	218.2	7.9%	758.7	28.8%
Madagascar	41	4,686,182	1,800,000	192.1	6.9%	391.5	49.1%
Mozambique	26	5,555,193	790,000	144.4	5.2%	717.9	20.1%
Uganda	25	5,493,770	1,640,000	137.3	5.0%	536.7	25.6%
Nigeria	10	11,039,619	6,501,776	110.4	4.0%	3,740.0	3.0%
Senegal	20	4,906,375	2,281,097	98.1	3.5%	781.2	12.6%
Tanzania, UR	24	3,847,620	491,625	92.3	3.3%	874.8	10.6%
Ghana	12	6,450,099	1,442,560	77.4	2.8%	272.7	28.4%
Burkina Faso	16	1,885,903	913,788	30.2	1.1%	385.9	7.8%
Ethiopia	6	2,532,295	563,953	15.2	0.5%	287.2	5.3%
Guinea	4	413,756	244,069	1.7	0.1%	110.3	1.5%
Total	300	9,232,473	1,833,275	2,769.7	100.0%	15,689.1	17.7%

Note: Only firms exporting ≥10 per cent of sales were considered.

Table 7.3 **Exports by subsector**

	N	MEAN (in USD)	MEDIAN (in USD)	SUM (in millions USD)	% of total sum	Total sales (in millions USD)	% of total sales
Food, Beverages & Tobacco	52	13,958,180	5,816,174	725.8	26.2%	3,176.1	22.9%
Chemical, Plastic & Rubber	42	10,685,069	1,143,225	448.8	16.2%	1,920.7	23.4%
Textile	23	16,049,559	2,375,000	369.1	13.3%	596.0	61.9%
Agric., Fish, & Nat. Resources	32	10,040,509	1,279,047	321.3	11.6%	407.1	78.9%
Transport & Communication	22	8,232,980	3,333,500	181.1	6.5%	2,697.9	6.7%
Marketing, Sales & Distribution	39	4,341,389	1,044,732	169.3	6.1%	2,113.3	8.0%
Garment, apparel & leather	23	6,057,699	3,000,000	139.3	5.0%	163.9	85.0%
Basic Metals	12	10,582,156	2,146,178	127.0	4.6%	485.9	26.1%
Elec., Gas & Water supply	3	28,891,097	1,634,810	86.7	3.1%	595.9	14.5%
Auto, Machinery & Equipm.	12	4,255,485	1,577,627	51.1	1.8%	281.3	18.2%
Non-Metalic Mineral prods.	7	6,191,450	2,518,083	43.3	1.6%	821.8	5.3%
Wood prods. & furniture	8	3,328,055	439,284	26.6	1.0%	67.7	39.3%
Professional Services	13	1,412,148	170,000	18.4	0.7%	326.4	5.6%
Others services	12	5,157,762	2,032,327	61.9	2.2%	2,035.1	3.0%
Total	300	9,232,473	1,833,275	2,769.7	100.0%	15,689.1	17.7%

Note: Only firms exporting ≥10 per cent of sales were considered.

where less than 20 per cent of exports go to SSA) are Cameroon, Ethiopia, Ghana, Madagascar, Malawi and Mali.

Table 7.3 gives the export values by subsector. Food companies, as might be expected, are the biggest exporters with 52 firms exporting a total of $726 million. The export volume per company is one of the largest of all subsectors and the highest median value demonstrates they are all relatively large. Eight firms are located in Côte d'Ivoire and contribute 40 per cent of the exports from this subsector. Another seven firms are located in Uganda and make up 13 per cent of total exports in the food subsector.

The most export-intensive subsectors are: textiles (62 per cent of total sales are exports); agro-businesses (79 per cent are exports) and garments, apparel and leather (85 per cent are exports). As noted previously, textiles and garments manufacturers are the fastest growing subsectors, both in terms of expected future output and future investment.

Chemicals - manufacturers are also significant exporters. Forty-two firms exported a total of almost $450 million or 23.44 per cent of sales. The size distribution of these exporters is uneven. Three very large firms in Cameroon export 56 per cent of the subsector's output by value, while ten firms in Kenya export just 7 per cent.

Table 7.4 presents export figures by region of investor's origin. More than half of the exporting firms are of European origin and they account for more than 80 per cent of total export volume or $2.2 billion. European investors, in aggregate, thus export 22 per cent of their total output of $10 billion. In general, the larger exporting companies in the survey sample tend to be located in Francophone West African countries. Within the group of 149 European exporters, 19 exporters based in Cameroon, 20 in Côte d'Ivoire and 2 in Mali export 58 per cent of the European total, or almost $1.3 billion. In Mali, one large European textile company exports $250 million of goods.

The next largest exporting group by region of origin, with a total export volume of $217 million, consists of 51 Asian companies that export 25 per cent of their total sales. Some 55 per cent of the export value of Asian investors is attributable to the garment subsector. One third of the 51 exporters come from China/Hong Kong SAR but account for a mere 15 per cent of the total export volume of the group. At the other extreme, four Singaporean companies export $75 million, accounting for 34 per cent of the subgroup exports and four Sri Lankan garment firms account for a further 24 per cent of the total.

There are 29 export-oriented investors from SSA, although they only contribute 3 per cent of the total export volume of the survey sample. Eight of these firms are from Mauritius and contribute 41 per cent of the $81 million of exports of SSA origin investors.

Expectations of export growth

The past and future export growth rates of the six main groups are shown together in figure 7.2. Groups above the 45° line will grow exports faster in the next three years than they have in the past. Annex table 7.3. gives the values of the mean and median percentage growth rates, and the total value of exports for each main group: achieved and forecast over three years.

The reported forecast annual export growth rate is a strong 34 per cent. This is about five percentage points lower than the export growth of 39 per cent recorded over the last three years. In monetary terms this represents an annual increase of $347 million in exports or more than $1 billion over three years for the sample. Taking into consideration that one third of exporters did not answer the question about export growth, the real increase in volume could even be higher.

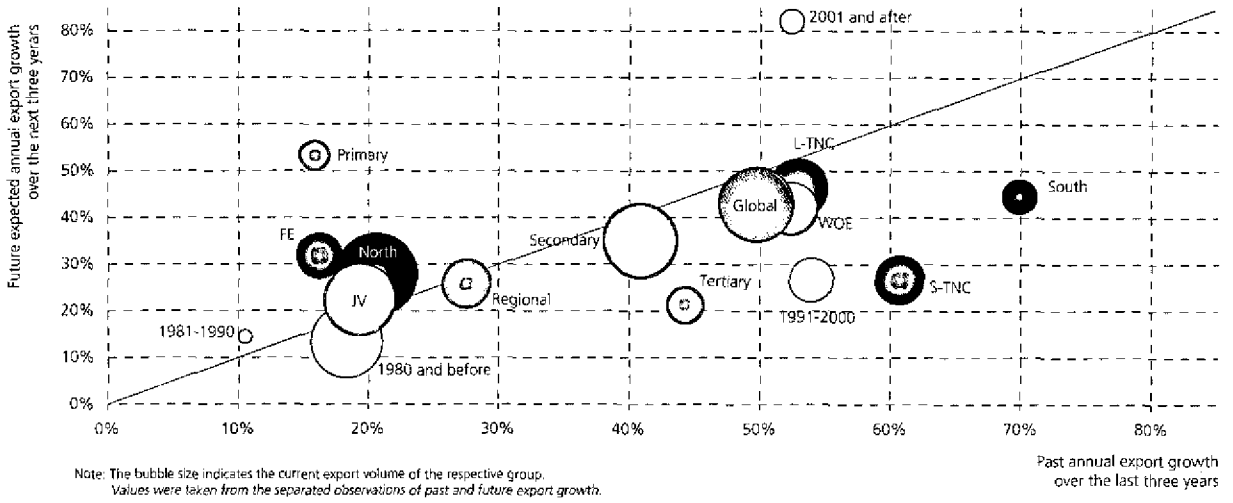
Figure 7.2 highlights the disparities between the groups. The hyper-growth firms, discussed in chapter 5, overlap significantly with the high performance exporters. These are firms that have been established since 2000, mostly from the South and are predominantly global exporters. Most are wholly-owned subsidiaries of TNCs. The exporters that are expecting more limited growth in overseas sales are typically firms from the North, that prefer joint ventures with local partners, are more likely to be regional than global exporters and were founded before 1990. The age effect is particularly significant in terms of predicted future export growth. For example, 56 firms established after 2000 are predicting export growth of over 80 per cent, while 73 firms founded before 1981 only expect export growth of 13 per cent although predicting to produce a larger increment in export volumes because on average older firms are larger than new starts.

Table 7.4 **Exports by investor's region of origin**

	N	*MEAN (in USD)*	*MEDIAN (in USD)*	*SUM (in millions USD)*	*% of total sum*	*Total sales (in millions USD)*	*% of total sales*
Europe	149	14,841,934	2,700,623	2,211.4	81.0%	9,957.3	22.2%
Asia	51	4,254,908	1,072,974	217.0	8.0%	865.4	25.1%
The Americas and Oceania	29	4,912,843	2,450,000	142.5	5.2%	784.4	18.2%
Sub Saharan Africa	29	2,804,274	1,070,300	81.3	3.0%	866.7	9.4%
Middle East and Northern Africa	20	2,360,243	1,287,984	47.2	1.7%	621.2	7.6%
South Africa	5	6,016,609	386,486	30.1	1.1%	2,241.0	1.3%
Total	283	9,644,992	2,000,000	2,729.5	100.0%	15,336.1	17.8%

Note: Only firms exporting ≥10 per cent of sales were considered.

Figure 7.2 **Past and future export growth rates for main investor categories**



Note: The bubble size indicates the current export volume of the respective group.
Values were taken from the separated observations of past and future export growth.

At a subsector level, export growth looks promising in food, garments and auto components and machinery (annex table 7.4). In the food and drink sector, while there is a growth in the average figures for export, the total export figure in dollar value is negative due to dramatic export declines of $180 million annually observed for seven companies in Côte d'Ivoire. In terms of country exporting performance, it is clear that without Côte d'Ivoire the total sample's export volume would not have declined at $96m but increased at $100m (annex table 7.5). However, Côte d'Ivoire is predicted to achieve a significant turnaround from a decline in exports over the last three years to a strong recovery over the next three years. In most of the other countries the expected future export volume growth exceeds the past volume growth. Kenya and Madagascar are expecting a net growth of greater than $60 million in manufactured exports in each of the next three years.

Regional exporters

Of the 338 exporters in the sample (of which 322 answered the question on what percentage of sales are exports), 171 were classified as regional market seekers because more than half of their exports go to other SSA countries. Around $850 million, or 31 per cent of the sample total export volume of $2.8 billion are regional exports. Tables 7.5–7.6 present the breakdown of regional exporters by host country and subsector. Of the 171 companies, only 124 declared the actual value of their exports.

The top ten regional exporters account for nearly 60 per cent of total SSA export volume. All ten originate from the North and were established before 1981. Five are located in Côte d'Ivoire. More than 40 per cent of regional exports originate from investors in Côte d'Ivoire and are valued at $300 million. The largest number of foreign investors located in any one country exporting to SSA is in Kenya.

Table 7.7 gives the top three destinations of regional exporters for each host country. This ranking is based on a score derived from investors' rankings of export destinations. Regional investors generally export a smaller percentage of their output than global exporters do, on average, no more than a third compared to 80 per cent by the latter. Regional market seekers are in essence following the classic learning-curve export marketing growth path, building out from an established local market position to systematically develop neighbouring markets. All without exception market primarily to neighbours. None of the firms surveyed, for example, in East Africa considered any West African country to be a top-three export destination or vice versa.

Although the regional market seekers still sell the bulk of their output in the host economy, they show significant differences to pure local market-seeking firms. As observed in previous chapters, regional market seekers are usually larger than local market seekers. For example, their average sales are higher – $18.5 million compared to $12.6 million (see figure 4.25 and figure 4.27). Also, in terms of employment, regional market seekers employ on average 70 more people than the average local market seeking firm. Size differences between local and regional market seekers are higher for firms from the North than for Southern firms. Northern regional market seekers have on average sales almost double that of Northern local market seekers and four times that of Southern regional market seekers (see figure 4.30).

A third of regional exporters are more than 25 years old, compared to only 23 per cent of local market seekers (figure 4.64). There is some evidence that these well-established regional exporters are experiencing market saturation. For example, the volume of their exports has decreased over the last three years. They export on average a smaller percentage of sales than the whole

Table 7.5 **Regional exports by host country**

	N	N useable for export volume analysis	MEAN (in USD)	SUM (in USD)	% of total sum
Côte d'Ivoire	18	14	21,625,629	302,758,804.4	40.5%
Mozambique	12	8	13,575,373	108,602,981.5	14.5%
Kenya	30	23	4,213,796	96,917,299.9	13.0%
Cameroon	14	10	8,757,037	87,570,369.7	11.7%
Senegal	17	15	2,987,287	44,809,301.1	6.0%
Uganda	17	14	2,464,809	34,507,328.9	4.6%
Burkina Faso	14	10	2,448,120	24,481,198.2	3.3%
Tanzania, UR	14	10	1,661,606	16,616,059.7	2.2%
Mali	7	4	1,989,028	7,956,113.9	1.1%
Nigeria	5	5	1,587,925	7,939,624.8	1.1%
Malawi	7	4	1,794,562	7,178,246.7	1.0%
Ghana	8	4	1,552,346	6,209,382.6	0.8%
Madagascar	2	1	1,185,604	1,185,603.8	0.2%
Guinea	2	1	311,371	311,370.7	0.0%
Ethiopia	4	1	58,490	58,490.0	0.0%
Total	171	124	6,025,018	747,102,175.9	100.0%

Note: Considered was only the group of regional market seekers in the sample. The total sample's regional exports are by $103m higher due to relatively small regional exports of global and local group.

Table 7.6 **Regional exports by subsector**

	N	N useable for export volume analysis	MEAN (in USD)	SUM (in USD)	% of total sum
Food, Beverages & Tobacco	30	24	10,552,035	253,248,848.1	33.9%
Chemical, Plastic & Rubber	43	33	5,458,387	180,126,770.9	24.1%
Elec., Gas & Water supply	3	3	28,891,097	86,673,289.5	11.6%
Transport & Communication	11	8	5,924,218	47,393,743.2	6.3%
Marketing, Sales & Distribution	25	15	3,045,029	45,675,431.7	6.1%
Non-Metalic Mineral prods.	6	6	7,100,521	42,603,128.4	5.7%
Basic Metals	9	8	5,182,652	41,461,213.2	5.5%
Auto, Machinery & Equipm.	11	8	1,518,615	12,148,923.4	1.6%
Agric., Fish, & Nat. Resources	6	4	2,441,494	9,765,975.7	1.3%
Paper & paper prods.	3	3	3,048,039	9,144,118.3	1.2%
Garment, apparel & leather	4	3	1,001,969	3,005,905.7	0.4%
Others	20	9	1,761,648	15,854,827.8	2.1%
Total	171	124	6,025,018	747,102,175.9	100.0%

Note: Considered was only the group of regional market seekers in the sample. The total sample's regional exports are by $103m higher due to relatively small regional exports of global and local group.

group of regional market seekers: 28 per cent compared to the average of a third of sales for the whole group. By contrast, a group of recently established regional market seeking FEs, although much smaller in size than the older firms, already exports nearly half of their output. They reported being attracted by regional marketing opportunities rather than domestic market considerations alone.

These start-ups, founded after 1990, are mainly Southern firms and are concentrated, much like their predecessors, in the chemicals and food sectors. Compared to the older regional market seekers, that are highly concentrated in three entrepôt countries: Côte d'Ivoire, Kenya and Senegal, the new regional market seekers are much more evenly dispersed over the fifteen African countries. Partly this reflects the opening up of economies hitherto closed to foreign investment. For example, all regional market seekers in Ethiopia, Ghana and Guinea started business operations after 1990.

A particularly strong effect seems to emanate from the two East African Community (EAC) economies of Uganda and the United Republic of Tanzania, which are now the top locations for regional companies established after 1990. Twenty-four regional companies have set up in business there since 1990 compared to only seven established before 1990. Mozambique has also seen a considerable inflow of regional market seeking firms, mostly of South African and Portuguese origin. Kenya, in contrast, has lost some of its attractiveness as a regional hub. In Francophone West Africa, the attractiveness of Côte d'Ivoire and Senegal is still strong even for the newer generation of regional market seekers.

The new regional market seeking firms are still in the growth phase. They have experienced considerable past

Table 7.7 **Top regional export destinations**

Country of investor	*Top destination*	*Top-3 export destination*
Burkina Faso	Niger	Niger, Mali, Benin
Cameroon	Chad, Gabon	Chad, Gabon, Central African Republic
Côte d'Ivoire	Burkina Faso	Burkina Faso, Mali, Senegal
Ethiopia	n.a.	n.a.
Ghana	Togo	Togo, Nigeria, Burkina Faso
Guinea	Sierra Leone	Sierra Leone, Mali, Senegal
Kenya	Uganda	Uganda, Tanzania, UR, Rwanda
Madagascar	Comoros	Comoros, Mozambique, Mauritius
Malawi	South Africa	South Africa, Zimbabwe, Zambia
Mali	Senegal	Senegal, Burkina Faso, Guinea
Mozambique	South Africa	South Africa, Zimbabwe, Malawi
Nigeria	Ghana	Ghana, Niger, South Africa
Senegal	Mali	Mali, Guinea, Mauritania
Tanzania, UR	Uganda	Uganda, Kenya, Malawi
Uganda	Burundi	Burundi, Congo, Rwanda

Note: In the questionnaire, respondents were asked to rank the three top-destinations of their exports. The first destination was assigned a score of "3", the second destination a score of "2" and the third destination a score of "1". The top-3 export destination are then ranked as: Total score = (number of selections as a first destination times "3") + (number of selections as a second destination times "2") + (number of selections as a third destination times "1"). The scores are not shown in the table.

sales growth and are expecting to double their sales within only three years. Pure local market seekers of the same age are less optimistic about future sales. The regional exporters that started after 1990 have very optimistic investment growth expectations: in less than four years they plan to invest the equivalent of their current annual sales.

Global exporters

The total volume of global exports by the sample firms was $1.84 billion. The 167 global market-seeking firms sold $1.79 billion of goods. Firms with less than 10 per cent of export sales exported the remainder. Export volumes were highly concentrated with the largest ten global exporters accounting for more than $1 billion or nearly 60 per cent of total global exports. All of the top ten global exporters are involved in processing natural resource-based products: fish, cocoa, tobacco, etc.

Tables 7.8–7.10 show the distribution of the global export firms and their export values by host country, subsector and region of origin. Of the top ten global exporters, three are located in Cameroon, while nine firms in Cameroon contribute more than a quarter of the total global export value. Companies in Malawi and Mali are also large global exporters: one large textile firm in Mali generates nearly 14 per cent of the global exports of the sample and in Malawi, large tea and tobacco exporters contribute about 10 per cent of global exports.

Madagascar, which has the largest number of firms involved in global exporting, contributes exports of less than 10 per cent to the sample total. Of the $167 million of global exports from Madagascar, 24 firms in the textiles and garments subsectors export $100 million.

In general, there are two types of global exporters. The first type is very large, well-established, European in origin, involved in natural resources processing and mostly located in Francophone West Africa. Thus the 35 global exporting firms that started operations before 1981, achieved $1.1 billion of export sales, or more than 62 per cent of the survey sample's global exports. Firms of European origin exported $1 billion worth of goods. Seven of these pre-1981 exporters are located in Cameroon, six in Kenya and four in Côte d'Ivoire.

The second type of global exporter is small in size (according to sales and book value), recently arrived, from the South and operates in the textile, garments and food subsectors. The post-2000 firms' export volume is much lower at just $190 million. Asian global exporters constitute the majority of these newly established firms. Of the 56 newly established exporting firms, 28 come from Asia and only 16 firms are from Europe. These Southern and, in particular Asian firms play an increasingly important role with global sales of $95 million or nearly half of exports from this group of 'young' exporters. The most important subsectors are garments and textiles contributing a total export volume of $160 million. The young exporters are locating in a few East African economies, particularly Madagascar and to a lesser extent Kenya, Mozambique and the United Republic of Tanzania. In Madagascar, the majority of garment and textile firms originate from China and Hong Kong SAR.

The dynamics of global-market seeking FDI in Eastern Africa do not seem to be affecting Francophone West Africa. Only seven of the 56 newly established global exporters have started their operations in Western Africa. There have been no new global-market seeking firms established in Cameroon or Côte d'Ivoire since 1997.

Table 7.8 **Global exports by host country**

	N	N useable for export volume analysis	MEAN (in USD)	SUM (in USD)	% of total sum
Cameroon	9	9	53,075,478	477,679,299	26.7%
Mali	3	3	82,003,367	246,010,100	13.7%
Malawi	10	8	25,059,859	200,478,876	11.2%
Madagascar	44	36	4,628,988	166,643,575	9.3%
Côte d'Ivoire	7	7	23,371,032	163,597,221	9.1%
Kenya	22	21	6,611,613	138,843,879	7.8%
Uganda	11	9	9,802,597	88,305,464	4.9%
Nigeria	6	5	17,027,921	85,139,603	4.8%
Ghana	6	6	11,778,667	70,672,002	3.9%
Tanzania, UR	13	11	5,934,606	65,280,668	3.6%
Senegal	3	3	13,439,855	40,319,565	2.3%
Mozambique	18	17	1,961,911	33,352,491	1.9%
Ethiopia	7	4	2,526,285	10,105,140	0.6%
Burkina Faso	5	3	936,813	2,810,438	0.2%
Guinea	3	3	417,386	1,252,157	0.1%
TOTAL	167	145	12,348,210	1,790,490,479	100.0%

Note: Considered was only the group of global market seekers in the sample. The total sample's global exports are by $49m higher due to relatively small global exports of "regional" and "local" group.

Table 7.9 **Global exports by subsector**

	N	N useable for export volume analysis	MEAN (in USD)	SUM (in USD)	% of total sum
Food, beverages & tobacco	25	23	17,369,199	399,491,578	22.3%
Textile	27	21	17,036,675	357,770,175	20.0%
Agric., fish, & nat. resources	32	26	11,363,916	295,461,810	16.5%
Chemical, plastic & rubber	4	3	85,572,569	256,717,707	14.3%
Garment, apparel & leather	20	20	6,810,806	136,216,125	7.6%
Marketing, sales & distribution	19	16	6,563,213	105,011,412	5.9%
Basic metals	3	3	28,492,096	85,476,287	4.8%
Transport & communication	13	11	7,486,953	82,356,488	4.6%
Wood products & furniture	6	6	3,478,387	20,870,320	1.2%
Professional services	6	6	2,565,683	15,394,101	0.9%
Others	12	10	3,572,448	35,724,476	2.0%
TOTAL	167	145	12,348,210	1,790,490,479	100.0%

Note: Considered was only the group of global market seekers in the sample. The total sample's global exports are by $49m higher due to relatively small global exports of "regional" and "local" group.

Table 7.10 **Global exports by investor's region of origin**

	N	N useable for export volume analysis	MEAN (in USD)	SUM (in USD)	% of total sum
Europe	87	76	19,130,894	1,453,947,943	81.9%
Asia	43	36	5,512,682	198,456,566	11.2%
Sub-Saharan Africa	14	12	3,228,917	38,747,001	2.2%
The Americas and Oceania	10	9	3,910,315	35,192,838	2.0%
Middle East and Northern Africa	8	7	3,646,966	25,528,764	1.4%
South Africa	1	1	24,400,000	24,400,000	1.4%
TOTAL	163	141	12,597,682	1,776,273,113	100.0%

Note: Considered was only the group of global market seekers in the sample. The total sample's global exports are by $49m higher due to relatively small global exports of "regional" and "local" group.

Export markets

The long-established trading links between Africa and Europe persist. Nearly 60 per cent of the total output of global market seeking enterprises is exported to the EU (table 7.11). The food sector exports $365 million to the EU, more than 90 per cent of all global exports of this subsector. Major exporters from this sector are located in Côte d'Ivoire ($119 million), Uganda ($69 million) and Ghana ($60 million). In these countries, the global output of the food sector accounts for more than 70 per cent of their global exports.

Table 7.12 indicates the importance of Europe as the export destination for companies in Cameroon, Côte d'Ivoire, Ghana and Uganda. Cameroon, with the highest value of global exports, 85 per cent of which is destined for the EU, is unusual. The main export sectors are not food but chemicals, basic metals and agricultural and forest products. Exports from just these three sectors are valued at more than $350m.

It is evident from table 7.13 that global exporters can be divided into two groups according to target export market. Smaller investors from Asia and MENA primarily target the USA. All other investors, particularly large investors, target Europe. At a subsectoral level, it would seem that textile manufacturers are exporting to Asia. As the second most important subsector in terms of value of exports, two-thirds of exported output goes to mainly Asian markets, yet this pattern is distorted by the volume of exports from one very large textile company in Mali. The 20 remaining textile-exporting companies are different – 46 per cent of their exports go to Europe, 22 per cent to the United States and 32 per cent to the rest of the world.

The subsector with a considerable export volume and significant exports to the United States is garment manufacturing. The value of garment exports to the United States is $110 million, which represents more than 80 per cent of total exports of the garment sector. Companies participating in the survey reported that in terms of sales the garment sector was the second fastest growing subsector last year and were forecasting that it will on average continue to grow at more than 60 per cent annually.

The African Growth and Opportunity Act (AGOA), promulgated in 2000 by the United States government seems to have spurred the rapid growth of export volumes in the garment and textile sector.[21] There are 24 companies in the sample whose principal FDI location decision criterion was based on seeking the benefits of AGOA agreements for easy access to the United States markets. These companies in the textiles or garment sectors export more than 90 per cent of their output to the United States. All of them indicated that AGOA was "very important" or "crucial" for their operations. Over the past three years, these companies have on average more than doubled their exports every year. Although these AGOA companies have somewhat reduced their expectations, they still anticipate doubling export growth rates in the future.

The 24 AGOA-incentivized companies have together produced $143 million of sales last year, including exports of $131 million to the United States. They have invested a total of $66 million in productive capacity and paid out some $22.7 million in wages. They are planning to invest a further $39 million in facilities and expect employment growth of 19 per cent per year over the next three years.

In the survey sample only a few countries have so far benefited from AGOA-driven FDI. Fourteen of the 24 AGOA-incentivized companies have their business operations in Madagascar, seven in Kenya, two in Malawi and one firm in Ethiopia. Significant employment generation has occurred in Madagascar, where the 14 AGOA companies have created 24,200 jobs, and in Kenya 10,900 new jobs by seven AGOA companies. This AGOA effect accounts for half of the employment creation by survey sample firms in Madagascar and for nearly 30 per cent of employment in Kenyan firms covered in the survey. The United States export volume of AGOA companies in Madagascar and Kenya is in the range of $60–70 million per year and accounts for 32 per cent of total regional and global exports from Madagascar and 23 per cent from Kenya.

The impact of the 24 AGOA-incentivized companies on the output statistics of the total sample is negligible except for employment. The total sales and book value of these 24 companies account for only 0.9 per cent and 0.3 per cent of the total sample's sales and book value. In striking contrast, the employment impact is very significant. 37,000 new jobs have been created or nearly 10 per cent of the total of employment associated with all companies participating in the survey.

The overall impact of AGOA-motivated investment on employment is best evaluated through employment creation by global exporters. Some 167 global exporters sustain 137,400 jobs or 37 per cent of total employment by survey firms. Without the 24 AGOA companies, the

[21] AGOA was originally supposed to come to an end in the year 2008. The AGOA Acceleration Act of 2004 extended the period to 2015. In addition to the existing United States General System of Preferences program that has been in operation since 1976, AGOA provides now duty-free access for textiles and clothing products that were hitherto considered import-sensitive and thus statutorily excluded. Currently, there are 37 countries in sub-Saharan Africa benefiting from AGOA membership: 24 of them are duly qualified for textile and apparel benefits (Office of the United States Trade Representative, 2004). The fact whether sub-Saharan Countries are, or remain, eligible for the benefits of AGOA is based on their progress in meeting criteria set out in the Act: the establishment of a market-based economy, the rule of law, the elimination of barriers to United States trade and investment and others. By the same token, African exporters have to follow a set of rules of origin that are particularly strict for the clothing sector. For example, the apparel has to be assembled in eligible countries, with the yarn and fabric to be made either in the United States or in other eligible African countries. Beyond that, countries must have an effective visa system as well as enforcement procedures to prevent unlawful trans-shipment, and the use of counterfeit documents (Mattoo et al., 2002).

Table 7.11 **Global export destinations by subsectors**

	N	% of total exports by value going to... Europe	US	Rest of the world	Total exports (in USD)
Food, beverages & tobacco	23	91.3%	2.8%	5.9%	399,491,578
Textile	21	28.3%	6.9%	64.8%	357,770,175
Agric., fish, & nat. resources	26	43.6%	2.8%	53.6%	295,461,810
Chemical, plastic & rubber	3	78.2%	19.4%	2.4%	256,717,707
Garment, apparel & leather	20	13.3%	80.5%	6.2%	136,216,125
Marketing, sales & distribution	16	57.0%	24.2%	18.8%	105,011,412
Basic metals	3	99.6%	0.0%	0.4%	85,476,287
Transport & communication	11	31.4%	12.9%	55.7%	82,356,488
Wood products & furniture	6	87.6%	2.0%	10.5%	20,870,320
Professional services	6	36.7%	53.5%	9.8%	15,394,101
Auto, machinery & equipment	4	65.8%	8.2%	26.0%	5,955,200
Others	6	61.3%	30.7%	8.0%	29,769,276
TOTAL	145	57.6%	14.4%	28.0%	1,790,490,479

Note: Considered was only the group of global market seekers in the sample. The total sample's global exports are by $49m higher due to relatively small global exports of "regional" and "local" group.

Table 7.12 **Global export destinations by host country**

	N	% of total exports by value going to... Europe	US	Rest of the world	Total exports (in USD)
Cameroon	9	85.5%	13.9%	0.7%	477,679,299
Mali	3	20.1%	0.0%	79.9%	246,010,100
Malawi	8	30.0%	2.8%	67.2%	200,478,876
Madagascar	36	51.9%	41.9%	6.3%	166,643,575
Côte d'Ivoire	7	86.7%	8.0%	5.3%	163,597,221
Kenya	21	32.9%	56.0%	11.1%	138,843,879
Uganda	9	85.4%	4.2%	10.4%	88,305,464
Nigeria	5	56.3%	6.4%	37.3%	85,139,603
Ghana	6	80.3%	16.9%	2.8%	70,672,002
Tanzania, UR	11	47.0%	3.4%	49.6%	65,280,668
Senegal	3	22.7%	1.2%	76.1%	40,319,565
Mozambique	17	32.3%	3.9%	63.9%	33,352,491
Ethiopia	4	54.5%	0.9%	44.7%	10,105,140
Burkina Faso	3	54.5%	1.4%	44.1%	2,810,438
Guinea	3	71.7%	6.9%	21.4%	1,252,157
TOTAL	145	57.6%	14.4%	28.0%	1,790,490,479

Note: Considered was only the group of global market seekers in the sample. The total sample's global exports are by $49m higher due to relatively small global exports of "regional" and "local" group.

Table 7.13 **Global export destinations by investor's region of origin**

	N	% of total exports by value going to... Europe	US	Rest of the world	Total exports (in USD)
Europe	76	62.9%	6.6%	30.5%	1,453,947,943
Asia	36	24.5%	67.0%	8.5%	198,456,566
Sub-Saharan Africa	12	64.3%	21.3%	14.4%	38,747,001
The Americas and Oceania	9	63.5%	28.1%	8.5%	35,192,838
Middle East and Northern Africa	7	31.0%	40.5%	28.5%	25,528,764
South Africa	1	0.0%	0.0%	100.0%	24,400,000
TOTAL	141	57.3%	14.5%	28.2%	1,776,273,113

Note: Considered was only the group of global market seekers in the sample. The total sample's global exports are by $49m higher due to relatively small global exports of "regional" and "local" group.

global exporters' contribution to total employment would drop to 100,000 or 27 per cent. This effect is most dramatic in terms of employment generation by new investors after 2000. Global exporters investing after 2000, generated 34,000 jobs or 58 per cent of all new jobs created by survey firms arriving after 2000. If the companies that were motivated by AGOA had not invested, then job creation by global exporters would have been just 12,000 or one third of jobs created by firms arriving after 2000.

AGOA has not yet stimulated the new FDI detected in most of the survey countries, especially in West Africa. If AGOA was to spread its influence on location decisions by investors beyond a small number of east African countries its impact on employment generation could be immense. It is possible, however, but difficult to trace from our data, that older established firms have already been encouraged to increase export volumes to the United States markets or may be planning to do so.

Global vs. regional exporters

In the survey sample there are 171 regional exporters and 167 global exporters. In terms of volume, global exports account for nearly two-thirds of the total sample's export volume. The average global market-seeking firm has thus export values more than twice as high as the average regional market seeker ($12.3 million compared to $6 million).

The structure of the two groups is statistically different in terms of organizational structure, sector and start-up date. L-TNCs are more involved in regional market seeking investment, whereas S-TNCs are rather seeking for global markets. As regards sectors, agro-businesses are most likely to be global market seekers. Out of 38 exporting primary sector firms, 32 are exporting to global markets, especially to Europe and Asia. As mentioned earlier, almost nine out of ten exporting firms in the garment and textile sector are selling to global markets. Companies in the chemical, plastics and rubber and machinery sectors are in most cases regional market seekers. Out of 47 exporting chemical companies, 43 are exporting to the region. The age structure of regional and global firms is different. The average regional market seeker has been operating for around 20 years, whereas global market seekers have an average age of 15 years. Of the 82 recently established exporting firms after 2000, 57 are global market seekers with the majority coming from Asia.

Global market seekers are on average larger firms than regional market seekers in every respect, both in average and total values of sales, book value and employment (see figures 4.25–4.27). Due to their concentration in employment-intensive subsectors they employ on average around 500 workers more than regional market seeking firms. Within the group of investors from the South the difference is even greater with an average payroll of 900 for Southern global market seekers and only 220 employees for Southern regional market seekers. Output and book values do not differ significantly between regionally- and globally-oriented Southern firms.

8. Analysis of location factors

Rating of importance of location factors

This chapter describes, reviews and analyses the responses of foreign investors about the degree of importance and the direction of changes of a list of 26 location factors in the host country. These location factors can be grouped under broad headings of business climate conditions, market conditions, local resources and other factors. Table 8.1 shows that foreign investors that responded to the survey ranked economic stability, political stability, physical security, local market, and skilled labour, in that order, as the five factors of most importance to their firms.[22] Annex tables 8.1–8.2 exhibit the differences in importance at the country level. The score of higher than "4" for economic and political stability indicates that the average investor considers these factors as more than "very important". A few studies on SSA stressed the role of sound and transparent institutions, anti-corruption initiatives and a good regulatory framework for the FDI attractiveness of this region (Asiedu, 2003[a]; Asiedu, 2003[b]; Morisset, 2000). It seems that investors in Africa worry relatively more about the fundamentals for business operations than in other countries where the unrestricted commitment of the government to implement or sustain adequate reforms is warranted.

Only 9 out of the 26 factors registered a weighted response ranking the factors as below important ("3"). The lowest ranked factors were 'taking advantage of EBA and AGOA', but these only have relevance to a small portion of the sample that is export oriented.

It should be noted that the survey is conducted among established investors with capital already sunk into projects. Their rankings of the importance of different factors to their firms, given that they are already conducting business, may substantially differ from those of a potential investor. The latter has not committed any resources, may be unfamiliar with the location being considered, and has greater decision-making choice in considering an investment decision and evaluating competing locations.

There was remarkable consistency in the factors that investors, classified by different categories, considered to be of most and of least importance to their firms, with only minor differences in the order of ranking factors. Yet, a few noteworthy variations could be detected – e.g. investors serving global markets placed a higher ranking of 8 on raw materials compared with a ranking of 12 among all investors. South African investors ranked the local market at 1, which is mainly due to their strong presence in the local-market seeking tertiary subsectors;

Table 8.1 **Location factors ranked by their importance**

	Ranking	*Score*
Economic stability	1	4.11
Political stability	2	4.08
Physical security	3	3.96
Local market	4	3.93
Skilled labour	5	3.83
Quality of infrastucture	6	3.79
Legal framework	7	3.68
Presence of key clients	8	3.65
Labour costs	9	3.65
Transparency of investment climate	10	3.61
Quality of life	11	3.49
Raw materials	12	3.41
Incentive package	13	3.30
Local supplier	14	3.23
Existence of foreign investor	15	3.13
Government agency support services	16	3.12
Regional market	17	3.08
Double taxation treaties	18	2.99
Bilateral trade agreements	19	2.74
IPA assistance	20	2.72
Acquisition of existing assets	21	2.63
Availibility of export processing zones	22	2.55
Specific investment project proposal	23	2.47
Presence of JV partner	24	2.23
Taking advantage of AGOA	25	2.03
Taking advantage of EBA	26	1.94

Note: The score reflects the mean value of the 5-point Likert scale (1=not important, 2=helpful, 3=important, 4=very important, 5=crucial)

[22] Investors were asked to rank each individual factor on a scale ranging from crucial ("5") importance, very important ("4"), important ("3"), helpful ("2"), to not important ("1") to their firms and these were given a weighted ranking from 5 for crucial importance to 1 for not important. Drawing on the conclusions of Labovitz (Labovitz, 1970), we treat the ordinal scales as continuous variable and computed the means of the 1–5 scale.

Table 8.2 **Location factors considered to have deteriorated from the perspective of all investors, investors from North/South and from different regions**

Factor	All investors	North	South	Americas	Europe	Asia	South Africa	MENA	SSA
Quality of life	•	•	•	•	•			•	•
Physical security	•	•		•	•				•
Country legal framework	•	•		•	•		•	•	
Incentive package	•	•	•	•	•	•			•
Labour costs		•		•	•				
Raw materials		•		•	•			•	
Economic stability		•			•			•	
Quality of infrastructure		•		•	•				
Government agency support services				•					
Double taxation treaties						•			
Availability of export processing zones							•		
Transparency of investment climate		•			•				
Local market				•					
Taking advantage of EBA	•		•	•	•	•	•		•
IPA assistance				•					
Specific investment proposal				•		•			
Presence of joint venture partner								•	

Note: None of the nine remaining factors (not shown) were assessed as having deteriorated

telecommunication, marketing and financial intermediation. They also placed a lower ranking of 8 on physical security, while MENA investors and Asian investors placed a higher ranking of 1 and 2 respectively, compared with a ranking of 3 among all investors.

The need of South African investors for skilled labour force is reflected in a high rank of 3. Only a small group of American investors rank the importance of a skilled labour force higher. The need of South African investors for skilled labour force is also reflected in the significant training expenditures this group is making. Large TNCs ranked local market at 1 in terms of importance to their firm compared with a rank of 5 for small TNC and 4 for FEs. The rank of the local market for all investors was 4.

Pro-active host countries' policies for FDI promotion such as the assistance of Investment Promotion Agencies, incentives, or Government Agency support services are of only medium importance for foreign investors. Similar to the observations in the 2003 survey, incentives are only ranked at position 13. This confirms the consistent empirical findings in the literature regarding the relative unimportance of incentives in the FDI decision-making process (Loree and Guisinger, 1995; Wells et al., 2003). Global market seekers are ranking the incentives relatively higher at position 10.

Investors views on the trends in factors in host countries

Taking the responses from all investors, only five factors showed up as having deteriorated over the last three years. These were quality of life, physical security, incentive package, legal framework and taking advantage of the EU "Everything but Arms (EBA)" Agreement[23] (see figure 8.1).

The factors that all investors said had become better were in order of ranking; political stability, presence of key clients, skilled labour, existence of other foreign investors in the country and regional markets. Very positive is the development of political stability. It also receives the second highest rank for importance.

