African Journal of Political Science and International Relations Vol. 1 (1), pp. 001-008, May 2007
Available online at http://www.academicjournals.org/AJPSIR

Full Length Research Paper

Emerging markets in Africa

J.R. Kehl

Rutgers University Department of Political Science, Graduate Department of Public Policy, 401 Cooper Street Camden, New Jersey, USA, 08102, 856-225-2994. Email: jrkehl@camden.rutgers.edu.

Accepted February 21, 2007

Emerging markets present an exciting challenge for international finance and foreign investment. New markets hold both promise and peril. They have the potential for remarkably high returns, while simultaneously harbouring substantial risks. The objectives of this research are; 1) to refine our understanding of emerging markets based on new information about the foreign investment decision-making process, and 2) to more accurately identify emerging markets in Africa based on ten criteria previously excluded from analyses. The methodology consists of a performance evaluation regarding macro political and macro economic indicators; and CSTS regression to correlate investment patterns with investors' preferences. The analysis identifies nine newly emerging markets in Africa, and an additional ten that are making progress. The results suggest specific strategies for 'marketing' newly emerging economies to foreign creditors and global investors.

Keywords: Emerging Markets, Development, Africa, Foreign Investment.

INTRODUCTION

Emerging markets present an exciting challenge for international finance and foreign investment. New markets hold both promise and peril. They have the potential for remarkably high returns, while simultaneously harbouring substantial risks. The emergence of new markets is arguably the most important aspect of foreign investment, finance, and economic development in contemporary Africa. For this reason, "emerging capital markets (EMs) recently have attracted the attention of global investors and scholars alike. The markets are characterized by high average returns, high volatility, and excellent diversification prospects" (Barry and Lockwood 1995: 15; Mwenda 2000: 3). Considering the current level of interest and importance placed on emerging markets, it is surprising that the concept remains under-researched and crucial aspects of new African markets continue to be underfinanced.

The central objectives of this research are; 1) to refine our understanding of emerging markets based on new information about the foreign investment decision-making process, and 2) to more accurately identify emerging markets in Africa based on ten criteria of macro level political and economic performance. The potential benefit of this work is best articulated by Kenneth Mwenda, World Bank analyst and scholar of securities regulation: "Clearly, there is a need to have a well defined criterion on which the classifications of emerging stock markets should be based. If such criteria were to be spelt out, perhaps, a number of African stock markets would qualify as emerging markets" (Mwenda 2000). The goal of this research is to make forward progress in answering Mwenda's challenge. The specific objectives of the research are to "spell out" ten essential criteria in the classification of emerging markets, to evaluate the performance of African countries according to the ten macro level economic and political categories, and to accurately identify where foreign investment would most likely provide the greatest mutual benefit for investors, creditors, and emerging markets in Africa.

The research has strong salience because the international recognition of a country as an 'emerging market' has the potential to double that country's inflow of foreign investment. During 1999-2000 there was widespread discussion in the global marketplace about designating North African countries as emerging markets; including Algeria, Egypt, Tunisia, and Morocco. Within the next year, these four countries "saw a virtual doubling of private capital inflows between 2000 and 2001, from \$4.9bn to \$9.5bn" (African Economies 2002: 32)". This phenolmenon was unique to the four North African countries that were being discussed as potential emerging markets. Simultaneously, sub-Saharan Africa's overall share of foreign direct investment fell 20 percent (African Economies 2002:32). Similar examples of the phenomenon can be seen by reviewing what the identification of emerging markets did to dramatically increase the financing and economic development of the Asian tigers and American pumas.

In comparison to the international attention afforded to the emerging markets of Asia and America, "in most of the literature on emerging markets, the lion markets of Africa are rarely listed alongside the tiger markets of the Far East or the puma markets of [Latin America]" (Mwenda 2000: 5; Standard UK 1996: 35). The central reason for the exclusion of the African lions is, arguably, that there are only two internationally recognized African emerging markets: Egypt and South Africa. In contrast, this paper argues that there are several emerging markets in Africa. This research more accurately identifies emerging markets in Africa based on ten essential criteria formerly neglected in analyses.

