

Intra-regional Private Capital Flows in Eastern and Southern Africa

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Foreign private capital to Africa increased substantially in the 1990s, and opportunities for intra-regional investment have expanded. Promotion of cross-border investment within the region is an important component of integration initiatives. However, trade and exchange control liberalisation alone will not be sufficient to encourage greater levels of cross-border capital flows. Policies at the macro and microeconomic level are required to create an environment conducive to private investment. Understanding and responding to factors influencing investment decisions will be crucial. But to fully understand the determinants of foreign capital flows it is necessary to have in place adequate systems for collecting, compiling and disseminating statistics on capital movements.

This paper presents the findings of a joint research and capacity-building project on intra-regional foreign private capital in Eastern and Southern Africa coordinated by Development Finance International and the LSE Centre for Research into Economics and Finance in Southern Africa, with teams of officials from Mozambique, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. The project generated new data on regional capital flows and on factors influencing investment decisions. This paper summarises the findings of studies by each participating country, and draws together methodological and institutional recommendations for further developing capacity for monitoring and analysing foreign private capital.

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