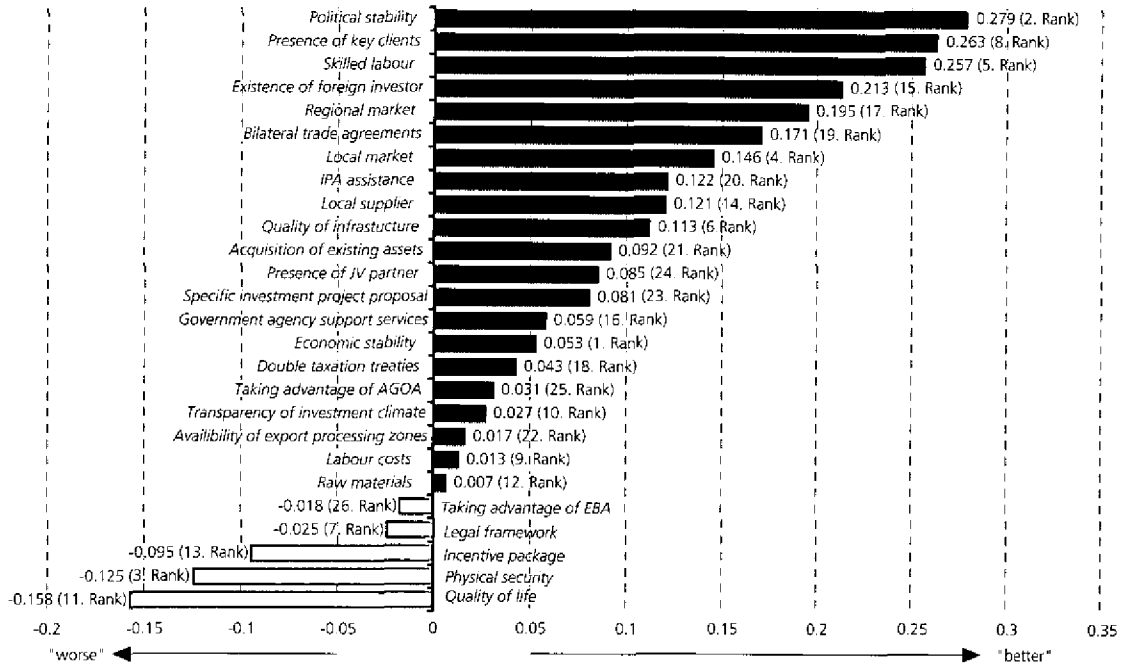
Similar to the observations of importance, there are also variations in the assessment of trends according to different groupings. Table 8.2 shows the factors that investors from different regions say have deteriorated over the last three years.

Figures 8.2–8.6 show the differences in the perspectives of different investor groups regarding the changes over the last three years in conditions in which they are operating. Each graph compares two groups to each other and displays how their views differ about which location factors improved or degenerated. The vertical axis gives the mean change rating given by each group for the factor on the horizontal axis.

The plot comparing Asian investors to European investors (figure 8.2)shows that Asians are generally more positive about the developments in SSA. Asians registered a deterioration in four factors, incentive package, availability of specific investment projects,

[23] The EBA-Agreement came into effect in March 2001 and was explicitly conceived for an unlimited period of time (European Council, 2001). It grants duty-free access to imports of all products from least developed countries without any quantitative restrictions, except arms and munitions. Nonetheless, there are a number of clauses that can be used in the case of "severe market disturbances" (European Council, (2001), Reg. No. 416/2001, Art. 1:5) and that may particularly affect sensitive industries like rice, bananas or sugar. For instance, "massive increases in imports [...] in relation to their usual levels of production and export capacity" (European Council (2001), Reg. No. 416/2001, Art. 1:4) can lead to the temporary withdrawal or suspension of preferences. In the light of this, the additional positive impacts of EBA beyond the preferences granted under the EU ACP Cotonou Agreement are probably limited (Brenton, 2003;, UNCTAD, 2001[b]).

Figure 8.1 **Investors' assessments of changes in location factors over the last three years**



Note: Numbers in parentheses indicate the ranking of the factor in terms of importance.

double taxation treaties and EBA conditions. But, for all other factors they rated the changes much more positively than their European counterparts, including the three factors considered to have deteriorated by all investors (quality of life, physical security and country legal framework). The plot shows a big distinction between the perceptions of Asian and European investors operating in SSA.

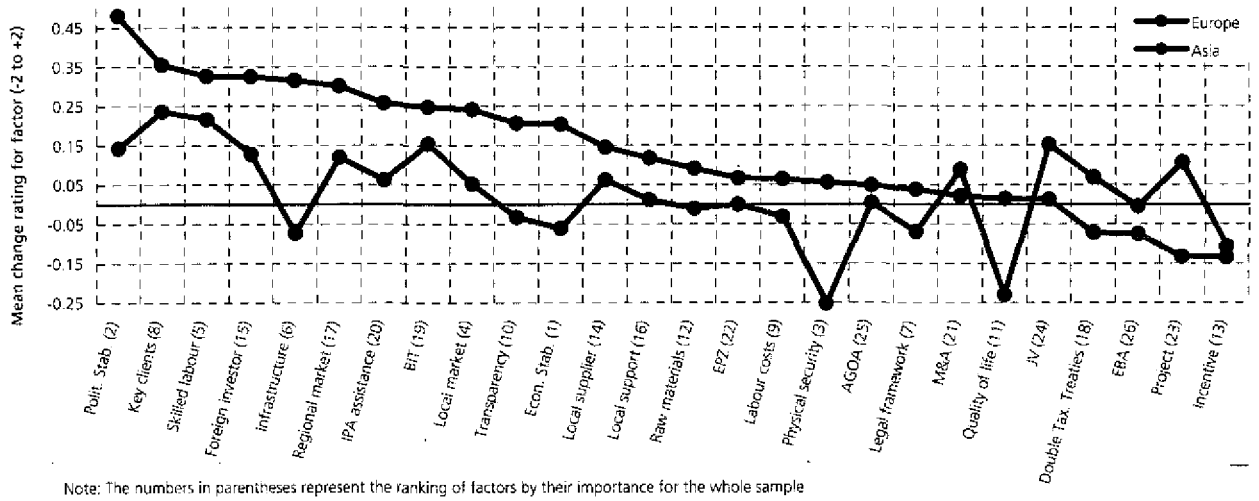
Similarly the plots comparing SSA investors (figure 8.3) with Europeans and South African investors (figure 8.4) with Europeans show that those from within the region are more upbeat about the evolving conditions there. For example the SSA investors are much more tolerant of the infrastructure issues than their European counterparts; they regard IPA assistance as having improved (they have benefited more); they are more positive about local suppliers, regional markets and political stability. South African investors are more positive than Europeans about almost all factors.

Comparing the perceptions of firms that set up operations in SSA before 1991 with those that arrived after 2000 shows major differences in trends in infrastructure, IPA assistance and other local assistance, local markets, arrival of foreign investors and clients. They show a quite similar pattern to the SSA investors.

Comparing global exporters with local market seeking investors, the local market seekers are more positive about the direction of change in physical security, local suppliers, local market, skilled labour, key clients and political stability. These are precisely the issues most important to them. The global exporters are very negative about labour cost, quality of life and physical security.

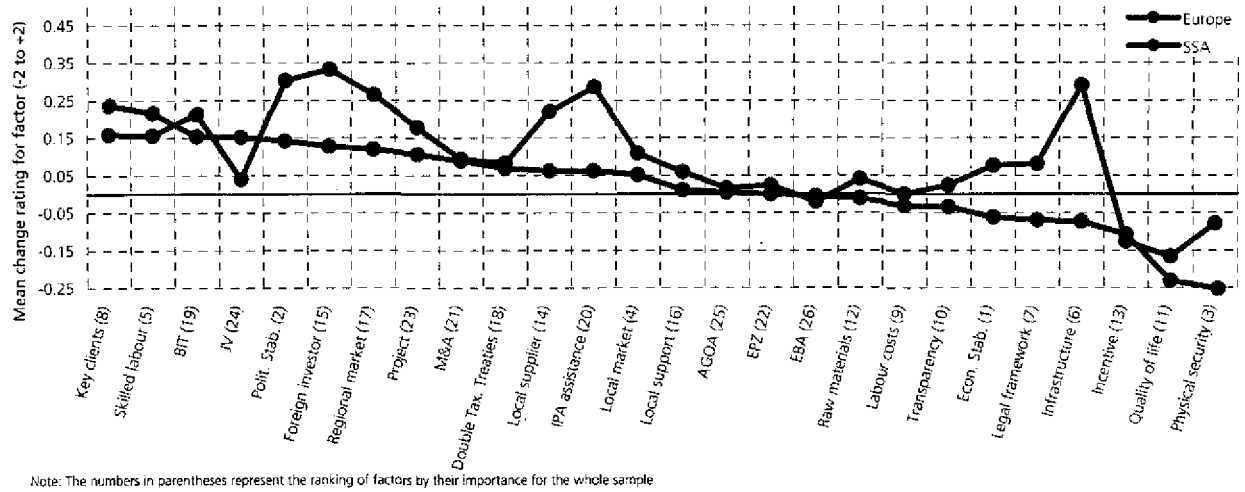
Similar comparisons can be conducted on any selected group of investors. Annex figures 8.1–8.3 compare views of investors from Côte d'Ivoire and Kenya; the United Republic of Tanzania and Cameroon; and Madagascar and Uganda.

Figure 8.2 **Assessments of changes in location factors by European and Asian investors**



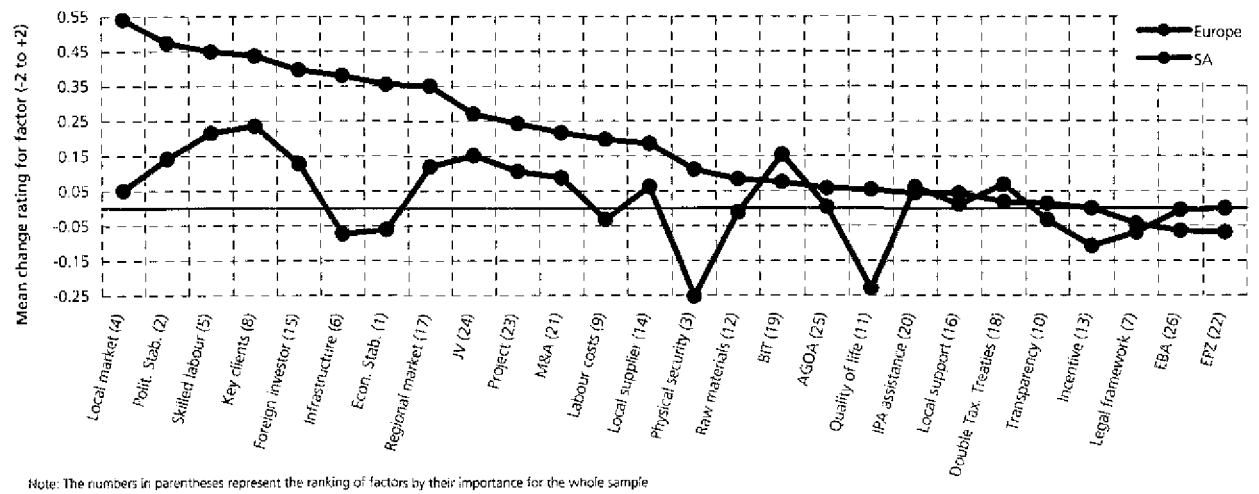
Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

Figure 8.3 **Assessments of changes in location factors by European and Sub-Saharan investors**



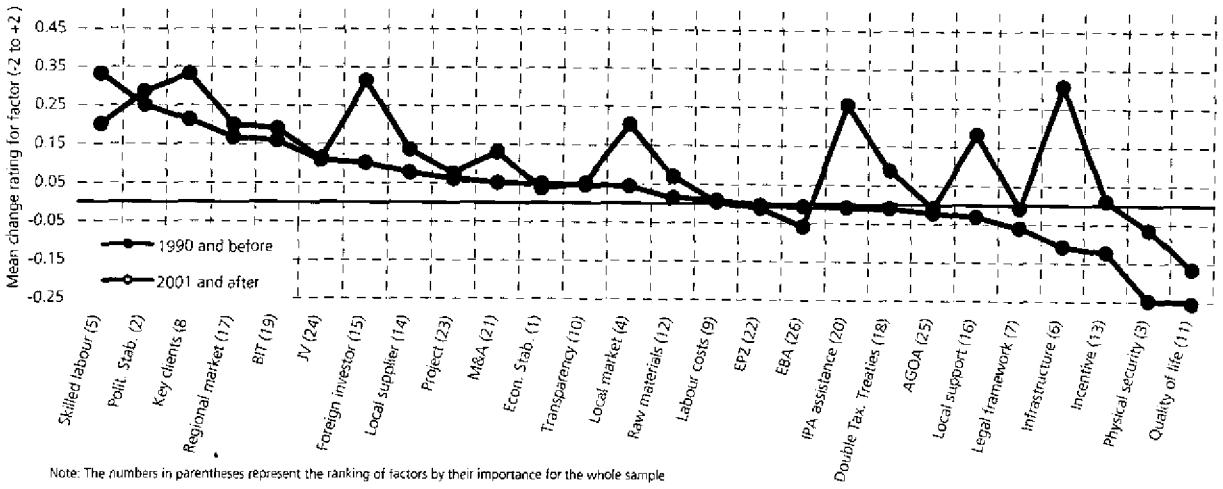
Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

Figure 8.4 **Assessments and changes in location factors by European and South African investors**



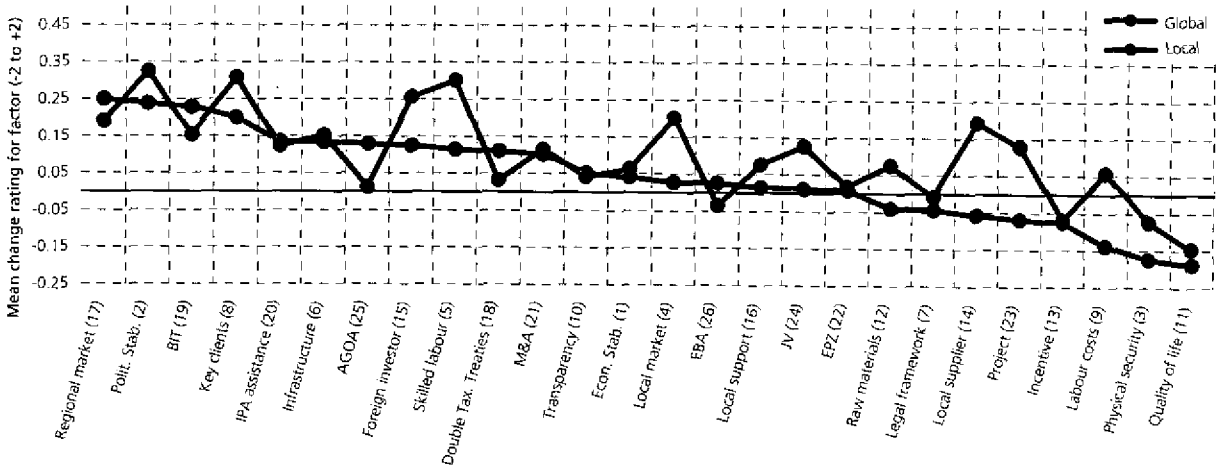
Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

Figure 8.5 **Assessments and changes in location factors by investors with pre-1991 and post-2000 start-up dates**



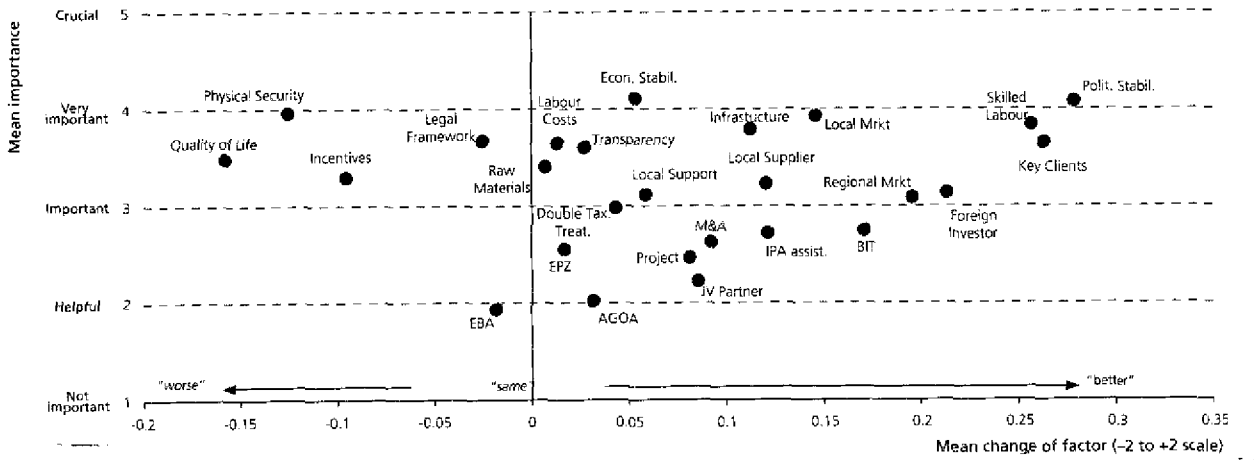
Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

Figure 8.6 **Assessments and changes in location factors by global and local market-oriented investors**



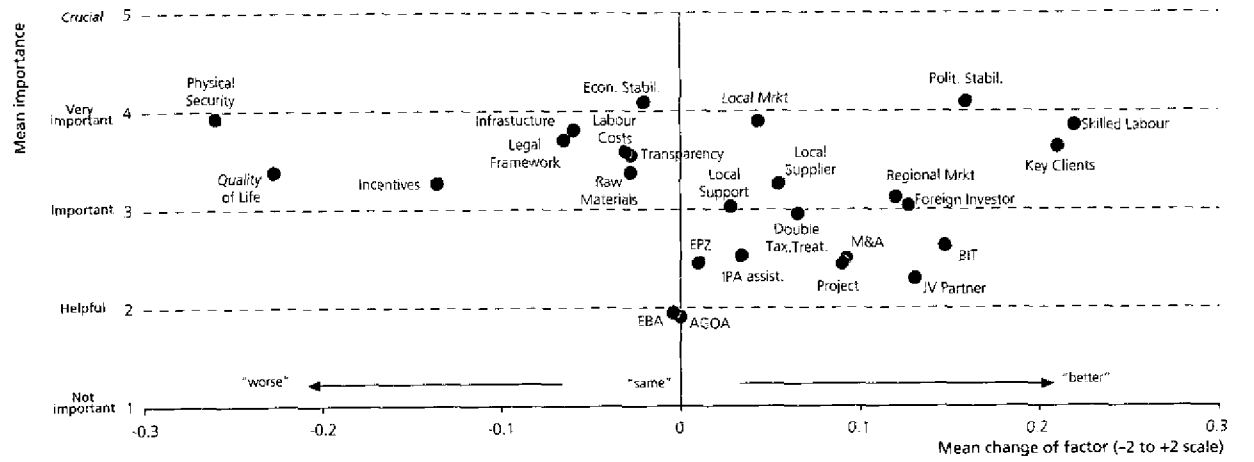
Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

Figure 8.7 **Comparison of importance and change of location factors – total sample**



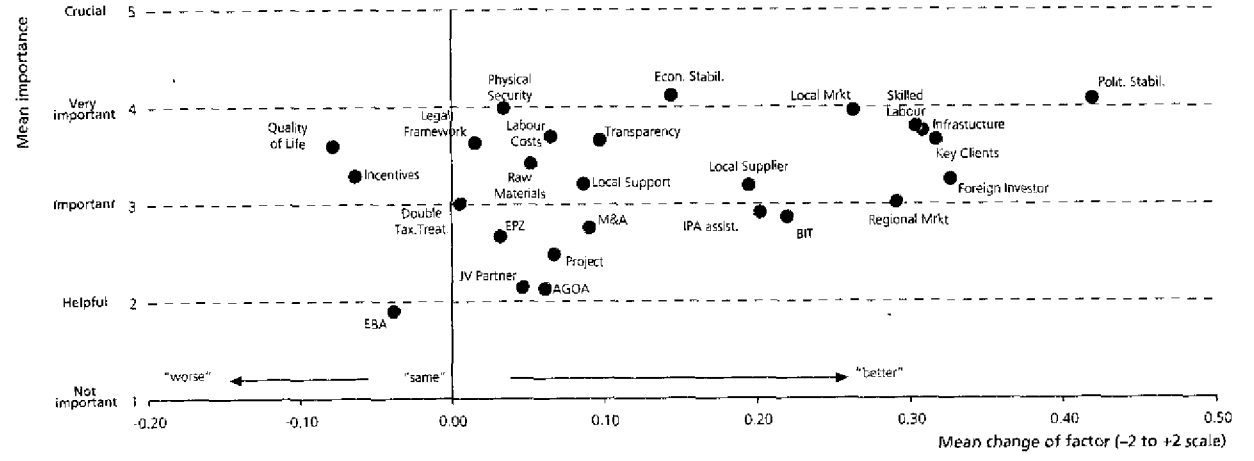
Note: Mean analysis of the factor change is based on a 5-point Likert scale with: –2="much worse", -1="worse", 0="same", +1="better", +2="much better"

Figure 8.8 **Comparison of importance and change of location factors – investors from the North**



Note: Mean analysis of the factor change is based on a 5-point Likert scale with: –2="much worse", -1="worse", 0="same", +1="better", +2="much better"

Figure 8.9 **Comparison of importance and change of location factors – investors from the South**



Note: Mean analysis of the factor change is based on a 5-point Likert scale with: –2="much worse", -1="worse", 0="same", +1="better", +2="much better"

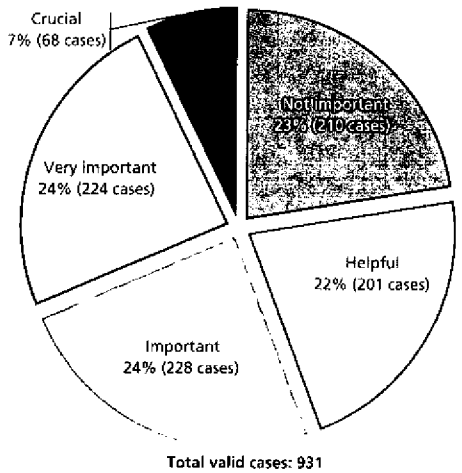
Combining importance and trends in location factors

Figure 8.7 shows the importance and the mean change for each factor on a single plot for the whole sample. The importance of the various factors are shown on the vertical axis ranging from "not important" (1) to "crucial" (5) importance. The factors higher up the vertical axis are viewed by respondents as being more important than factors lower down the axis. The horizontal axis shows the performance of different factors ranging from much worse to much better. The factors plotted to the right of the zero axis have improved over the three years and those to the left have got worse. Although the range is from –2 to +2, the means for factor changes will usually be in the range of –0.5 to +0.5. Higher differences are observable at the country-level. For example, the latest political disruptions in Côte d'Ivoire prompted foreign investors to assess the political stability with –1.79, which is close to "much worse" whereas Ghana gets a score of +1 ("better"). For the total sample, the investors' assessment of political stability is good in that a very important factor has developed positively. The same can be said about other location factors that appear in the upper right corner of the diagram. Factors like 'physical security' and to a smaller extent 'quality of life' have developed disappointingly. As they are at the same time assessed to be important, they appear in the upper left corner of the diagram.

Figures 8.8–8.9 and annex table 8.3 show the perception differences between investors from the North and from the South. In general, South investors have a much more positive view of the past development of almost all location factors, except for double taxation treaties, presence of joint venture partners and specific investment proposals. In particular the perceived differences are considerably more positive for quality of infrastructure (North: –0.06 and South: +0.31), physical security (North: –0.26 and South: +0.03) and political stability (North: +0.16 and South: +0.42). The highest deviation in terms of importance can be observed for IPA assistance (North: 2.53 and South: 2.91. The high presence of South global market seekers in the sample is reflected in a considerably higher importance attached to variables such as 'take advantage of AGOA', 'export processing zone availability' and 'bilateral Trade Agreements'.

Annex table 8.4 shows the countries in which each factor was rated best and worst.

Figure 8.10 Investors' evaluation of IPA importance



Closer view on Investment Promotion Agency (IPA) assistance

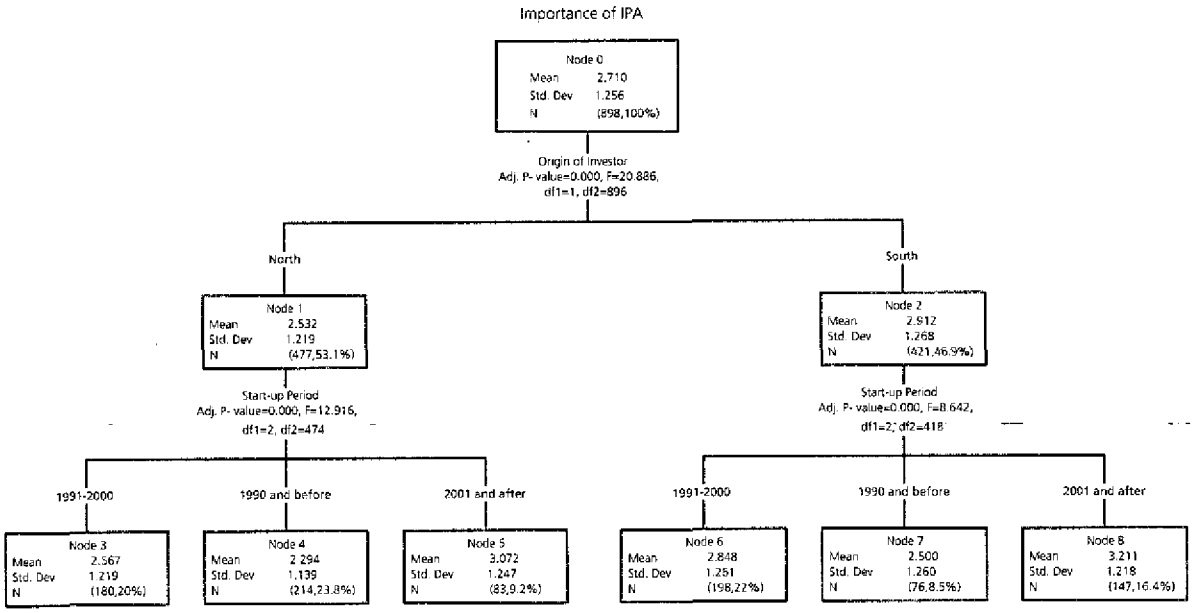
Assessment of importance and development of IPA assistance

Within the 25 location factors, the Investment Promotion Agency (IPA) assistance turns out to be of only medium importance for investors (see also Wells and Wint, 2000). It ranks at position 20 with a score of +2.72, which is close to "important" (see figure 8.1). Yet, for almost one third of the foreign investors, the IPA assistance was either very important or crucial for their operations (figure 8.10). Country-wise variation showed that IPA assistance is relatively more important in Tanzania (position 15), Madagascar (position 16) and Ethiopia (position 17). For investors in Kenya and Malawi, IPA assistance is the least important with position 26 and 24 respectively (See annex table 8.1).

Figures 8.8–8.9 showed that North and South investors are different in their evaluation of the importance of IPA assistance. Although South investors give it only one rank higher than North investors (19 as opposed to 20), the score difference (+2.91 compared to +2.53 for North firms) is the highest of all 26 observed factors (see annex table 8.3). The classification tree analysis regarding the differences in importance of IPAs for North–South investors reveals statistically significant differences on the first level and for start-up period on the second level (figure 8.11).[24] Assessment of the importance of IPA assistance diminishes with the age of the investors. Those that arrived earlier give it less importance. In the South subgroup, IPA importance gets a mean score of 2.50 for firms established before 1991, 2.85 for firms established between 1991–2000 and a relatively high score of 3.21 among the South new start-ups. The order of importance is similar in the North subgroup with new start-ups attaching higher importance to IPA assistance than relatively older firms. In each observed age group the importance attached to IPA assistance by South firms exceeds that given by North firms. Another classification tree analysis showed a statistically significant difference between

[24] Again the ordinal data is treated as continuous (Labovitz, 1970).

Figure 8.11 **Classification tree of importance of IPA assistance**



the services sector and the manufacturing/agro-industrial sector. Manufacturing and primary firms are more concerned about closer IPA assistance so they gave a higher score of importance than service sector firms. The services sector has noticeably fewer contacts with IPAs. Only a third of services firms are registered with IPAs and just 16 per cent of services companies founded before 1991 are registered with an IPA. In terms of organizational structure, it is interesting that FEs use IPAs to register more often on average than TNCs do. The IPAs seem to be helping FEs to compensate for their limited organizational resources.

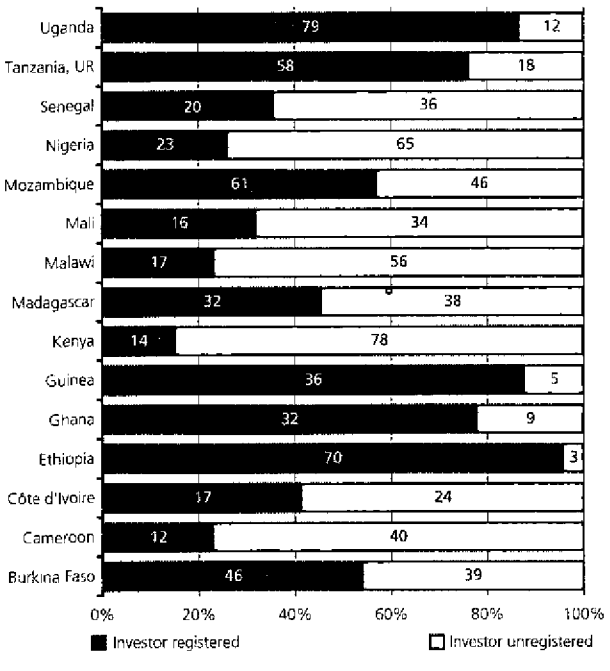
The opinion of foreign investors on the development of IPA assistance during the past three years was quite positive. Only 87 investors in the sample indicated that it got "worse" or "much worse" which is reflected in a relatively high development score of +0.122 (see figure 8.1).

Company registration with IPAs and rating of pre- and post-investment services

The status of IPAs varies between countries. In most countries IPAs attract investors through the services they offer. High registration rates are achieved by IPAs in Ethiopia, Ghana, Guinea, United Republic of Tanzania and Uganda. Kenya, Cameroon, Malawi and Nigeria attract relatively few customers who are registered with the IPA (see figure 8.12).

These overall figures need to be treated with caution because one of the major determinants of whether a company is registered with the IPA or has had recent contact with an IPA is when the company was established. Thus just a quarter of firms established before 1991 were registered with an IPA, while firms established after 2000,

Figure 8.12 **Registration of investors with national IPAs**



Note: Numbers in columns represent frequency for each category

59 per cent were registered with an IPA. Therefore, in countries where the sample has a higher proportion of new entrants, IPAs will have higher levels of registered investors. Whether this is a good thing from the point of view of an IPA is more debatable given the important role that existing firms play in encouraging inward investment and their potential role as mentors and goodwill ambassadors.

Another noticeable feature of responses of firms is the enormous variation in the level of interaction between IPAs and investors. For example, 15 investors in Mozambique that had been established between 1991 and 2000 reported they did not know whether they needed to register with the IPA.

At the other extreme, only one firm out of 92 located in Uganda, one out of 42 located in Ghana and one out of 74 located in Ethiopia said they did not know whether they needed to register with the IPA. In Ethiopia only eight of the sample companies were established before 1991 so the regulatory environment and the relative youthfulness of firms together have probably encouraged firms to interact with the IPA. Some 88 per cent of investors in Ethiopia rated the investment certification process as good or excellent, the highest positive rating of any of the 15 IPAs covered by the survey.

When companies were asked why they had registered with the IPA, 253 of the 513 registered firms said that they thought it was compulsory (figure 8.13). Multiple answers were possible. It would seem that many companies operating in Africa expect to have to register with the authorities even if in fact this is not the case. Some 243 registered in order to obtain some form of government permit, 238 thought they could obtain information from the IPA, 151 took advantage of one-stop-shop investment facilitation services. Those firms that were not registered could see few benefits to be had from registration with the IPA or do not see an immediate need to do so (figure 8.14). Burkina Faso seems to have a particular problem in that a third of firms claimed they did not know the IPA existed. Indeed, of those that had attempted to register, several reported a rather negative experience. The non-registered firms especially in Kenya, Malawi, Mozambique and Nigeria gave the strong impression that they could see few benefits from IPA registration.

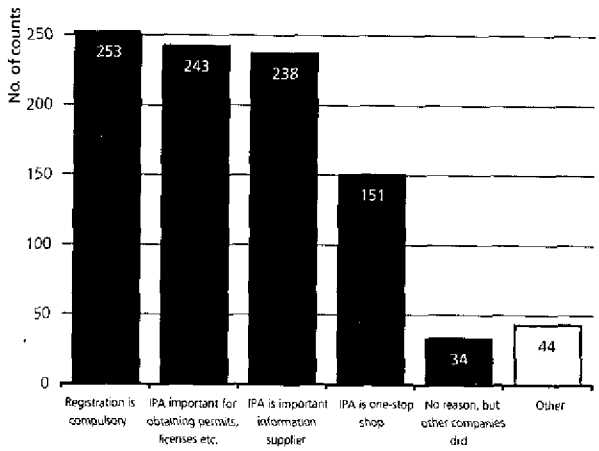
Firms that had begun their operations in the last three years were asked to evaluate the pre-investment service and post-investment support they had received from the local IPA. Some 250 companies responded.

The pre-investment support activities surveyed covered seven areas.[25] Firms were asked to assess the importance of the services they required and the quality of the service they actually received from the IPA. The average scores for each topic on a five-point scale are displayed in figure 8.15. Recently arrived foreign investors rated information about corporation tax and government incentives as most important. This was followed closely by information about business conditions, costs of doing business (labour costs, property costs and the cost of utilities, etc.) and information about customers and markets. Overall, IPAs were rated most highly for the information they gave about conditions for doing business and for information about taxation and incentives. Business introductions were neither rated very important nor were they rated as being provided particularly effectively. Arranging a pre-investment fact finding trip was also not rated as a very important activity for IPAs. Indeed, several respondents commented that these last two activities were not appropriate for IPAs.

The post-investment support activities surveyed cov-

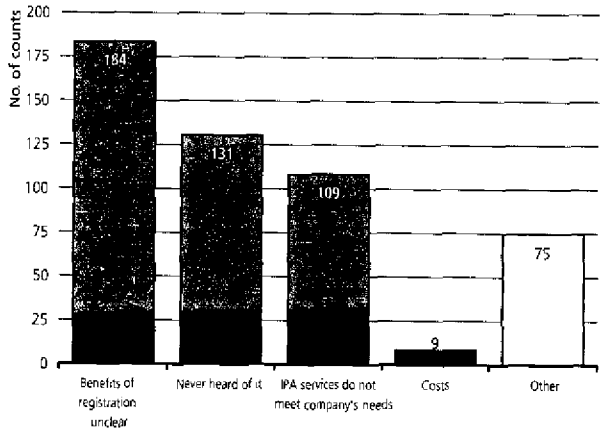
[25] Doing business in the country concerned (permits, labour regulations, tariffs, etc.); information on customers and markets; information on the costs of doing business; information on corporate taxes and incentives; information on suppliers and business services providers; pre-investment fact finding trip for identifying sites/property and business introductions to potential partners.

Figure 8.13 **Reasons for registration with an IPA**



Note: Frequencies are based on responses of 513 registered companies, multiple answers were possible

Figure 8.14 **Reasons for non-registration with an IPA**



Note: Frequencies are based on responses of 449 unregistered companies, multiple answers were possible

Figure 8.15 **Pre-investment services – importance vs. quality**

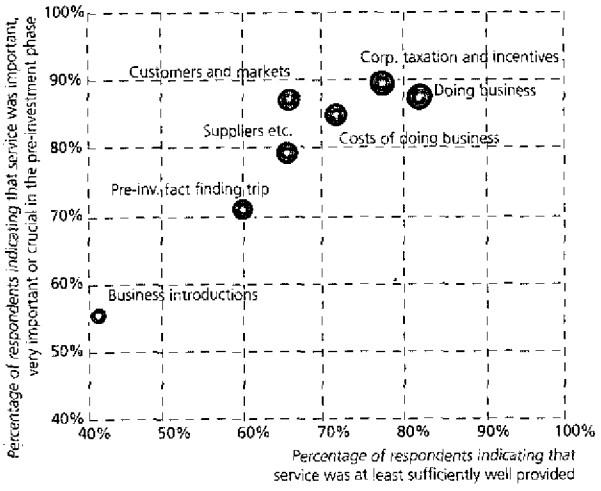
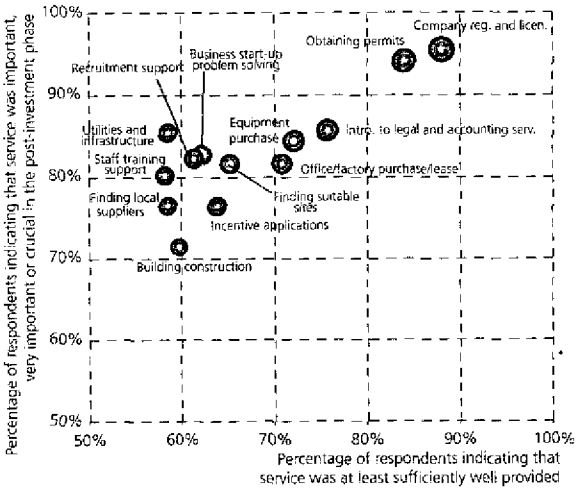


Figure 8.16 **Post-investment services – importance vs. quality**



ered thirteen areas.[26] Firms were asked to assess the importance of the services they required and the quality of the service they received from the IPA once they had decided to invest. The average scores for each topic on a five-point scale are displayed in figure 8.16. The 250 new investors who responded considered facilitation of the company's registration and licensing, and obtaining business operating permits to be critical and on average very well-performed by IPAs. A cluster of eight other activities was then identified as important but IPA performance was rated from good to indifferent. For example, IPAs were generally considered to be good at facilitating introductions to legal and accountancy firms, equipment purchase and identifying offices or factory space for leasing. They were much less effective at helping with connection to utilities and infrastructure and identifying training providers.

Similar to the 2003 survey, foreign investors were asked to evaluate the overall performance of the respective IPAs. At that time, around 74 per cent of the foreign investors indicated that IPA services were delivered at least in line with their expectation, or even above or well above their expectations. In 2005, the large majority of investors (96 per cent) registered with the IPA consider that the services were provided at least in line with expectations. This increase is also reflected in the country-wise comparisons portrayed in annex table 8.5. In six countries, all registered investors see their initial expectations fulfilled. In Madagascar, a country with a relatively high registration rate, the percentage of satisfied investors has increased from 46 per cent to 97 per cent. The results should though be interpreted with caution as in 2003 all investors answered the question, whereas in 2005 only the investors registered with the IPA. As mentioned, in Cameroon, Kenya, Malawi and Nigeria the registration rates are very low, which leaves more than two thirds of all foreign investors excluded from the potential benefits of IPA assistance.

In order to give an overall indicator for IPA performance, the responses of both registered and non-registered investors should be taken into consideration. An analysis of only the registered investors would draw a too positive picture, especially if the majority of investors gives explicit reasons for non-registration that are related to insufficient information about the benefits of IPA assistance or even a mismatch between service provided and foreign investors' needs.[27] On the other hand, if a large share of registered investors appraise the IPA performance as being above or even well above expectations and emphasize the role of the IPA as a one-stop shop for resolving several concerns simultaneously, it should be reflected in a relatively higher score given by registered companies.[28]

The results are depicted in figure 8.17 and in annex table 8.6. The highest positive scores are achieved by the IPAs in the United Republic of Tanzania and Uganda, where around one third of registered investors indicated that the IPA acts as a one-stop shop, which reduces the companies' bureaucratic dealings with several governmental institutions at the same time. Investors registered

[26] Company registration and licensing; obtaining permits; introduction to providers of legal and accounting services; application for incentive schemes; leasing or purchase of premises; site identification; building construction; connections for utilities and infrastructure; equipment purchase; recruitment support; staff training support; finding local suppliers and business start-up problem solving.

[27] In the performance index, weights are given to the four main reasons of non-registration. The highest negative weight (-0.75) is assigned to "mismatch between need and provided services", followed by "benefits unclear" and "never heard of it" (-0.5 each) and accession costs (-0.25).

[28] Weights are given to the four main reasons for registration. The highest positive weight is given to "IPA acts as a one-stop shop" (+1), followed by "IPA is important information supplier" (+0.5) and "IPA important for obtaining permits, licenses etc." and "no specified reason" (+0.25 each).