Development finance has a paradoxical relationship with emerging markets: the facets of emerging markets that do not perform well and have the most need for financial resources, are the least likely to receive financing. It is obvious that this is a result of global financiers and foreign investors being risk-averse. Intuitively, one would assume that development finance would be need-based: financial resources for development projects would go to the projects that need it the most. However, the reality of the global market has demonstrated that the system of development financing is merit-based: countries that perform well in specific areas receive more financing, particularly from risk-averse foreign investors. For this reason, it is important to accurately identify emerging markets and macro level performance in African countries. Identifying emerging markets and areas in which African markets are performing well, will increase financing and investment as the improved information increases investor and creditor confidence. Investors will calculate the high-risk versus high-return trade-off to be in favour of high returns in areas where the market performs well.

The theory guiding this research posits that the most effective and accurate way to identify emerging markets is to evaluate the performance of countries according to the macro economic and macro political factors that are most important to foreign investors. The section of this paper titled How Do Foreign Investors Identify Emerging Markets? Elaborates on this aspect of the theory and provides substantial evidence for its validity. Foreign investors and global financiers assert strong influence on whether individual countries are recognized as emerging markets. If a country fails to address the macro economic and macro political needs of investors, then it fails to receive international designation as an emerging market. This research examines the market factors that foreign investors identify as crucial in their decision to invest in a developing country. The ten most important factors are then analyzed for all countries in sub-Saharan Africa. Countries that perform above average according to macro economic and macro political market standards are designated as "new" or emerging markets, and thus are considered to be attractive to global investors and financiers.

This type of research is timely and has practical applications. In addition to the potential to increase foreign investment inflows, the results of this research can help countries adapt to the current changes in international financial organizations. The financing priorities of the World Bank and other global financiers are showing a fundamental change. Global financiers and creditors are increasing funding for development projects that target the borrower-country's capacity to attract foreign investment. Loans and credit for infrastructure projects, for example, have changed from funding the extension of residential and small commercial urban energy resources, to funding contracts that increase the energy resources available specifically to foreign direct investors that will, for example, build factories and other means to increase production. These changes are important to recognize, but it is equally important to understand how to harness these changes to increase the overall financing and investment in Africa's emerging markets.

METHODOLOGY

The methodology employed is fivefold: recall that the objective is to accurately assess the macro level performance of African countries in order to increase prospects for investment and development financing. First, the discussion exposes the inadequacy and inaccuracy of the current conceptualization of emerging markets, and demonstrates how this has a disproportionately negative impact on African countries. Second, the recent *AFRICA Foreign Investment Survey 2003: Motivations, Operations, Perceptions and Future Plans* report from the United Nations Industrial Development Organization is used to identify the ten macro political and economic characteristics that are the most important to foreign investors. This section of the paper also discusses the centrality of foreign investment and foreign finance in designating countries as "emerging markets." Third, Cross-Sectional Times Series (CSTS) regression analysis is used to track the investment patterns of foreign investors and how they correlate with macro economic and macro political variables. The basic CSTS is used to verify that actual investment patterns correlate with what investors identify in the survey to be the important in their decisions to invest. Relevant statistical work has been conducted for all developing countries (Kehl 2003), but this particular CSTS test isolates and analyses macro level indicators and investment inflows specifically for African countries. The variable measurement and data sources are recorded in Appendix I, and the CSTS results are documented in Table 1. Fourth, the research evaluates the success or failure of each country in the top ten macro economic and macro political market factors. The study identifies African countries that perform above the regional average for all African countries in the macro level categories, as well as African countries that perform above the international average for all developing countries. An African country that performs above the international average in the majority of

Table 1. CSTS Political Institutions and Economy on Foreign Investment.

Regressor	Coefficient
Political Stability	7.03*
Economic Stability	7.46*
Local Market	3.99
Low Labour Costs	
Transparency:	6.91
Lack of Corruption	4.43*
Legal Framework:	4.43*
Domestic Government	
Skilled Labour Availability	1.09
Infrastructure	2.96*
Government Agency Support Services	1.97
Constant	2.70*
Adjusted R-square	.68
Number of Cases	47

* Indicates statistically significance at the .01 level, two-tailed test. All other variables statistically significant at the .05 level, two-tailed test.

