Emerging Markets in Africa: Epic Shifts in Privatization and Land Usage

Dr. Johndavid Kerr, J.D.
Assistant Professor and Chair
Busch School of Business
Harris-Stowe State University
St. Louis, Missouri, USA

Abstract

Renewed economic and political interest in Africa, as an emerging market, has created a wellspring of speculation and scholarship relative to this continent's fifty-two countries and its composition of political economies, economic markets, tribal communities, and heterogeneous population of 800 million inhabitants. Thus, the challenge for Africa's leadership, and for the global community, centers on understanding the complexity of these lesser-developed countries and on the economic and political potential that could lead this continent toward a powerful position in the global community. Privatization encourages foreign direct investment to allow for investments in labor, capital, land and entrepreneurial talents. One of the chief objectives of the instant research is to explore the potentialities of FDI in relation to privatization and land usage. From this vantage point, it is important that the representative political economies and regulatory and legal systems be scrutinized for economic stability and potential for growth, as these determinants will be factored into the overall global strategies of MNCs and developed countries, as well as trade pacts, in considering Africa's emerging markets. This paper will provide an analysis of the strength of privatization models, as applied to Malawi, Tanzania, Ghana, Morocco, and South Africa. This paper will examine land usage policies and practices in relation to energy, subsistence agriculture, settlements and infrastructure.

PART I. EMERGING MARKETS: EPIC SHIFTS IN PRIVATIZATION

A. Background and the Thatcher Model

Ever since postcolonial Africa--with colonization ending in 1979 by the British government's recognition of Rhodesia's independence--opened the rest of the world to an economic reality that this continent of 53 countries held vast, untapped natural and material resources, most of which had gone undeveloped for several centuries, industrialized countries with advanced economies sought to explore the market potential of Africa, largely by exporting raw and natural resources for production in domestic and international markets (Harvard International Review, 2007).

As this trend developed and a comparative advantage emerged in this postcolonial trading relationship between Africa and its world trading partners, Africa's governmental and political acumen was under new pressures to maximize the benefits of postcolonial economic and political freedoms, while, at the same time, under pressure to reconfigure colonial economic models that had historically placed reliance on state-run enterprises. It was not until postcolonial governments began experimenting with privatization and land usage that Africa and its adjustment from a colonial to postcolonial status began attracting foreign direct investors and multinationals.

The privatization model demonstratively utilized in Africa was largely recreated from the privatization model(s) developed in the United Kingdom during the tenure of Prime Minister Margaret Thatcher, 1979 to 1990. Her administration developed a public policy regime based on a set of core principles that included the value of free markets (Craig, 2001). In one such example of this model in operation, under the Malawian government, the government divested themselves of telephone services, railroads, insurance services, mining industries, and other services, by selling government-owned assets to these industries; however, the Malawian government retained regulatory oversight with regard to these divested assets and their privatization.[1]

The Malawian model largely mirrors the Thatcherite model, with respect to both the privatization of large-scale, state-owned industries and to the government's retention of oversight and regulatory control through parastatal arrangements. Under the Thatcher model, in which the premise for privatization originated, the Conservative Party supported the Prime Minister's efforts to privatize national enterprises in coal, iron and steel, gas, electricity, water supply, railways, trucking, airlines and telecommunications, as well as public housing (Watkins, 2009). Moreover, empirical evidence supports the basic premise of privatization, in that privately owned firms perform better than similar state-owned firms (Megginson, 2005b; Megginson and Netter, 2001; Shirley and Walsh, 2000). Significant to this argument is evidence from other developing countries that indicate post privatization performance improvements are smaller when the government maintains a substantial shareholding (Clarke et al., 2005; Megginson, 2005).

In view of this trend toward privatization in Africa, as will be demonstrated, this paper, in Part I, will examine five countries (Malawi; Morocco; Tanzania; Ghana; and, South Africa) and their efforts, whether successfully or unsuccessfully, to privatize certain government-owned assets to the free market. Included in this analysis, in Part II will be an examination of land usage issues related to the development of African economies and their heterogeneous and conflicting historical records on best uses of land, in light of perennial problems such as totalitarian dictatorships, political and military corruption, tribal wars, misappropriation of resources, and antiquated land use practices.