Figure 8.17 **IPA performance from the perspective of registered vs. non-registered investors**

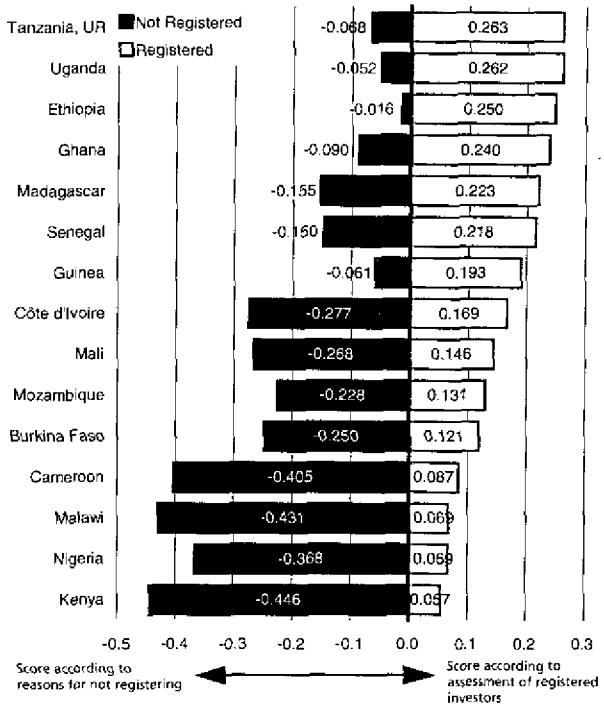
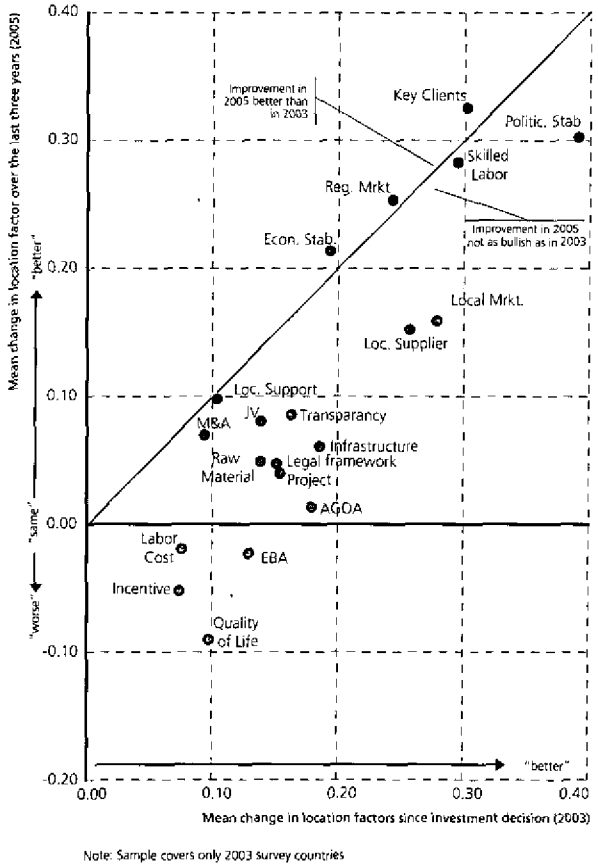


Figure 8.18 **Assessments of changes in location factors before 2003 and between 2003 and 2005 (common companies)**



Note: Sample covers only 2003 survey countries

with the IPA in Uganda stressed the positive benefits of information supply. Investors in Tanzania and Ethiopia said that the registration with the IPA is very helpful in obtaining permits, licenses, registration form etc. Registration in Ethiopia is compulsory but nevertheless there are two non-registered companies that have not heard of the IPA. In Madagascar and Senegal the overall assessment of registered investors is positive with a score of around +0.22. The IPA in Madagascar was positively evaluated in its role as a one-stop shop by one third of the registered investors. Investors in Senegal said that the IPA supplies them with useful information.

Cameroon, Kenya, Malawi and Nigeria are at the bottom of the list because they all have low registration rates, which results in high negative scores given by non-registered investors. In Nigeria, for example, two thirds of non-registered investors indicated that they do not see any benefit of registration. In Cameroon, Kenya and Malawi many non-registered investors indicate that the IPA services are not matching the needs of the firms.

Observed differences in perception between 2003 and 2005 survey

The location factors can further be scrutinized in terms of what respondents answered in the 2003 UNIDO survey and in the 2005 survey. As in the 2005 questionnaire, the firms participating in the 2003 survey were also requested to indicate the importance of each factor and specify whether they feel conditions have become worse, remained the same or improved. A comparison of replies between 2003 and 2005 gives a further indication of how investors' perceptions are changing over time. An analysis of the 335 investors that took part in both 2003 and 2005 surveys is given in figure 8.18. The plot gives the average positive or negative change[29] of location factor perception reported by the respondents for 2003 on the horizontal axis and for 2005 on the vertical axis. Further the distance to the right that a location factor is situated, the more it was assessed as having improved by investors in 2003. The further to the top, the more it was assessed as having improved by the same investors in 2005.

The result is that most dots lie below the 45-degree line which means that the perceptions in 2003 were slightly more positive than in 2005. However, this conclusion is not precise because the question was worded differently in the two questionnaires. In 2003 the respondents were asked whether the factors improved or worsened since they started operations in the country and the 2005 respondents were asked about the change over the last three years. Thus the 2003 respondents had a longer time

[29]Mean analysis of the factor change is based on a 5-point Likert scale with -2= "Much worse", -1= "Worse", 0= "Same", +1= "Better", +2= "Much better" in 2005, and on a 3-point Likert scale with –1= "worse", 0= "same" and +1= "better" in 2003.

period (average of 15 years) over which to assess changes in the location factors.

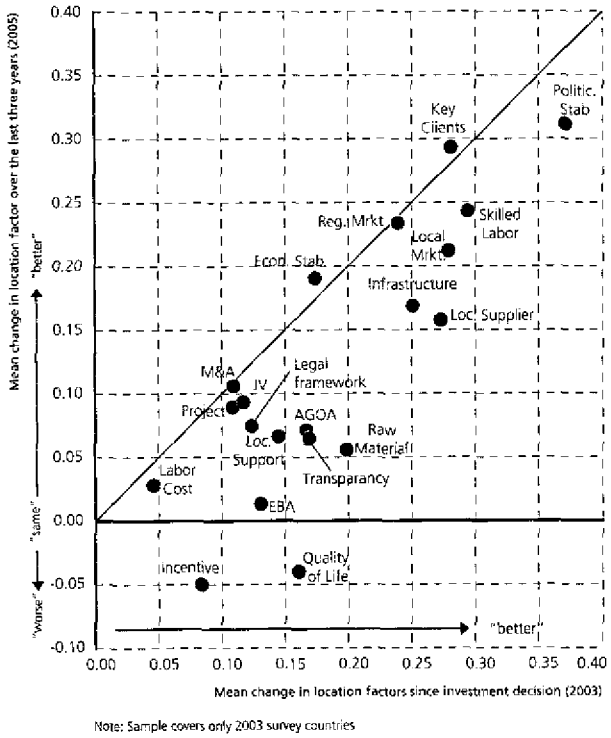
The plot does however give a rather clear view of which factors are improving the most over time. Those towards the upper right corner are factors that were assessed to have been improving the most in 2003 and have continued to do so since then. The distance below the 45-degree line indicates the degree by which the improvement in 2005 was less than that in 2003.

Political stability, presence of key clients, availability of skilled labour, and regional market conditions were consistently rated as location factors improving the most. Quality of life, incentives and cost of labour were the factors that seem to have actually worsened over the last three years whereas they were assessed to have been improving in 2003.

The factors that were consistently reported as the most important (not shown in figure 8.18) are political and economic stability, local and regional markets conditions, infrastructure and skilled labour.

Figure 8.19 shows the same plot, but this time it compares the responses of all the investors that participated in the 2003 survey with all those that participated in the 2005 survey (not only the 335 that participated in both).

Figure 8.19 Assessments of changes in location factors before 2003 and between 2003 and 2005



Note: Sample covers only 2003 survey countries

It is remarkable how similar the plots are, especially in view of the fact that there are many more services firms in the 2005 survey. This is a good indication of the robustness of the data in reflecting perceptions of how investment conditions are developing in the region.

Another interesting exercise is to look at the plots at a country level. A cursory observation indicates that, from the perspective of existing investors in the countries, conditions have generally deteriorated in Cameroon; went from bad to worse in Malawi; slightly worsened in Uganda; unclear which direction conditions are developing for Madagascar; important factors improved and the unimportant worsened in Mozambique; improved for some key factors in Burkina Faso; and generally improved for Ethiopia, Kenya, Nigeria, Senegal and Tanzania (these are the 11 countries covered both in 2003 and 2005).

Summary

The analysis of investors' perceptions of their investment location in sub-Saharan Africa reveals that just as firms have different structures and performance characteristics so do they have differing views on the quality of the investment climate in which they operate. One interesting finding is the generally more positive opinion of investors from the South, by comparison with those from the North, of changes in the investment climate in host countries. North investors seem significantly more worried about deteriorating infrastructure, physical security and quality of life.

Investors' responses to IPA activity were quite positive, although the impact varied enormously between countries and investors. In the sample as a whole, the survey identified investors from the South that have established operations since 2000 as a group which particularly values IPA assistance.

The effect of IPA actions and achievements on FDI in a country can be significant. In order to be more effective as promotion agencies, IPAs require more information about the characteristics of existing and potential investors, their impact on the host economy and their changing investment motives and priorities. This information can assist in selecting investor groups to target in accordance with the type of impact that is desired. Clearly IPAs acting alone can have little impact on the business climate. Better information is necessary both to strengthen the advocacy role of IPAs within government and to sharpen the focus of their operational activities. In the concluding chapter of this report these issues are addressed directly.

9. Conclusion

The present study contributes to a deeper understanding of the dynamics of foreign direct investment (FDI) to the region and captures some of the underlying trends that may be relevant for shaping future policies. In particular, by studying the characteristics of different categories of foreign investors, the analysis highlights options for more focused strategies that target specific investor groups. It is anticipated that the findings will advance FDI promotion activities in the region by linking specific development objectives to investment promotion. It also highlights a growing emphasis on FDI leveraging and the facilitation of domestic investment tied to FDI. While the report mainly focuses on the contribution of FDI, it also details some of the drawbacks associated with different types of FDI.

There are several encouraging observations emerging from the analysis. One is the possibility that the actual amounts of foreign investment going into the region may be significantly higher than macro figures generated through balance of payments measurements suggest. Secondly, according to foreign investors participating in the survey, an increasing proportion of firms are "meeting and exceeding expectations" by comparison with self-appraisals of performance in the UNIDO surveys of 2001 and 2003.

The survey also highlights the variety of the contributions made by foreign direct investment in fifteen African countries. It identifies a number of different categories of foreign firms operating in the region together with their main characteristics. The central thesis of the report is that African countries need to study the motivations, operational characteristics, and dynamics of different investor groups in order to be able to forge better promotion strategies responding to investors' differing needs and analyzing their various contributions to the host economies. This could be useful for eventually forging strategies for maximizing these contributions. Large mature transnational corporations (TNCs) from Europe that have been operating in the region for many years make a different contribution from their more recently arrived counterparts, for example, from South Africa or the labour intensive, relatively new garment manufacturers from Asia. The UNIDO survey confirms that new types of foreign investors, many originating from the South, are emerging. These firms seem well-equipped to cope with the exigencies of doing business in the investment climate prevailing in many parts of Sub-Saharan Africa. In the majority of cases, their governance structures are different from those of well-established subsidiaries of North origin TNCs.

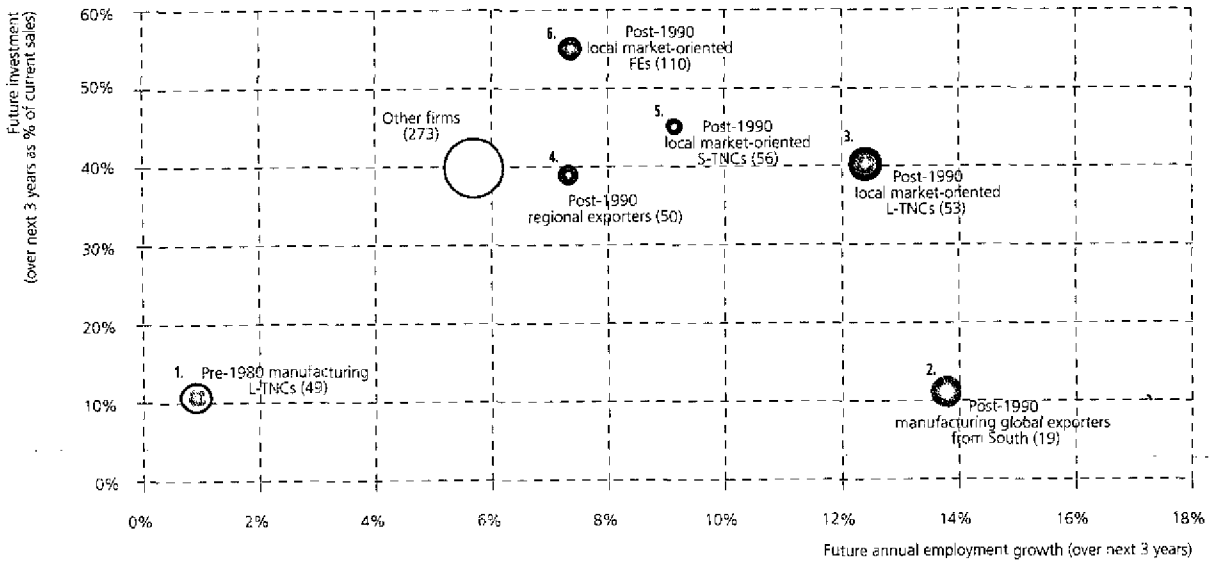
The enormous multiplicity of foreign firms that already invested in Africa (and potential new investors) poses a challenge for policy makers and investment promotion agencies (IPAs). While recognising the severe resource constraints on public budgets, how can governments best frame a policy that maximises benefits accruing to national welfare from the variety of FDI attracted to a particular country? Before addressing this question it may be helpful to summarise the main features of important investor groups identified by the survey. The grouping criteria chosen represent only a small selection of possible ways of grouping the firms that participated in the survey. They are selected to highlight the range of different investor categories, their impact on economic development and the challenges they pose for national governments and IPAs seeking to obtain the maximum benefit from inward foreign direct investment.

Investor groups

The key performance indicators used to classify firms are projected future employment growth rates; and future investment plans over the next three years as a percentage of total sales[30]. As shown in the main report, sales and investment are highly correlated so this latter performance

[30] The sample in the subsequent analyses was limited to firms that answered both future annual investment growth rate (as % of sales) and future annual employment growth (over the next three years). In order to minimize the effect of very new firms with high investments but few sales, firms started after 2002 and very small firms with annual sales of less than $50,000 and with less than 20 employees are excluded from the analysis.

Figure 9.1 **Future employment and investment growth for six distinct foreign investor types**



Note: Number in parenthesis indicates the frequencies of firms in the respective group, the bubble size indicates the total employment in the respective group

indicator is taken as a good measure of investment dynamism while controlling for company size. Other variables can be found in the main report. Six distinctive types of foreign investors are identified in Figure 9.1.

1. The easiest to identify and most visible category of firm is the well-established subsidiary of large TNCs, mostly European and typically founded before 1980, many with roots back into the colonial era. These firms are relatively capital intensive; process large volumes of local inputs of materials (almost four times the average dollar value for all manufacturers) and dominate the domestic market in terms of branded fast moving consumer goods. Because there is little further room for them to expand in host markets, many have developed regional markets in neighbouring countries.

While these firms typically pay wages more than fifty percent higher than the average wage of the survey sample, invest above average in training and are generally recognised as good employers in the host economy, they display relatively low growth rates in job creation. Moreover, they are only investing modestly in new plant as a percentage of the much larger than average value of their sales (as plotted on the y-axis of Figure 9.1). About two-thirds of the firms are joint ventures after more than quarter of a century of operational experience in Africa; many with more than half a century in the region. This revealed preference for maintaining partnerships with local business interests requires further investigation to assess the importance of joint ventures for the transfer of mature and standardized technologies. The issue of partnership and shared competitive (ownership specific) advantages is one gaining increasing attention in the literature as well as business surveys.

The growth of these otherwise successful subsidiaries of large North TNCs appears boxed in by the small size of local and regional markets for manufactured goods, for example, low value to weight products such as food or highly regulated items such as tobacco or alcoholic products. Alternatively they are trapped by demand inelasticity in North export markets. They may endeavour to maintain their existing (dominant) market position and retain managerial control over operations. However, where feasible, they seek to reduce or concentrate their capital commitments in a smaller number of locations. Consumer markets in Sub-Saharan Africa now play a marginal role in their global operations, while markets and competitive pressures for these companies in Europe, North America and Asia have grown significantly, partly through industry consolidation.

If host countries in SSA are not going to loose out from the drift towards concentration of production units, sometimes outside the region, it is crucial that IPAs work closely with these mature subsidiaries of TNCs to find ways of offsetting the potentially severe negative consequences for SSA. For although Type 1 firms may not be growing, their vast absolute size and the quality of their investments measured in terms of investment in human capital development, purchase of local inputs and capital productivity have a major impact on host economies.

2. The second group of firms identified by the UNIDO survey consists of 120 firms establishing a global export platform in Africa after 1990. Half are from the North and half from the South. This group includes

exporting firms that were incentivized to locate in Sub-Saharan Africa by the African Growth Opportunities Act (AGOA) and its later extensions, between the USA and most countries in SSA. Two-thirds of the recently established South global exporters originate from Asia and are located in Eastern Africa. The North global exporters, ninety percent from Europe, employ on average less than half the number of people employed by South global exporters but have invested twice as much per worker in assets. The North global exporters also invest significantly more in training per worker than South global exporters reflecting their higher investment in fixed assets. Of all types of firms in the UNIDO survey, South global exporters employ the fewest graduates in the workforce but the highest proportion of expatriate graduates. The European exporters pay on average wages that are nearly three times higher than that of South global exporters but only achieve a thirty percent improvement in sales per worker. North firms that process and export manufactured products rely heavily on locally sourced input materials. Conversely, South firms with global manufacturing exports are much more dependent on their parent company for inputs.

The major feature that the recently arrived, global exporters have in common is a high rate of past and projected employment growth. This characteristic sharply differentiates them from the well-established pre-1980 subsidiaries of TNCs, although they share in common, modest future investment plans (see Figure 9.1. for post-1990 manufacturing global exporters from the South).

One feature of the South origin global exporters that was examined in depth is their projections of very rapid sales growth over the next three years. This aspect sets them apart from the other manufacturers.

Post-1990 North global exporters can be differentiated from their South counterparts by a tendency to be somewhat more capital intensive, pay better wages and source most of their inputs locally. South global exporters invest little in fixed assets, pay well below average wages and import a high proportion of materials from the parent company, suggesting that many belong to global production networks. This is also reflected in their governance structure - eighty percent are wholly foreign-owned.

3. The third foreign investor group that was studied consists of subsidiaries of large TNCs that are local market oriented and have been established after 1990. The group is split equally between investors from the North and the South. Almost all North investors are from Europe and South investors are from Africa and the Middle East, with nearly a quarter of investors in the group originating from South Africa.

Two-thirds of the firms are concentrated in the services sector, especially telecommunications, financial and other business services. These services firms are very capital intensive, more than six times more than manufacturing firms in the group. The group as a whole is expanding their labour force almost as fast as South global manufacturing exporters and are achieving relatively high sales and investment growth. For example, the group's average value of sales per worker is more than eight times that achieved by South global exporters and this difference in sales productivity approximates to differences in average wages between the two groups.

The services TNCs employ a large proportion of graduates in the work force. The recent arrival of dynamic investment in the services sector in Sub-Saharan Africa by large TNCs will contribute to improving the overall efficiency of host economies, provided competition policy is robust. The high expenditures on training per employee testify to their strong intention to develop human capacities for the longer term.

The manufacturing firms in the group spend little on local content for production purposes, around a quarter by value per worker of that of the subsidiaries of pre-1980 L-TNCs. This gives an indication that larger TNCs especially need a longer period to select reliable local suppliers that possess the absorptive and technical capacity to meet the strict quality and technical requirements for material inputs. This could also be a function of the stage of development of host countries, which needs to be tested through cross-country sector analysis. One potential role for investment promotion is therefore to expedite this process through more coordinated buyer-supplier matchmaking, technological upgrading and training.

4. The fourth grouping of firms, regional exporters established after 1990, is the most diverse in terms of country of origin of the investor, although the group is evenly split between North and South. Approximately two-thirds are owner-managed manufacturing concerns (FEs). In terms of capital intensity, sales, productivity and wages per worker the key performance indicators correspond with the average for the whole sample. The major distinguishing feature of this group is the high forecast growth rate of export sales from an already strong regional export performance of more than thirty percent of output. These investors differ from the old TNC type of regional exporters that originally arrived to serve a national market and eventually expanded beyond the borders of that market into neighbouring countries. They seem to be attracted by regional marketing opportunities from the outset rather than domestic markets alone, which in some cases may exhibit a high degree of saturation for their products. In terms of future growth dynamics they anticipate making above average new investments per dollar of sales while maintaining employment growth rates that are in keeping with the whole sample.

Unlike the older and much larger regional market exporters included in the first group, these firms are widely dispersed in the fifteen survey countries. Many are

taking advantage of the opening up of economies that were previously closed to foreign investors and/or were affected by severe political instability. Others seem to be responding to the establishment of freer regional trading links, for example, the resurrection of the East African Community offering easier access to member countries. Uganda and the United Republic of Tanzania appear to be particular beneficiaries. Many of the new investors originate from Kenya. Mozambique also seems to be benefiting from a catch-up process, attracting regional market seekers from Portugal and South Africa.

The appearance of this new generation of regional market seeking investors suggests that it pays off for governments to reduce the risk premium for investors through improving the investment climate, and co-operating with neighbouring countries to reduce regional trade barriers. The UNIDO survey indicates that foreign entrepreneurs from around the world, including from Sub-Saharan Africa itself, respond to these opportunities.

5. The fifth group of firms contains the subsidiaries of small TNCs established after 1990 to service the local market. More than forty percent originate from SSA or South Africa. Over two-thirds operate in the services sector. These firms are the second most capital intensive of the six groups and, as a reflection of this characteristic, employ the highest proportion of graduates on the payroll. However the average S-TNC subsidiary is small, employing less than 130 people.

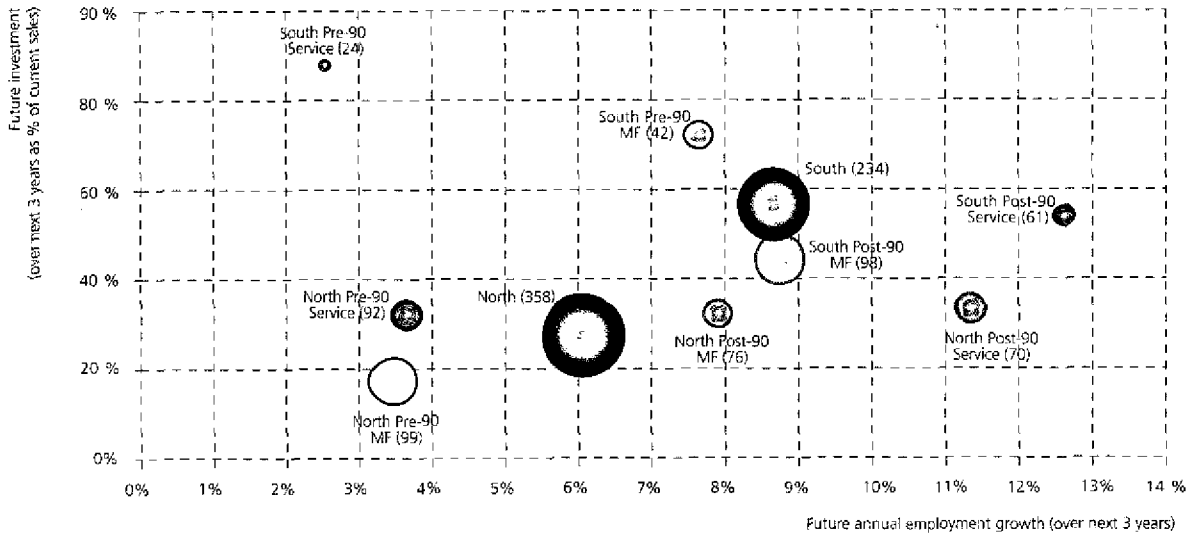
Sales achieved last year per dollar of capital invested were comparable to those of post-1990 local market-oriented L-TNC subsidiaries (Group Three) and were above the average for the whole sample. The future looks promising for this group. All relevant future growth indicators i.e. future sales, employment and investment growth are above or in keeping with the growth rates of the whole sample.

6. The last group consists of foreign-owned entrepreneurial firms (FEs) without formal links to a 'parent'. From the UNIDO survey, it would seem to be a form of enterprise governance that is ubiquitous and becoming increasingly popular in Sub-Saharan Africa, if under researched and largely ignored by policy makers. Although FEs are not controlled by a parent company through a formal governance structure, half of FEs has associated operations in other countries. Of these associated firms, some sixty percent are located exclusively in Africa and a quarter of foreign owners manage different lines of business outside the region. Eighty percent of owners from SSA or MENA operate exclusively in Africa.

Half of the post-1990 FEs operate in the manufacturing sector, are small in size and operate in labour intensive sub sectors like chemicals, food and beverages and wood. Those FEs in the group operating in the services sector are about the same size as manufacturers, employing on average around a hundred people. More than forty percent of these services FEs operate in marketing, sales and distribution and a fifth provide a variety of professional services.

The most noteworthy feature of FEs from the South, whether the firms are manufacturers or services providers, is the high forecast investment rate per dollar of sales; and this is a good predictor of future sales performance. FEs from the South, regardless of whether they are grouped according to their date of establishment, market orientation or sector, are forecasting invest-

Figure 9.2 **Future employment and investment growth for sector and investor origin types**



Note: Number in parenthesis indicates the frequencies of firms in the respective group, the bubble size indicates the total employment in the respective group

ing at a faster rate than FEs from the North. South manufacturing FEs have also been hiring at a rate eight percentage points higher than their North counterparts.

Sector Groups and the North-South Divide

Another way of grouping firms is by which sector they operate in and whether they originate from the North or South. Then, in order to highlight the influence of the time period in which the firms were established, firms were further differentiated in terms of whether or not they were founded before 1991. There is, of course, a survivor bias in this procedure. However, even with that caveat, Figure 9.2 is highly suggestive of the differences between North and South investors in SSA.

First, all South investor groups anticipate a faster future investment growth rate over the next three years than do comparable investors from the North. This difference is most marked between South and North firms established before 1991. Post-1990 North and South firms are more similar. Second, rapid employment growth is expected to come from both North and South post-1990 investors in the services sector rather than in manufacturing. However, as manufacturers from the South employ more people overall (indicated by the bubble size), their total contribution to employment generation is greater than from the services sector as a whole. Third, foreign investors arriving from the North since 1990 are contributing significantly to employment generation, although in terms of new investment their future plans are more modest.

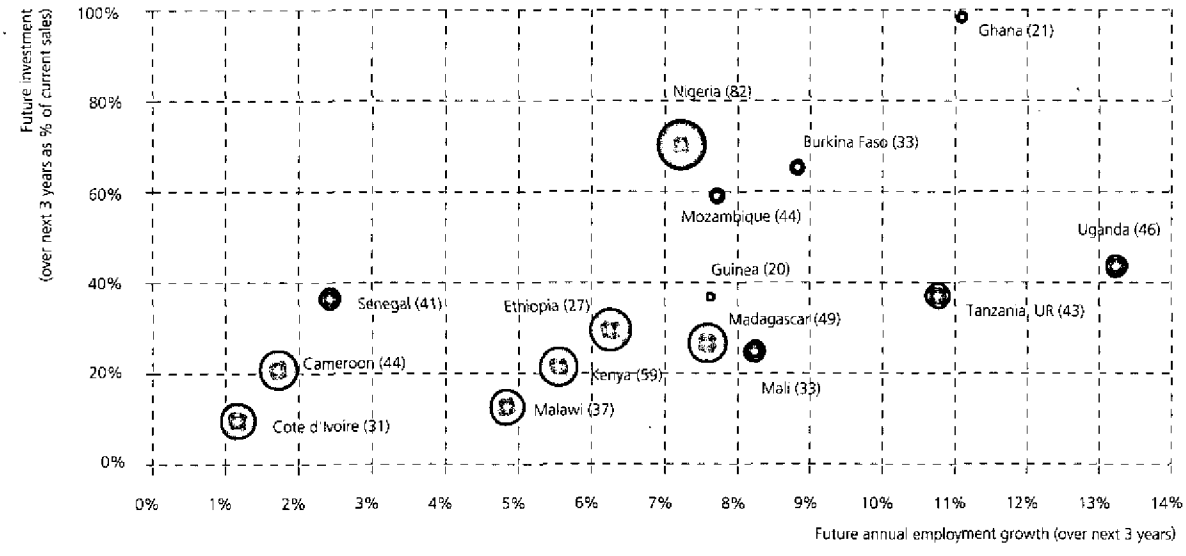
Country Groups

The groups used above focus on the characteristics of firms. It is also possible to utilize the data to differentiate between countries. The bubble diagram Figure 9.3 plots all fifteen countries by forecast investment growth per dollar of sales and future employment growth rate over the next three years.

Countries themselves may be clustered according to whether the investment climate has changed significantly for the better over the last ten years. However this is only part of story, for it is the transactions involving the competitive advantages of firms and host countries as locations that generates economic impacts. Thus the investment landscape of countries like Cote d'Ivoire, Cameroon, Senegal, Kenya and Malawi is very much shaped by the subsidiaries of established resource-based L-TNCs (Group One). These firms do not anticipate major new investment or employment creation. One of the challenges for IPAs in these countries is to work with established L-TNCs to increase linkages with local firms and widen the dynamic impact on the host economy.

By contrast, countries such as Ghana, Uganda and Tanzania that have come through a period of significant economic and political change have a higher proportion of firms established since 1990 in the foreign investor population. A larger proportion of these firms originates from the South and is typically foreign owner-managed. Many firms have significant exports to regional markets. Overall, these three countries are currently anticipating a significant increase in employment

Figure 9.3 **Future employment and investment growth in host countries**



Note: Number in parenthesis indicates the frequencies of firms in the respective group, the bubble size indicates the total employment in the respective group

associated with FDI. In these countries, perhaps IPAs need to engage more proactively in encouraging investors to improve the quality of the economic impact of their investments.

At a country level then, the challenges and opportunities for government and IPAs seeking to maximize the benefits from an existing portfolio of foreign investors are substantially path dependent. However countries as investment locations do not exist in isolation. The comparative advantage firms possess in particular locations is constantly changing. Institutional arrangements need to keep pace with this change. Much can be learned from benchmarking the experience of others at a similar stage of economic development. As indicated in the firm-level analysis, foreign investors do seem to respond to opportunities offered by regional initiatives to liberalize trade regimes.

Implications of the 2005 Survey and the 2007 Survey

The main characteristics of six groupings of foreign investors in Sub-Saharan Africa identified through the UNIDO 2005 survey have been sketched out above. Each group offers a range of opportunities for host economies in terms of export competitiveness, expanded new investment, job creation, human capital formation, and technology transfers, linkages and revenue generation. Each group also has costs attached.

- Old European TNCs use a high proportion of inputs that are sourced from the host country, provide high wage jobs but offer little or no employment growth and only modest new investment rates. They have been in the region for many years, provide the bulk of the current sales and benefit the most from returns to scale and factor efficiency. As subsidiaries of large TNCs, they are also significant sources of technological innovation and managerial expertise and providers of technical and management training.
- The new generation of global exporters originating from the South, very often from Asia, provides very rapid job creation with little investment and low pay, while remaining significantly more dependent on imported inputs from parents and exposed to external political risk from changes in the tariff regime in major markets.
- A new generation of growing, high quality, value creating investors with diverse qualities. Some have regional markets in mind, some are from within the region, others are from outside the region but are not subsidiaries of large transnational corporations. This group could contain the seeds of a new generation of investors that begins to transform the approach of the region to leveraging FDI for development.

Improving the effectiveness of investment promotion critically depends on leveraging FDI in all its varieties to achieve economic development. Simply counting the number of new jobs that are created or the volume of capital investment flowing into an economy is not adequate for answering the questions that national politicians quite rightly ask – what is the contribution of FDI to national economic development? Which policies should be adopted to increase the flow of FDI? Can anything be done to improve the quality of FDI? The survey was conducted to be able to give evidence-based answers to these questions.

Foreign investors have different specific motives for locating in a particular country or city. The various groupings used above indicate some of the broad impacts associated with different categories of investors. National authorities need current and accurate information about the range of types of FDI operating in their country in order to assess who is producing which impact, developing a strategy for maximizing benefits and for identifying and acting on emerging trends. The 2005 survey revealed that a significant proportion of investors were unaware of the function and purpose of the IPA where they were operating. A clear implication is that IPAs should be routinely surveying existing investors. By creating an information platform and knowledge management system that draws on timely survey data, industrial statistics, focused sectoral studies and value chains of existing investors as well as basic input cost parameters, IPAs should be a key information source. The generation of current data, detailing the performance, behaviour, impact and perceptions of different investor groups then provides the basic requirements for streamlining strategies.

Of at least as much importance is the strength that good information gives to policy advocacy. For example, the UNIDO survey reveals that as a group, recently established foreign entrepreneurs most want assistance from IPAs. By working with FEs and finding out what their needs are, IPAs not only create a valuable group of ambassadors but they are also in a better position to advise policy makers on strategies for attracting further investment by new and existing FEs. Domestic investors are most likely to be hostile towards FEs because many compete head-to-head in low margin business activity. It is critical that the IPA is aware of the operational problems of both domestic and foreign investors to be able to brief policy makers. This implies a capacity to carry out impact studies of different investor types.

One of the challenges presented by export-oriented foreign investment highlighted by the UNIDO survey is how to gear low paid and low domestic resource-content production motivated by international trade agreements towards more technology and skill-intensive and higher quality investments. The public policy reason for offering incentives to attract highly mobile projects offering low

wages and low capital is once again subject to scrutiny. The considerable growth rates exhibited by this group indicate that, at least in the immediate term, the conditions are already favourable and demonstrating this fact could be sufficient inducement for attracting new arrivals. However more detailed information may indicate a more nuanced policy is appropriate, especially if there is some prospect of increasing investment per worker or the use of local resources.

While older subsidiaries of large, North-based TNCs may be reluctant or simply unable to expand their operations in Sub-Saharan Africa, this does not mean that they are not interested in improving profit margins. One way to do this is through supply chain development with local firms who, with some technical assistance, project financing and a long term supply contract from the TNC can achieve economies of scale supplying inputs that were hitherto imported by the TNC. Financial and investment markets are generally underdeveloped in Sub-Saharan Africa, yet paradoxically, the current upsurge of interest in emerging markets from private equity funds means that there is a failure of intermediation rather than of the supply of investable funds. This suggests that there is a need for brokering supply chain development projects with domestic firms and private equity and venture capital funds. An active brokerage role for IPAs implies that domestic firms get assistance for more effective TNC collaboration. UNIDO's ITPO network can also be called upon in promoting partnerships for technology transfer with domestic companies taking on component supply contracts from TNCs.

If African governments respond constructively to the many issues discussed in this report, the implications for the machinery of government go well beyond the activities of IPAs. For example, there is likely to be consequences for the division of responsibility for foreign investor relations between the different departments of government. Institutional restructuring and capacity building to support inward investment promotion and help investors overcome bureaucratic obstacles is critical to the task of winning a greater share of the world's foreign direct investment for Africa.

A synopsis of the performance characteristics of the six investor groups, their economic impact, their perception of their investment location and implications for investment promotion activities is presented in Table 9.1.

The UNIDO 2005 survey does not investigate the interactive relationship between domestic and foreign investors. Policy makers require evidence as to the response and impact of FDI on domestic firms in order to be able to prioritise policy interventions and assign mandates to IPAs. This evidence is also important for building a consensus amongst national stakeholders (government, private sector and civil society organizations), about why pro-active FDI promotion is desirable, what types of investor should be actively pursued and what are the likely benefits associated with different kinds of investors.

Existing research has produced ambiguous findings on the spillover benefits and linkage effects (externalities) associated with FDI. Alfaro et al. (2003) conclude that it is difficult to find evidence from the research literature of positive externalities for local firms operating in the same sector as foreign firms. However, many studies find evidence of positive linkage benefits for local firms from TNC activity upstream, through the supply chain and the increase in demand for inputs this entails. In Sub-Saharan Africa, the potential benefits from producing intermediate goods locally can be substantial because transportation costs are in general disproportionately large and the possibilities of specialisation and increased scale yield additional benefits for local firms.

Knowledge spillovers through employees leaving TNCs, the establishment of spin-offs by ex-employees and the demonstration effects of innovations introduced by TNCs and diffused through interactions amongst people working for similar local firms are all examples of externalities or transfers from foreign investors to domestic producers. The accurate measurement of the economic benefits of linkages and evaluation of the "softer" spillovers from FDI into the domestic economies of Africa clearly requires the addition of a carefully chosen sample of domestic firms in the next UNIDO survey of foreign investors in 2007/2008. It is proposed that a sample of domestic firms will be identified from information provided by foreign investors participating in the forthcoming survey about their suppliers and business customers as well as commercial rivals. The survey of domestic firms in each participating country will require the design of a different questionnaire from that used with foreign investors. It will focus on the response and impact of the operations of foreign-owned firms on domestic firms, the extent to which they purchase locally-produced, unprocessed raw materials to add value and that part which involves local firms in value added activities as subcontractors to foreign-owned firms.

Next Steps

The current report analyses aspects of the location choice of foreign investors, for example, the more positive attitude of South African and Asian investors compared to European investors in the region. This analysis needs to be improved upon if it is to enhance IPAs policy advocacy work. The World Bank has invested heavily in developing standardised measures of investment climate as it affects all investors and, since the first appearance in 2003 of the Bank's now annual report, Doing Business, has published comparative national rankings of invest-

Table 9.1 **Major characteristics of the six distinct foreign investor types**

Groups	Performance and productivity	Economic impact	Perceptions	Implications for investment promotion
1. Pre-1980 manufacturing large TNCs	• Capital-intensive • High factor productivity • High market shares	• Large in size (sales, book value, employment) • Very low future employment and investment growth rates • High wages • High local content • High training expenditures per worker	• Negative about business climate • Very positive about market conditions • Important factors: raw materials and skilled labor	• Improve business climate • Develop local supply chains to generate employment multiplier effects • Mobilize UNIDO ITPO network
2. Post-1990 manufacturing global exporters from South	• Labor-intensive • Low factor productivity • Very high export growth • Very ambitious performance expectations	• High employment absorption • Highest future employment growth • Very limited investment growth • Low wages • Mainly unskilled labor force • Almost no training • Most inputs are imported	• Negative about business climate • Negative about local resources availability • Positive about market conditions • Important factors: labor costs and incentives	• Improve local resources availability to increase local content • Re-assess the usefulness of incentives • Evaluate the efficiency of manufacturing-in-bond provisions
3. Post-1990 local market seeking large TNCs	• Capital-intensive • High labor productivity • High sales growth • Most content with their performance	• High past investment in absolute terms • Ambitious investment and employment growth rates • High wages • High share of university graduates • High training expenditure • Low local content	• Positive about business climate • Positive about local resources availability • Important factors: local markets, economic and political stability and skilled labor	• After care service programs that facilitate the realization of ambitious future investment plans • Policy advocacy in relation to regulatory regime for services providers • Improve local resources availability to increase local content
4. Post-1990 regional exporters	• Low factor productivity (capital, labor) • Considerable sales growth • Ambitious performance expectations	• Small in size • Above average employment growth rates • Low wages • Considerable training expenditure • Low local content	• Very negative about business climate • Negative about local resources availability • Important factors: availability of local resources (raw materials, suppliers, labor)	• Removal of obstacles for regional trade • Channeling IPA resources to deepen assistance • Partnership with equity funds
5. Post-1990 local market seeking small TNCs	• Capital-intensive • High factor productivity (capital, labor) • Considerable sales growth	• Small in size • High forecast investment rate • High share of university graduates • Considerable training expenditure	• Most positive about business climate • Most positive about local resources availability • Important factors: Local markets, economic and political stability and skilled labor	• After care service programs that facilitate the realization of ambitious future investment plans • Forge partnerships with domestic firms • Evaluate impact of regulatory regime for distribution and retailing sector
6. Post-1990 local market seeking FEs	• Labor-intensive • High capital productivity • Moderate sales growth • Relatively unhappy with their own performance	• Small in size • Very high investment rate forecast • Low wages and low expenditures on training • High local content	• Negative about business climate conditions • Positive about market conditions • Important factors: physical security, raw materials	• Channeling IPA resources to deepen assistance • Forge partnerships for technology upgrading • Improve attractiveness as suppliers for downstream TNCs

ment climate every year. Each report seeks to establish benchmarks for comparing different aspects of investment climate between countries, such as the availability of finance, macroeconomic stability, market structure, business-related infrastructure, supply of human resources, efficiency of the legal and regulatory system, and the prevalence of corruption, criminality and the cost of personal security provision. All fifteen of the countries covered by the UNIDO survey are included in the latest Doing Business 2007 report (World Bank, 2006).

Only by exploring in more detail the impact of the investment climate on foreign investors' decision-making processes and their operational performance, will it be possible to prioritise desirable changes to the investment environment. Investment climate parameters could thus be calibrated in accordance with the priorities and perceptions of groups with desirable positive impacts on the host economy. Equally, it is important that African host governments are apprised of what FDI can and cannot contribute in the specific context of their economies and what it is that governments can sensibly do to promote different kinds of FDI. The empirical evidence generated by the 2007/2008 UNIDO survey will be useful for generating a sustainable and broad based consensus around the benefits to be obtained from FDI and identifying policy advocacy priorities in each country participating in the survey.