macro level categories, justifies designation as an emerging market. Previously, South Africa has been the only sub-Saharan country identified as an emerging market. South Africa performs above the international average in six out of the ten market classifications, and above the regional average in the other four categories. A country that has a comparable or better record than South Africa in the market classifications will be designated as an emerging market. Data are collected for the macro economic and macro political indicators from the United Nations Industrial Development Organization, Economic Commission for Africa, *Africa Recovery*, World Bank, *Governance Indicators*, Economic Intelligence Unit, and International Law Institute. Finally, the research highlights the areas that could most successfully apply for development financing and attract foreign investment in the merit-based system. The results of the analysis identify nine emerging markets in sub-Saharan Africa. It also provides an accurate evaluation of each independent country's performance in all ten macro level indicators. The analysis ends with a discussion of the role of the government in macro economic management and specific investment promotion strategies, and suggests where the mutual benefits of financing will be greatest.

CURRENT CONCEPT OF EMERGING MARKETS

Despite the obvious importance of emerging markets, there is no clear nor parsimonious explanation of what constitutes an emerging market. International creditors tend to identify an emerging market as one which has institutions to support a capital market or a stock market. Foreign investors require emerging markets to consist of more than a stock or portfolio market: emerging markets must have labour markets, raw material markets, feeder-industry markets, consumer markets, and they must demonstrate an increase in overall national economic activity. The International Finance Corporation defines an emerging market as "one which is found in a developing country" and the World Bank generally uses capital and stock markets interchangeably [International Finance Corporation (IFC) 1994; Mwenda 2000]. Unfortunately, these definitions are too vague to be useful, and are contradicted by other sources. *Forbes* and the *Economist*, which regularly track emerging markets, do not consider most developing countries to have markets at all. These analyses have disproportionately negative implication for African countries by almost completely excluding discussions of African markets. The International Finance Corporation considers most African countries to be developing, yet the *Emerging Market Indicators* (EMI) report from the *Economist* 'does not regard many African countries as having markets [other than South Africa and Egypt]' (Mwenda 2000: 9). The EMI report does not acknowledge other African countries as having markets in any form, be they capital, labour, natural resource, consumer or stock markets. In sum, the current conceptualizations of emerging markets remain vague, subjective, highly unuseful for international investors and creditors, and often inaccurate. Unfortunately, "there is no universally accepted definition of emerging capital market" (Barry and Lockwood 1995). This research uses new information from foreign investors to create ten specific classification criteria. The analysis also evaluates the performance of African countries in the ten macro level political and economic criteria in order to predict and promote future development financing and investment.

HOW DO FOREIGN INVESTORS IDENTIFY EMERGING MARKETS?

The reality of the global market is that foreign investment inflow determines what the world perceives to be an emerging market. Although tautological, finance follows finance, and investment follows investment. Using foreign investment and financial inflow to indicate that a market is emerging is *post hoc* in most regards. It would be highly beneficial to domestic economies and global investors to be able to identify economies as "emerging" earlier in the investment-decision process. Although foreign investors should not decide domestic economic policy, ultimately if foreign investors determine that an economy is emerging, they will investment. If foreign investors assess that an economy is not emerging, they will not invest. So the question remains; How do foreign investors identify emerging markets? One of the most informative new sources is the *AFRICA Foreign Investment Survey 2003: Motivations, Operations, Perceptions and Future Plans,* United Nations Industrial Development Organization. The survey identifies the macro economic and political factors that are most important to foreign investors regarding new African markets.

There is little doubt among scholars and practitioners of finance and investment that emerging markets are crucial for the growth of developing regions. International investors and global financiers predict that the importance of emerging markets will continue to increase as investors calculate the risk-return trade-off. As indicated by the *Closed-end Emerging Country Funds Review* by M.T. Porter, "Over the past few years, investor interest in the world's emerging markets has expanded significantly. This interest has been fuelled by the relatively high returns recorded by emerging markets and by their perceived potential for large returns in the future" (Porter 1993). In addition to the appeal of large returns, it has previously been understood that the decision-making calculus of foreign investors includes an estimate of profitability based on a general perception of increased market activity. "Investors generally focus their attention and investments on a definition that emphasizes those developing countries in which capital markets are advancing in size, activity, or sophistication" (Barry and Lockwood 1995). New information is available about the decision-making criteria of foreign investors, which can be used to improve the identification of emerging markets and the evaluation of macro economic and macro political performance.