In each participating country, it is proposed that the UNIDO 2007/2008 survey will address, both at a strategic and an operational level, the needs of stakeholders in the investment promotion process. National policy makers will be provided with tailored guidelines or indices for evaluating the performance of national IPAs. The 2005 UNIDO survey began the process of developing differentiated performance measures for investment promotion activity by identifying foreign investor types defined by a variety of performance criteria, such as sales growth, investment growth and employment growth, age of firm, governance structure, country of origin of investor, etc. However, in order to operationalise more nuanced investment promotion policy development it is necessary to extend this work through additional surveys of investors using standardised instruments by country.

The new questionnaire will be designed to identify firms by type of FDI as well as firm specific characteristics. The new information on investors' perceptions of policy interventions and desired improvements to the investment climate will be used to work out guidelines for policy makers so that they can evaluate alternative policy interventions and establish mechanisms for monitoring investor responses. Clearly, as part of this process, the costs as well as the benefits of policy interventions need to be estimated. The development and use of a standardised questionnaire will enable countries to carry out systematic comparisons of their competitiveness as an investment destination. Governments will then be in a better position to prioritize investment promotion policy interventions in line with national socio-economic and political objectives and institutional capabilities.

By generating standardised measures of the effectiveness of investment promotion policies and activities in neighbouring countries, regional groupings have a basis on which to harmonise business-friendly investment and trade policies. This activity will help to address one of the frequently cited weaknesses of individual African economies, namely, that they are too small to attract and sustain efficient market-seeking investors. One of the key findings of the 2005 survey is the identification of a new type of regional exporter, attracted to the region since the beginning of the 1990s, that is planning to make significant additional investment into existing capacity and hiring new employees. It is important that neighbouring countries work jointly to harmonise investment and trade policies to take advantage of and reinforce this positive trend. The East African Community's (EAC) policy harmonisation initiatives, the survey indicates, have yielded significant benefits for neighbours Uganda and Tanzania by persuading these new regional exporters to invest there. It is proposed that the EAC should receive technical assistance to develop a pilot regional investment promotion strategy focusing on removing barriers to trade in the EAC in order to unleash the full positive effects of this emerging investor group.

At country level, IPAs could use the UNIDO data to consolidate an information platform for monitoring and benchmarking the country's investment climate. The platform could also provide prospective investors with a mechanism to assess investment options and screen investment locations. It would make it possible to structure an articulate set of indicators to capture some essential elements of the investment climate such as an index of expected investment inflows, the performance of local institutions, the investment return, the impact of investment on aspects of local economies, rakings of countries and sub-sectors, etc. In tandem with the World Bank's rankings for screening investment locations, such a platform would be a key instrument for the IPAs to calibrate enhancements of the investment climate, evaluate responses to changes in policies, as well as to target and enhance desired investment outcomes.

List of tables and figures

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Survey questions

PROFILE OF THE COMPANY AND OPERATIONS IN <<country>>

1. What is the main business activity of your company in <<country>>?
2. Which business sectors most apply to this operation?
3. What is the type of your main output?
4. How is the current ownership structure?
5. What is the year of start of operations in <<country>>?
6. What was the total amount of original investment made by the foreign investor?
7. What was the mode of entry in <<country>>?
8. What is the estimated amount of new investment or disinvestments made during the last 3 years (in addition to depreciation replacement)?
9. What is the anticipated amount of new investment or disinvestments over the next 3 years (in addition to depreciation replacement)?
10. What is the value of your firm's total sales in the last year?
11. What is the increase or decrease in sales in the last year?
12. What is the anticipated increase or decrease in annual sales over the next 3 years?
13. What is the book value of your firm's total assets?
14. What % of total sales last year were exports?

SECTION FOR EXPORTERS

15. What % of your exports goes to Sub Saharan Africa, European Union, United States, Asia/Pacific, Middle East/North Africa and other?
16. If more than 10% of your exports go to Sub- Saharan Africa, please rank the top 3 country destinations in this region.
17. What % of your exports are to the parent company or its other subsidiaries?
18. What kind of export channels does your firm use?
19. What is the importance of regional trade agreements on your export activities (5-point Likert scale)?
20. If you indicated "very important" or "crucial" in 19., please specify the agreements and describe how they are helping your export activities?
21. What is the importance of the "African Growth and Opportunity Act (AGOA)" and "Everything But Arms (EBA)" on your export activities (5-point Likert scale)?
22. If your company is in the textiles/garment manufacturing sector - Evaluate the effect of the Multi-Fiber Agreement (MFA) expiry on your business.
23. What do you consider the top 3 most important barriers to expanding your export activities?
24. What is the estimated annual increase or decrease in export revenues over the last 3 years?
25. What is the anticipated annual increase or decrease in export revenues over the next 3 years?

WORK FORCE PROFILE

26. What is the total number of employees?
27. What percentage of your work force is unskilled, skilled, administrative, management and technical?
28. How many managers do you employ? How many managers were locally recruited and how many need

a work permit?

How many engineers/scientists do you employ? How many engineers/scientists were locally recruited and how many need a work permit?

How many university graduates do you employ? How many university graduates were locally recruited and how many need a work permit?

29. What is the total amount of annual wages?
30. What was the percentage increase/decrease in employment over the last 3 years?
31. What is the anticipated percentage increase/decrease in employment over the next 3 years?

PROFILE OF THE FOREIGN INVESTOR

32. Describe the organizational structure of your company. Is your company a subsidiary of a parent company with headquarters in another country or is it owned by a foreign individual/family?
33. What was the main motivation for the foreign investor to invest in <<country>>?
34. Describe the local partner.

IMPACT OF THE FOREIGN INVESTMENT ON THE LOCAL ECONOMY

35. Please indicate the approximate expenditures of your company on R&D and training and indicate how much of it was carried out in-house or outsourced to a local contractor?
36. Are you a member of a business association? If yes, what are the benefits?
37. Do you play an advisory role with/ for any government institution?
38. What is the total cost of bought in materials during the last year?
39. What are the channels of procurement for bought in materials and their shares in total?
40. Do you subcontract operations to local companies?
41. Do you subcontract indirect services to local suppliers?
42. Please rank the three main barriers to expanding local sourcing of inputs or sub-contracting of operations.
43. Do you interact with local suppliers/sub-contractors to improve their operations?
44. Have you influenced the relocation of any of your international suppliers to <<country>>?

If your company is a wholly-owned subsidiary of a foreign company

45. How important to your operations are the contributions of the parent company (or its other subsidiaries) (5-point Likert scale)?
46. What is the estimated number of work-days of managerial or technical staff sent from the parent company (or its other subsidiaries) to assist your company during the last year?
47. What is the approximate number of man-days of training given to your staff at the headquarters of the parent company (or its other subsidiaries) during the last year?
48. What percentage of your machinery and equipment has been procured through the parent company (or its other subsidiaries)?
49. Is there any input from your company to the parent company (or its other subsidiaries)?

If your company is a Joint Venture

50. How important to your operations is the contribution of the foreign partner (5-point Likert scale)?
51. How important to your operations is the contribution of the local partner (5-point Likert scale)?
52. How would you rate the foreign partner's involvement in the executive management of the joint venture?
53. What is the level of influence of the foreign partner on the decisions of the board?

If your company is 100% foreign owned

54. Did the foreign investor own / manage a similar line of business in another country prior to investing in <<country>>?
55. How important is the contribution of the foreign investor to the operations of the company (5-point Likert scale)?

INVESTMENT AND OPERATING EXPERIENCE

For firms that started operations within the last three years:

56. Before the foreign investor decided to invest in <<country>> what information/services were needed? How important was this service to the investor? How well was this service provided and who provided it?
57. What services did you need after establishment of your operations? How important was this service to the investor? How well was this service provided and who provided it?
58. Rank the 3 most important issues that have to be addressed to induce you to increase your investments in <<country>>?
59. Has your company been registered or provided with a certificate by the <<country's>> Investment Promotion Agency (IPA)?

a. If registered:

Why are you registered?

How efficient was the certification process?

How useful was the <<IPA>> certificate or registration in obtaining benefits and simplifying the process of getting established?

Has the <<IPA>> performed to expectations in the last three years?

b. If not registered:

Why you are not registered?

60. Rank the top three improvements you suggest the <<IPA>> make to their services.
61. Of all the business services providers you have contacted while setting up/operating in <<country>>, rank the top 3 most helpful?
62. Please indicate the importance to your company of the following 26 location factors and assess how they have changed over the last 3 years (5-point Likert scale)?
63. Has your investment in <<country>> performed up to expectations in the last three years (5-point Likert scale)?

CLOSING QUESTIONS

64. Have you participated in UNIDO's Foreign Investors Survey in 2003?
65. Would you be interested in receiving a Report of this year's study?
66. Would you like to be contacted by the IPC to discuss your investment in <<country>>?

Original questionnaire is downloadable under www.unido.org/doc/42505

ANNEX

Annex: Chapter 2

Annex table 2.1 **Detailed definitions**

Organizational structure

Large TNC or L-TNC	Small TNC or S-TNC	Foreign entrepreneur or FE
If company has global headquarters in a *country other than the host country and* the entity in the host country is a subsidiary. The global sales of the corporation account for more than $200 million annually.	If company has global headquarters in a *country other than the host country and* the entity in the host country is a subsidiary. The global sales of the corporation account for less than $200 million annually.	For entities that are owned and managed *by a foreign individual but the entity is* not formally a subsidiary of an ongoing concern in another country. There may be other operations in other countries owned by the same individual or family but there is no such entity as corporate headquarters in another country that *provides transfer of capital or other resources.*

Investor origin

North	South
It refers to "industrialized countries" defined in 2005 UNIDO *Industrial Statistics Yearbook*. Exception: UNIDO (2005) "developing" countries that are part of the EU-25 (in case of Cyprus, Slovenia and Malta) are herein classified as "North".	It refers to "developing" countries defined in 2005 UNIDO *Industrial Statistics Yearbook*. Exception: UNIDO (2005) "industrialized" country, South Africa, is classified as "South".

Market orientation

Local market-seeking	Regional market-seeking	Global market-seeking
If less than 10 per cent of total output is exported.	*If equal or more than 10 per cent of total* output is exported and more than 50 per cent of this exported output is directed to other SSA countries.	*If equal or more than 10 per cent of total* output is exported and more than 50 per cent of this exported output is directed to global markets, other than SSA countries.

Share structure

Wholly-owned enterprises (WOE)	Joint Venture companies (JVs)
Foreign share ownership is equal to or greater than 90 per cent.	Foreign share ownership is equal to or greater than 10 per cent but less than 90 per cent.

Main sectors

Primary	*Secondary*	*Tertiary*
ISIC Rev. 3 Section A (Agriculture, hunting and forestry). Section B (Fishing). Section C (Mining and quarrying). Note: Exception from OECD classification, as *most of the mining and quarrying activities* hardly involved any processing activities. (Activities related to IISC 26 to ISIC 28 appear in "secondary".)	Section D (Manufacturing). Section E (Electricity, gas and water supply). Section F (Construction). Note: Trading and pure distribution of electricity, gas and water will be *classified as "tertiary".*	Section G (Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods). Section H (Hotels and restaurants). Section I (Transport, storage and communications). *Section J (Financial intermediation).* Section K (Real estate, renting and business activities). Section L (Public administration and defence; compulsory social security). Section M (Education). Section N (Health and social work). Section O (Other community, social and personal service activities). Section P (Activities of private households as employers and undifferentiated production activities).

Note: Top sector classification along OECD (2006 [b]), Proposals for two SNA/ISIC Aggregations for SNA Data reporting, Fourth Meeting of the Advisory Expert Group on National Accounts, 30 January–8 February 2006, Frankfurt http://unstats.un.org/unsd/nationalaccount/AEG/papers/m4ISIC.pdf.

(*continued*)

Annex table 2.1 **Detailed definitions (*continued*)**

Regional origin of investor

EUROPE	Eastern Europe, Northern Europe, Southern Europe, Western Europe.
ASIA	Central Asia, Eastern Asia, Southern Asia, South-Eastern Asia.
MENA (Middle East and Northern Africa)	Western Asia and Northern Africa.
AMERICAS	Northern America, South America, Central America , Caribbean.
SSA	Eastern Africa, Central Africa, Southern Africa (without SA), Western Africa.
SA (South Africa)	South Africa forms its own category.

Note: According to definition of UN Statistics Division -> http://unstats.un.org/unsd/methods/m49/m49regin.htm

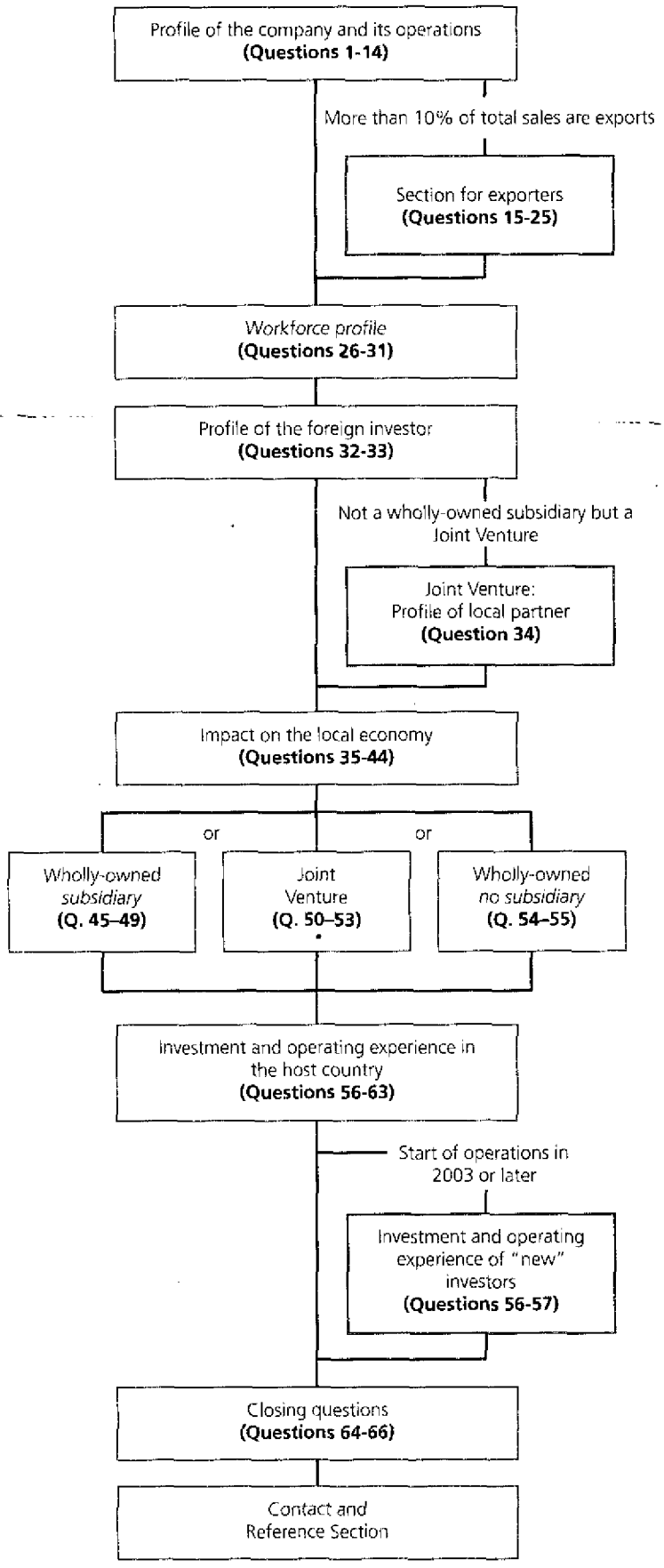
Subsectors

Agriculture, hunting, fishing and natural resources	Section A (Agriculture, hunting and forestry), B (Fishing) and C (Mining and quarrying)
Food, beverages, and tobacco	ISIC 15 and partly ISIC 16 (manufacturing of tobacco).
Textile	ISIC 17.
Garment, apparel and leather	ISIC 18 (Wearing apparel, dressing, and dyeing of fur) and ISIC 19 (Tanning and dressing of leather, manufacture of luggage, handbags, saddlery, harness and footwear).
Paper and paper products	ISIC 21.
Publishing and media	ISIC 22.
Chemical, plastics and rubber	ISIC 23 (Coke, refined petroleum products and nuclear fuel), ISIC 24 (Chemicals and chemical products), ISIC 25 (Rubber and plastic products).
Non-metalic mineral products	ISIC 26 (Other non-metalic mineral products).
Basic metals	ISIC 27 (Basic metals) and ISIC 28 (Fabricated metal products, except machinery and equipment).
Automobile, machinery and equipment	ISIC 29 (machinery and equipment), ISIC 30 (Office, accounting and computing machinery), ISIC 31 (Electrical machinery and apparatus), ISIC 32 (Radio, television and communication equipment and apparatus), ISIC 33 (Medical, precision and optical instruments, watches and clocks), ISIC 34 (Motor vehicles, trailers and semi-trailers), ISIC 35 (Other transport equipment).
Wood products and furniture	ISIC 36 (Furniture, manufacturing n.e.c.) and ISIC 20 (Wood and products of wood and cork, except furniture; manufacturing of articles of straw and plaiting materials).
Electricity, gas and water supply	Section E (Electricity, gas and water supply).
Construction	Section F (Construction).
Marketing, sales and distribution	Section G (Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods).
Hotel and restaurants	Section H (Hotels and restaurants).
Transport, storage and communication	Section I (Transport, storage and communications).
Financial intermediation	Section J (Financial intermediation).
Professional services	Section K (Real Estate, renting and business activities), Section L (Public administration and defence; compulsory social security), Section M (Education), Section N (Health and social work), Section O (Other community, social and personal service activities), Section P (Activities of private households as employers and undifferentiated production activities).

Annex table 2.2 **Coverage of 2003 respondents in the 2005 survey**

	2005 participation	*Difference between 2003 and 2005*	*Total 2003 country sample*	*Coverage*
Burkina Faso	33	21	54	61.1%
Cameroon	26	34	60	43.3%
Ethiopia	30	25	55	54.5%
Kenya	54	38	92	58.7%
Madagascar	29	53	82	35.4%
Malawi	21	20	41	51.2%
Mozambique	21	76	97	21.6%
Nigeria	36	49	85	42.4%
Senegal	20	18	38	52.6%
Tanzania, UR	38	62	100	38.0%
Uganda	27	68	95	28.4%
Total	335	464	799	41.9%

Annex 2.3 **Structure of the 2005 UNIDO survey questionnaire**



Annex 2.4 **Sample size requirements**

The required degree of confidence is 95 per cent. This means, that with a confidence of 95 per cent, the observed percentages are either plus or minus 5 per cent away from the unknown population parameter. The formula that can be used to determine the minimum required sample size in order to fulfill these requirements is the following (Cochran, 1963):

$$n \geq \frac{z^2_{1-\alpha/2}(p(1-p))}{d^2}$$ [1]

For z=1.96, p=0.05, d=0.05 we get a minimum required sample size of n ≥ 384, regardless of the unknown size of the whole target population. Another formula that includes the size of the whole target population is available but it would only produce results for the minimum required sample size of less than 384 responses.[2] Given the chosen parameters, the solution for n is thus the safest.

As depicted in table 2.1, the sample size of 1,216 exceeds the minimum required sample size by far. Even when opting for more rigid criteria, e.g. by reducing the acceptable sampling error to 4 per cent or even 3 per cent, we would still get minimum required sample sizes (600 or 1,067 respectively) smaller than the actual sample size. By the same token, the confidence could be reduced to 99 per cent, which would require a minimum sample size of 664 respondents for an acceptable sampling error of 5 per cent or 1,037 for a sample error of 4 per cent.

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[1] n is minimum sample size; z is the z-value of the normal distribution (equals 1.96 for 95 per cent required confidence); p is the estimated proportion of answers for a dichotomous variable ("Yes" or "No"), the worse case is a prediction of 50 per cent i.e. the sample size needs to be higher; d is the acceptable sampling error.

[2] $$n_{corrected} = \frac{n}{1 + \frac{(n-1)}{N}}$$

The nature of the formula is as such that $n_{corrected}$ cannot be greater than n, with N going towards infinite. The formula yields meaningful results when the total population N is "small".

Annex: Chapter 3

Annex table 3.1 **Age of firms in the host countries (in years)**

	Mean	Median	Standard deviation	N
Senegal	22.9	19.5	14.4	48
Côte d'Ivoire	21.2	15	15.6	47
Nigeria	20.1	20.5	12.4	106
Cameroon	20.0	18.5	14.5	58
Kenya	18.6	11.5	14.8	88
Malawi	17.1	10	15.0	73
Mali	12.8	8.5	11.0	58
Uganda	10.9	9	9.2	93
Burkina Faso	10.3	6	11.4	97
Tanzania, UR	9.9	7	11.6	85
Madagascar	9.3	6	10.5	75
Ghana	8.4	6	8.1	41
Mozambique	8.1	6	7.7	131
Guinea	8.1	5	6.5	49
Ethiopia	7.2	5	9.3	73
Total	13.3	8	12.7	1122

Note: Firms established before 1955 are excluded. Age is calculated from 2005.

Annex table 3.2 **Distribution of foreign investors by their home countries, regions and North/South**

	Frequency	Percentage representation	Geographical region (United Nations Classification)[1]	Macro geographical region	North/South classification (UNIDO, 2005)[2]
France	233	19.9%	Western Europe	Europe	North
United Kingdom	106	9.0%	Northern Europe	Europe	North
South Africa	84	7.2%	Southern Africa	South Africa	South
India	66	5.6%	Southern Asia	Asia	South
Lebanon	63	5.4%	Western Asia	Middle East and North Africa	South
China and Hongkong	47	4.0%	Eastern Asia	Asia	South
Portugal	42	3.6%	Southern Europe	Europe	North
United States	39	3.3%	Northern America	The Americas and Oceania	North
Kenya	38	3.2%	East Africa	Sub-Saharan Africa	South
Germany	38	3.2%	Western Europe	Europe	North
Switzerland	32	2.7%	Western Europe	Europe	North
Netherlands	27	2.3%	Western Europe	Europe	North
Mauritius	24	2.0%	East Africa	Sub-Saharan Africa	South
Italy	22	1.9%	Southern Europe	Europe	North
Saudi Arabia	19	1.6%	Western Asia	Middle East and North Africa	South
Côte d'Ivoire	18	1.5%	Western Africa	Sub-Saharan Africa	South
Belgium	18	1.5%	Western Europe	Europe	North
Zimbabwe	17	1.5%	East Africa	Sub-Saharan Africa	South
Canada	16	1.4%	Northern America	The Americas and Oceania	North
Libyan Arab Jamahiriya	14	1.2%	Northern Africa	Middle East and North Africa	South
Senegal	11	0.9%	Western Africa	Sub-Saharan Africa	South
Tanzania, UR	9	0.8%	East Africa	Sub-Saharan Africa	South
Japan	9	0.8%	Eastern Asia	Asia	North
Pakistan	9	0.8%	Southern Asia	Asia	South
Togo	8	0.7%	Western Africa	Sub-Saharan Africa	South
Singapore	8	0.7%	South-Eastern Asia	Asia	South
Denmark	8	0.7%	Northern Europe	Europe	North

continued

Annex table 3.2 **Distribution of foreign investors by their home countries, regions and North/South (cont.)**

	Frequency	Percentage representation	Geographical region (United Nations Classification)[1]	Macro geographical region	North/South classification (UNIDO, 2005)[2]
Greece	8	0.7%	Southern Europe	Europe	North
Korea, Republic of	7	0.6%	Eastern Asia	Asia	South
Malaysia	7	0.6%	South-Eastern Asia	Asia	South
Spain	7	0.6%	Southern Europe	Europe	North
United Arab Emirates	7	0.6%	Western Asia	Middle East and North Africa	South
Sri Lanka	6	0.5%	Southern Asia	Asia	South
Netherlands Antilles	5	0.4%	Caribbean	The Americas and Oceania	South
Luxembourg	5	0.4%	Western Europe	Europe	North
Benin	4	0.3%	Western Africa	Sub-Saharan Africa	South
Egypt	4	0.3%	Northern Africa	Middle East and North Africa	South
Nigeria	4	0.3%	Western Africa	Sub-Saharan Africa	South
Indonesia	4	0.3%	South-Eastern Asia	Asia	South
Taiwan, Province of China	4	0.3%	Eastern Asia	Asia	South
Sweden	4	0.3%	Northern Europe	Europe	North
Syrian Arab Republic	4	0.3%	Western Asia	Middle East and North Africa	South
Ghana	3	0.3%	Western Africa	Sub-Saharan Africa	South
Morocco	3	0.3%	Northern Africa	Middle East and North Africa	South
Sierra Leone	3	0.3%	Western Africa	Sub-Saharan Africa	South
Tunisia	3	0.3%	Northern Africa	Middle East and North Africa	South
Russian Federation	3	0.3%	Eastern Europe	Europe	North
Cyprus	3	0.3%	Western Asia	Middle East and North Africa	North
Israel	3	0.3%	Western Asia	Middle East and North Africa	North
Yemen	3	0.3%	Western Asia	Middle East and North Africa	South
Brazil	3	0.3%	South America	The Americas and Oceania	South
Ethiopia	2	0.2%	East Africa	Sub-Saharan Africa	South
Mali	2	0.2%	Western Africa	Sub-Saharan Africa	South
Sudan	2	0.2%	Northern Africa	Middle East and North Africa	South
Uganda	2	0.2%	East Africa	Sub-Saharan Africa	South
Korea, DPR	2	0.2%	Eastern Asia	Asia	Sout
Thailand	2	0.2%	South-Eastern Asia	Asia	South
Austria	2	0.2%	Western Europe	Europe	North
Gibraltar	2	0.2%	Southern Europe	Europe	North
Norway	2	0.2%	Northern Europe	Europe	North
Turkey	2	0.2%	Western Asia	Middle East and North Africa	South
Iran, Islamic Republic of	2	0.2%	Southern Asia	Asia	South
Algeria	1	0.1%	Northern Africa	Middle East and North Africa	South
Botswana	1	0.1%	Southern Africa	Sub-Saharan Africa	South
Cameroon	1	0.1%	Middle Africa	Sub-Saharan Africa	South
Gabon	1	0.1%	Middle Africa	Sub-Saharan Africa	South
Malawi	1	0.1%	East Africa	Sub-Saharan Africa	South
Mauritania	1	0.1%	Western Africa	Sub-Saharan Africa	South
Réunion	1	0.1%	East Africa	Sub-Saharan Africa	South
Bangladesh	1	0.1%	Southern Asia	Asia	South
Australia	1	0.1%	Australia & New Zealand	The Americas and Oceania	North
Czech Republic	1	0.1%	Eastern Europe	Europe	North
Finland	1	0.1%	Northern Europe	Europe	North
Ireland	1	0.1%	Northern Europe	Europe	North
Slovakia	1	0.1%	Eastern Europe	Europe	North
Bahamas	1	0.1%	Caribbean	The Americas and Oceania	South
Bermuda	1	0.1%	Northern America	The Americas and Oceania	South
Virgin Islands, British	1	0.1%	Caribbean	The Americas and Oceania	South
Virgin Islands, US	1	0.1%	Caribbean	The Americas and Oceania	South
French Guyana	1	0.1%	South America	The Americas and Oceania	South

[1]Composition of macro geographical (continental) regions, geographical subregions of countries available at: http://unstats.un.org/unsd/methods/m49/m49regin.htm

[2]Classification of countries into "industrialized" vs. "developing countries" herein referred to as North/South taken from UNIDO (2005). Exceptions from the classifications are: UNIDO (2005) "developing countries" which are EU-25 Members (Cyprus, Slovenia, Malta) were classified as "North", South Africa ("industrialised" country in UNIDO, 2005) will be classified as South.

Annex table 3.4 **Sales, book value and employment by different investor categories**

			SALES(in USD)			
		Number of companies	Mean	Median	Sum	Sum %
Organizational structure	L-TNC	282	34,431,301	11,158,917	9,709,626,846	62.1%
	S-TNC	256	11,039,707	2,843,000	2,826,164,961	18.1%
	FE	526	5,914,892	972,351	3,111,233,263	19.9%
	TOTAL	1,064	14,705,851	2,394,900	15,647,025,069	100.0%
Origin of investor	North	578	18,972,063	4,129,398	10,965,852,647	70.4%
	South	468	9,868,901	1,375,127	4,618,645,723	29.6%
	TOTAL	1,046	14,899,138	2,409,461	15,584,498,371	100.0%
Market orientation	Local	746	12,647,809	1,924,000	9,435,265,533	60.3%
	Regional	156	18,506,540	5,307,712	2,887,020,284	18.5%
	Global	152	21,852,478	4,580,753	3,321,576,677	21.2%
	TOTAL	1,054	14,842,374	2,500,000	15,643,862,494	100.0%
Main sectors	Primary	42	9,693,160	836,500	407,112,705	2.6%
	Secondary	523	15,481,876	2,675,050	8,097,021,221	51.6%
	Tertiary	509	14,115,920	2,327,500	7,185,003,215	45.8%
	TOTAL	1,074	14,608,135	2,424,461	15,689,137,141	100.0%
Ownership structure	WOE	620	7,201,577	1,741,230	4,464,977,953	28.5%
	JV	454	24,722,818	3,854,500	11,224,159,187	71.5%
	TOTAL	1,074	14,608,135	2,424,461	15,689,137,141	100.0%
Start-up date	1980 and before	280	29,319,924	7,191,132	8,209,578,682	52.6%
	1981-1990	106	9,218,335	3,660,750	977,143,563	6.3%
	1991-2000	456	8,584,706	1,895,458	3,914,625,835	25.1%
	2001 and later	220	11,435,705	592,450	2,515,855,074	16.1%
	TOTAL	1,062	14,705,464	2,424,461	15,617,203,154	100.0%
Region of investor	Sub-Saharan Africa	129	6,718,710	1,600,000	866,713,535	5.7%
	South Africa	73	30,699,072	1,956,622	2,241,032,260	14.6%
	Middle East and Northern Africa	114	5,449,476	808,151	621,240,261	4.1%
	The Americas and Oceania	60	13,072,569	3,750,000	784,354,130	5.1%
	Asia	143	6,051,704	1,300,000	865,393,641	5.6%
	Europe	513	19,409,990	4,203,650	9,957,325,012	64.9%
	TOTAL	1,032	14,860,522	2,366,616	15,336,058,839	100.0%
Country	Burkina Faso	82	4,706,057	793,650	385,896,714	2.5%
	Cameroon	62	44,737,521	13,764,650	2,773,726,321	17.7%
	Côte d'Ivoire	47	38,976,262	8,364,047	1,831,884,323	11.7%
	Ethiopia	50	5,744,760	1,716,731	287,238,019	1.8%
	Ghana	36	7,574,017	1,403,864	272,664,611	1.7%
	Guinea	43	2,566,256	549,450	110,348,996	0.7%
	Kenya	99	13,667,763	5,800,000	1,353,108,531	8.6%
	Madagascar	78	5,019,271	1,719,397	391,503,155	2.5%
	Malawi	70	10,837,981	2,291,006	758,658,696	4.8%
	Mali	56	15,600,030	4,555,070	873,601,689	5.6%
	Mozambique	129	5,565,093	800,000	717,897,033	4.6%
	Nigeria	110	34,000,024	3,757,299	3,740,002,665	23.8%
	Senegal	60	13,019,438	6,116,396	781,166,273	5.0%
	Tanzania, UR	74	11,821,455	2,734,063	874,787,673	5.6%
	Uganda	78	6,880,160	1,886,500	536,652,443	3.4%
	TOTAL	1,074	14,608,135	2,424,461	15,689,137,141	100.0%
Subsectors	Agric., fish & nat. resources	42	9,693,160	836,500	407,112,705	2.6%
	Food, beverages & tobacco	128	24,813,461	6,307,200	3,176,122,972	20.2%
	Textile	31	19,224,898	2,800,000	595,971,830	3.8%
	Garment, apparel & leather	26	6,302,473	4,126,200	163,864,297	1.0%
	Paper & paper products	13	5,900,807	2,500,000	76,710,487	0.5%
	Publishing & media	18	5,710,622	1,173,819	102,791,197	0.7%
	Chemical, plastic & rubber	139	13,817,916	2,554,815	1,920,690,293	12.2%
	Non-metalic mineral products.	28	29,350,744	3,104,700	821,820,844	5.2%
	Basic metals	36	13,495,918	4,451,825	485,853,043	3.1%
	Auto, machinery & equipment	36	7,815,133	2,285,990	281,344,770	1.8%
	Wood products & furniture	34	1,991,635	504,499	67,715,599	0.4%
	Elec, gas & water supply	19	31,365,654	4,040,400	595,947,425	3.8%
	Construction	34	11,886,350	3,319,986	404,135,888	2.6%
	Marketing, sales & distribution	203	10,410,417	2,250,998	2,113,314,600	13.5%
	Hotel & restaurant	52	4,535,453	1,453,560	235,843,576	1.5%
	Transport & communication	85	31,739,486	2,961,524	2,697,856,278	17.2%
	Financial intermediation	84	14,471,472	5,874,800	1,215,603,651	7.7%
	Professional services	66	4,946,026	556,991	326,437,685	2.1%
	TOTAL	1,074	14,608,135	2,424,461	15,689,137,141	100.0%

BOOK VALUE (in USD)					WORKFORCE				
Number of companies	Mean	Median	Sum	Sum %	Number of companies	Mean	Median	Sum	Sum %
251	47,995,878	5,872,748	12,046,965,404	62.0%	306	523	146	160,117	42.5%
231	12,605,966	1,987,180	2,911,978,176	15.0%	290	355	79	103,029	27.4%
502	8,920,596	800,000	4,478,139,167	23.0%	588	193	51	113,426	30.1%
984	19,753,133	1,510,793	19,437,082,748	100.0%	1,184	318	75	376,572	100.0%
519	24,746,750	1,995,912	12,843,563,429	65.9%	630	347	100	218,377	58.0%
449	14,808,221	1,219,861	6,648,891,039	34.1%	536	295	54	157,979	42.0%
968	20,136,833	1,529,096	19,492,454,467	100.0%	1,166	323	76	376,356	100.0%
684	21,389,396	1,083,298	14,630,346,751	76.3%	825	223	60	184,136	49.8%
141	11,235,803	4,000,000	1,584,248,254	8.3%	166	292	105	48,543	13.1%
136	21,802,942	2,100,000	2,965,200,171	15.5%	161	854	325	137,443	37.1%
961	19,958,164	1,529,591	19,179,795,177	100.0%	1,152	321	76	370,122	100.0%
45	12,466,858	2,000,000	561,008,606	2.9%	47	1,434	184	67,417	17.8%
485	11,673,007	1,743,812	5,661,408,346	28.9%	578	373	100	215,786	57.0%
462	28,896,234	1,295,502	13,350,059,985	68.2%	567	169	50	95,681	25.3%
992	19,730,319	1,534,396	19,572,476,937	100.0%	1,192	318	75	378,884	100.0%
569	6,698,439	1,019,720	3,811,411,829	19.5%	695	257	55	178,662	47.2%
423	37,260,201	2,517,120	15,761,065,108	80.5%	497	403	112	200,222	52.8%
992	19,730,319	1,534,396	19,572,476,937	100.0%	1,192	318	75	378,884	100.0%
241	33,956,284	4,464,540	8,183,464,467	41.9%	289	560	150	161,762	42.9%
90	18,757,093	1,740,623	1,688,138,354	8.6%	109	172	87	18,771	5.0%
409	14,404,204	1,100,000	5,891,319,247	30.2%	490	278	64	136,330	36.2%
242	15,554,707	828,596	3,764,239,027	19.3%	291	206	40	60,071	15.9%
982	19,885,093	1,542,567	19,527,161,095	100.0%	1,179	320	76	376,934	100.0%
129	11,955,927	1,500,000	1,542,314,639	8.0%	147	157	45	23,145	6.3%
67	47,631,585	1,126,027	3,191,316,228	16.6%	81	221	60	17,884	4.8%
111	11,617,799	1,400,000	1,289,575,744	6.7%	131	351	54	45,974	12.5%
60	19,429,026	2,901,344	1,165,741,532	6.1%	69	265	90	18,308	5.0%
131	4,829,702	895,069	632,690,928	3.3%	170	427	62	72,544	19.7%
456	24,906,928	1,978,415	11,357,559,374	59.2%	554	345	98	191,116	51.8%
954	20,103,982	1,510,793	19,179,198,444	100.0%	1,152	320	75	368,971	100.0%
81	4,747,320	769,600	384,532,915	2.0%	98	65	28	6,344	1.7%
51	66,631,394	17,316,000	3,398,201,081	17.4%	64	497	122	31,830	8.4%
42	56,202,194	6,149,152	2,360,492,156	12.1%	52	532	133	27,660	7.3%
63	9,150,399	1,988,660	576,475,107	2.9%	75	554	123	41,544	11.0%
39	6,627,554	1,082,144	258,474,593	1.3%	39	165	62	6,433	1.7%
46	2,786,477	443,357	128,177,960	0.7%	50	102	45	5,114	1.3%
84	30,337,547	2,100,480	2,548,353,983	13.0%	103	354	78	36,508	9.6%
66	4,700,005	746,087	310,200,337	1.6%	85	574	159	48,817	12.9%
66	12,880,620	900,000	850,120,937	4.3%	76	376	45	28,594	7.5%
44	44,468,473	2,426,264	1,956,612,806	10.0%	61	222	64	13,516	3.6%
118	7,691,808	805,000	907,633,398	4.6%	137	133	52	18,183	4.8%
89	38,253,581	2,185,898	3,404,568,732	17.4%	112	494	140	55,308	14.6%
51	10,777,748	2,517,120	549,665,130	2.8%	61	287	84	17,531	4.6%
70	18,815,928	2,074,100	1,317,114,930	6.7%	88	252	58	22,141	5.8%
82	7,583,572	2,000,000	621,852,871	3.2%	91	213	51	19,361	5.1%
992	19,730,319	1,534,396	19,572,476,937	100.0%	1,192	318	75	378,884	100.0%
45	12,466,858	2,000,000	561,008,606	2.9%	47	1,434	184	67,417	17.8%
127	16,309,009	2,500,000	2,071,244,122	10.6%	143	453	135	64,844	17.1%
28	28,088,894	1,845,673	786,489,024	4.0%	36	1,079	507	38,837	10.3%
25	5,844,920	3,282,750	146,123,006	0.7%	27	1,003	1,000	27,073	7.1%
14	5,544,659	5,041,930	77,625,233	0.4%	15	205	85	3,081	0.8%
19	6,490,061	934,889	123,311,159	0.6%	20	91	73	1,829	0.5%
124	8,342,929	1,376,529	1,034,523,177	5.3%	151	231	72	34,891	9.2%
26	25,445,030	5,675,000	661,570,774	3.4%	31	445	92	13,804	3.6%
31	10,559,817	2,185,898	327,354,313	1.7%	39	132	76	5,135	1.4%
32	6,822,462	1,292,910	218,318,800	1.1%	44	122	82	5,350	1.4%
30	1,974,167	576,177	59,225,013	0.3%	35	115	47	4,033	1.1%
20	64,114,150	1,817,426	1,282,283,009	6.6%	23	369	76	8,490	2.2%
29	5,366,335	905,453	155,623,725	0.8%	37	457	160	16,909	4.5%
171	9,841,270	889,700	1,682,857,149	8.6%	218	104	35	22,715	6.0%
43	5,301,083	2,751,520	227,946,588	1.2%	51	163	78	8,301	2.2%
72	53,314,770	1,213,150	3,838,663,458	19.6%	93	240	76	22,334	5.9%
85	70,710,228	7,680,750	6,010,369,391	30.7%	100	193	65	19,319	5.1%
71	4,337,189	336,700	307,940,390	1.6%	82	177	29	14,522	3.8%
992	19,730,319	1,534,396	19,572,476,937	100.0%	1,192	318	75	378,884	100.0%

Annex table 3.3 **Top-5 investor home countries in each host country**

	1. Rank	%	2. Rank	%	3. Rank	%	4. Rank	%	5. Rank	%	Five top investors	Other
Burkina Faso	France	27.8%	Lebanon	20.6%	Côte d'Ivoire	9.3%	Libya	9.3%	Belgium	4.1%	71.1%	28.9%
Cameroon	France	52.4%	Belgium	6.3%	Italy	6.3%	Switzerland	6.3%	Netherlands	4.8%	76.1%	23.9%
Côte d'Ivoire	France	66.0%	Switzerland	8.0%	Lebanon	4.0%	United Kingdom	4.0%	Senegal	2.0%	84.0%	16.0%
Ethiopia	Saudi Arabia	20.8%	Italy	8.3%	United States	6.9%	India	6.9%	Netherlands	6.9%	49.8%	50.2%
Ghana	United Kingdom	20.0%	India	12.5%	Germany	7.5%	United States	7.5%	South Africa	5.0%	52.5%	47.5%
Guinea	France	32.7%	Lebanon	22.4%	China and Hongkong	6.1%	Côte d'Ivoire	4.1%	Senegal	4.1%	69.4%	30.6%
Kenya	United Kingdom	25.3%	United States	10.1%	Germany	7.1%	South Africa	6.1%	France	6.1%	54.7%	45.3%
Madagascar	France	44.6%	Mauritus	16.9%	China and Hongkong	16.8%	India	4.8%	Sri Lanka	3.6%	86.7%	13.3%
Malawi	United Kingdom	23.8%	South Africa	18.8%	United States	7.5%	Zimbabwe	7.5%	Germany	5.0%	62.6%	37.4%
Mali	France	38.3%	Lebanon	10.0%	Senegal	8.3%	Togo	8.3%	Côte d'Ivoire	6.7%	71.6%	28.4%
Mozambique	Portugal	29.4%	South Africa	28.7%	Zimbabwe	5.9%	United States	4.4%	France	2.9%	71.3%	28.7%
Nigeria	United Kingdom	20.9%	Lebanon	12.7%	India	11.8%	China and Hongkong	10.9%	Germany	7.3%	63.6%	36.4%
Senegal	France	76.8%	Switzerland	5.4%	Lebanon	3.6%	Côte d'Ivoire	1.8%	Germany	1.8%	89.4%	10.6%
Uganda	Kenya	22.6%	India	20.4%	United Kingdom	13.7%	Canada	7.5%	South Africa	3.2%	67.4%	32.6%
Tanzania UR	South Africa	11.9%	Kenya	10.7%	India	9.5%	United Kingdom	8.3%	Netherlands	4.8%	45.2%	54.8%

Annex table 3.5 **Ranking of countries by median sales, book value and employment**

	SALES(USD)		BOOK VALUE(USD)		EMPLOYMENT		
	Median	Rank	Median	Rank	Median	Rank	Composite Rank (Average Rank)
Cameroon	13,764,650	1	17,316,000	1	121	5	**1 (2.3)**
Côte d'Ivoire	8,364,047	2	6,149,152	2	133	3	**2 (2.3)**
Senegal	6,116,396	3	2,517,120	3	84	6	**3 (4.0)**
Nigeria	3,757,299	6	2,185,898	5	139	2	**4 (4.3)**
Mali	5,800,000	4	2,100,480	6	78	7	**5 (5.7)**
Kenya	4,555,070	5	2,426,264	4	64	8	**6 (5.7)**
Ethiopia	1,716,731	11	1,988,660	9	123	4	**7 (8.0)**
Tanzania, UR	2,734,063	7	2,074,100	7	58	10	**8 (8.0)**
Madagascar	1,719,397	10	746,087	14	159	1	**9 (8.3)**
Uganda	1,886,500	9	2,000,000	8	51	12	**10 (9.7)**
Ghana	1,403,864	12	1,082,144	10	62	9	**11 (10.3)**
Malawi	2,291,006	8	900,000	11	44	14	**12 (11.0)**
Mozambique	812,893	13	810,000	12	51	11	**13 (12.0)**
Burkina Faso	793,650	14	769,600	13	28	15	**14 (14.0)**
Guinea	549,450	15	443,357	15	45	13	**15 (14.3)**

Annex: Chapter 4

Annex table 4.1 **Sales, book value and employment by main sector and share structure according to organizational structure**

			N	*Mean*	*Median*	*Sum*
SALES *(in USD)*	L-TNC	Primary	6	15,413,431	11,101,482	92,480,584
		Secondary	125	36,898,690	13,000,000	4,612,336,229
		Tertiary	151	33,144,437	8,320,026	5,004,810,033
		Total	282	34,431,301	11,158,917	9,709,626,846
	S-TNC	Primary	14	21,548,436	7,500,000	301,678,109
		Secondary	107	13,090,810	2,675,050	1,400,716,645
		Tertiary	135	8,324,224	2,886,000	1,123,770,206
		Total	256	11,039,707	2,843,000	2,826,164,961
	FE	Primary	22	588,819	420,000	12,954,012
		Secondary	284	7,236,795	1,412,890	2,055,249,747
		Tertiary	220	4,741,043	710,071	1,043,029,503
		Total	526	5,914,892	972,351	3,111,233,263
	TOTAL	Primary	42	9,693,160	836,500	407,112,705
		Secondary	516	15,636,245	2,672,525	8,068,302,622
		Tertiary	506	14,173,142	2,322,553	7,171,609,742
		Total	1,064	14,705,851	2,394,900	15,647,025,069
BOOK VALUE *(in USD)*	L-TNC	Primary	6	24,129,930	24,163,040	144,779,580
		Secondary	106	26,936,834	7,823,471	2,855,304,364
		Tertiary	139	65,085,478	2,947,568	9,046,881,461
		Total	251	47,995,878	5,872,748	12,046,965,404
	S-TNC	Primary	14	27,235,764	11,500,000	381,300,695
		Secondary	97	8,595,348	2,000,000	833,748,763
		Tertiary	120	14,141,073	1,575,000	1,696,928,719
		Total	231	12,605,966	1,987,180	2,911,978,176
	FE	Primary	25	1,397,133	940,800	34,928,332
		Secondary	277	7,039,984	895,069	1,950,075,494
		Tertiary	200	12,465,677	704,497	2,493,135,341
		Total	502	8,920,596	800,000	4,478,139,167
	TOTAL	Primary	45	12,466,858	2,000,000	561,008,606
		Secondary	480	11,748,185	1,709,862	5,639,128,620
		Tertiary	459	28,838,661	1,272,271	13,236,945,522
		Total	984	19,753,133	1,510,793	19,437,082,748
EMPLOYMENT	L-TNC	Primary	7	5403	1252	37,822
		Secondary	134	589	212	78,948
		Tertiary	165	263	100	43,347
		Total	306	523	146	160,117
	S-TNC	Primary	14	1615	311	22,614
		Secondary	117	486	120	56,850
		Tertiary	159	148	45	23,565
		Total	290	355	79	103,029
	FE	Primary	26	269	106	6,981
		Secondary	322	247	72	79,421
		Tertiary	240	113	30	27,024
		Total	588	193	51	113,426
	TOTAL	Primary	47	1434	184	67,417
		Secondary	573	376	100	215,219
		Tertiary	564	167	49	93,936
		Total	1,184	318	75	376,572

		N	Mean	Median	Sum
L-TNC	WOE	138	16,224,500	8,273,525	2,238,980,993
	JV	144	51,879,485	13,350,636	7,470,645,852
	Total	282	34,431,301	11,158,917	9,709,626,846
S-TNC	WOE	152	6,514,119	2,500,000	990,146,124
	JV	104	17,654,027	3,712,500	1,836,018,836
	Total	256	11,039,707	2,843,000	2,826,164,961
FE	WOE	327	3,747,534	742,500	1,225,443,536
	JV	199	9,476,330	1,600,000	1,885,789,727
	Total	526	5,914,892	972,351	3,111,233,263
TOTAL	WOE	617	7,219,726	1,700,000	4,454,570,653
	JV	447	25,039,048	3,848,000	11,192,454,415
	Total	1,064	14,705,851	2,394,900	15,647,025,069
L-TNC	WOE	121	11,458,722	2,501,200	1,386,505,390
	JV	130	82,003,539	9,338,196	10,660,460,014
	Total	251	47,995,878	5,872,748	12,046,965,404
S-TNC	WOE	138	6,790,839	1,303,840	937,135,829
	JV	93	21,234,864	2,565,000	1,974,842,348
	Total	231	12,605,966	1,987,180	2,911,978,176
FE	WOE	309	4,804,643	700,000	1,484,634,610
	JV	193	15,510,386	1,084,451	2,993,504,558
	Total	502	8,920,596	800,000	4,478,139,167
TOTAL	WOE	568	6,704,711	1,014,910	3,808,275,829
	JV	416	37,569,247	2,494,631	15,628,806,919
	Total	984	19,753,133	1,510,793	19,437,082,748
L-TNC	WOE	153	468	91	71,579
	JV	153	579	211	88,538
	Total	306	523	146	160,117
S-TNC	WOE	176	299	62	52,589
	JV	114	442	110	50,440
	Total	290	355	79	103,029
FE	WOE	365	148	45	54,164
	JV	223	266	75	59,262
	Total	588	193	51	113,426
TOTAL	WOE	694	257	55	178,332
	JV	490	405	112	198,240
	Total	1,184	318	75	376,572

Annex table 4.2 **Sales, book value and employment by organizational structure and market orientation according to start-up period**

			N	*Mean*	*Median*	*Sum*
SALES *(in USD)*	1980 and before	L-TNC	127	44,350,075	19,240,000	5,632,459,528
		S-TNC	52	25,611,728	7,034,356	1,331,809,849
		FE	97	12,610,835	2,500,000	1,223,251,011
		Total	276	29,664,929	7,243,813	8,187,520,387
	1981–1990	L TNC	24	15,841,529	4,874,336	380,196,708
		S TNC	20	9,627,155	5,098,600	192,543,096
		FE	61	6,566,922	2,226,687	400,582,259
		Total	105	9,269,734	3,500,000	973,322,063
	1991–2000	L-TNC	101	20,660,301	8,000,000	2,086,690,372
		S-TNC	118	7,621,194	2,465,000	899,300,915
		FE	235	3,921,849	955,826	921,634,547
		Total	454	8,607,105	1,885,361	3,907,625,835
	2001 and after	L TNC	27	58,426,001	1,087,283	1,577,502,014
		S TNC	64	6,288,457	1,452,598	402,461,264
		FE	127	4,183,034	331,436	531,245,320
		Total	218	11,519,305	581,050	2,511,208,598
	TOTAL	L-TNC	279	34,684,045	11,034,140	9,676,848,622
		S-TNC	254	11,126,437	2,920,632	2,826,115,124
		FE	520	5,916,756	962,000	3,076,713,137
		Total	1,053	14,795,515	2,400,000	15,579,676,883
BOOK VALUE *(in USD)*	1980 and before	L TNC	108	57,954,510	9,800,000	6,259,087,112
		S TNC	42	21,016,677	4,200,951	882,700,439
		FE	87	11,793,352	1,085,115	1,026,021,630
		Total	237	34,463,330	4,550,260	8,167,809,181
	1981–1990	L-TNC	19	17,634,108	1,696,210	335,048,044
		S-TNC	20	19,188,635	2,308,200	383,772,693
		FE	51	19,006,228	1,681,460	969,317,617
		Total	90	18,757,093	1,740,623	1,688,138,354
	1991–2000	L TNC	92	35,450,879	3,200,000	3,261,480,852
		S TNC	103	9,665,148	2,000,000	995,510,212
		FE	212	7,663,642	750,000	1,624,692,182
		Total	407	14,451,310	1,084,451	5,881,683,247
	2001 and after	L-TNC	28	78,026,511	2,032,500	2,184,742,303
		S-TNC	64	10,155,906	1,192,008	649,978,004
		FE	148	5,536,593	455,275	819,415,817
		Total	240	15,225,567	785,136	3,654,136,124
	TOTAL	L TNC	247	48,746,390	6,000,000	12,040,358,312
		S TNC	229	12,715,988	2,000,000	2,911,961,348
		FE	498	8,914,553	790,469	4,439,447,246
		Total	974	19,909,412	1,524,670	19,391,766,906
EMPLOYMENT	1980 and before	L-TNC	132	667	247	88,053
		S-TNC	54	699	130	37,757
		FE	99	358	92	35,440
		Total	285	566	150	161,250
	1981–1990	L TNC	25	140	80	3,488
		S TNC	22	96	86	2,110
		FE	62	212	89	13,173
		Total	109	172	87	18,771
	1991–2000	L-TNC	113	500	109	56,551
		S-TNC	128	274	62	35,100
		FE	247	179	59	44,219
		Total	488	278	64	135,870
	2001 and after	L TNC	32	368	64	11,781
		S TNC	84	330	64	27,734
		FE	173	111	27	19,216
		Total	289	203	39	58,731
	TOTAL	L-TNC	302	529	149	159,873
		S-TNC	288	357	79	102,701
		FE	581	193	52	112,048
		Total	1,171	320	76	374,622

		N	Mean	Median	Sum
1980 and before	Local	186	21,012,932	5,204,175	3,908,405,410
	Regional	55	37,750,973	14,003,569	2,076,303,531
	Global	37	59,873,868	21,164,000	2,215,333,121
	Total	278	29,496,554	7,191,132	8,200,042,061
1981–1990	Local	81	9,566,727	3,500,000	774,904,848
	Regional	16	8,985,329	3,585,750	143,765,266
	Global	7	6,121,921	3,277,586	42,853,449
	Total	104	9,245,419	3,425,000	961,523,563
1991–2000	Local	318	7,717,139	1,587,035	2,454,050,170
	Regional	65	9,490,996	3,500,000	616,914,755
	Global	62	13,432,497	3,496,944	832,814,841
	Total	445	8,772,539	1,950,000	3,903,779,766
2001 and after	Local	153	14,611,833	498,822	2,235,610,406
	Regional	18	2,343,341	935,953	42,180,132
	Global	45	5,114,428	1,188,810	230,149,266
	Total	216	11,610,832	588,600	2,507,939,804
TOTAL	Local	738	12,700,502	1,924,000	9,372,970,834
	Regional	154	18,695,868	5,485,312	2,879,163,684
	Global	151	21,994,375	4,661,505	3,321,150,677
	Total	1,043	14,931,242	2,500,000	15,573,285,194
1980 and before	Local	155	32,245,170	2,741,700	4,998,001,368
	Regional	51	19,579,592	8,696,480	998,559,213
	Global	32	61,044,089	19,382,415	1,953,410,834
	Total	238	33,403,241	4,507,400	7,949,971,414
1981–1990	Local	70	21,830,423	1,688,835	1,528,129,604
	Regional	13	9,257,830	1,930,000	120,351,795
	Global	7	5,665,279	1,723,515	39,656,955
	Total	90	18,757,093	1,740,623	1,688,138,354
1991–2000	Local	294	16,356,072	892,384	4,808,685,110
	Regional	56	6,823,656	2,550,000	382,124,739
	Global	51	13,487,703	1,665,000	687,872,875
	Total	401	14,660,057	1,100,000	5,878,682,724
2001 and after	Local	157	20,724,304	480,000	3,253,715,672
	Regional	21	3,962,500	1,200,000	83,212,508
	Global	45	6,272,434	1,396,500	282,259,509
	Total	223	16,229,541	750,000	3,619,187,689
TOTAL	Local	676	21,580,668	1,084,783	14,588,531,755
	Regional	141	11,235,803	4,000,000	1,584,248,254
	Global	135	21,949,631	2,100,000	2,963,200,171
	Total	952	20,100,820	1,534,396	19,135,980,181
1980 and before	Local	194	352	112	68,243
	Regional	56	424	167	23,771
	Global	35	1825	740	63,881
	Total	285	547	150	155,895
1981–1990	Local	83	174	80	14,420
	Regional	15	135	58	2,025
	Global	9	232	200	2,092
	Total	107	173	87	18,537
1991–2000	Local	351	231	54	81,107
	Regional	69	243	80	16,794
	Global	59	639	200	37,689
	Total	479	283	65	135,590
2001 and after	Local	187	99	30	18,516
	Regional	25	237	65	5,915
	Global	57	592	325	33,738
	Total	269	216	39	58,169
TOTAL	Local	815	224	60	182,286
	Regional	165	294	105	48,505
	Global	160	859	325	137,400
	Total	1,140	323	76	368,191

Annex table 4.3 **Sales, book values and employment by organizational structure, market orientation and share structure**

			N	*Mean*	*Median*	*Sum*		
SALES *(in USD)*	North	L-TNC	198	35,428,445	13,756,038	7,014,832,157	North	Local
		S-TNC	119	17,543,423	5,252,400	2,087,667,287		Regional
		FE	258	7,190,330	1,194,000	1,855,105,198		Global
		Total	575	19,056,704	4,131,817	10,957,604,643		Total
	South	L-TNC	84	32,080,889	5,202,258	2,694,794,688	South	Local
		S-TNC	135	5,431,491	1,804,194	733,251,298		Regional
		FE	248	4,787,102	766,250	1,187,201,264		Global
		Total	467	9,882,756	1,374,513	4,615,247,250		Total
	TOTAL	L-TNC	282	34,431,301	11,158,917	9,709,626,846	TOTAL	Local
		S-TNC	254	11,105,979	2,843,000	2,820,918,585		Regional
		FE	506	6,012,463	958,574	3,042,306,463		Global
		Total	1,042	14,945,155	2,409,461	15,572,851,894		Total
BOOK VALUE *(in USD)*	North	L-TNC	171	48,557,594	6,000,000	8,303,348,620	North	Local
		S-TNC	108	19,364,143	3,073,395	2,091,327,462		Regional
		FE	237	10,270,924	769,600	2,434,208,906		Global
		Total	516	24,862,180	1,987,920	12,828,884,989		Total
	South	L-TNC	80	46,795,210	4,790,030	3,743,616,784	South	Local
		S-TNC	121	6,713,461	1,500,000	812,328,814		Regional
		FE	247	8,048,117	764,300	1,987,884,977		Global
		Total	448	14,606,765	1,209,931	6,543,830,576		Total
	TOTAL	L-TNC	251	47,995,878	5,872,748	12,046,965,404	TOTAL	Local
		S-TNC	229	12,679,722	1,987,180	2,903,656,276		Regional
		FE	484	9,136,558	766,950	4,422,093,883		Global
		Total	964	20,096,178	1,510,793	19,372,715,564		Total
EMPLOYMENT	North	L-TNC	213	509	160	108,453	North	Local
		S-TNC	135	382	101	51,511		Regional
		FE	279	207	60	57,853		Global
		Total	627	347	98	217,817		Total
	South	L-TNC	93	556	93	51,664	South	Local
		S-TNC	153	336	54	51,459		Regional
		FE	289	186	48	53,616		Global
		Total	535	293	54	156,739		Total
	TOTAL	L-TNC	306	523	146	160,117	TOTAL	Local
		S-TNC	288	358	80	102,970		Regional
		FE	568	196	50	111,469		Global
		Total	1,162	322	76	374,556		Total

according to investor origin

N	Mean	Median	Sum			N	Mean	Median	Sum
392	14,187,007	3,372,975	5,561,306,616	North	WOE	305	10,075,113	3,758,194	3,072,909,493
96	26,169,540	7,468,419	2,512,275,873		JV	273	28,911,880	5,000,000	7,892,943,155
88	32,689,206	6,978,620	2,876,650,158						
576	19,010,821	4,111,309	10,950,232,647		Total	578	18,972,063	4,129,398	10,965,852,647
338	11,318,041	1,152,583	3,825,497,781	South	WOE	307	4,490,528	999,000	1,378,592,161
49	6,540,220	3,220,714	320,470,777		JV	161	20,124,556	2,500,000	3,240,053,563
63	7,032,103	2,219,755	443,022,518						
450	10,197,758	1,499,404	4,588,991,076		Total	468	9,868,901	1,375,127	4,618,645,723
730	12,858,636	1,924,000	9,386,804,396	TOTAL	WOE	612	7,273,696	1,779,400	4,451,501,653
145	19,536,184	5,663,942	2,832,746,651		JV	434	25,652,066	3,786,000	11,132,996,717
151	21,984,587	4,661,505	3,319,672,677						
1,026	15,145,442	2,484,063	15,539,223,723		Total	1,046	14,899,138	2,409,461	15,584,498,371
352	24,755,003	1,281,638	8,713,761,012	North	WOE	271	7,173,286	1,271,900	1,943,960,500
86	14,982,816	5,925,000	1,288,522,197		JV	248	43,950,012	2,686,500	10,899,602,928
77	33,850,743	2,650,000	2,606,507,176						
515	24,483,088	1,995,912	12,608,790,385		Total	519	24,746,750	1,995,912	12,843,563,429
318	18,479,094	900,000	5,876,351,771	South	WOE	294	6,335,456	870,832	1,862,624,185
46	5,584,312	2,993,000	256,878,356		JV	155	30,879,141	2,292,900	4,786,266,854
58	6,168,141	1,866,728	357,752,195						
422	15,381,475	1,178,710	6,490,982,322		Total	449	14,808,221	1,219,861	6,648,891,039
670	21,776,288	1,082,226	14,590,112,783	TOTAL	WOE	565	6,737,318	1,019,720	3,806,584,685
132	11,707,580	4,218,378	1,545,400,552		JV	403	38,922,754	2,538,714	15,685,869,782
135	21,957,477	2,100,000	2,964,259,371						
937	20,383,962	1,528,600	19,099,772,707		Total	968	20,136,833	1,529,096	19,492,454,467
426	235	78	99,965	North	WOE	334	227	75	75,684
101	346	106	34,939		JV	296	482	122	142,693
94	822	300	77,251						
621	342	100	212,155		Total	630	347	100	218,377
383	217	46	82,946	South	WOE	354	290	45	102,594
56	220	105	12,323		JV	182	304	94	55,385
67	898	434	60,192						
506	307	54	155,461		Total	536	295	54	157,979
809	226	60	182,911	TOTAL	WOE	688	259	56	178,278
157	301	105	47,262		JV	478	414	114	198,078
161	854	325	137,443						
1,127	326	77	367,616		Total	1,166	323	76	376,356

Annex table 4.4 **Sales, book value and employment by investor origin and share structure according to start-up period**

			N	*Mean*	*Median*	*Sum*
SALES *(in USD)*	1980 and before	North	213	34,410,223	9,868,196	7,329,377,575
		South	55	14,834,495	2,500,000	815,897,228
		Total	268	30,392,816	7,442,190	8,145,274,803
	1981–1990	North	65	10,710,429	5,002,400	696,177,905
		South	38	7,101,115	2,075,343	269,842,385
		Total	103	9,378,838	3,500,000	966,020,290
	1991–2000	North	217	10,855,456	2,154,149	2,355,634,038
		South	228	6,729,719	1,642,842	1,534,375,979
		Total	445	8,741,596	1,890,915	3,890,010,017
	2001 and after	North	78	6,879,163	600,000	536,574,713
		South	141	14,037,378	584,900	1,979,270,361
		Total	219	11,487,877	600,000	2,515,845,074
	TOTAL	North	573	19,053,690	4,131,817	10,917,764,231
		South	462	9,955,381	1,405,500	4,599,385,953
		Total	1,035	14,992,416	2,418,921	15,517,150,184
BOOK VALUE *(in USD)*	1980 and before	North	180	41,451,280	5,539,800	7,461,230,413
		South	50	13,268,581	2,687,631	663,429,035
		Total	230	35,324,606	4,507,400	8,124,659,448
	1981–1990	North	53	17,588,778	1,930,000	932,205,222
		South	35	21,534,362	1,500,000	753,702,683
		Total	88	19,158,044	1,752,757	1,685,907,906
	1991–2000	North	196	17,643,793	1,012,050	3,458,183,456
		South	203	11,892,802	1,200,000	2,414,238,788
		Total	399	14,717,850	1,100,000	5,872,422,244
	2001 and after	North	86	11,115,207	663,969	955,907,788
		South	155	18,117,685	900,000	2,808,241,239
		Total	241	15,618,876	856,520	3,764,149,027
	TOTAL	North	515	24,868,984	2,000,000	12,807,526,880
		South	443	14,987,837	1,200,000	6,639,611,745
		Total	958	20,299,727	1,534,396	19,447,138,624
EMPLOYMENT	1980 and before	North	220	613	160	134,759
		South	58	438	107	25,405
		Total	278	576	150	160,164
	1981–1990	North	68	158	95	10,777
		South	39	200	81	7,782
		Total	107	173	87	18,559
	1991–2000	North	232	227	79	52,592
		South	247	336	56	83,072
		Total	479	283	65	135,664
	2001 and after	North	105	178	36	18,738
		South	184	224	40	41,281
		Total	289	208	40	60,019
	TOTAL	North	625	347	100	216,866
		South	528	298	54	157,540
		Total	1,153	325	77	374,406

		N	Mean	Median	Sum
1980 and before	WOE	131	14,652,974	5,252,400	1,919,539,612
	JV	149	42,215,027	12,000,000	6,290,039,070
	Total	280	29,319,924	7,191,132	8,209,578,682
1981–1990	WOE	55	5,050,328	3,000,000	277,768,015
	JV	51	13,713,246	4,617,600	699,375,548
	Total	106	9,218,335	3,660,750	977,143,563
1991–2000	WOE	280	5,969,857	1,638,793	1,671,560,057
	JV	176	12,744,692	2,355,911	2,243,065,778
	Total	456	8,584,706	1,895,458	3,914,625,835
2001 and after	WOE	148	3,746,480	526,698	554,478,981
	JV	72	27,241,335	936,500	1,961,376,093
	Total	220	11,435,705	592,450	2,515,855,074
TOTAL	WOE	614	7,204,148	1,695,215	4,423,346,665
	JV	448	24,986,287	3,999,036	11,193,856,489
	Total	1,062	14,705,464	2,424,461	15,617,203,154
1980 and before	WOE	109	9,011,976	2,500,000	982,305,359
	JV	132	54,554,236	8,172,711	7,201,159,108
	Total	241	33,956,284	4,464,540	8,183,464,467
1981–1990	WOE	45	5,644,758	1,645,945	254,014,102
	JV	45	31,869,428	2,116,400	1,434,124,252
	Total	90	18,757,093	1,740,623	1,688,138,354
1991–2000	WOE	251	7,494,804	1,000,000	1,881,195,721
	JV	158	25,380,529	1,542,567	4,010,123,526
	Total	409	14,404,204	1,100,000	5,891,319,247
2001 and after	WOE	160	4,295,560	600,000	687,289,555
	JV	82	37,523,774	1,471,500	3,076,949,471
	Total	242	15,554,707	828,596	3,764,239,027
TOTAL	WOE	565	6,734,168	1,010,100	3,804,804,737
	JV	417	37,703,492	2,538,714	15,722,356,358
	Total	982	19,885,093	1,542,567	19,527,161,095
1980 and before	WOE	135	351	92	47,373
	JV	154	743	222	114,389
	Total	289	560	150	161,762
1981–1990	WOE	58	195	80	11,312
	JV	51	146	110	7,459
	Total	109	172	87	18,771
1991–2000	WOE	301	266	53	79,983
	JV	189	298	98	56,347
	Total	490	278	64	136,330
2001 and after	WOE	195	203	37	39,669
	JV	96	213	43	20,402
	Total	291	206	40	60,071
TOTAL	WOE	689	259	55	178,337
	JV	490	405	113	198,597
	Total	1,179	320	76	376,934

Annex table 4.5 **Sales, book value and employment by investor origin, start-up period and share structure according to main sectors**

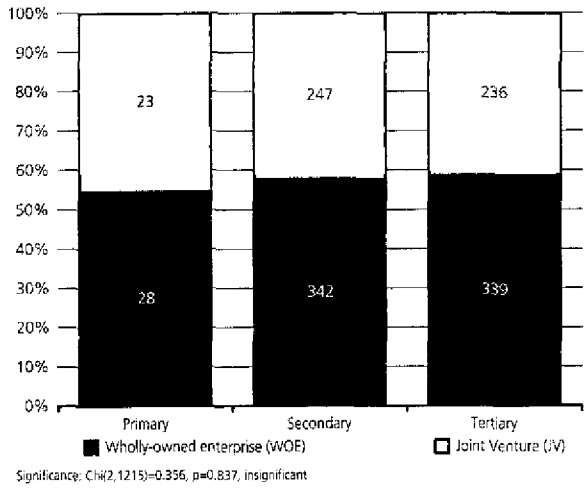
			N	*Mean*	*Median*	*Sum*			*N*
SALES *(in USD)*	Primary	North	27	11,961,109	962,000	322,949,931	Primary	1980 and before	13
		South	14	5,875,627	561,837	82,258,774		1981–1990	2
								1991–2000	15
								2001 and after	11
		Total	41	9,883,139	711,000	405,208,705		Total	41
	Secondary	North	258	24,010,077	5,006,904	6,194,599,889	Secondary	1980 and before	138
		South	247	7,375,643	1,456,685	1,821,783,729		1981–1990	55
								1991–2000	218
								2001 and after	106
		Total	505	15,874,027	2,554,815	8,016,383,618		Total	517
	Tertiary	North	293	15,181,921	4,000,000	4,448,302,827	Tertiary	1980 and before	129
		South	207	13,114,025	1,332,000	2,714,603,221		1981–1990	49
								1991–2000	223
								2001 and after	103
		Total	500	14,325,812	2,360,407	7,162,906,048		Total	504
	TOTAL	North	578	18,972,063	4,129,398	10,965,852,647	TOTAL	1980 and before	280
		South	468	9,868,901	1,375,127	4,618,645,723		1981–1990	106
								1991–2000	456
								2001 and after	220
		Total	1,046	14,899,138	2,409,461	15,584,498,371		Total	1,062
BOOK VALUE *(in USD)*	Primary	North	28	13,737,920	3,075,000	384,661,765	Primary	1980 and before	13
		South	16	10,962,878	1,900,000	175,406,042		1981–1990	2
								1991–2000	13
								2001 and after	16
		Total	44	12,728,814	2,050,000	560,067,806		Total	44
	Secondary	North	233	18,559,483	2,500,000	4,324,359,499	Secondary	1980 and before	121
		South	237	5,400,681	1,219,861	1,279,961,427		1981–1990	49
								1991–2000	195
								2001 and after	121
		Total	470	11,924,087	1,709,862	5,604,320,926		Total	482
	Tertiary	North	258	31,529,233	1,418,461	8,134,542,165	Tertiary	1980 and before	107
		South	196	26,497,569	1,140,214	5,193,523,570		1981–1990	43
								1991–2000	201
								2001 and after	105
		Total	454	29,356,973	1,301,919	13,328,065,734		Total	456
	TOTAL	North	519	24,746,750	1,995,912	12,843,563,429	TOTAL	1980 and before	241
		South	449	14,808,221	1,219,861	6,648,891,039		1981–1990	90
								1991–2000	409
								2001 and after	242
		Total	968	20,136,833	1,529,096	19,492,454,467		Total	982
EMPLOYMENT	Primary	North	29	1,428	200	41,398	Primary	1980 and before	11
		South	18	1,446	113	26,019		1981–1990	2
								1991–2000	16
								2001 and after	17
		Total	47	1,434	184	67,417		Total	46
	Secondary	North	277	393	129	108,897	Secondary	1980 and before	144
		South	284	370	80	105,206		1981–1990	54
								1991–2000	227
								2001 and after	147
		Total	561	382	105	214,103		Total	572
	Tertiary	North	324	210	65	68,082	Tertiary	1980 and before	134
		South	234	114	34	26,754		1981–1990	53
								1991–2000	247
								2001 and after	127
		Total	558	170	50	94,836		Total	561
	TOTAL	North	630	347	100	218,377	TOTAL	1980 and before	289
		South	536	295	54	157,979		1981–1990	109
								1991–2000	490
								2001 and after	291
		Total	1,166	323	76	376,356		Total	1,179

Mean	Median	Sum			N	Mean	Median	Sum
28,175,283	18,000,000	366,278,678	Primary	WOE	23	5,291,390	1,536,000	121,701,975
691,000	691,000	1,382,000		JV	19	15,021,617	577,200	285,410,730
2,179,669	632,319	32,695,042						
575,544	320,000	6,330,985						
9,919,188	962,000	406,686,705		Total	42	9,693,160	836,500	407,112,705
39,792,516	8,115,093	5,491,367,146	Secondary	WOE	302	8,004,210	1,745,215	2,417,271,414
7,554,379	3,000,000	415,490,841		JV	221	25,700,225	3,998,072	5,679,749,806
7,668,836	1,895,458	1,671,806,242						
4,526,661	766,250	479,826,105						
15,587,022	2,675,050	8,058,490,333		Total	523	15,481,876	2,675,050	8,097,021,221
18,232,038	6,460,792	2,351,932,859	Tertiary	WOE	295	6,528,829	1,779,400	1,926,004,564
11,434,096	4,617,600	560,270,722		JV	214	24,574,760	4,000,000	5,258,998,651
9,910,872	1,942,572	2,210,124,551						
19,705,806	577,200	2,029,697,984						
14,190,528	2,327,103	7,152,026,116		Total	509	14,115,920	2,327,500	7,185,003,215
29,319,924	7,191,132	8,209,578,682	TOTAL	WOE	620	7,201,577	1,741,230	4,464,977,953
9,218,335	3,660,750	977,143,563		JV	454	24,722,818	3,854,500	11,224,159,187
8,584,706	1,895,458	3,914,625,835						
11,435,705	592,450	2,515,855,074						
14,705,464	2,424,461	15,617,203,154		Total	1,074	14,608,135	2,424,461	15,689,137,141
34,926,550	18,000,000	454,045,152	Primary	WOE	24	10,129,547	1,600,000	243,109,137
1,102,200	1,102,200	2,204,400		JV	21	15,138,070	2,100,000	317,899,469
4,459,655	700,000	57,975,518						
2,798,971	1,600,000	44,783,537						
12,704,741	1,950,000	559,008,606		Total	45	12,466,858	2,000,000	561,008,606
30,056,121	5,732,250	3,636,790,614	Secondary	WOE	275	5,545,707	1,171,897	1,525,069,537
7,360,088	1,723,515	331,203,966		JV	210	19,696,851	2,517,065	4,136,338,809
5,470,747	1,200,000	1,066,795,569						
4,876,902	900,000	590,105,122						
11,669,907	1,749,256	5,624,895,270		Total	485	11,673,007	1,743,812	5,661,408,346
38,248,866	2,700,000	4,092,628,700	Tertiary	WOE	270	7,567,530	934,902	2,043,233,154
31,505,349	1,924,000	1,354,729,988		JV	192	58,889,723	2,541,060	11,306,826,831
23,714,170	1,084,451	4,766,548,161						
29,803,337	466,878	3,129,350,369						
29,261,529	1,301,919	13,343,257,218		Total	462	28,896,234	1,295,502	13,350,059,985
33,956,284	4,464,540	8,183,464,467	TOTAL	WOE	569	6,698,439	1,019,720	3,811,411,829
18,757,093	1,740,623	1,688,138,354		JV	423	37,260,201	2,517,120	15,761,065,108
14,404,204	1,100,000	5,891,319,247						
15,554,707	828,596	3,764,239,027						
19,885,093	1,542,567	19,527,161,095		Total	992	19,730,319	1,534,396	19,572,476,937
3,702	2,348	40,726	Primary	WOE	25	1,841	300	46,020
1,447	1,447	2,893		JV	22	973	119	21,397
1,211	114	19,371						
258	117	4,384						
1,465	192	67,374		Total	47	1,434	184	67,417
630	200	90,651	Secondary	WOE	335	287	84	96,262
184	108	9,944		JV	243	492	130	119,524
325	85	73,721						
272	50	39,934						
375	100	214,250		Total	578	373	100	215,786
227	94	30,385	Tertiary	WOE	335	109	36	36,380
112	70	5,934		JV	232	256	85	59,301
175	42	43,238						
124	28	15,753						
170	49	95,310		Total	567	169	50	95,681
560	150	161,762	TOTAL	WOE	695	257	55	178,662
172	87	18,771		JV	497	403	112	200,222
278	64	136,330						
206	40	60,071						
320	76	376,934		Total	1,192	318	75	378,884

Annex table 4.6 **Subsectors by investor's region of origin**

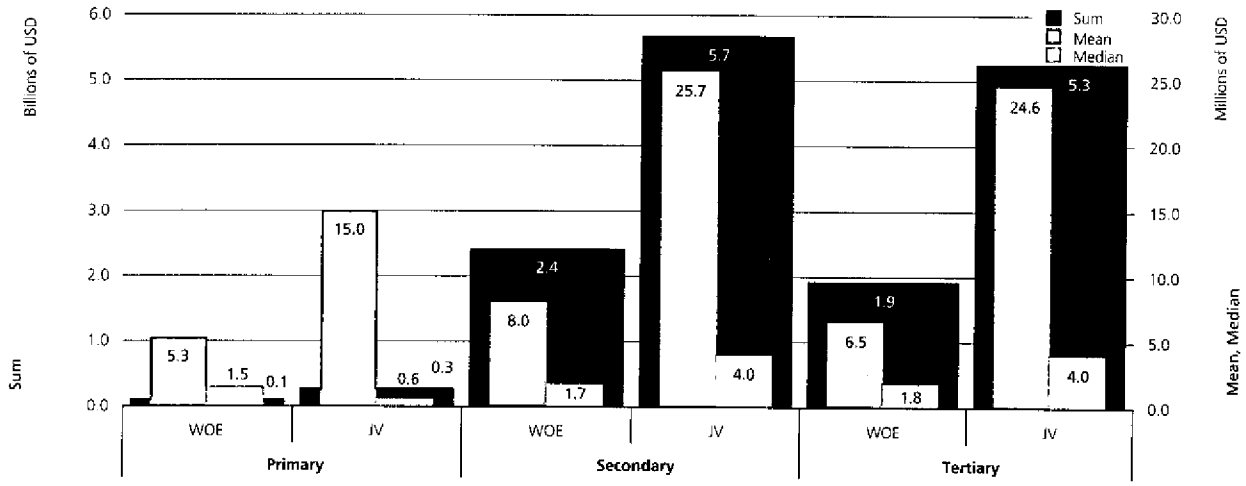
	FREQUENCIES					
	Sub-Saharan Africa (incl. South Africa)	*Middle East and Northern Africa*	*The Americas and Oceania*	*Asia*	*Europe*	*Total*
Agric., fish & nat. resources	7	1	2	9	29	48
Food, beverages & tobacco	23	20	13	10	77	143
Textile	3	0	0	15	16	34
Garment, apparel & leather	1	4	0	18	4	27
Paper & paper prods.	2	4	2	3	4	15
Publishing & media	4	2	0	3	12	21
Chemical, plastic & rubber	28	25	7	37	46	143
Non-metalic mineral prods.	5	4	0	5	17	31
Basic metals	10	4	2	3	16	35
Auto, machinery & equipment	4	9	2	12	15	42
Wood products & furniture	4	9	1	4	17	35
Elec., gas, and water supply	3	1	1	0	17	22
Construction	8	2	0	3	24	37
Marketing, sales, distribution	49	16	14	29	107	215
Hotel and restaurant	8	10	4	3	25	50
Transport & communication	24	5	8	5	50	92
Financial intermediation	33	11	6	7	44	101
Professional services	18	4	7	8	43	80

Annex figure 4.1 **Share structure distribution in each main sector**

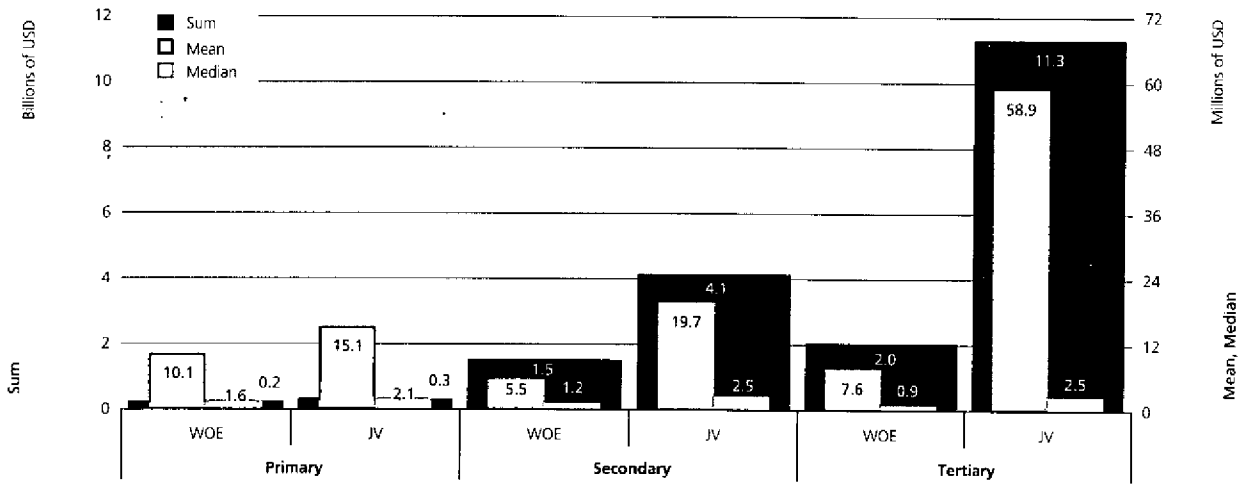


Significance: Chi(2,1215)=0.356, p=0.837, insignificant

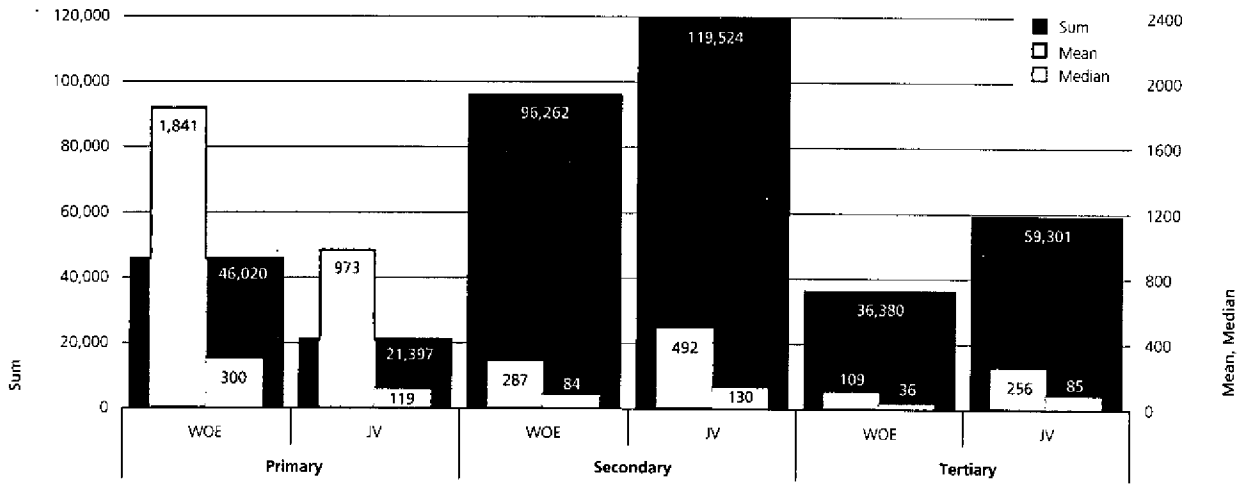
Annex figure 4.2 **Sales by share structure and main sectors**