The innovative, informative, and relatively new *AFRICA Foreign Investment Survey 2003: Motivations, Operations, Perceptions and Future Plans* focuses on foreign manufacturing companies, asking questions about what aspects of a country (political stability, cost structures, resources, etc.) are the most influential factors in the decisions of foreign investors (Asefa 2003, UNIDO 2003). The study received valid survey responses from senior managers, chairmen, and directors of 758 enterprises in ten target countries; Burkina Faso, Cameroon, Ethiopia, Kenya, Madagascar, Nigeria, Senegal, Tanzania, Uganda, and Mozambique (UNIDO 2003). The results identify the variables that affect investment decisions: in order of importance; political stability, economic stability, local market access, low labour costs, transparency, legal framework, skilled labour, infrastructure, quality of life, and government agency support.

The capacity of developing countries to succeed in these specific macro economic and macro political categories determines the feasibility of increasing investment, finance inflows, overall economic activity, and expediting the process of economic development. This hypothesis is based on the assumption that actual investment decisions correspond to the categories identified in the survey. Investors frequently remark that transparency is one of the most prominent decision-making factors for the survey. However, it is plausible that in actuality the majority of final decisions to invest in specific locations do not correlate significantly with transparency, considering the extent of new investment in Nigeria, China, Malaysia, Brazil, and other emerging markets that are relatively opaque. There are cases in which it would be plausible that a lack of transparency, particularly in assigning government contracts or taxing revenue, would be advantageous to foreign investors. In this scenario, investment patterns would not 'match' the preferences stated in the formal, public survey about investors' decision-making calculus. The assertions need to be tested to demonstrate the presence or absence of evidential support. The question addressed statistically is; Do actual investment patterns correlate with the survey categories identified as important by investors? The Cross-Sectional Time Series regression analysis evaluates whether actual investment decisions over time (1971-2003) and space (individual sub-Saharan African countries) correspond to the factors that investors identify as important. The variables measures and data sources are presented in Appendix One. The regression analysis provides statistical evidence that actual investment patterns do correlate with the theorized decision-making variables. Accordingly, it is appropriate and informative to use the data to evaluate the performance of sub-Saharan countries in each of the macro economic and macro political categories.

MACRO ECONOMIC AND POLITICAL PERFORMANCE OF AFRICAN COUNTRIES

Marco economic and macro political performance evaluations can be used to accurately identify sectors of markets that are performing well, newly emerging markets, and forecast future market-development trajectories. Recall that accurate information about market performance can increase investor confidence and generate new investment arrangements. Merit-based investment and finance can be gained in areas where markets are performing well. Need-based development financing is noticeably decreasing or absent, but performance evaluations can identify specific categories in which countries need to improve in order to successfully attract investment and financing in the future.

The results of the analysis reveal the importance of a stable investment climate. Political stability and economic stability are identified as important by over 80 percent of investors, a third of which also indicate that political and economic stability are "crucial." The econometric analysis of recent investment patterns demonstrates the statistical significance of stability in addition to its qualitative importance. The legal institutional framework and transparency also rank high among the statistically significant variables that investors use to identify emerging markets. Macro economic variables such as the size of the local market, cost and skill of the labour market, and the quality of infrastructure follow. Accordingly, "governments that take improvement of the political, economic and legal aspects of the investment climate most seriously will be among the most attractive locations for foreign investors" (UNIDO: *xix*).

The performance of African countries in the ten macro political and macro economic factors is evaluated in *Macro Level Economic and Political Performance in Africa* (please contact the author for the full dataset and spreadsheet). This research identifies the African countries that perform better than the worldwide average of all developing countries in each of the macro level categories, and which countries perform better than the regional average for all African countries. The performance level data are used to determine the final classification of emerging markets in Africa. Countries that perform above the worldwide average for developing countries on variables such as political stability, economic stability, and good governance indicators are submitted for more in-depth analysis to determine if they should be considered emerging markets.