Annex figure 4.3 **Book value by share structure and main sectors**



Annex figure 4.4 **Employment by share structure and main sectors**



Annex: Chapter 5

Annex table 5.1 **Investors' self-evaluation of their performance in three UNIDO surveys**

	2005 Survey		2003 Survey		2001 Survey	
	Frequency	*Per cent*	*Frequency*	*Per cent*	*Frequency*	*Per cent*
Well above expectations	65	5.6%	30	4.7%	17	4.6%
Above expectations	125	10.9%	74	11.7%	39	10.5%
In line with expectations	523	45.4%	272	43.0%	141	37.9%
Below expectations	357	31.0%	197	31.1%	148	39.8%
Well below expectations	82	7.1%	60	9.5%	27	7.3%
TOTAL	1,152	100%	633	100%	372	100%

Annex table 5.2 **Investors' self-evaluation of their performance in the 15 countries**

	Well above and above expectations	*In line with expectations*	*Well below and below expectations*	*Percentage of respondents with performance in line or above expectations*
Uganda	28	45	17	81.1%
Ghana	6	22	9	75.7%
Tanzania, UR	16	44	22	73.2%
Malawi	23	34	23	71.3%
Senegal	2	39	18	69.5%
Kenya	20	50	31	69.3%
Mozambique	26	59	46	64.9%
Burkina Faso	17	44	34	64.2%
Nigeria	19	48	46	59.3%
Cameroon	3	32	25	58.3%
Madagascar	9	34	36	54.4%
Mali	6	25	26	54.4%
Ethiopia	10	29	33	54.2%
Côte d'Ivoire	5	8	35	27.1%
Guinea		10	38	20.8%
TOTAL	190	523	439	61.9%

Annex table 5.3 **Investors' self-evaluation of their performance by country of origin**

	Well above and above expectations	*In line with expectations*	*Well below and below expectations*	*% Well above, above or in line expectaions*
South Africa	21	38	20	74.7%
United States	8	18	11	70.3%
United Kingdom	24	45	31	69.0%
India	9	33	20	67.7%
Kenya	9	15	12	66.7%
Portugal	8	18	14	65.0%
Netherlands	2	14	9	64.0%
Italy	3	9	8	60.0%
Germany	7	15	15	59.5%
France	19	107	100	55.8%
Lebanon	9	24	27	55.0%
Switzerland	5	12	15	53.1%
China and Hongkong SAR	6	15	20	51.2%
Mauritius	0	10	12	45.5%

Annex table 5.4 Investors' self-evaluation of their performance by region of origin

		Well above expectations	*Above expectations*	*In line with expectations*	*Below expectations*	*Well below expectations*	*TOTAL*
South Africa	N	4	17	38	19	1	79
	%	5.1%	21.5%	48.1%	24.1%	1.3%	100%
The Americas and Oceania	N	5	9	29	15	6	64
	%	7.8%	14.1%	45.3%	23.4%	9.4%	100%
Asia	N	10	16	79	43	10	158
	%	6.3%	10.1%	50.0%	27.2%	6.3%	100%
Europe	N	22	52	251	166	49	540
	%	4.1%	9.6%	46.5%	30.7%	9.1%	100%
Middle East and Northern Africa	N	8	15	54	46	5	128
	%	6.3%	11.7%	42.2%	35.9%	3.9%	100%
Sub-Saharan Africa (ex. SA)	N	11	15	55	51	9	141
	%	7.8%	10.6%	39.0%	36.2%	6.4%	100%

Annex table 5.5 Investors' self-evaluation of their performance by subsector

	Well above and above expectations	*In line with expectations*	*Well below and below expectations*	*Percentage with performance in line, above or well above*
Publishing & media	6	10	3	84.2%
Financial intermediation	22	49	23	75.5%
Non-metalic mineral products	7	15	8	73.3%
Agric., fish., & nat. res.	5	24	15	65.9%
Elec, gas & water supply	1	14	8	65.2%
Transport & communication	15	44	32	64.8%
Paper and paper products	4	5	5	64.3%
Professional services	19	31	28	64.1%
Marketing, sales & distribution	32	105	77	64.0%
Wood products & furniture	4	17	12	63.6%
Construction	6	17	14	62.2%
Auto, machinery & equipment	5	20	18	58.1%
Basic metals	2	20	16	57.9%
Food, beverages & tobacco	23	56	58	57.7%
Chemical, plastic & rubber	24	58	65	55.8%
Hotel & restaurant	7	19	25	51.0%
Garment, apparel & leather	3	10	14	48.1%
Textile	4	9	18	41.9%

Annex table 5.6 Last year's sales growth for main investor categories

		N	*MEAN*	*MEDIAN*	*Sig.*
Organizational structure	L-TNC	278	18.8%	10.0%	F(2,1018)=3.069
	S-TNC	247	23.2%	12.0%	p=0.047
	FE	496	14.4%	11.7%	
	TOTAL	1021	17.8%	11.4%	
Origin of Investor	North	560	14.6%	10.5%	F(1,1000)=6.425
	South	442	22.2%	12.0%	p=0.011
	TOTAL	1002	17.9%	11.9%	
Market orientation	Local	718	15.9%	11.0%	F(2,1010)=7.140
	Regional	154	15.0%	10.7%	p=0.001
	Global	141	31.6%	15.0%	
	TOTAL	1013	17.9%	11.5%	
Main sectors	Primary	37	14.3%	16.0%	insignificant
	Secondary	492	16.9%	10.0%	
	Tertiary	500	19.1%	12.0%	
	TOTAL	1029	17.9%	11.5%	
Share structure	WOE	586	20.1%	12.0%	insignificant
	JV	443	15.0%	10.0%	
	TOTAL	1029	17.9%	11.5%	
Start-up period	1980 and before	278	10.8%	9.0%	F(3,1012)=7.872
	1981–1990	109	8.2%	5.0%	p<0.001
	1991–2000	445	20.3%	13.0%	
	2001 and after	184	29.4%	15.0%	
	TOTAL	1016	18.0%	11.7%	

Annex table 5.7 Last year's sales growth by subsector

	N	MEAN	MEDIAN
Textile	29	50.0%	20.0%
Garment, apparel & leather	24	41.7%	20.0%
Construction	35	28.1%	10.0%
Financial intermediation	87	25.4%	15.0%
Elec, gas & water supply	18	22.6%	19.5%
Transport & communication	84	22.2%	12.0%
Basic metals	31	19.4%	10.0%
Wood products & furniture	26	19.2%	16.0%
Professional services	70	18.5%	10.0%
Marketing, sales & distribution	192	16.8%	12.0%
Agric., fish., & nat. resources	37	14.3%	16.0%
Paper and paper products	13	13.6%	5.0%
Non-metalic mineral products	26	13.2%	12.5%
Publishing & media	15	12.3%	7.0%
Hotel & restaurant	49	11.4%	8.0%
Food, beverages & tobacco	122	11.2%	8.5%
Auto, machinery & equipment	36	10.0%	9.0%
Chemical, plastic & rubber	135	9.9%	10.0%
TOTAL	1029	17.9%	11.0%

Annex table 5.8 Last year's sales growth by host country

	N	MEAN	MEDIAN
Madagascar	71	55.4%	20.0%
Ethiopia	49	33.2%	11.9%
Ghana	36	32.4%	30.0%
Tanzania, UR	72	25.1%	18.8%
Malawi	73	23.1%	20.0%
Uganda	79	17.1%	17.1%
Mali	55	16.6%	8.0%
Burkina Faso	78	16.2%	10.0%
Kenya	98	15.1%	12.0%
Mozambique	99	12.2%	8.0%
Senegal	60	9.5%	5.0%
Guinea	41	8.4%	15.0%
Nigeria	112	6.1%	8.0%
Cameroon	59	3.9%	2.0%
Côte d'Ivoire	47	2.5%	0.0%
TOTAL	1029	17.9%	11.0%

Annex table 5.9 Forecast of annual sales growth over the next three years for main investor categories

		N	MEAN	MEDIAN	Sig.
Organizational structure	L-TNC	271	30.6%	11.0%	insignificant
	S-TNC	257	27.0%	15.1%	
	FE	512	28.4%	15.2%	
	TOTAL	1040	28.6%	14.0%	
Origin of investor	North	554	25.7%	11.8%	insignificant
	South	468	32.8%	17.1%	
	TOTAL	1022	28.9%	14.0%	
Market orientation	Local	723	25.3%	14.3%	F(2,1020)=4.552
	Regional	158	23.8%	11.5%	p=0.011
	Global	142	48.2%	13.2%	
	TOTAL	1023	28.2%	13.5%	
Main sectors	Primary	45	71.3%	17.3%	F(2,1045)=6.047
	Secondary	513	26.2%	13.1%	p=0.002
	Tertiary	490	27.2%	14.5%	
	TOTAL	1048	28.6%	13.9%	
Share structure	WOE	612	32.4%	13.9%	insignificant
	JV	436	23.2%	14.2%	
	TOTAL	1048	28.6%	13.9%	
Start-up period	1980 and before	267	16.0%	10.9%	F(3,1032)=14.142
	1981-1990	101	18.1%	11.0%	p<0.001
	1991-2000	426	21.9%	15.1%	
	2001 and after	242	59.0%	22.4%	
	TOTAL	1036	28.7%	14.0%	

Annex table 5.10 Annual sales growth (past and future) compared to self-evaluation of investment performance

		MEAN		MEDIAN		STD. DEVIATION	
Expectations	N	Sales growth (last year)	Annual sales growth (next 3 years)	Sales growth (last year)	Annual sales growth (next 3 years)	Sales growth (last year)	Annual sales growth (next 3 years)
Well above	54	23.8%	32.4%	20.0%	22.4%	0.194	0.407
Above	105	25.2%	25.3%	20.0%	17.4%	0.300	0.274
In line with	416	21.7%	26.3%	13.5%	13.1%	0.427	0.716
Below	288	9.2%	18.6%	5.0%	11.8%	0.369	0.272
Well below	64	0.8%	7.7%	0.0%	7.1%	0.267	0.241
TOTAL	927	16.9%	22.9%	12.0%	13.1%	0.383	0.527

Annex table 5.11 **Annual sales growth (past and future) by host country**

Country	MEAN		N
	Last year's sales growth	*Annual sales growth (next 3 years)*	
Madagascar	43.2%	30.5%	68
Ghana	33.1%	39.5%	35
Tanzania, UR	26.2%	31.8%	66
Ethiopia	24.5%	22.3%	39
Malawi	23.2%	14.6%	71
Mali	18.3%	16.3%	52
Burkina Faso	18.1%	23.9%	70
Uganda	16.7%	24.7%	74
Kenya	14.9%	20.7%	95
Senegal	11.5%	22.5%	52
Mozambique	10.0%	19.0%	89
Guinea	9.8%	14.3%	38
Nigeria	6.8%	37.2%	107
Cameroon	3.9%	8.8%	59
Côte d'Ivoire	3.8%	6.8%	43
TOTAL	17.0%	22.9%	958

Annex table 5.12 **Annual sales growth (past and future) for main investor categories**

		N	*Mean last year's sales growth*	*Mean expected annual sales growth in the next 3 years*
Organizational structure	L-TNC	261	15.1%	24.8%
	S-TNC	235	22.1%	22.3%
	FE	455	15.0%	22.1%
	TOTAL	951	16.8%	22.9%
Origin of investor	North	522	15.2%	19.9%
	South	411	19.2%	27.2%
	TOTAL	933	17.0%	23.1%
Market orientation	Local	668	15.5%	23.3%
	Regional	146	14.9%	20.9%
	Global	130	26.4%	23.5%
	TOTAL	944	16.9%	23.0%
Main sectors	Primary	36	14.3%	23.4%
	Secondary	461	16.4%	20.7%
	Tertiary	460	17.7%	25.2%
	TOTAL	957	17.0%	23.0%
Share structure	WOE	548	18.9%	24.0%
	JV	409	14.4%	21.5%
	TOTAL	957	17.0%	23.0%
Start-up period	1980 and before	262	11.6%	15.4%
	1981–1990	100	9.2%	18.2%
	1991–2000	415	17.9%	22.0%
	2001 and after	168	28.2%	40.1%
	TOTAL	945	17.1%	23.0%
Region of investor	SSA (ex. SA)	119	21.0%	19.5%
	South Africa	62	17.6%	44.5%
	MENA	91	12.8%	21.3%
	Americas	62	20.3%	22.6%
	Asia	129	22.9%	32.4%
	Europe	459	14.7%	19.1%
	TOTAL	922	17.0%	23.2%

Annex table 5.13 Annual sales growth (past and future) by investor origin and market orientation

Market orientation	Investor origin	Last year's sales growth		Expected future annual sales growth (next 3 years)		Total sales value in USD			
		Mean	Median	Mean	Median	Mean	Median	Sum	Valid N
Local	North	16.7%	13.0%	21.5%	13.1%	14,370,626	3,758,194	4,900,383,360	341
	South	15.0%	10.0%	25.5%	14.1%	12,895,812	1,435,260	3,649,514,747	283
Regional	North	11.0%	10.0%	15.9%	9.7%	29,036,616	9,494,940	2,497,148,944	86
	South	23.0%	14.0%	28.6%	17.3%	6,236,300	3,150,425	280,633,497	45
Global	North	14.4%	10.0%	18.0%	11.0%	33,164,349	7,810,569	2,454,161,801	74
	South	43.5%	20.0%	31.0%	20.4%	7,338,431	2,359,878	396,275,257	54

Annex table 5.14 Annual sales growth (past and future) by organizational structure and start-up period

Start-up period	Organizational structure	Last year's sales growth		Expected future annual sales growth (next 3 years)		Total sales value in USD			
		Mean	Median	Mean	Median	Mean	Median	Sum	Valid N
1980 and before	L-TNC	12.9%	10.0%	15.2%	7.5%	42,390,499	19,240,000	5,044,469,427	119
	S-TNC	7.2%	10.0%	12.1%	7.1%	27,230,545	7,034,356	1,307,066,158	48
	FE	12.5%	9.0%	17.6%	14.3%	13,572,999	2,292,900	1,180,850,911	87
1981-1990	L-TNC	4.0%	4.0%	17.0%	7.1%	16,517,574	5,552,664	379,904,208	23
	S-TNC	5.6%	5.0%	12.5%	8.4%	9,627,155	5,098,600	192,543,096	20
	FE	11.8%	9.5%	19.7%	11.0%	6,934,628	2,613,343	374,469,888	54
1991-2000	L-TNC	19.0%	10.0%	22.5%	12.1%	19,390,274	8,080,800	1,686,953,831	87
	S-TNC	27.0%	12.0%	22.1%	14.8%	7,984,715	2,765,574	798,471,479	100
	FE	14.1%	15.0%	20.3%	15.1%	4,106,264	1,000,000	841,784,061	205
2001 and after	L-TNC	25.9%	15.0%	101.9%	24.1%	87,239,240	4,446,500	1,570,306,328	18
	S-TNC	38.3%	15.0%	34.0%	24.3%	7,282,573	1,634,968	364,128,633	50
	FE	23.8%	17.0%	33.1%	17.3%	5,452,258	350,000	496,155,510	91

Annex table 5.15 Annual sales growth (past and future) by investor origin and organizational structure

Organizational structure	Investor origin	Last year's sales growth		Expected future annual sales growth (next 3 years)		Total sales value in USD			
		Mean	Median	Mean	Median	Mean	Median	Sum	Valid N
L-TNC	North	14.0%	10.0%	15.9%	8.4%	33,499,362	13,954,357	6,096,883,904	182
	South	18.2%	9.5%	46.1%	15.5%	38,493,061	7,633,429	2,617,528,114	68
S-TNC	North	14.8%	12.0%	20.1%	10.9%	19,909,161	7,785,339	2,030,734,396	102
	South	30.8%	15.0%	23.2%	15.2%	5,398,952	1,891,875	626,278,432	116
FE	North	16.8%	14.0%	23.4%	15.1%	7,984,773	1,494,139	1,732,695,805	217
	South	13.7%	12.0%	21.7%	14.3%	5,307,355	806,400	1,098,622,586	207

Annex table 5.16 Sales per employee for main investor categories

		N	MEAN (in USD)	MEDIAN (in USD)	Sig.
Organizational structure	L-TNC	279	139276	66053	F(2,1044)=23.268
	S-TNC	249	67007	30495	p<0.001
	FE	519	40475	18055	
	TOTAL	1047	73113	27778	
Origin of Investor	North	571	90138	35929	F(1,1028)=8.815
	South	459	52794	19416	p=0.003
	TOTAL	1030	73496	27203	
Market orientation	Local	738	72384	27914	insignificant
	Regional	152	98675	44924	
	Global	146	54176	12961	
	TOTAL	1036	73676	27790	
Main sectors	Primary	38	9791	4323	F(2,1052)=9.609
	Secondary	513	51468	22684	p<0.001
	Tertiary	504	99774	36038	
	TOTAL	1055	73044	27386	
Share structure	WOE	608	75403	24002	insignificant
	JV	447	69835	33172	
	TOTAL	1055	73044	27386	
Start-up period	1980 and before	278	115409	51219	F(3,1040)=6.512
	1981–1990	102	72639	43244	p<0.001
	1991–2000	446	62710	23619	
	2001 and after	218	40993	15307	
	TOTAL	1044	73178	27582	

Annex table 5.17 Sales per employee by subsector

	N	MEAN (in USD)	MEDIAN (in USD)
Marketing, sales & distribution	202	152125	55776
Financial intermediation	83	99925	66333
Basic metals	36	90698	58683
Non-metallic mineral products	27	81149	28891
Transport & communication	84	79618	37039
Elec., gas & water supply	19	67328	24735
Food, beverages & tobacco	125	64966	35356
Auto, machinery & equipment	36	56480	29726
Chemical, plastic & rubber	135	54326	24149
Construction	33	38789	21667
Paper & paper products	13	37040	29412
Professional services	66	32478	18516
Publishing & media	17	23228	17374
Hotel & restaurant	50	23050	13327
Wood products & furniture	34	19739	10455
Textile	31	14604	4247
Agric., fish & nat. resources	38	9791	4323
Garment, apparel & leather	26	6861	6121
TOTAL	1055	73044	27386

Annex table 5.18 Sales per employee by host country

	N	MEAN (in USD)	MEDIAN (in USD)
Côte d'Ivoire	47	144,818	76,190
Cameroon	62	141,031	58,396
Kenya	98	130,956	50,420
Mali	55	94,552	44,230
Malawi	67	91,236	28,026
Senegal	60	82,965	53,759
Mozambique	127	64,827	20,000
Burkina Faso	82	61,321	36,249
Tanzania, UR	74	57,867	25,384
Ghana	34	57,470	21,286
Uganda	75	52,445	28,671
Nigeria	104	51,661	20,064
Guinea	43	22,923	16,044
Ethiopia	50	22,009	10,607
Madagascar	77	19,433	7,853
TOTAL	1,055	73,044	27386

Annex table 5.19 Sales per USD book value for main investor categories					
		N	*MEAN*	*MEDIAN*	*Sig.*
Organizational structure	L-TNC	237	3.52	1.41	insignificant
	S-TNC	213	3.95	1.29	
	FE	453	3.04	1.14	
	TOTAL	903	3.38	1.25	
Origin of Investor	North	487	3.63	1.29	insignificant
	South	400	3.10	1.14	
	TOTAL	887	3.39	1.24	
Market orientation	Local	634	3.58	1.22	insignificant
	Regional	132	2.75	1.42	
	Global	130	3.20	1.23	
	TOTAL	896	3.40	1.25	
Main sectors	Primary	40	1.84	0.53	insignificant
	Secondary	445	2.95	1.29	
	Tertiary	426	3.93	1.25	
	TOTAL	911	3.36	1.24	
Share structure	WOE	518	4.07	1.38	F(1,909)=9.543
	JV	393	2.43	1.11	p=0.002
	TOTAL	911	3.36	1.24	
Start-up period	1980 and before	235	3.53	1.38	insignificant
	1981–1990	89	4.58	1.33	
	1991–2000	391	3.62	1.29	
	2001 and after	187	2.04	0.90	
	TOTAL	902	3.36	1.24	

Annex table 5.20 Sales per USD book value by each subsector			
	N	*MEAN*	*MEDIAN*
Construction	26	7.26	2.65
Marketing, sales & distribution	165	4.99	2.00
Transport & communication	69	4.42	1.33
Garment, apparel & leather	24	4.07	2.17
Hotel & restaurant	42	3.10	0.48
Basic metals	31	3.03	1.72
Chemical, plastic & rubber	112	2.96	1.34
Auto, machinery & equipmemt	28	2.95	1.41
Food, beverages & tobacco	117	2.95	1.22
Professional services	59	2.94	2.00
Financial intermediation	74	2.90	0.66
Non-metalic mineral products	24	1.93	1.18
Agric., fish & nat. resources	40	1.84	0.53
Paper & paper products	12	1.82	1.20
Textile	26	1.73	1.30
Elec., gas & water supply	17	1.72	0.95
Publishing & media	16	1.49	0.90
Wood products & furniture	29	1.24	0.90
TOTAL	911	3.36	1.24

Annex table 5.21 **Book value per employee for main investor categories**					
		N	*MEAN (in USD)*	*MEDIAN (in USD)*	*Sig.*
Organizational structure	L-TNC	247	121,343	34,108	F(2,966)=9.493
	S-TNC	224	74,754	24,139	p<0.001
	FE	498	51,160	15,490	
	TOTAL	969	74,504	20,833	
Origin of investor	North	512	71,457	21,633	insignificant
	South	442	78,767	18,775	
	TOTAL	954	74,844	20,930	
Market orientation	Local	676	81,448	19,969	insignificant
	Regional	140	69,662	30,043	
	Global	131	35,431	11,449	
	TOTAL	947	73,340	20,833	
Main sectors	Primary	41	16,470	9,195	F(2,974)=15.028
	Secondary	478	43,299	17,480	p<0.001
	Tertiary	458	112,614	27,819	
	TOTAL	977	74,667	20,870	
Share structure	WOE	561	60,367	18,050	F(1,975)=6.237
	JV	416	93,950	24,602	p=0.013
	TOTAL	977	74,667	20,870	
Start-up period	1980 and before	239	83,092	29,167	insignificant
	1981–1990	87	72,399	21,214	
	1991–2000	400	70,943	16,667	
	2001 and after	241	75,398	20,000	
	TOTAL	967	75,187	20,870	

Annex table 5.22 **Book value per employee by each subsector**			
	N	*MEAN (in USD)*	*MEDIAN (in USD)*
Financial intermediation	84	311005	82419
Publishing & media	18	104128	22480
Elec., gas & water supply	20	91025	24685
Transport & communication	70	88715	27169
Non-metalic mineral products	25	84343	22681
Marketing, sales & distribution	171	79025	28571
Paper & paper products	14	69435	21225
Basic metals	31	65884	23707
Auto, machinery & equipment	32	57566	23005
Food, beverages & tobacco	124	41975	18754
Hotel & restaurant	42	36889	19094
Chemical, plastic & rubber	123	34751	20000
Professional services	71	33232	10522
Textile	28	32026	7226
Wood products & furniture	30	22265	13398
Agric., fish & nat. resources	41	16470	9195
Construction	28	16034	6964
Garment, apparel & leather	25	14575	3037
TOTAL	977	74667	20870

Annex: Chapter 6

Annex table 6.1 **Wages per employee and total wage bill by different investor categories**

Six investor type categories		*N*	*MEAN (in USD)*	*MEDIAN (in USD)*	*Sum of total wage bill (in millions of USD)*	*Sig.*
Organizational structure	L-TNC	264	8,114	5,795	719.0	F(2,1023)=64.059
	S-TNC	243	5,298	3,062	260.0	p<0.001
	FE	519	2,862	1,684	270.7	
	TOTAL	1026	4,791	2,356	1,249.7	
Origin of Investor	North	540	5,869	3,380	938.7	F(1,1005)=30.475
	South	467	3,596	1,662	306.2	p<0.001
	TOTAL	1007	4,815	2,316	1,244.9	
Market orientation	Local	735	4,849	2,309	769.2	F(2,1004)=4.559
	Regional	138	5,876	3,052	153.3	p=0.011
	Global	134	3,504	1,465	302.6	
	TOTAL	1007	4,810	2,360	1,225.1	
Main sectors	Primary	40	2,666	971	81.6	F(2,1030)=41.194
	Secondary	494	3,104	1,782	515.1	p<0.001
	Tertiary	499	6,639	3,862	656.7	
	TOTAL	1033	4,795	2,340	1,253.4	
Share structure	WOE	611	4,366	2,038	354.0	F(1,1031)=6.401
	JV	422	5,414	3,089	899.4	p=0.012
	TOTAL	1033	4,795	2,340	1,253.4	
Start-up period	1980 and before	251	7,230	4,683	663.9	F(3,1019)=19.555
	1981-1990	100	5,391	3,111	77.2	p<0.001
	1991-2000	436	4,081	1,963	363.3	
	2001 and after	236	3,157	1,520	133.6	
	TOTAL	1023	4,768	2,340	1,238.1	
Region of investor	South Africa	69	7,426	4,398	113.4	
	The America and Oceania	62	6,481	3,522	103.8	
	Europe	474	5,914	3,371	809.8	
	Sub-Saharan Africa	126	4,462	2,029	55.0	
	Middle East and North Africa	124	2,102	1,170	51.9	
	Asia	139	1,964	1,228	72.5	
	TOTAL	994	4,842	2,333	1206.3	
Subsector	Financial Intermediation	93	11,352	10,168	215.6	
	Transport & Communication	78	6,623	4,406	178.7	
	Professional Services	68	6,219	2,649	58.7	
	Elec, Gas & Water supply	19	6,092	5,113	85.9	
	Marketing, Sales & Distribution	192	5,524	3,380	87.3	
	Auto, Machinery & Equipment	43	4,673	2,234	23.8	
	Basic Metals	32	3,798	2,030	9.5	
	Food, Beverages & Tobacco	119	3,581	2,224	215.4	
	Construction	30	3,438	2,966	37.9	
	Non-metalic Mineral Prod.	26	3,286	1,489	45.8	
	Chemical, Plastic & Rubber	131	3,036	1,667	86.8	
	Hotel & Restaurant	49	2,885	2,624	30.6	
	Publishing & Media	14	2,721	2,063	5.9	
	Agric., Fish., & Nat. Resources	40	2,666	971	81.6	
	Paper and Paper prods.	13	2,366	1,684	6.4	
	Wood prods. & Furniture	32	1,876	1,161	6.7	
	Textile	31	1,528	731	56.7	
	Garment, Apparel & Leather	23	961	883	20.2	
	TOTAL	1,033	4,795	2,340	1253.4	

(continued)

Annex table 6.1 Wages per employee and total wage bill by different investor categories (*continued*)

Six investor type categories		*N*	*MEAN (in USD)*	*MEDIAN (in USD)*	*Sum of total wage bill (in millions of USD)*	*Sig.*
Country	Côte d'Ivoire	47	13,248	9,620	166.2	
	Senegal	60	8,625	5,163	112.6	
	Cameroon	50	8,370	5,244	183.2	
	Kenya	92	7,028	4,164	138.4	
	Mali	52	5,984	4,218	75.6	
	Malawi	65	4,986	3,389	46.4	
	Mozambique	127	4,579	2,000	79.5	
	Tanzania, UR	68	4,380	2,620	74.4	
	Burkina Faso	89	3,591	1,926	35.5	
	Uganda	75	3,488	1,833	40.5	
	Nigeria	98	3,432	1,966	227.0	
	Ghana	32	2,532	1,679	16.7	
	Guinea	48	1,857	1,273	6.8	
	Ethiopia	64	1,392	809	22.4	
	Madagascar	67	1,348	883	28.3	
	TOTAL	1,034	4,823	2,346	1253.6	

Annex table 6.2 Annual employment growth (past and future) for main investor categories

		Frequencies, mean and median of past annual employment growth (last 3 years)					
		N	*MEAN*	*MEDIAN*	*Average annual absolute increase/ decrease of employees*	*Total annual absolute increase/ decrease of employees*	*Sig. for growth percentages*
Organizational structure	L-TNC	276	7.7%	1.0%	2	440	F(2,1015)=4.427
	S-TNC	252	15.2%	4.5%	26	6346	p=0.012
	FE	490	16.4%	5.3%	1	388	
	TOTAL	1018	13.7%	3.4%	7	7175	
Origin of Investor	North	554	10.2%	2.0%	1	801	F(1,998)=9.899p=0.
	South	446	18.2%	6.7%	15	6567	
	TOTAL	1000	13.7%	3.4%	7	7368	
Market orientation	Local	723	13.6%	3.4%	1	1018	F(2,1007)=3.527
	Regional	149	7.4%	2.0%	-3	-500	p=0.03
	Global	138	19.9%	4.7%	48	6472	
	TOTAL	1010	13.6%	3.3%	7	6990	
Main sectors	Primary	36	9.7%	3.7%	8	267	Insignificant
	Secondary	500	13.6%	3.1%	9	4458	
	Tertiary	491	13.9%	3.4%	5	2501	
	TOTAL	1027	13.6%	3.4%	7	7226	
Share structure	WOE	596	15.8%	4.2%	11	6565	F(1,1025)=4.392
	JV	431	10.6%	2.2%	2	661	p=0.036
	TOTAL	1027	13.6%	3.4%	7	7226	
Start-up period	1980 and before	274	2.1%	0.0%	-7	-1977	F(3,1010)=32.572
	1981-1990	108	12.3%	2.4%	-3	-352	p<0.001
	1991-2000	447	11.2%	5.9%	9	3987	
	2001 and after	185	37.3%	13.0%	36	6683	
	TOTAL	1014	13.6%	3.4%	8	8341	

Annex table 6.3 **Annual employment growth (past and future) by host country**

	Frequencies, mean and median past annual employment growth (last 3 years)			*Frequencies, mean and median of future annual employment growth (next 3 years)*		
	N	*MEAN*	*MEDIAN*	*N*	*MEAN*	*MEDIAN*
Ethiopia	52	15.0%	5.5%	58	19.8%	8.2%
Uganda	79	14.0%	7.3%	81	16.3%	7.1%
Tanzania, UR	73	15.9%	5.3%	81	12.3%	8.8%
Madagascar	73	25.7%	5.9%	73	12.0%	5.3%
Ghana	34	12.3%	6.9%	38	11.9%	5.2%
Burkina Faso	74	23.6%	7.9%	84	10.8%	7.6%
Guinea	42	19.4%	10.1%	48	10.3%	5.2%
Nigeria	111	8.2%	1.0%	106	10.2%	4.9%
Mozambique	97	19.6%	2.4%	94	9.7%	3.3%
Kenya	95	11.4%	2.6%	91	9.2%	1.7%
Côte d'Ivoire	45	-0.5%	-4.5%	47	8.0%	1.7%
Mali	57	9.8%	3.4%	55	7.4%	3.8%
Malawi	74	8.4%	2.1%	65	5.1%	1.0%
Senegal	60	7.9%	2.1%	56	4.0%	0.5%
Cameroon	61	9.2%	2.0%	62	3.5%	0.0%
TOTAL	1,027	13.6%	3.4%	1,040	10.2%	4.1%

Frequencies, mean and median of future annual employment growth (next 3 years)					
N	*MEAN*	*MEDIAN*	*Average annual absolute increase/ decrease of employees*	*Total annual absolute increase/ decrease of employees*	*Sig. for growth percentages*
271	8.2%	2.0%	29	7860	insignificant
243	9.0%	4.5%	31	7307	
517	11.8%	5.3%	28	14488	
1031	10.2%	4.2%	29	29655	
546	8.7%	2.4%	30	16447	F(1,1011)=5.559
467	12.2%	7.0%	29	13151	p=0.019
1013	10.3%	4.2%	29	29598	
723	9.5%	4.8%	16	11258	insignificant
153	10.3%	2.7%	35	5152	
137	12.7%	2.0%	95	12788	
1013	10.1%	3.8%	29	29197	
41	20.6%	1.4%	122	4750	F(2, 1036)=5.048
514	10.6%	4.2%	33	16735	p=0.007
484	8.8%	4.4%	17	8228	
1039	10.2%	4.1%	29	29712	
606	10.6%	5.0%	30	18247	insignificant
433	9.6%	3.4%	27	11466	
1039	10.2%	4.1%	29	29712	
260	3.5%	0.0%	2	389	F(3,1022)=18.509
102	10.1%	3.1%	35	3394	p<0.001
421	9.5%	5.0%	26	10915	
243	18.7%	10.9%	60	14541	
1026	10.2%	4.1%	29	29239	

Annex table 6.4 Annual employment growth (past and future) by subsector

	Frequencies, mean and median of past annual employment growth (last 3 years)			*Frequencies, mean and median of future annual employment growth (next 3 years)*		
	N	*MEAN*	*MEDIAN*	*N*	*MEAN*	*MEDIAN*
Agric., fish., & nat. resources	36	9.7%	3.7%	41	20.6%	1.4%
Garment, apparel & leather	23	28.8%	21.7%	23	18.9%	11.0%
Auto, machinery & equipment	40	7.4%	2.5%	40	17.3%	2.7%
Construction	36	5.3%	0.7%	35	14.3%	7.5%
Textile	31	31.7%	0.0%	31	12.2%	2.4%
Paper and paper products	13	9.1%	7.9%	13	12.1%	13.1%
Food, beverages & tobacco	123	12.2%	3.8%	133	11.9%	3.4%
Financial intermediation	93	15.1%	4.5%	88	11.7%	5.3%
Marketing, sales & distribution	184	13.5%	3.4%	184	9.4%	4.4%
Professional services	68	23.8%	6.2%	66	8.8%	7.7%
Chemical, plastic & rubber	140	8.4%	2.8%	142	8.3%	4.2%
Basic metals	30	15.7%	1.8%	31	7.7%	3.4%
Transport & communication	82	10.3%	2.4%	81	6.9%	3.2%
Hotel & restaurant	47	4.0%	0.9%	47	6.2%	2.7%
Non-metalic mineral products	24	9.3%	0.9%	23	5.7%	0.0%
Elec, gas & water supply	17	17.7%	2.0%	18	4.9%	0.0%
Wood products & furniture	26	19.5%	6.1%	31	4.3%	3.3%
Publishing & media	14	48.7%	4.4%	12	3.5%	2.1%
TOTAL	1,027	13.6%	3.4%	1,039	10.2%	4.1%

Annex table 6.5 Ratio of expected re-investment to last year's sales for different investor categories

		N	*MEAN (in USD)*	*MEDIAN (in USD)*	*Sig.*
Organizational structure	L-TNC	215	25.2%	4.8%	F(2,752)=3.470
	S-TNC	180	71.2%	5.9%	p=0.032
	FE	360	46.5%	9.4%	
	TOTAL	755	46.3%	7.3%	
Origin of investor	North	430	32.7%	7.3%	F(1,739)=5.958
	South	311	64.0%	7.5%	p=0.015
	TOTAL	741	45.8%	7.3%	
Market orientation	Local	525	50.3%	7.1%	insignificant
	Regional	126	49.2%	8.9%	
	Global	103	25.0%	8.4%	
	TOTAL	754	46.7%	7.4%	
Main sectors	Primary	32	33.8%	18.8%	insignificant
	Secondary	384	35.4%	7.5%	
	Tertiary	346	59.7%	7.0%	
	TOTAL	762	46.4%	7.4%	
Share structure	WOE	430	51.3%	7.5%	insignificant
	JV	332	40.0%	7.4%	
	TOTAL	762	46.4%	7.4%	
Start-up period	1980 and before	236	33.1%	4.1%	
	1981–1990	86	42.8%	7.8%	
	1991–2000	347	54.0%	9.2%	insignificant
	2001 and 2002	86	57.1%	12.7%	
	TOTAL	755	46.5%	7.4%	

Note: Firms established after 2002 and companies with sales less than USD 50,000 were excluded.

Annex table 6.6 **Ratio of expected re-investment to last year's sales for different investor categories**

		N	*MEAN*	*MEDIAN*
Country	Ghana	26	95.6%	5.4%
	Burkina Faso	47	87.3%	7.7%
	Madagascar	55	80.8%	8.4%
	Mozambique	70	66.8%	10.2%
	Nigeria	92	63.0%	8.4%
	Tanzania, UR	59	55.4%	15.3%
	Guinea	31	37.8%	9.5%
	Uganda	57	35.8%	13.0%
	Senegal	47	32.4%	5.2%
	Kenya	78	29.0%	4.4%
	Ethiopia	33	25.8%	0.0%
	Mali	37	23.7%	6.5%
	Cameroon	47	19.8%	7.0%
	Malawi	50	11.8%	3.7%
	Côte d'Ivoire	33	9.2%	0.0%
	TOTAL	762	46.4%	7.4%
Subsector	Marketing, sales & distribution	135	77.3%	5.2%
	Hotel & restaurant	37	70.2%	30.0%
	Transport & communication	56	62.1%	10.0%
	Garment, apparel & leather	19	60.1%	2.5%
	Chemical, plastic & rubber	106	54.5%	10.2%
	Paper & paper products	11	46.7%	28.0%
	Financial intermediation	63	40.6%	6.9%
	Auto, machinery & equipment	29	38.1%	4.0%
	Agric., fish, & nat. resources	32	33.8%	18.8%
	Professional services	42	33.4%	5.8%
	Publishing & media	12	33.1%	17.9%
	Food, beverages & tobacco	95	27.8%	8.4%
	Construction	28	27.0%	4.8%
	Wood products & furniture	16	15.6%	7.8%
	Elec., gas & water supply	13	15.4%	9.3%
	Non-metalic mineral products	23	14.9%	4.4%
	Textile	19	14.8%	2.5%
	Basic metals	26	14.5%	4.6%
	TOTAL	762	46.4%	7.4%
Region of investor origin	Middle East and Northern Africa	69	107.3%	6.5%
	The Americas and Oceania	41	65.8%	12.5%
	Sub-Saharan Africa (ex. SA)	91	61.3%	8.0%
	Asia	94	49.2%	4.5%
	Europe	384	29.7%	7.3%
	South Africa	51	27.4%	8.0%
	TOTAL	730	45.3%	7.2%
Selected home countries	Mauritius	18	180.9%	1.0%
	Lebanon	36	128.8%	7.9%
	Portugal	26	83.7%	24.8%
	United States	22	81.8%	4.7%
	India	41	70.7%	7.7%
	Germany	27	51.8%	6.4%
	Netherlands	18	41.3%	17.9%
	China and Hongkong SAR	27	27.9%	2.5%
	South Africa	51	27.4%	8.0%
	Kenya	25	25.2%	9.4%
	France	165	23.0%	6.3%
	United Kingdom	78	21.5%	7.9%

Note: Note: Firms established after 2002 and companies with sales less than USD 50,000 were excluded.

Annex table 6.7 Share and value of local content in material inputs for main investor categories (manufacturing)

		Total expenditures on locally-sourced material				
		N	*MEAN (in USD)*	*MEDIAN (in USD)*	*SUM (in millions USD)*	*Sig.*
Organizational structure	L-TNC	97	5,582,770	927,809	541.53	F(2,426)=13.258p<0.001
	S-TNC	89	1,608,384	100,000	143.15	
	FE	243	872,323	91,716	211.97	
	TOTAL	429	2,090,092	137,574	896.65	
Origin of Investor	North	205	3,378,010	360,000	692.49	F(1,417)=10.129p=0.002
	South	214	920,386	71,344	196.96	
	TOTAL	419	2,122,804	137,574	889.45	
Market orientation	Local	269	1,290,988	95,317	347.28	F(2,417)=4.116p=0.017
	Regional	86	3,628,453	417,902	312.05	
	Global	65	3,565,369	120,000	231.75	
	TOTAL	420	2,121,599	136,127	891.07	
Main sectors	Primary	n.a.	n.a	n.a		n.a
	Secondary	435	2,065,603	137,574	898.54	
	Tertiary	n.a.	n.a	n.a		
	TOTAL	435	2,065,603	137,574	898.54	
Share structure	WOE	259	1,151,660	91,716	298.28	F(1,433)=8.844p=0.003
	JV	176	3,410,554	236,713	600.26	
	TOTAL	435	2,065,603	137,574	898.54	
Start-up period	1980 and before	112	5,697,832	493,198	638.16	F(3,428)=11.719p<0.001
	1981-1990	45	822,480	353,054	37.01	
	1991-2000	172	1,122,817	99,160	193.12	
	2001 and after	103	283,302	32,076	29.18	
	TOTAL	432	2,077,485	138,787	897.47	

Annex table 6.8 Distribution of manufacturing firms according to share of expenditures on local material and subcontracting in total sales

		Local expenditures of <=10% of total sales		*Local expenditures between 10% and 50% of total sales*		*Local expenditures exceed 50% of total sales*			
		N	*%*	*N*	*%*	*N*	*%*	*Total N*	*Chi-square*
Organizational structure	L-TNC	31	40.8%	32	42.1%	13	17.1%	76	insignificant
	S-TNC	42	59.2%	23	32.4%	6	8.5%	71	
	FE	102	48.6%	80	38.1%	28	13.3%	210	
	TOTAL	175	49.0%	135	37.8%	47	13.2%	357	
Origin of investor	North	74	44.0%	75	44.6%	19	11.3%	168	Chi(2,348)=6.231
	South	97	53.9%	57	31.7%	26	14.4%	180	p=0.044
	TOTAL	171	49.1%	132	37.9%	45	12.9%	348	
Market orientation	Local	114	50.9%	77	34.4%	33	14.7%	224	insignificant
	Regional	32	45.7%	34	48.6%	4	5.7%	70	
	Global	28	48.3%	20	34.5%	10	17.2%	58	
	TOTAL	174	49.4%	131	37.2%	47	13.4%	352	
Share structure	WOE	105	47.5%	93	42.1%	23	10.4%	221	insignificant
	JV	72	51.4%	44	31.4%	24	17.1%	140	
	TOTAL	177	49.0%	137	38.0%	47	13.0%	361	
Start-up period	1980 and before	35	38.0%	45	48.9%	12	13.0%	92	insignificant
	1981–1990	21	48.8%	13	30.2%	9	20.9%	43	
	1991–2000	79	55.6%	48	33.8%	15	10.6%	142	
	2001 and after	40	48.8%	31	37.8%	11	13.4%	82	
	TOTAL	175	48.7%	137	38.2%	47	13.1%	359	
Subsector (manufacturing)	Food, beverages & tobacco	31	34.4%	40	44.4%	19	21.1%	90	
	Construction	10	41.7%	10	41.7%	4	16.7%	24	
	Wood prods. & furniture	11	42.3%	14	53.8%	1	3.8%	26	
	Garment, apparel & leather	8	44.4%	7	38.9%	3	16.7%	18	
	Publishing & media	6	46.2%	3	23.1%	4	30.8%	13	
	Chemical, plastic & rubber	51	51.5%	41	41.4%	7	7.1%	99	
	Basic metals	11	55.0%	4	20.0%	5	25.0%	20	
	Paper & paper products	5	62.5%	2	25.0%	1	12.5%	8	
	Textile	14	66.7%	6	28.6%	1	4.8%	21	
	Non-metalic mineral prods.	10	66.7%	5	33.3%	0	0.0%	15	
	Auto, machinery & equipmt.	20	74.1%	5	18.5%	2	7.4%	27	
	TOTAL	177	49.0%	137	38.0%	47	13.0%	361	

Percentage of local content			
N	*MEAN (in USD)*	*MEDIAN (in USD)*	*Sig.*
106	35.1%	29.0%	F(2,466)=4.716
96	30.3%	20.0%	p=0.009
267	42.1%	30.0%	
469	38.1%	29.0%	
224	42.5%	35.5%	F(1,456)=7.610
234	33.7%	20.0%	p=0.006
458	38.0%	29.0%	
288	38.2%	28.0%	insignificant
97	34.4%	20.0%	
69	44.2%	30.0%	
454	38.3%	30.0%	
n.a.	n.a	n.a	n.a
474	38.3%	30.0%	
n.a.	n.a	n.a	
474	38.3%	30.0%	
284	37.0%	25.0%	insignificant
190	40.2%	30.0%	
474	38.3%	30.0%	
119	40.4%	30.0%	insignificant
48	39.1%	24.0%	
190	36.3%	25.0%	
112	38.3%	27.0%	
469	38.1%	29.0%	

Annex table 6.9 **Share of expenditures on local materials and subcontracting in total sales for manufacturing firms**

		N	*MEAN (in % of total sales)*	*MEDIAN (in % of total sales)*	*Sig.*
Organizational structure	L-TNC	76	26.2%	16.6%	insignificant
	S-TNC	71	15.4%	6.7%	
	FE	210	22.1%	11.5%	
	TOTAL	357	21.6%	11.0%	
Origin of investor	North	168	22.5%	12.4%	insignificant
	South	180	20.4%	7.7%	
	TOTAL	348	21.4%	10.9%	
Market orientation	Local	224	21.9%	9.5%	insignificant
	Regional	70	17.0%	12.6%	
	Global	58	27.0%	11.2%	
	TOTAL	352	21.8%	10.7%	
Main sectors	Primary	n.a.	n.a	n.a	n.a
	Secondary	361	21.6%	11.0%	
	Tertiary	n.a.	n.a	n.a	
	TOTAL	361	21.6%	11.0%	
Share structure	WOE	221	20.6%	11.5%	insignificant
	JV	140	23.1%	9.3%	
	TOTAL	361	21.6%	11.0%	
Start-up period	1980 and before	92	23.7%	16.0%	insignificant
	1981–1990	43	23.9%	11.5%	
	1991–2000	142	17.5%	7.8%	
	2001 and after	82	25.4%	11.1%	
	TOTAL	359	21.7%	11.4%	
Subsector (manufacturing)	Basic metals	20	37.1%	4.1%	
	Publishing & media	13	28.7%	15.9%	
	Garment, apparel & leather	18	28.0%	14.1%	
	Food, beverages & tobacco	90	28.0%	17.1%	
	Construction	24	22.5%	14.0%	
	Wood products & furniture	26	18.2%	12.1%	
	Chemical, plastic & rubber	99	17.3%	8.4%	
	Paper & paper products	8	14.6%	9.2%	
	Auto, machinery & equipment	27	12.9%	4.8%	
	Non-metalic mineral products	15	12.9%	6.7%	
	Textile	21	12.2%	5.3%	
	TOTAL	361	21.6%	11.0%	

(*continued*)

Annex table 6.9 **Share of expenditures on local materials and subcontracting in total sales for manufacturing firms** *(continued)*

		N	MEAN (in % of total sales)	MEDIAN (in % of total sales)	Sig.
Countries	Cameroon	14	34.1%	29.2%	
	Nigeria	60	30.5%	18.3%	
	Tanzania, UR	31	30.4%	21.0%	
	Mozambique	37	24.5%	4.6%	
	Senegal	18	23.0%	11.7%	
	Kenya	21	22.8%	13.7%	
	Ethiopia	25	22.7%	7.5%	
	Guinea	19	17.7%	14.6%	
	Uganda	32	16.9%	7.2%	
	Côte d'Ivoire	10	16.0%	16.1%	
	Madagascar	30	14.3%	9.1%	
	Malawi	14	14.2%	7.1%	
	Ghana	17	13.5%	5.2%	
	Burkina Faso	20	10.3%	4.4%	
	Mali	13	5.6%	1.2%	
	TOTAL	361	21.6%	11.0%	

Annex table 6.10 **Expenditures on subcontracting by main investor categories and subsectors**

		Total expenditures on subcontracting				
		N	MEAN (in USD)	MEDIAN (in USD)	SUM (in millions USD)	Sig.
Organizational structure	L-TNC	223	2,779,440	56,000	619.8	F(2,913)=7.668
	S-TNC	214	639,880	8,778	136.9	p<0.001
	FE	479	105,366	2,240	50.5	
	TOTAL	916	881,244	7,534	807.2	
Origin of investor	North	472	1,003,235	18,726	473.5	insignificant
	South	427	780,094	3,283	333.1	
	TOTAL	899	897,250	7,675	806.6	
Market orientation	Local	629	773,123	5,000	486.3	insignificant
	Regional	135	633,859	29,857	85.6	
	Global	129	1,809,230	13,131	233.4	
	TOTAL	893	901,743	7,643	805.3	
Main sectors	Primary	44	238,188	0	10.5	insignificant
	Secondary	460	736,951	5,146	339.0	
	Tertiary	419	1,092,700	10,000	457.8	
	TOTAL	923	874,669	7,000	807.3	
Share structure	WOE	546	233,710	5,775	127.6	F(1,921)=7.629
	JV	377	1,802,953	11,172	679.7	p=0.006
	TOTAL	923	874,669	7,000	807.3	
Start-up period	1980 and before	216	1,605,206	38,403	346.7	insignificant
	1981–1990	92	252,682	7,176	23.2	
	1991–2000	382	611,840	4,450	233.7	
	2001 and after	223	909,679	1,500	202.9	
	TOTAL	913	883,409	7,425	806.6	
Subsector	Transport & communication	63	3,571,031	29,700	225.0	
	Elec., gas & water supply	16	3,307,513	70,600	52.9	
	Food, beverages & tobacco	112	2,425,611	8,293	271.7	
	Financial intermediation	71	777,081	19,240	55.2	
	Marketing, sales & distribution	166	678,502	8,449	112.6	
	Construction	31	578,520	38,215	17.9	
	Auto, machinery & Equipment	37	360,429	0	13.3	
	Non-metalic mineral products	25	359,911	4,500	9.0	
	Agric., fish & nat. resources	44	238,188	0	10.5	
	Publishing & media	17	183,555	15,286	3.1	
	Hotel & restaurant	40	176,046	41,366	7.0	
	Textile	26	174,604	0	4.5	
	Garment, apparel & leather	20	123,521	21,090	2.5	
	Chemical, plastic & rubber	123	110,512	2,793	13.6	
	Professional services	63	80,959	1,335	5.1	
	Paper & paper products	11	60,531	3,822	0.7	
	Basic metals	28	49,616	28,448	1.4	
	Wood products & furniture	30	42,753	13,750	1.3	
	TOTAL	923	874,669	7,000	807.3	

ex table 6.11 **Expenditure on training for main investor categories**

		N	MEAN (in USD)	MEDIAN (in USD)	SUM (in millions USD)	Sig.
anizational structure	L-TNC	200	132,025	12,528	26.41	F(2,784)=15.236
	S-TNC	186	28,916	4,224	5.38	p<0.001
	FE	401	18,786	0	7.53	
	TOTAL	787	49,958	2,220	39.32	
in of investor	North	412	46,925	5,250	19.33	insignificant
	South	363	55,113	535	20.01	
	TOTAL	775	50,760	2,293	39.34	
ket orientation	Local	567	49,494	1,447	28.06	insignificant
	Regional	108	68,387	10,000	7.39	
	Global	106	33,928	4,725	3.60	
	TOTAL	781	49,994	2,442	39.05	
n sectors	Primary	34	67,258	175	2.29	insignificant
	Secondary	376	45,287	1,529	17.03	
	Tertiary	384	52,472	3,958	20.15	
	TOTAL	794	49,703	2,296	39.46	
e structure	WOE	465	22,629	788	10.52	F(1,792)=13.628
	JV	329	87,968	6,826	28.94	p<0.001
	TOTAL	794	49,703	2,296	39.46	
t-up period	1980 and before	201	85,030	9,620	17.09	insignificant
	1981–1990	80	24,058	3,499	1.92	
	1991–2000	324	39,331	1,391	12.74	
	2001 and after	182	41,476	0	7.55	
	TOTAL	787	49,946	2,220	39.31	

Total expenditures on subcontracting as a percentage of total sales

N	MEAN (in % of sales)	MEDIAN (in % of sales)	Sig.
208	5.9%	1.1%	insignificant
186	5.8%	0.4%	
432	4.3%	0.2%	
826	5.0%	0.4%	
436	5.0%	0.7%	insignificant
373	5.2%	0.3%	
809	5.1%	0.4%	
572	5.0%	0.3%	insignificant
125	3.5%	1.0%	
121	7.0%	0.6%	
818	5.1%	0.4%	
38	5.9%	0.0%	insignificant
418	4.3%	0.3%	
377	5.7%	0.6%	
833	5.0%	0.4%	
490	4.3%	0.4%	insignificant
343	6.0%	0.4%	
833	5.0%	0.4%	
211	5.5%	0.9%	insignificant
88	3.4%	0.4%	
355	4.5%	0.2%	
170	6.2%	0.6%	
824	5.0%	0.4%	
59	7.5%	1.9%	
13	13.4%	4.2%	
101	4.8%	0.4%	
59	7.0%	0.3%	
154	3.7%	0.5%	
28	10.3%	5.0%	
32	3.4%	0.0%	
22	3.3%	0.7%	
38	5.9%	0.0%	
15	9.1%	1.4%	
40	8.0%	1.7%	
24	4.6%	0.0%	
20	8.1%	0.9%	
112	2.1%	0.2%	
52	4.5%	0.3%	
9	1.1%	0.1%	
26	3.5%	0.2%	
29	3.4%	1.2%	
833	5.0%	0.4%	

Annex table 6.12 Expenditure on training per employee for main investor categories and subsectors

Six investor type categories		*N*	*MEAN (in USD)*	*MEDIAN (in USD)*	*Sig.*
Organizational structure	L-TNC	198	458.9	105.0	F(2,773)=3.359
	S-TNC	180	236.4	32.1	p=0.035
	FE	398	222.7	0.0	
	TOTAL	776	286.1	19.5	
Origin of Investor	North	406	265.9	37.3	insignificant
	South	358	316.9	2.4	
	TOTAL	764	289.8	19.9	
Market orientation	Local	561	298.7	20.4	insignificant
	Regional	103	356.9	67.2	
	Global	104	112.1	7.1	
	TOTAL	768	281.2	20.2	
Main sectors	Primary	32	76.2	0.0	F(2,778)=4.115
	Secondary	370	187.8	7.9	p=0.017
	Tertiary	379	397.3	69.4	
	TOTAL	781	284.9	19.8	
Share structure	WOE	456	217.8	8.7	F(1,779)=4.189
	JV	325	379.1	36.4	p=0.041
	TOTAL	781	284.9	19.8	
Start-up period	1980 and before	199	295.8	44.4	insignificant
	1981-1990	76	155.4	16.0	
	1991-2000	318	303.7	14.3	
	2001 and after	181	295.2	0.0	
	TOTAL	774	285.1	19.2	
Subsectors	Basic metals	24	727.3	38.1	
	Financial intermediation	79	580.6	194.8	
	Transport & communication	66	414.2	76.9	
	Marketing, sales & distribution	135	400.7	7.3	
	Professional services	48	362.8	111.5	
	Food, beverages & tobacco	88	288.6	28.1	
	Elec., gas & water supply	16	266.5	88.0	
	Wood prods. & furniture	21	183.8	0.0	
	Auto, machinery & equipm.	27	172.4	42.7	
	Paper & paper prods.	9	168.1	23.1	
	Chemical, plastic & rubber	97	134.1	9.6	
	Agric., fish, & nat. resources	32	76.2	0.0	
	Non-metalic mineral prods.	20	52.8	0.0	
	Hotel & restaurant	35	45.7	0.0	
	Construction	28	44.5	0.0	
	Publishing & media	13	26.0	0.0	
	Textile	25	22.8	2.7	
	Garment, apparel & leather	18	22.4	0.5	
	TOTAL	781	284.9	19.8	

Annex table 6.13 Proportion of university graduates in the workforce for main investor categories

		N	*MEAN*	*MEDIAN*	*Sig.*
Organizational structure	L-TNC	262	19.9%	12.0%	F(2,1008)=16.582
	S-TNC	238	19.5%	12.0%	p<0.001
	FE	511	12.5%	7.0%	
	TOTAL	1011	16.1%	9.0%	
Origin of investor	North	526	17.4%	10.0%	F(1,991)=4.650
	South	467	14.7%	8.0%	p=0.031
	TOTAL	993	16.1%	9.0%	
Market orientation	Local	722	18.1%	10.0%	F(2,984)=14.651
	Regional	133	12.6%	8.0%	p<0.001
	Global	132	8.7%	3.0%	
	TOTAL	987	16.1%	9.0%	
Main sectors	Primary	39	4.9%	2.0%	F(2,1015)=65.349
	Secondary	476	9.7%	6.0%	p<0.001
	Tertiary	503	22.9%	15.0%	
	TOTAL	1018	16.0%	9.0%	
Share structure	WOE	594	14.6%	8.0%	F(1,1016)=7.445
	JV	424	18.1%	10.0%	p=0.006
	TOTAL	1018	16.0%	9.0%	
Start-up period	1980 and before	243	16.1%	9.0%	F(3,1005)=2.610
	1981–1990	90	19.2%	13.0%	p=0.05
	1991–2000	429	14.1%	8.0%	
	2001 and after	247	17.6%	9.0%	
	TOTAL	1009	15.9%	9.0%	

Annex table 6.14 **Proportion of university graduates in the workforce by host country, subsector and investor's country of origin**

		N	*MEAN*	*MEDIAN*
Country	Nigeria	96	23.8%	14.5%
	Burkina Faso	79	22.6%	13.0%
	Kenya	94	19.8%	14.5%
	Côte d'Ivoire	44	19.8%	10.0%
	Mali	47	19.3%	10.0%
	Cameroon	44	19.0%	13.5%
	Ghana	29	17.3%	11.0%
	Uganda	80	16.9%	10.0%
	Ethiopia	72	14.9%	8.0%
	Tanzania, UR	67	14.9%	10.0%
	Senegal	50	13.3%	4.0%
	Madagascar	69	12.2%	3.0%
	Malawi	67	11.9%	7.0%
	Guinea	49	10.4%	8.0%
	Mozambique	132	8.1%	3.0%
	TOTAL	1019	16.1%	9.0%
Subsector	Financial intermediation	92	31.9%	25.5%
	Professional services	76	30.1%	23.0%
	Transport & communication	79	25.0%	15.0%
	Publishing & media	19	24.3%	14.0%
	Marketing, sales & distribution	195	19.4%	13.0%
	Elec., gas & water supply	19	14.5%	13.0%
	Auto, machinery & equipment	39	14.1%	10.0%
	Chemical, plastic & rubber	125	12.0%	8.0%
	Paper & paper products	15	8.9%	7.0%
	Basic metals	30	8.6%	5.5%
	Non-metalic mineral products	23	8.6%	3.0%
	Food, beverages & tobacco	115	8.5%	7.0%
	Construction	33	7.2%	2.0%
	Hotel & restaurant	42	5.9%	3.0%
	Wood products & furniture	28	5.0%	4.0%
	Agric., fish & nat. resources	39	4.9%	2.0%
	Textile	30	3.6%	2.0%
	Garment, apparel & leather	19	3.2%	1.0%
	TOTAL	1,018	16.0%	9.0%
Home country	United Kingdom	87	22.0%	16.0%
	Mauritius	22	20.5%	13.5%
	Germany	31	19.8%	11.0%
	United States	36	19.5%	12.0%
	Netherlands	24	17.5%	11.5%
	Kenya	33	17.3%	11.0%
	South Africa	71	17.3%	7.0%
	France	185	15.9%	9.0%
	India	59	12.7%	8.0%
	China and Hongkong SAR	37	12.2%	3.0%
	Portugal	40	12.0%	4.0%
	Switzerland	23	11.5%	4.0%
	Saudi Arabia	18	8.8%	8.0%
	Lebanon	57	7.6%	4.0%

Annex table 6.15 **Proportion of expatriate graduates in the graduate workforce for main investor categories**

		N	MEAN (in %)	MEDIAN (in %)	Sig.
Organizational structure	L-TNC	234	14.1%	2.0%	F(2,837)=8.330
	S-TNC	207	24.9%	8.1%	p<0.001
	FE	399	22.7%	0.0%	
	TOTAL	840	20.8%	0.0%	
Origin of investor	North	440	17.0%	0.0%	F(1,822)=15.707
	South	384	25.5%	2.3%	p<0.001
	TOTAL	824	21.0%	0.9%	
Market orientation	Local	587	19.9%	0.0%	insignificant
	Regional	118	21.8%	3.4%	
	Global	110	21.9%	6.6%	
	TOTAL	815	20.4%	0.0%	
Main sectors	Primary	31	23.3%	10.0%	F(2,840)=2.999
	Secondary	401	23.3%	2.9%	p=0.05
	Tertiary	411	18.2%	0.0%	
	TOTAL	843	20.8%	0.0%	
Share structure	WOE	475	26.6%	8.1%	F(1,841)=41.554
	JV	368	13.2%	0.0%	p<0.001
	TOTAL	843	20.8%	0.0%	
Start-up period	1980 and before	209	13.3%	0.0%	F(3,831)=8.413
	1981-1990	80	14.8%	0.0%	p<0.001
	1991-2000	345	24.7%	0.0%	
	2001 and after	201	24.8%	6.5%	
	TOTAL	835	20.9%	0.0%	

Annex Table 6.17 **Foreign investor's brand/trademark, know-how and marketing network contribution by subsector and**

		Brand/trademark contributions			Know-how contributions		
		Frequency of "crucial"	Total N	Percentage of "crucial" in the group	Frequency of "crucial"	Total N	Percentage of "crucial" in the group
Subsector	Agric., fish, & nat. resources	13	41	31.7%	21	45	46.7%
	Food, beverages & tobacco	32	131	24.4%	48	138	34.8%
	Textile	4	33	12.1%	12	34	35.3%
	Garment, apparel & leather	4	23	17.4%	9	24	37.5%
	Paper & paper prods.	4	14	28.6%	8	14	57.1%
	Publishing & media	5	19	26.3%	2	19	10.5%
	Chemical, plastic & rubber	35	136	25.7%	56	136	41.2%
	Non-metalic mineral prods.	8	25	32.0%	9	27	33.3%
	Basic metals	5	33	15.2%	14	35	40.0%
	Auto, machinery & equipm.	16	37	43.2%	15	40	37.5%
	Wood prods. & furniture	4	32	12.5%	14	32	43.8%
	Elec., gas & water supply	6	21	28.6%	7	22	31.8%
	Construction	8	34	23.5%	10	37	27.0%
	Marketing, sales & distribution	45	192	23.4%	65	198	32.8%
	Hotel & restaurant	8	46	17.4%	15	46	32.6%
	Transport & communication	14	83	16.9%	20	84	23.8%
	Financial intermediation	5	82	6.1%	25	90	27.8%
	Professional services	15	70	21.4%	32	74	43.2%
	TOTAL	231	1052	22.0%	382	1095	34.9%
Investor's region of origin	Sub Saharan Africa	28	131	21.4%	55	139	39.6%
	South Africa	23	77	29.9%	33	79	41.8%
	Middle East and Northern Africa	20	111	18.0%	42	120	35.0%
	The Americas and Oceania	22	60	36.7%	29	62	46.8%
	Asia	25	155	16.1%	53	160	33.1%
	Europe	108	485	22.3%	158	499	31.7%
	TOTAL	226	1019	22.2%	370	1059	34.9%

region origin			
Marketing network contributions			
Frequency of "crucial"	*Total N*	*Percentage of "crucial" in the group*	
26	45	57.8%	
39	135	28.9%	
13	34	38.2%	
12	24	50.0%	
2	13	15.4%	
2	19	10.5%	
30	136	22.1%	
5	27	18.5%	
11	34	32.4%	
18	39	46.2%	
12	32	37.5%	
3	21	14.3%	
8	37	21.6%	
76	197	38.6%	
15	48	31.3%	
31	86	36.0%	
17	88	19.3%	
30	76	39.5%	
350	1091	32.1%	
40	136	29.4%	
33	80	41.3%	
37	115	32.2%	
23	63	36.5%	
51	153	33.3%	
156	508	30.7%	
340	1055	32.2%	

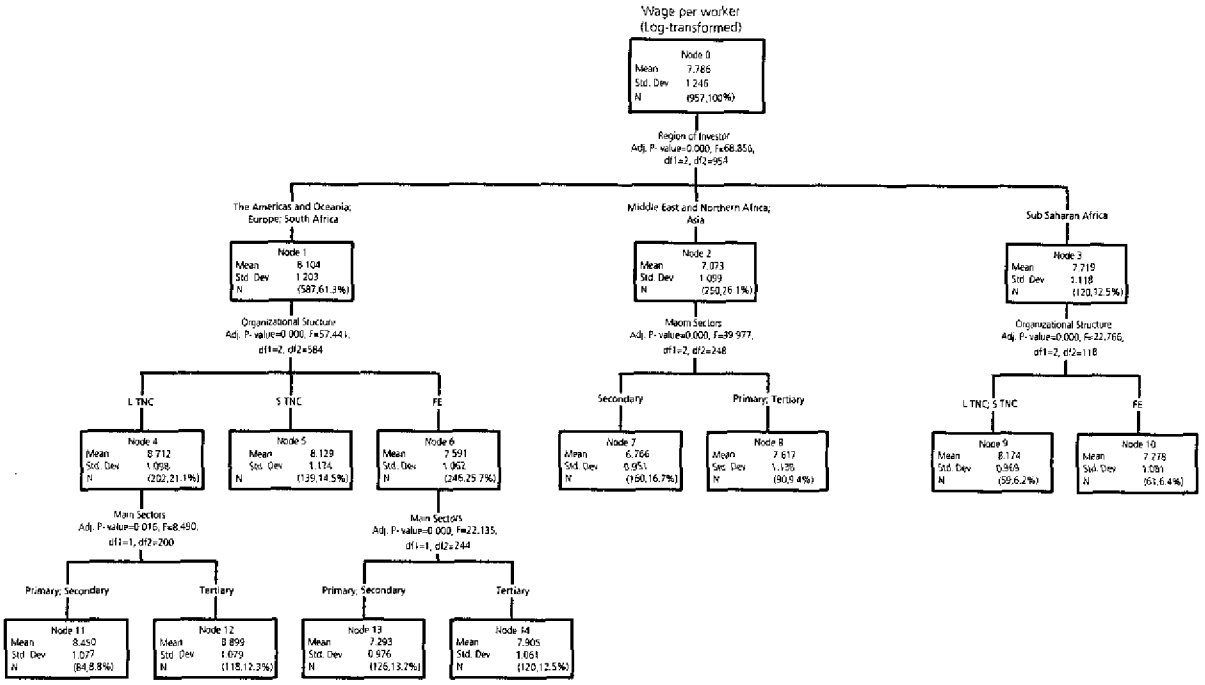
Annex table 6.16 **Proportion of expatriate graduates in the graduates workforce for host country, subsector and country of origin**

		N	*MEAN*	*MEDIAN*
Country	Mozambique	82	40.9%	29.5%
	Uganda	67	40.6%	33.3%
	Tanzania, UR	63	31.3%	20.0%
	Ghana	25	24.3%	5.0%
	Malawi	56	23.4%	3.6%
	Nigeria	89	16.8%	1.9%
	Madagascar	58	16.8%	0.0%
	Cameroon	36	16.1%	6.9%
	Côte d'Ivoire	39	15.8%	2.8%
	Guinea	37	14.7%	0.0%
	Mali	38	13.7%	0.0%
	Kenya	86	12.6%	0.0%
	Ethiopia	63	11.5%	0.0%
	Senegal	36	10.6%	0.0%
	Burkina Faso	68	9.4%	0.0%
	TOTAL	843	20.8%	0.0%
Subsector	Construction	24	31.7%	29.2%
	Paper & paper prods.	15	28.9%	10.0%
	Textile	25	28.6%	11.8%
	Wood prods. & furniture	22	27.0%	0.0%
	Garment, apparel & leather	14	26.7%	17.9%
	Hotel & Restaurant	32	25.9%	0.0%
	Basic Metals	23	25.1%	0.0%
	Chemical, Plastic & Rubber	106	24.8%	1.4%
	Marketing, Sales & Distribution	159	23.8%	0.0%
	Agric., Fish, & Nat. Resources	31	23.3%	10.0%
	Auto, Machinery & Equipm.	35	22.3%	15.0%
	Food, Beverages & Tobacco	107	19.9%	1.9%
	Professional Services	63	18.6%	0.0%
	Non-Metalic Mineral prods.	15	16.3%	6.0%
	Financial intermediation	78	11.5%	0.5%
	Transport & Communication	62	10.3%	0.0%
	Elec., Gas & Water supply	17	8.0%	0.0%
	Publishing & Media	15	6.7%	0.0%
	TOTAL	843	20.8%	0.0%
Selected home countries	India	50	40.1%	31.7%
	China and Hongkong SAR	29	36.9%	33.3%
	Portugal	28	32.0%	23.4%
	Kenya	29	32.0%	14.3%
	South Africa	59	22.7%	0.0%
	Mauritius	20	21.1%	7.9%
	United Kingdom	82	20.4%	0.8%
	Lebanon	45	17.6%	0.0%
	Netherlands	19	17.3%	3.4%
	United States	33	15.4%	0.0%
	Germany	28	15.1%	0.0%
	France	150	11.5%	0.0%
	Saudi Arabia	19	8.9%	0.0%
	Switzerland	19	7.6%	0.0%

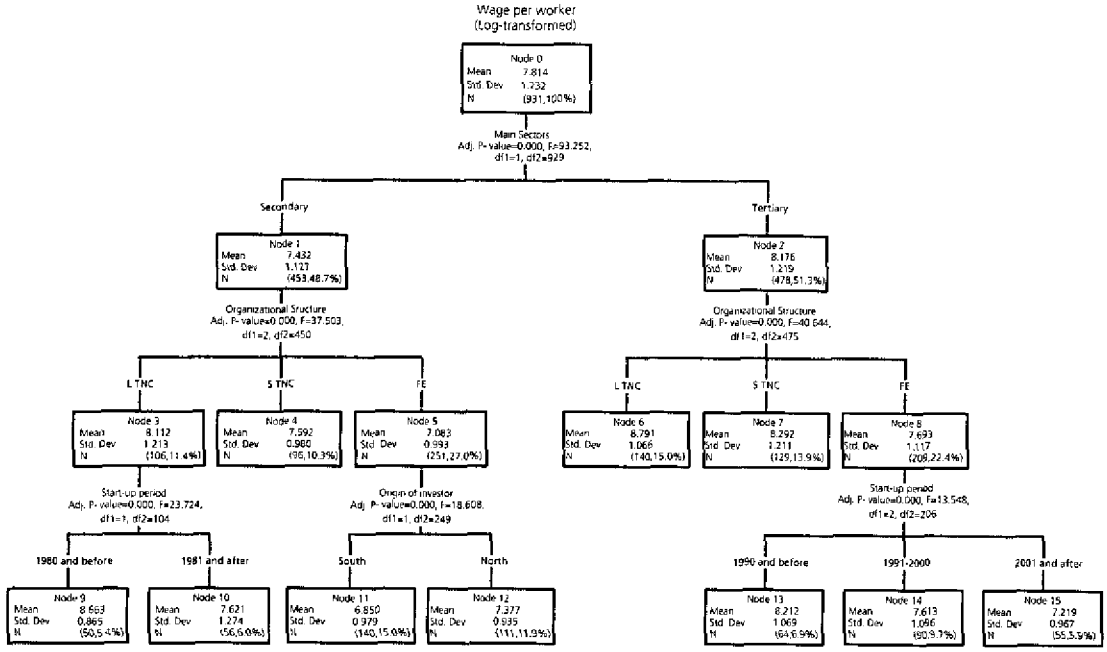
Annex table 6.18 **Foreign investors' know-how contribution for main investor categories**				
		Frequency of "crucial"	*Total N*	*Percentage of "crucial" in the group*
Organizational structure	*L TNC*	*92*	*273*	*33.7%*
	S TNC	80	266	30.1%
	FE	210	550	38.2%
	TOTAL	382	1089	35.1%
Origin of Investor	North	194	568	34.2%
	South	180	505	35.6%
	TOTAL	374	1073	34.9%
Market orientation	Local	261	762	34.3%
	Regional	59	152	38.8%
	Global	52	143	36.4%
	TOTAL	372	1057	35.2%
Main sectors	Primary	21	45	46.7%
	Secondary	197	536	36.8%
	Tertiary	164	514	31.9%
	TOTAL	382	1095	34.9%
Share structure	WOE	261	644	40.5%
	JV	121	451	26.8%
	TOTAL	382	1095	34.9%
Start-up period	1980 and before	76	258	29.5%
	1980-1990	30	103	29.1%
	1990-2000	171	450	38.0%
	2001 and after	102	269	37.9%
	TOTAL	379	1080	35.1%

Annex table 6.19 **Foreign investors' marketing network contribution for main investor categories**				
		Frequency of "crucial"	*Total N*	*Percentage of "crucial" in the group*
Organizational structure	L-TNC	94	286	32.9%
	S-TNC	100	268	37.3%
	FE	155	531	29.2%
	TOTAL	349	1085	32.2%
Origin of investor	North	182	579	31.4%
	South	162	491	33.0%
	TOTAL	344	1070	32.1%
Market orientation	Local	221	757	29.2%
	Regional	52	154	33.8%
	Global	70	145	48.3%
	TOTAL	343	1056	32.5%
Main sectors	Primary	26	45	57.8%
	Secondary	152	530	28.7%
	Tertiary	172	516	33.3%
	TOTAL	350	1091	32.1%
Share structure	WOE	238	633	37.6%
	JV	112	458	24.5%
	TOTAL	350	1091	32.1%
Start-up period	1980 and before	68	262	26.0%
	1980–1990	29	102	28.4%
	1990–2000	151	448	33.7%
	2001 and after	99	266	37.2%
	TOTAL	347	1078	32.2%

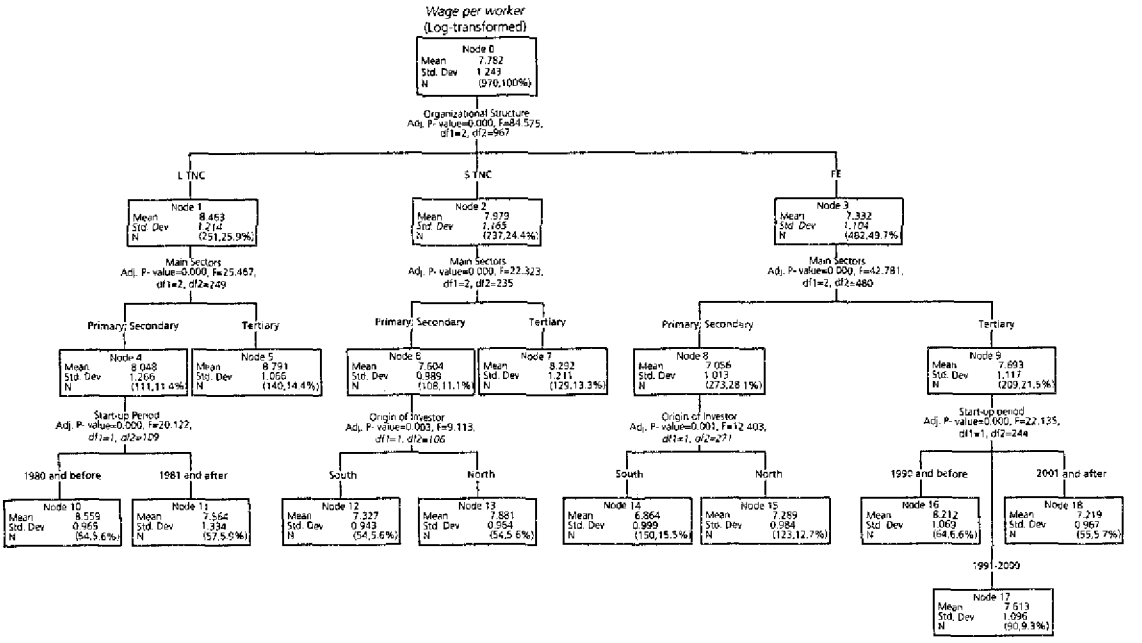
Annex figure 6.1 **Classification tree of wage per employee (first level: investor's region of origin)**



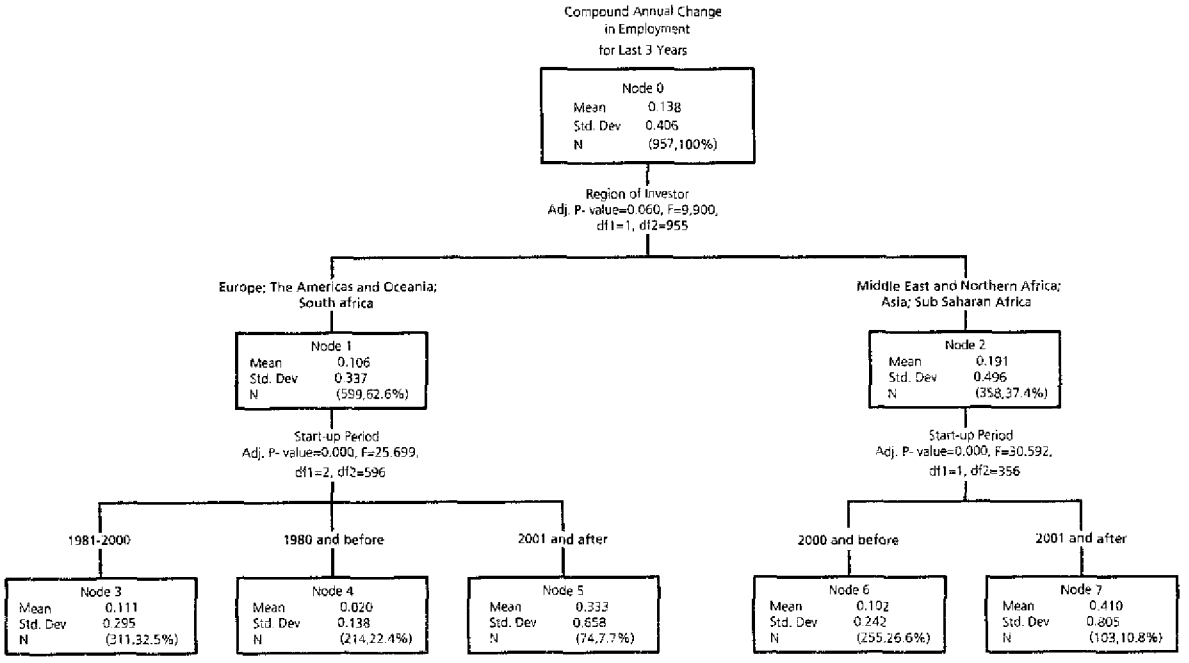
Annex figure 6.2 **Classification tree of wage per employee (first level: main sectors)**



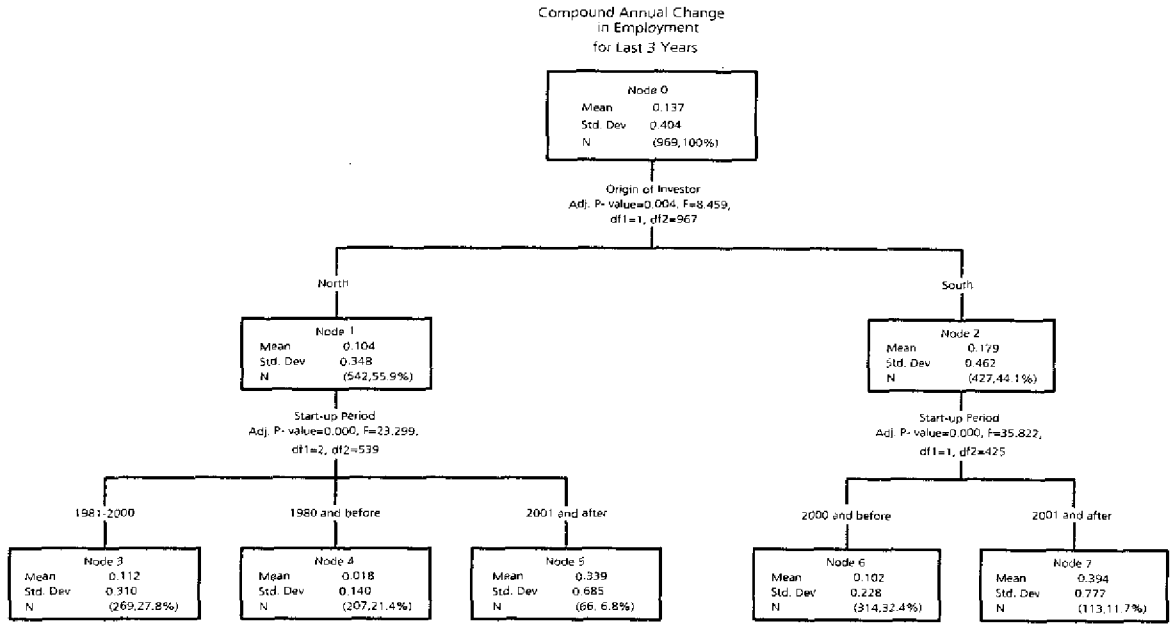
Annex figure 6.3 **Classification tree of wage per employee (first level: organizational structure)**