Political stability is recognized as important by more investors than any other macro level political or economic factor. Political stability is important to investors because it provides predictability and decreases the eruption of political violence; which is disruptive to life, work, production, consumption, and trade. For example, political violence has decreased dramatically in Ghana over the past fifteen years, in stark contrast to the eruptions of violence in other parts of the western region such as Liberia, Sierra Leon, and Nigeria. Thus, while the latter experiences an increase in international finance, an improved international credit rating, expansion of World Bank projects and foreign investment; the former have been experiencing diving credit ratings and divestment as a result, in large part, of political and economic instability. It is clear that Ghana needs to continue to improve its political stability, but it has demonstrated its present capacity to make substantial progress in this area. Countries that demonstrate the capacity to make substantial progress in a specific area can generate a compelling merit-based application for funds to finance development projects in that area. In the case of Ghana, applications for development financing would be most likely to be accepted in the areas of improving political stability, developing the local market, and training and skilled labour force.

Botswana, Namibia and Swaziland have recently made positive strides in economic stability, which will increase their appeal to investors. The size of the local market is identified as the third most important factor to investors, which represents the significance of a resource base as well as a consumer base. Mauritius and Seychelles, for example, are appealing to investors because they have resource-based industrial development and trade, as well as a relatively wealthy consumer base. The labour market, specifically low labour costs and skilled labour availability, are valuable assets to new markets. Most African countries have a relatively low cost of labour, particularly when compared to the international average cost of labour, and many African governments have taken an active role in improving the size of the literate and skilled labour force (Aina 1993).

Good governance is also a significant factor in assessing and classifying new markets. Governments that solicit foreign financing must demonstrate a strong commitment to establishing and enforcing a legal frame-work, improving the infrastructure, and providing support services such as public utilities and dispute resolution. The governments of Ghana and Uganda have actively worked to establish and enforce legal institutions specifically regarding foreign investment, and have demonstrated the capacity to provide government support services to foreign investors. Botswana and Namibia have also made substantial progress in these aspects of macro political management. Good governance regarding the legal framework, infrastructure and support services merits consideration for these countries in their classification as new markets.

Broad and stable success in these macro level categories justifies the designation of a country as a newly emerging or soon-to-be / upcoming emerging market, which makes the country more appealing to foreign investors and international financiers. The follo-wing chart, *Emerging Markets*, illustrates the results of the analysis and the identification of emerging and upcoming-emerging markets. Designation as an emer-ging market indicates that a market is performing above the international average for all developing countries (Table 2).

The countries that are designated as emerging markets can justifiably broadcast or ‘market’ themselves as emerging markets, based on their macro economic and political performance in comparison to other developing countries. Publicizing the emergence of these markets could potentially increase foreign investment inflow in a pattern similar to the emerging markets of Asia and Latin America. Nine countries are listed as emerging (EM): Botswana, Cape Verde, Ghana, Lesotho, Mauritania, Mauritius, Namibia, South Africa, and Swaziland; and ten as upcoming-emerging (UE): Benin, Burkina Faso, Gabon, Gambia, Madagascar, Mali, Mozambique, Sao Tome, Senegal, and Seychelles. If the variables are weighted to reflect the disproportionately high importance

Table 2. Emerging Markets.

Emerging Markets	Upcoming Emerging
Botswana	Benin
Cape Verde	Burkina Faso
Ghana	Gabon
Lesotho	Gambia
Mauritania	Madagascar
Mauritius	Mali
Namibia	Mozambique
South Africa	Sao Tome
Swaziland	Senegal
	Seychelles

***South Africa is the only sub-Saharan country that has been accepted as an emerging market prior to this study. Mauritius and Seychelles are generally considered to be comparatively wealthy markets**

placed on political and economic stability, the only distinctions between the outcomes are: Benin and Seychelles moved up from UE to EM; Cape Verde moved down from EM to UE. No new cases were added to either designation. There is also a clear empirical divide (a notable gap in performance) between emerging and non-emerging markets, which supports the validity and reliability of the results. The nineteen countries listed as emerging markets or upcoming-emerging markets can promote themselves as good investments based on the exact institutional and market characteristics that investors desire. Two specific alternatives exist for soliciting international financing and credit based on the new market classifications: 1) merit-based – newly emerging markets can apply for funds for the areas that have demonstrated the capacity to perform well, appealing to the risk-averse sensibilities of investors, and promote the areas of their economies where investments are likely to pay off, or 2) need-based – new markets can apply for funds for the areas that need it most and are performing least well, although it is more difficult to procure funding in these areas. Countries can strive to make substantial improvements in these areas and then "market" themselves as having strong commitments to improving the macro level factors that are important to investors.

ROLE OF GOVERNMENT

Although the government should be noticeably absent from behaviours that would distort market mechanisms, such as cronyism and kleptocracy, the creation of market distortions, domestic governments must take an active and deliberate role in macro level management, including privatization, political and economic stability, decreasing corruption by increasing transparency, and establishing and enforcing a legal framework. Governments have a critical role in ensuring a stable macro economic framework (International Law Institute 1999), improving general investment climate conditions (UNIDO 2003: *xviii*), and encouraging new investments in the domestic economy (Barry and Lockwood 1995). More specifically, governments have a central role in "encouraging and promoting horizontal and vertical diversification…the provision of fiscal and other incentives, extension services, trade facilitation, market research and quality control" (International Law Institute 1999).

Efforts to reduce the role of government "have not had the desired outcomes, markets have not been able to fill the institutional void; the need to create greater institutional capacity… would necessitate a bigger role for the state than is currently recognized" (International Law Institute 1999). One of the benefits of greater institutional capacity has already been discussed at length in this paper: the capacity to manage a stable political and stable economic investment environment. A second benefit of increasing institutional capacity is that governments can implement more successful investment promotion strategies. More deliberate institutions would also allow governments to identify and broadcast their macro level successes, and to "market" their country to investors and creditors.

INVESTMENT PROMOTION FOR EMERGING MARKETS

Domestic governments have the responsibility to provide a successful investment promotion strategy for emerging economies; markets mechanisms alone have failed to do so in Africa. In addition to improving institutional capacity and the macro level investment environment, there are specific strategies for announcing the forward strides made by new markets in Africa. The first part of a successful investment promotion strategy is to publicise or "market" the emerging market through existing businesses and foreign direct investors. "Two-thirds of the foreign investors indicate that they were made aware of the investment opportunity through business related contracts, including one-third indicating existing investors in the country as the main source" (UNIDO: *xiii*). Second, governments should establish (or consolidate) a single one-stop investment promotion agency that is equipped with information about the successes of their markets in the ten criteria addressed above. The investment agency would publicise the performance of the country in each of the ten macro level indicators, including the quality of the legal framework and the extent of institutional support provided to investors. In addition to promoting overall investment, the new information provided by the investment promotion agency would decrease the instances of investors basing decisions on their own perceptions and impressions, which are vulnerable to inaccuracy. International and regional investment promotion agencies, as well as trade organizations, can publicise new information and promote foreign investment in emerging markets in Africa. Several African countries are initiating investment agencies, such as Cameroon, Kenya, Nigeria, and Mozambique; and the next wave of this research is designed to investigate their progress. In sum, there are nineteen African countries that can accurately and justifiably claim to be newly emerging or soon-to-be emerging markets. This is appealing to investors because it increases the probability of high returns as witnessed in other emerging markets.

CONCLUSIONS

The potential for high returns from new markets is compelling to development financiers and foreign investors. The high risk, however, can inhibit businesses and creditors from investing in new economies. For this reason, it is essential that African countries accurately identify the areas of their markets that are performing well, which will help attract foreign investment. Previously, only two African economies have been recognized as emerging mar-

Appendix 1. Variable Measurement and Data Sources.

Variable	Measurement	Source
Political Stability	Political Stability: "the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, including domestic violence and terrorism"	The World Bank Group, Governance Matters IV: Governance Indicators
Economic Stability	Inflation Rate	International Monetary Fund, World Economic Outlook (Checked against Economic Intelligence Unit)
Local Market	Urban Population	United Nations Development Programme (Checked against UN Industrial Development Organization and Economic Commission for Africa)
Labour Cost	Labour Cost in Manufacturing	International Labour Organization, Bureau of Statistics (Checked against UN Industrial Development Organization and Economic Commission for Africa)
Transparency	Control of Corruption: "the extent of corruption, conventionally defined as the exercise of public power for private gain"	The World Bank Group, *Governance Matters IV: Governance Indicators* (Checked against International Law Institute)
Legal Framework	Rule of Law: "the extent to which agents have confidence in and abide by the rule of society. [Including] incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts"	The World Bank Group, *Governance Matters IV: Governance Indicators* (Checked against International Law Institute)
Skilled Labour	Literacy Rate	United Nations Development Programme (Checked against Economic Commission for Africa)
Infrastructure	Roads Paved	The World Bank Group, *Word* Development Indicators (Checked against UN Industrial Development Organization)
Quality of Life	Human Development Index	United Nations Development Programme
Government Support	Regulatory Quality: "the incidence of market-unfriendly politicise such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development"	The World Bank Group, Governance Matters IV: Governance Indicators