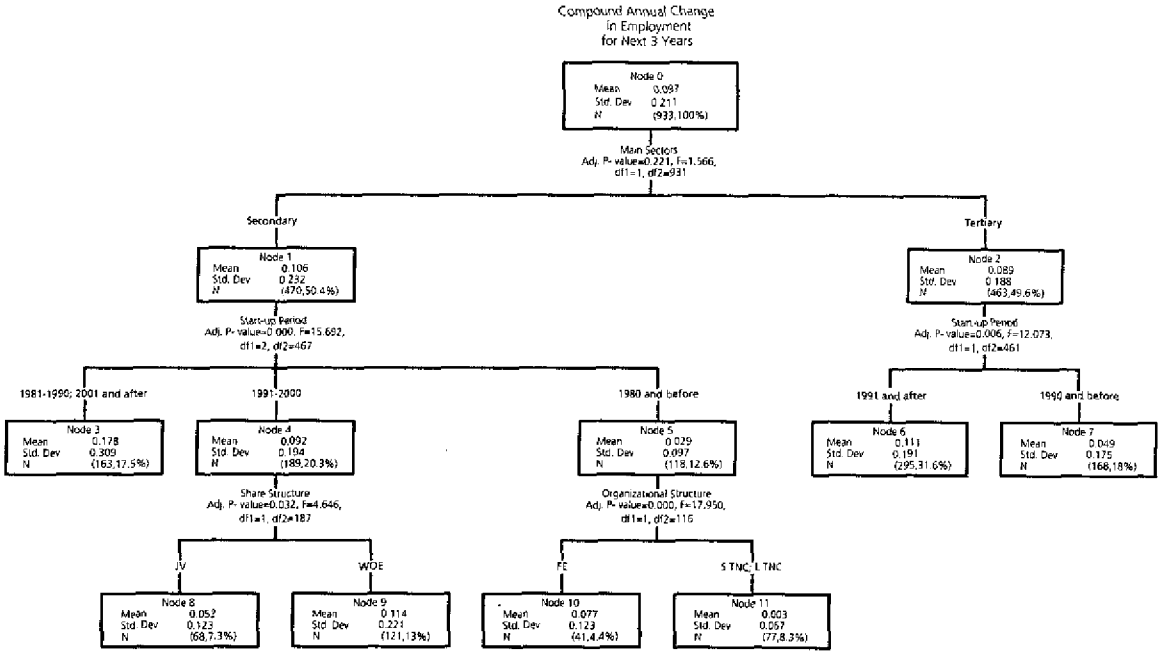
Annex figure 6.4 **Classification tree of annual employment growth over the last three years (first level: investor's region of origin)**



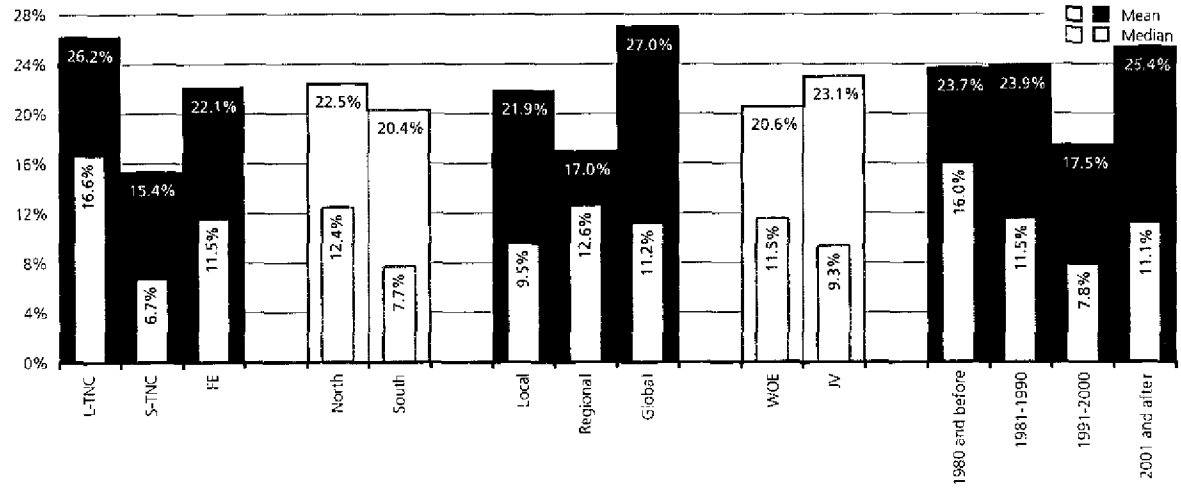
Annex figure 6.5 **Classification tree of annual employment growth over the last three years (first level: investor origin)**



Annex figure 6.6 **Classification tree of forecast annual employment growth over the next three years (first level: main sectors)**



Annex figure 6.7 **Share of local material input and subcontracting expenditures in total sales by manufacturing firms**



Annex: Chapter 7

Annex table 7.1 **Top-3 exporting subsectors by host country**

Country	Top-3 subsectors	Mean (in USD)	N	Sum (in USD)
Burkina Faso	Food, Beverages & Tobacco	4,910,262	4	19,641,050
	Marketing, Sales & Distribution	985,973	4	3,943,892
	Non-Metalic Mineral prods.	2,369,060	1	2,369,060
	Total	1,885,903	16	30,174,450
Cameroon	Chemical, Plastic & Rubber	83,429,305	3	250,287,915
	Basic Metals	35,521,218	3	106,563,653
	Food, Beverages & Tobacco	25,548,155	3	76,644,464
	Total	24,871,798	23	572,051,345
Côte d'Ivoire	Food, Beverages & Tobacco	35,951,319	8	287,610,556
	Chemical, Plastic & Rubber	28,083,337	4	112,333,346
	Transport & Communication	16,193,097	4	64,772,390
	Total	22,663,942	23	521,270,665
Ethiopia	Garment, apparel & leather	4,488,617	2	8,977,233
	Food, Beverages & Tobacco	5,030,140	1	5,030,140
	Agric., Fish, & Nat. Resources	395,466	3	1,186,397
	Total	2,532,295	6	15,193,770
Ghana	Food, Beverages & Tobacco	29,960,000	2	59,920,000
	Professional Services	3,815,569	2	7,631,138
	Chemical, Plastic & Rubber	1,011,712	4	4,046,847
	Total	6,450,099	12	77,401,187
Guinea	Agric., Fish, & Nat. Resources	1,072,974	1	1,072,974
	Paper & paper prods.	327,759	1	327,759
	Food, Beverages & Tobacco	160,380	1	160,380
	Total	413,756	4	1,655,024
Kenya	Garment, apparel & leather	9,639,088	7	67,473,619
	Food, Beverages & Tobacco	7,031,732	5	35,158,658
	Chemical, Plastic & Rubber	3,119,592	10	31,195,918
	Total	5,998,960	49	293,949,028
Madagascar	Garment, apparel & leather	5,687,032	10	56,870,321
	Food, Beverages & Tobacco	13,930,586	4	55,722,344
	Textile	3,245,952	15	48,689,282
	Total	4,686,182	41	192,133,456
Malawi	Agric., Fish, & Nat. Resources	37,617,247	5	188,086,236
	Food, Beverages & Tobacco	10,789,052	2	21,578,104
	Marketing, Sales & Distribution	4,715,410	1	4,715,410
	Total	16,784,480	13	218,198,237
Mali	Textile	245,000,000	1	245,000,000
	Auto, Machinery & Equipm.	8,166,610	1	8,166,610
	Food, Beverages & Tobacco	2,494,036	3	7,482,109
	Total	33,133,616	8	265,068,931
Mozambique	Elec., Gas & Water supply	85,000,000	1	85,000,000
	Transport & Communication	13,929,695	2	27,859,390
	Textile	5,025,425	2	10,050,850
	Total	5,555,193	26	144,435,007
Nigeria	Textile	49,500,000	1	49,500,000
	Chemical, Plastic & Rubber	4,626,766	5	23,133,832
	Transport & Communication	10,843,000	2	21,686,000
	Total	11,039,619	10	110,396,186
Senegal	Agric., Fish, & Nat. Resources	28,298,365	1	28,298,365
	Chemical, Plastic & Rubber	4,046,493	5	20,232,463
	Food, Beverages & Tobacco	13,523,796	1	13,523,796
	Total	4,906,375	20	98,127,501
Tanzania, UR	Marketing, Sales & Distribution	11,452,491	3	34,357,472
	Food, Beverages & Tobacco	4,556,486	6	27,338,915
	Transport & Communication	24,240,000	1	24,240,000
	Total	3,847,620	24	92,342,873
Uganda	Food, Beverages & Tobacco	13,770,352	7	96,392,463
	Marketing, Sales & Distribution	7,177,337	2	14,354,673
	Basic Metals	5,472,080	2	10,944,160
	Total	5,493,770	25	137,344,242

Annex table 7.2 Export destinations of each host country

		% of total exports by value going to...				
		Regional markets	Global markets			Total exports
	N	SSA	Europe	US	Rest of the world	(in million USD)
Cameroon	23	15.6%	72.1%	11.7%	0.6%	572.1
Côte d'Ivoire	23	64.5%	31.2%	2.6%	1.7%	521.3
Kenya	49	40.7%	19.8%	31.7%	7.9%	293.9
Mali	8	6.1%	18.9%	0.0%	75.0%	265.1
Malawi	13	7.9%	27.7%	2.6%	61.9%	218.2
Madagascar	41	2.6%	50.5%	40.8%	6.1%	192.1
Mozambique	26	76.9%	7.5%	0.9%	14.8%	144.4
Uganda	25	34.9%	55.3%	2.9%	6.9%	137.3
Nigeria	10	21.4%	44.2%	5.3%	29.1%	110.4
Senegal	20	53.2%	14.0%	1.1%	31.8%	98.1
Tanzania, UR	24	20.2%	37.3%	2.7%	39.8%	92.3
Ghana	12	8.3%	73.7%	15.5%	2.5%	77.4
Burkina Faso	16	86.1%	9.3%	0.1%	4.4%	30.2
Ethiopia	6	0.4%	36.2%	0.6%	62.8%	15.2
Guinea	4	23.4%	55.3%	5.2%	16.2%	1.7
Total	300	31.4%	39.6%	9.8%	19.2%	2,769.7

Note: Only firms exporting ≥10 per cent of sales were considered.

Annex table 7.3 Export growth (past and future) for main investor categories

			PAST average annual export growth over the last three years			
		N	MEAN %	MEDIAN %	Change of export volume (in USD)	Sig.
Organizational structure	L TNC	70	52.91%	9.50%	-103,225,630	insignificant
	S TNC	68	60.74%	18.00%	-36,298,634	
	FE	107	16.20%	7.00%	43,129,708	
	TOTAL	245	39.05%	9.00%	-96,394,557	
Origin of investor	North	145	20.59%	7.00%	-100,345,327	F(1, 236)=7.042p=0.009
	South	93	69.94%	19.00%	3,578,459	
	TOTAL	238	39.87%	9.00%	-96,766,868	
Market orientation	Local	n.a	n.a	n.a	n.a	insignificant
	Regional	121	27.55%	9.00%	-110,716,239	
	Global	126	49.76%	9.00%	14,606,207	
	TOTAL	247	38.88%	9.00%	-96,110,032	
Main sectors	Primary	28	15.82%	12.50%	37,703,139	insignificant
	Secondary	159	40.87%	9.00%	-142,741,952	
	Tertiary	60	44.35%	8.00%	8,928,781	
	TOTAL	247	38.88%	9.00%	-96,110,032	
Share structure	WOE	146	52.40%	11.00%	-57,476,367	insignificant
	JV	101	19.34%	8.00%	-38,633,664	
	TOTAL	247	38.88%	9.00%	-96,110,032	
Start-up period	1980 and before	77	18.31%	5.00%	-108,561,116	insignificant
	1981-1990	18	10.50%	8.50%	2,895,290	
	1991-2000	105	53.96%	9.00%	23,133,708	
	2001 and after	44	52.43%	23.50%	-13,819,290	
	TOTAL	244	39.23%	9.00%	-96,351,409	

Note: Only firms exporting ≥10 per cent of sales were considered.

Annex table 7.4 **Export growth (past and future) by subsector**

	PAST average annual export growth over the next last years				*FUTURE average annual export growth over the next three years*			
	N	*MEAN %*	*MEDIAN %*	*Change of export volume (in USD)*	*N*	*MEAN %*	*MEDIAN %*	*Change of export volume (in USD)*
Agric., Fish, & Nat. Resources	28	15.82%	12.50%	37,703,139	31	51.6%	15.0%	35,470,701
Food, Beverages & Tobacco	46	27.26%	6.00%	-157,030,731	45	27.4%	11.0%	117,089,266
Textile	21	138.71%	9.00%	36,329,142	21	27.9%	11.0%	6,954,282
Garment, apparel & leather	18	39.33%	31.00%	-27,135,649	19	123.6%	24.0%	78,756,345
Paper & paper prods.	3	4.67%	4.00%	455,409	3	13.0%	16.0%	835,829
Chemical, Plastic & Rubber	40	21.48%	14.00%	17,267,982	39	23.6%	16.0%	20,217,690
Non-Metalic Mineral prods.	7	1.00%	-7.00%	-2,591,059	7	11.3%	15.0%	3,186,675
Basic Metals	8	25.75%	2.00%	-12,271,145	11	24.8%	10.0%	7,326,772
Auto, Machinery & Equipm.	9	45.67%	22.00%	6,607,353	11	25.7%	9.0%	25,393,035
Wood prods. & furniture	6	19.17%	5.50%	-4,416,465	6	16.7%	17.5%	6,151,582
Marketing, Sales & Distribution	31	33.19%	9.00%	-3,782,704	27	14.2%	13.0%	8,156,184
Transport & Communication	17	40.47%	11.00%	6,610,560	15	26.2%	21.0%	10,359,497
Professional Services	7	129.14%	5.00%	2,768,609	7	42.6%	11.0%	483,168
Rest	9	6.33%	6.00%	3,375,525	9	18.3%	20.5%	26,681,640
Total	250	38.43%	9.00%	-96,110,032	251	34.7%	15.0%	347,062,666

Note: Only firms exporting ≥10 per cent of sales were considered.

	FUTURE average annual export growth over the next three years				
	N	*MEAN %*	*MEDIAN %*	*Change of export volume (in USD)*	*Sig.*
L TNC	68	46.2%	13.0%	200,771,121	insignificant
S TNC	63	26.7%	13.0%	95,559,429	
FE	111	31.8%	15.0%	50,379,454	
TOTAL	242	34.5%	14.5%	346,710,005	
North	136	27.7%	11.0%	213,626,549	insignificant
South	100	44.6%	15.5%	130,297,499	
TOTAL	236	34.8%	13.0%	343,924,048	
Local	n.a	n.a	n.a	n.a	insignificant
Regional	123	25.8%	15.0%	170,887,873	
Global	122	42.8%	11.5%	176,317,521	
TOTAL	245	34.2%	15.0%	347,205,394	
Primary	30	53.3%	16.0%	35,470,701	insignificant
Secondary	162	35.0%	13.5%	266,474,704	
Tertiary	53	21.2%	15.0%	45,259,990	
TOTAL	245	34.2%	15.0%	347,205,394	
WOE	149	41.9%	15.0%	146,571,858	insignificant
JV	96	22.3%	12.0%	200,633,537	
TOTAL	245	34.2%	15.0%	347,205,394	
1980 and before	73	13.3%	11.0%	146,409,151	F(3,238)=5.033p=0.002
1981-1990	18	14.4%	10.5%	5,562,060	
1991-2000	95	26.7%	16.0%	128,530,233	
2001 and after	56	82.1%	24.0%	66,334,859	
TOTAL	242	34.5%	14.5%	346,836,303	

Annex table 7.5 **Export growth (past and future) for each host country**

	PAST average annual export growth over the last three years				*FUTURE average annual export growth over the next three years*			
	N	*MEAN %*	*MEDIAN %*	*Change of export volume (in USD)*	*N*	*MEAN %*	*MEDIAN %*	*Change of export volume (in USD)*
Burkina Faso	11	39.55%	21.00%	4,168,297	14	37.4%	22.0%	-662,667
Cameroon	18	3.39%	2.00%	-17,140,503	18	8.8%	8.0%	7,383,627
Côte d'Ivoire	20	11.35%	0.00%	-191,332,732	18	34.6%	7.0%	59,897,514
Ethiopia	4	182.50%	11.50%	-472,196	6	455.3%	286.0%	28,027,987
Ghana	9	110.78%	20.00%	3,844,008	8	33.1%	28.0%	3,799,360
Guinea	3	54.67%	75.00%	89,059	4	7.8%	8.0%	379,828
Kenya	43	15.12%	9.00%	22,532,541	39	22.7%	17.0%	63,395,094
Madagascar	33	116.94%	11.00%	-18,934,230	34	37.2%	16.0%	64,943,294
Malawi	13	24.31%	29.00%	32,835,759	13	11.8%	9.0%	35,576,075
Mali	8	19.88%	17.00%	21,005,455	8	30.0%	19.5%	-4,773,480
Mozambique	23	5.57%	2.00%	1,475,681	23	29.7%	11.0%	25,239,169
Nigeria	10	23.50%	19.50%	20,305,071	11	18.1%	17.0%	19,377,023
Senegal	19	25.16%	5.00%	10,886,575	19	17.1%	7.0%	22,577,017
Tanzania, UR	18	43.22%	4.00%	4,303,669	19	18.5%	20.0%	7,612,824
Uganda	18	21.72%	8.00%	10,323,516	17	15.8%	16.0%	14,290,000
TOTAL	250	38.43%	9.00%	-96,110,032	251	34.7%	15.0%	347,062,666

Note: Only firms exporting ≥10 per cent of sales were considered.

Annex: Chapter 8

Annex table 8.1 Location factors ranked by their importance for each host country

	TOTAL score	TOTAL Ranking	Burkina Faso	Cameroon	Côte d'Ivoire	Ethiopia	Ghan
Economic stability	4.11	1	2	2	3	2	1
Political stability	4.08	2	1	1	1	1	2
Physical security	3.96	3	3	3	2	4	4
Local market	3.93	4	4	5	5	5	8
Skilled labour	3.83	5	8	4	6	9	3
Quality of infrastucture	3.79	6	11	7	8	7	7
Legal framework	3.68	7	6	6	4	6	12
Presence of key clients	3.65	8	5	8	7	14	6
Labour costs	3.65	9	9	10	10	11	5
Transparency of investment climate	3.61	10	7	9	9	8	9
Quality of life	3.49	11	10	17	13	13	13
Raw materials	3.41	12	17	12	17	3	15
Incentive package	3.30	13	13	11	11	12	14
Local supplier	3.23	14	16	15	15	15	19
Existence of foreign investor	3.13	15	14	18	14	18	18
Government agency support services	3.12	16	19	16	19	10	10
Regional market	3.08	17	12	13	16	23	11
Double taxation treaties	2.99	18	15	14	12	16	22
Bilateral trade agreements	2.74	19	22	23	18	20	21
IPA assistance	2.72	20	18	21	21	17	20
Acquisition of existing assets	2.63	21	21	24	20	19	17
Availibility of export processing zones	2.55	22	23	22	22	22	16
Specific investment project proposal	2.47	23	20	19	23	21	24
Presence of JV partner	2.23	24	25	20	26	24	23
Taking advantage of AGOA	2.03	25	24	25	24	26	26
Taking advantage of EBA	1.94	26	26	26	25	25	25

Note: The rankings in bold indicate that the given factor yields the highest ranking compared to other survey countries (see also the following

Annex table 8.2 Location factors and their relative importance

	Countries in which location factor is relatively more important	*Highest rank*
Economic stability	Ghana, Guinea, Madagascar, Malawi, Mozambique, Uganda	1
Political stability	Burkina Faso, Cameroon, Côte d'Ivoire, Ethiopia, Mali, Senegal	1
Physical security	Kenya	1
Local market	Nigeria, Tanzania, UR	1
Skilled labour	Tanzania, UR	2
Quality of infrastucture	Kenya, Nigeria, Senegal	3
Legal framework	Senegal	2
Presence of key clients	Tanzania, UR	3
Labour costs	Ghana	5
Transparency of investment climate	Burkina Faso	7
Quality of life	Guinea	7
Raw materials	Ethiopia	3
Incentive package	Madagascar	6
Local supplier	Nigeria, Senegal, Uganda	12
Existence of foreign investor	Malawi	11
Government agency support services	Ethiopia, Ghana	10
Regional market	Ghana, Senegal	11
Double taxation treaties	Côte d'Ivoire, Madagascar, Mali	12
Bilateral trade agreements	Mali	16
IPA assistance	Tanzania, UR	15
Acquisition of existing assets	Ghana	17
Availibility of export processing zones	Guinea	15
Specific investment project proposal	Cameroon	19
Presence of JV partner	Cameroon	20
Taking advantage of AGOA	Madagascar	19
Taking advantage of EBA	Guinea, Uganda	24

ea	Kenya	Madagascar	Malawi	Mali	Mozambique	Nigeria	Senegal	Tanzania, UR	Uganda
	2	1	1	3	1	2	4	4	1
	4	2	3	1	2	8	1	6	2
	1	3	4	2	6	6	6	9	4
	7	13	2	4	3	1	7	1	3
	5	4	5	8	7	5	5	2	5
	3	7	8	10	5	3	3	5	6
	12	5	13	6	4	13	2	11	13
	9	9	6	5	12	9	10	3	7
	6	8	7	13	8	7	9	7	10
	8	10	10	9	9	11	8	10	8
	11	11	9	11	10	10	13	12	11
	10	17	17	17	14	4	15	8	9
	18	6	15	7	13	15	14	18	17
	14	15	14	14	15	12	12	14	12
	16	14	11	18	17	14	17	17	14
	15	23	12	15	11	16	21	16	15
	13	21	19	20	16	18	11	13	16
	19	12	16	12	20	17	16	19	20
	17	20	18	16	18	20	23	20	21
	26	16	24	21	19	23	18	15	18
	21	22	20	22	21	19	19	21	19
	20	18	21	19	24	24	24	23	22
	23	24	22	23	22	21	20	22	23
	24	25	23	24	23	22	22	24	25
	22	19	25	25	26	25	25	25	26
	25	26	26	26	25	26	26	26	24

Annex Table).

Annex table 8.3 **Comparison of importance and change of location factors – total sample, and investor origin**

	Whole sample				*North*				*South*			
	Importance	*Rank*	*Change*	*Rank*	*Importance*	*Rank*	*Change*	*Rank*	*Importance*	*Rank*	*Change*	*Rank*
Political stability	4.08	2	0.28	1	4.10	1	0.14	3	4.07	2	0.37	1
Presence of key clients	3.65	8	0.26	2	3.64	8	0.15	2	3.66	9	0.23	5
Skilled labour	3.83	5	0.26	3	3.86	5	0.18	1	3.80	5	0.25	3
Existence of foreign investor	3.13	15	0.21	4	3.04	16	0.09	4	3.25	14	0.23	4
Regional market	3.08	17	0.20	5	3.12	15	0.08	6	3.02	17	0.18	7
Bilateral trade agreements	2.74	19	0.17	6	2.63	19	0.09	5	2.87	20	0.13	9
Local market	3.93	4	0.15	7	3.89	4	0.03	12	3.96	4	0.21	6
IPA assistance	2.72	20	0.12	8	2.53	20	0.02	14	2.91	19	0.12	11
Local supplier	3.23	14	0.12	9	3.26	14	0.04	11	3.19	16	0.14	8
Quality of infrastructure	3.79	6	0.11	10	3.81	6	-0.05	22	3.75	6	0.26	2
Acquisition of existing assets	2.63	21	0.09	11	2.50	21	0.05	8	2.76	21	0.05	15
Presence of JV partner	2.23	24	0.09	12	2.30	24	0.06	7	2.15	24	0.02	20
Specific investment project proposal	2.47	23	0.08	13	2.45	22	0.04	9	2.49	23	0.03	17
Government Agency support services	3.12	16	0.06	14	3.04	17	0.02	13	3.21	15	0.07	13
Economic stability	4.11	1	0.05	15	4.10	2	-0.02	18	4.12	1	0.13	10
Double taxation treaties	2.99	18	0.04	16	2.96	18	0.04	9	3.01	18	0.00	23
Taking advantage of AGOA	2.03	25	0.03	17	1.91	26	0.00	16	2.13	25	0.03	19
Transparency of investment climate	3.61	10	0.03	18	3.56	10	-0.02	20	3.66	8	0.08	12
Availability of export processing zones	2.55	22	0.02	19	2.45	23	0.01	15	2.67	22	0.02	21
Labour costs	3.65	9	0.01	20	3.59	9	-0.02	21	3.70	7	0.05	14
Raw materials	3.41	12	0.01	21	3.38	12	-0.02	19	3.42	12	0.03	16
Taking advantage of EBA	1.94	26	-0.02	22	1.95	25	0.00	17	1.91	26	-0.01	24
Country legal framework	3.68	7	-0.03	23	3.71	7	-0.05	23	3.64	10	0.01	22
Incentive package	3.30	13	-0.10	24	3.27	13	-0.09	24	3.29	13	-0.04	25
Physical security	3.96	3	-0.13	25	3.93	3	-0.21	26	3.99	3	0.03	18
Quality of life	3.49	11	-0.16	26	3.39	11	-0.19	25	3.60	11	-0.07	26

Annex table 8.4 **Ranking of countries according to investor perceptions of location factors**

	Best assessment	*Worst assessment*	*General tendency for 15 countries*
Political stability	Ghana (1) Mali (0.74) Nigeria (0.69)	Côte d'Ivoire (–1.79) Guinea (–0.51) Malawi (–0.25)	Positive (+0.28)
Economic stability	Tanzania, UR (0.65) Ghana (0.58) Kenya (0.49)	Guinea (–1.65) Côte d'Ivoire (–1.43) Cameroon (–0.41)	Positive (+0.05)
Quality of infrastucture	Ethiopia (0.75) Tanzania, UR (0.69) Madagascar (0.62)	Côte d'Ivoire (–0.88) Cameroon (–0.79) Guinea (–0.57)	Positive (+0.11)
Government agency support services	Ethiopia (0.39) Ghana (0.31) Mali (0.27)	Côte d'Ivoire (–0.55) Cameroon (–0.31) Malawi (–0.21)	Positive (+0.06)
Legal framework	Uganda (0.26) Madagascar (0.23) Ethiopia (0.16)	Côte d'Ivoire (–0.93) Guinea (–0.83) Mozambique (–0.24)	Negative (–0.03)
Transparency of investment climate	Ghana (0.44) Tanzania, UR (0.35) Mali (0.27)	Guinea (–0.68) Côte d'Ivoire (–0.63) Cameroon (–0.37)	Positive (+0.03)
Quality of life	Uganda (0.44) Ghana (0.41) Tanzania, UR (0.16)	Côte d'Ivoire (–1.41) Guinea (–1.33) Madagascar (–0.47)	Negative (–0.16)
Physical security	Uganda (0.54) Senegal (0.24) Ghana (0.24)	Côte d'Ivoire (–1.77) Kenya (–0.47) Guinea (–0.43)	Negative (–0.13)
Existence of foreign investor	Tanzania, UR (0.63) Uganda (0.58) Burkina Faso (0.57)	Côte d'Ivoire (–1.18) Guinea (–0.33) Cameroon (–0.20)	Positive (+0.21)
Double taxation treaties	Mali (0.29) Ghana (0.21) Madagascar (0.20)	Nigeria (–0.29) Côte d'Ivoire (–0.09) Malawi (–0.07)	Positive (+0.04)
Bilateral trade agreements	Madagascar (0.41) *Burkina Faso (0.36)* Mali (0.30)	Côte d'Ivoire (–0.23) *Guinea (–0.12)* Malawi (0.02)	Positive (+0.17)
Availibility of export processing zones	Ghana (0.90) Kenya (0.22) Nigeria (0.18)	Guinea (–0.50) Senegal (–0.33) Cameroon (–0.33)	Positive (+0.02)
Local market	Uganda (0.59) Tanzania, UR (0.50) Ghana (0.44)	Côte d'Ivoire (–1.19) Malawi (–0.21) Madagascar (–0.15)	Positive (+0.15)
Regional market	Kenya (0.58) Uganda (0.46) Tanzania, UR (0.41)	Côte d'Ivoire (–0.50) Cameroon (–0.02) Malawi (0.02)	Positive (+0.20)
Presence of key clients	Uganda (0.68) Tanzania, UR (0.67) Ghana (0.43)	Côte d'Ivoire (–0.92) Cameroon (–0.04) Mozambique (0.07)	Positive (+0.26)
Taking advantage of AGOA	Mali (0.20) Nigeria (0.20) Burkina Faso (0.16)	Côte d'Ivoire (–0.36) Guinea (–0.25) Malawi (–0.10)	Positive (+0.03)
Taking advantage of EBA	*Ethiopia (0.18)* Senegal (0.17) Nigeria (0.08)	*Côte d'Ivoire (–0.22)* Madagascar (–0.11) Malawi (–0.11)	*Negative (–0.02)*
Labour costs	Burkina Faso (0.35) Uganda (0.21) Mali (0.21)	Guinea (–0.46) Malawi (–0.20) Kenya (–0.12)	Positive (+0.01)
Skilled labour	Kenya (0.54) Burkina Faso (0.45) Cameroon (0.44)	Madagascar (–0.08) Malawi (0.00) Mozambique (0.06)	Positive (+0.26)
Raw materials	Tanzania, UR (0.25) Ghana (0.20) Nigeria (0.15)	Côte d'Ivoire (–0.57) Guinea (–0.38) Mozambique (–0.23)	Positive (+0.01)
Local supplier	Burkina Faso (0.28) Tanzania, UR (0.26) Uganda (0.26)	Côte d'Ivoire (–0.66) Guinea (–0.20) Mozambique (0.15)	Positive (+0.12)
Incentive package	Ghana (0.27) Mali (0.21) Senegal (0.18)	Côte d'Ivoire (–0.59) Cameroon (–0.59) Guinea (–0.50)	Negative (–0.10)

(continued)

Annex table 8.4 Ranking of countries according to investor perceptions of location factors (*continued*)

	Best assessment	*Worst assessment*	*General tendency for 15 countries*
IPA assistance	Madagascar (0.47) Uganda (0.42) Ethiopia (0.37)	Cameroon (–0.31) Côte d'Ivoire (–0.18) Nigeria (–0.17)	Positive (+0.12)
Acquisition of existing assets	Uganda (0.27) Burkina Faso (0.24) Tanzania, UR (0.21)	Cameroon (–0.10) Côte d'Ivoire (–0.08) Guinea (–0.06)	Positive (+0.09)
Presence of JV partner	Cameroon (0.26) Ethiopia (0.24) Ghana (0.21)	Guinea (–0.22) Côte d'Ivoire (–0.21) Mozambique (–0.03)	Positive (+0.09)
Specific investment project proposal	Mali (0.32) Senegal (0.20) Burkina Faso (0.19)	Côte d'Ivoire (–0.19) Guinea (–0.12) Cameroon (0.00)	Positive (+0.08)

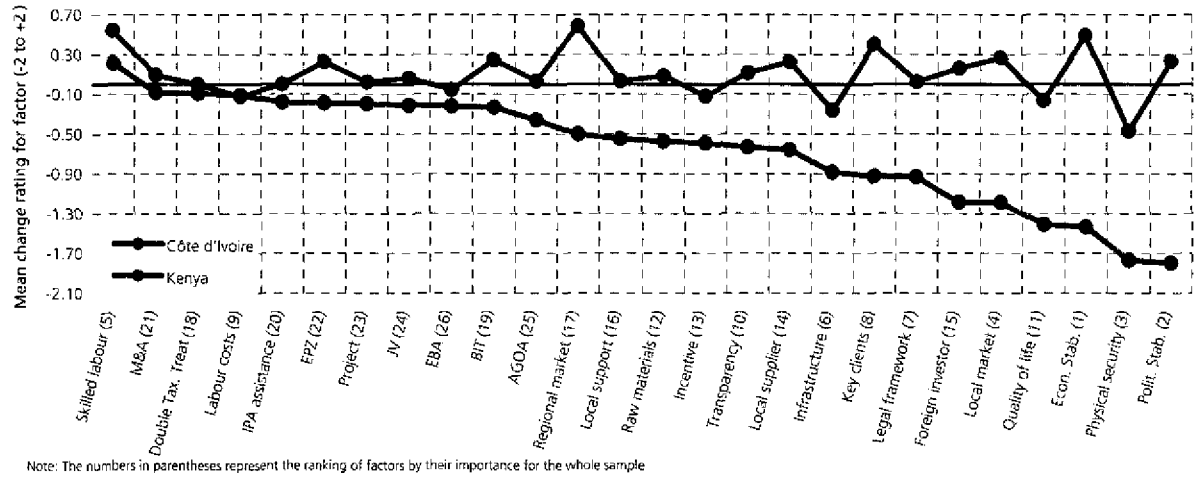
Annex table 8.5 IPA performance assessment in 2003 and 2005 survey

	2003 survey			*2005 survey*		
	Total N	*Number of investors in line with, above or well above expectations*	*% in line with, above or well above expectations*	*Total N*	*Number of investors in line with, above or well above expectations*	*% in line with, above or well above expectations*
Burkina Faso	12	10	83%	46	41	89%
Cameroon	17	12	71%	10	10	100%
Côte d'Ivoire	n.a.	n.a.	n.a.	15	15	100%
Ethiopia	47	32	68%	65	63	97%
Ghana	n.a.	n.a.	n.a.	30	30	100%
Guinea	n.a.	n.a.	n.a.	36	36	100%
Kenya	14	7	50%	11	11	100%
Madagascar	24	11	46%	34	33	97%
Malawi	18	7	39%	17	16	94%
Mali	n.a.	n.a.	n.a.	14	14	100%
Mozambique	68	49	72%	59	53	90%
Nigeria	33	25	76%	18	16	89%
Senegal	12	10	83%	20	19	95%
Tanzania, UR	78	66	85%	49	48	98%
Uganda	80	68	85%	78	76	97%
TOTAL	403	297	74%	502	481	96%

Annex table 8.6 Reasons for registration and non-registration with an IPA for each country

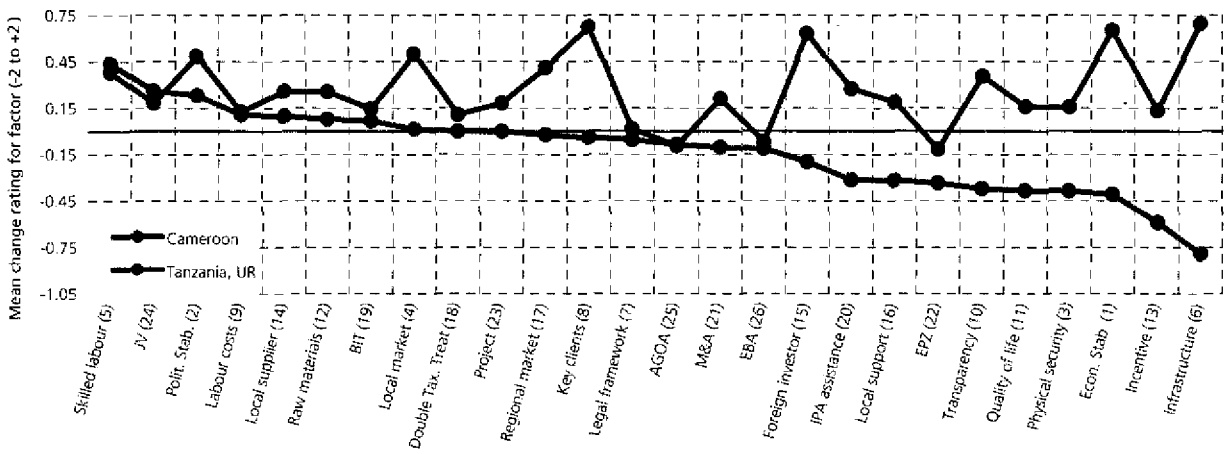
	Reasons for non-registration						*Reasons for registration*					
	Not heard	*Benefits unclear*	*No need*	*High cost*	*Other*		*Compul.*	*Inform. supplier*	*Obtain permit*	*One stop shop*	*No particular*	*Other*
Burkina Faso	33	4	11	0	1	Burkina Faso	36	17	24	15	2	0
Cameroon	18	8	14	0	3	Cameroon	1	7	6	4	1	2
Côte d'Ivoire	3	8	10	0	5	Côte d'Ivoire	4	7	8	9	2	2
Ethiopia	2	0	0	0	0	Ethiopia	59	25	51	14	1	6
Ghana	0	7	2	1	1	Ghana	15	13	15	9	4	1
Guinea	1	1	2	0	1	Guinea	32	14	11	10	2	0
Kenya	15	42	17	1	5	Kenya	3	7	7	2	2	0
Madagascar	5	9	2	0	17	Madagascar	10	11	14	12	1	1
Malawi	10	32	18	0	2	Malawi	4	8	6	5	1	0
Mali	14	4	3	0	4	Mali	7	10	3	7	1	1
Mozambique	12	17	13	3	6	Mozambique	20	29	20	8	3	14
Nigeria	13	41	6	2	5	Nigeria	10	7	10	5	4	2
Senegal	1	2	3	1	12	Senegal	3	8	6	4	0	3
Tanzania, UR	1	6	4	1	8	Tanzania, UR	19	29	34	22	2	8
Uganda	3	3	4	0	5	Uganda	30	45	27	25	8	4
Total	131	184	109	9	75	Total	253	237	242	151	34	44

Annex figure 8.1 **Assessment of changes in location factors by investors in Côte d'Ivoire and Kenya**



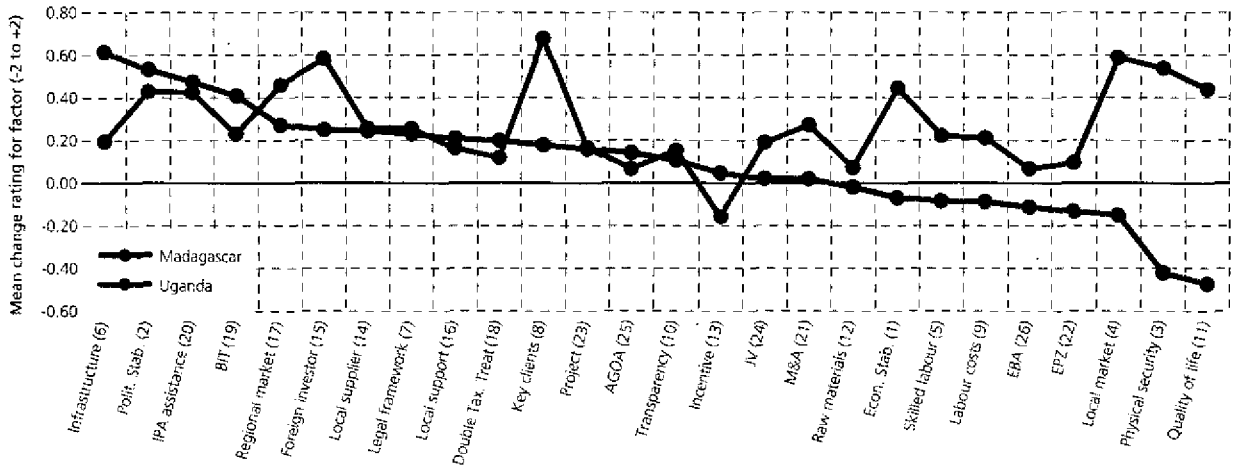
Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

Annex figure 8.2 **Assessments of changes in location factors by investors in Cameroon and the United Republic of Tanzania**



Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

Annex figure 8.3 **Assessments of changes in location factors by investors in Madagascar and Uganda**



Note: The numbers in parentheses represent the ranking of factors by their importance for the whole sample

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