Dataset: Kehl, J. R. (2003, 2004), contact jrkehl@camden.rutgers.edu.

kets, Egypt and South Africa. The central conclusion of this research is that there are more than two newly emerging markets in Africa. Nine African countries perform above the international average for all developing countries, and ten additional African countries perform above the regional average in the categories of macro economic and political factors that are deemed essential by foreign investors.

It is important, however, not to be overly optimistic or unrealistic about the trajectory of African economies in general. Most are struggling profoundly. But it is equally important to accurately identify the few areas of economies that are performing well. The purpose of this research project has been to develop more comprehensive criteria for the classification of emerging markets, along with better data and more accurate analysis of new economies in Africa. The improved inform investment in particular is perceived as indispensable for the growth of developing countries" (Magarinos 2003) action identifies areas of new African economies that are performing relatively well and where investment has the most potential for mutual benefit, which decreases investor-risk and thus increases overall investment and financial inflow.

The importance of increasing investment inflow has not been underestimated in the field of development; "International investment in general and foreign direct it has proven difficult, however, to attract a sufficient amount of foreign investment for domestic development, particularly in Africa. The share of Africa in global foreign investment is less than two percent, which is disproportionately low (UNIDO 2003). Countries that can accurately and justifiably "market" their economies as emerging, have the potential to rapidly increase their investment inflows. Governments need to support the emergence of these new markets by identifying and publicizing the few areas in which African economies are performing well. It also remains crucial that governments work to improve macro level management and performance by providing legal institutional frameworks, facilitating political stability, and creating investment promotion agencies. In the merit-based finance system, evidence of macro economic and political progress can be marketed to attract foreign investment, increase overall international economic activity and promote domestic economic development.

REFERENCES

African Economies Show an Upturn: But Performance Remains Vulnerable and Uneven, reports ECA (2002). Africa Recovery, United Nations Economic Commission for Africa, 16: 2-3, 32.

Aina LO (1993). "The Challenges of the Emerging Markets and the Education of and Training of Information Professionals in Africa." J. Librarianship Info. Sci. 25(4): 197-201.

Asefa Sisay (2003). "Foreign Direct Investment and Uncertainty: Empirical Evidence from Africa." Afr. Finance J. 5: 1.

Barry CB, Lockwood LJ, (1995). "New Directions in Research on Emerging Capital Markets." Financial Markets, Institutions and Instruments, Oxford: Blackwell Publishers. 4(5): 15.

International Law Institute (1999). "Regulatory Constraints In Emerging Markets: Bank Restructuring and Governance." Seminar at Georgetown University, Washington DC, (October 26).

Kehl JR (2003). http://proquest.umi.com/pqdweb?did=764735251&sid=1&Fmt=2&clientId=16246&RQT=309&VName=PQD.

Magarinos C (2003). United Nations Industrial Development Organization (UNIDO). "Perceptions and Service Needs of Investors." Africa Foreign Investor Survey 2003: Motivations, Operations, Perceptions and Future Plans – Implications for Investment Promotion. United Nations Industrial Development Organization, Vienna.

Mwenda Kenneth (2000). "Securities Regulation and Emerging Markets: Legal and Institutional Issues for Southern and Eastern Africa." Murdoch University Journal of Law and World Bank, 7: 1.

Porter MT (1993). "Closed-end Emerging Country Funds Review," in K.H. Park and W. Van Agtmael (eds), The World's Emerging Stock Markets. Chicago: Probus Publishers. p. 459.

United Nations Industrial Development Organization (UNIDO) (2003). "Perceptions and Service Needs of Investors," Africa Foreign Investor Survey 2003: Motivations, Operations, Perceptions and Future Plans – Implications for Investment Promotion. United Nations Industrial Development Organization, Vienna.

World Bank (2004). Development Finance, The World Bank Group, Washington D.C.