In addition, this paper will review current literature on Africa, as an emerging market, and will analyze several leading trends on the economics of FDI, World Bank involvement, stability of governments, and global position. This paper is aimed at policymakers, academics, privatization managers, and corporate leaders in providing a working review and analysis of these trends in Africa, in providing empirical support for privatization, and by outlining some of the problems still besetting Africa's economic growth, both internally and externally.

B. The World Bank and IMF – Developing Countries

The World Bank and International Monetary Fund ("IMF") have studied and produced various findings on privatization in African countries, although there is a less comprehensive body of literature in the examples of academic and private foundation studies. Included in the World Bank and IMF studies, as conducted principally by senior staff, in large part, are comparative, empirical analyses of the effects of privatization, markets and competition, particular problems besetting state-run enterprises, forms of privatizing state-owned assets, and public perception and handling of job losses and loss of control of national assets (Harsch, 2000). Towards providing a more tenable body of analytical modeling, the World Bank and IMF's findings have contributed comparative analyses of privatization efforts around the world, identifying leading privatization efforts by comparing capital and transaction numbers and by breaking down countries through continent-specific referencing.

As such, these analyses show that most privatization efforts have occurred in the region of North Africa, as of 2005 data, reflecting US$7.5 billion from 27 transactions, accounting for 8 percent of total value. Conversely, Sub-Saharan Africa, with US$975 million from 23 transactions, generated 1 percent of total value in 2004-05. Three sectors accounted for nearly 90 percent of total value: infrastructure (telecommunications, electricity and natural gas, transport, water); finance (banks, insurance, other financial services); and energy (exploration and production of oil and gas, and other hydrocarbons).

---

[1] The original conceptualization of this paper is largely drawn from Dr. Robert Kamkwalala's dissertation, completed in December, 2006 in fulfillment of his Doctor of Management degree at Webster University's School of Business and Technology in St. Louis, Missouri. The dissertation treated privatization through comparing successful and unsuccessful privatized organizations in Malawi. Both authors have extrapolated the dissertation's thesis to cover Africa's emerging markets by analyzing privatization and land usage issues, as applied to five countries, including Malawi.

Telecom sales and mobile licenses comprised the majority of total value of these regional comparisons in Africa. Overall, the World Bank's Privatization Database revealed that privatization in developing countries, as of 2004-05, continued with 400 transactions worth US$90 billion (Kikeri & Burman, 2007).

Several common themes emerge from the *quanta* of this privatization research. First, privatization, as a free market mechanism and strategy, presents strengths and weaknesses to those governments seeking to maximize the benefits of privatization. In this sense, privatization cuts both ways. It is the balancing of these strengths and weaknesses, oftentimes left to government-run parastatal bodies, whose expertise is typically focused on managing and monitoring large public enterprises that test these governments' political, legal, and financial mettle in determining the long-term strategies best fit for ensuring economic prosperity with rival border countries and with the global economy, on a larger scale.

Second, the studies focus on broadened ownership control and internal problems emanating from labor and public perception opposition. Eric Thurman, a professional advisor to international non-governmental organizations ("NGOs"), for example, in supervising grants to developing countries, many of which are found in Africa, observes that for the majority of ordinary Africans, many will not set foot in a bank during their lifetimes. His anecdotal evidence is further compounded by the fact that he and his consultant cohorts have provided micro financing to many African small businesses. The internal problems with which he is confronted on a continual basis are the unique economic realities that most rural African people must contend for basic survival. Thurman observes that most Africans live in cash-only economies and do not have the resources to resort to even minimum banking and financial resources. He believes that, at the ground roots level, providing micro financing to small African businesses will stimulate economic growth in these regions that are geographically removed from the wealthier urban centers, and will spur the economic revitalization of and interest in private enterprises (Thurman, Harvard International Review, 2008).

Third and last, the net effect that privatization has had on Africa's working poor classes is telling in the lack of access to basic commodities, such as clean water, electricity, and other infrastructure. The evidence strongly suggests that private enterprises, typically owned by multinationals, center economic gain around cost recovery arrangements, which have a negative impact on the poor in preventing them from access to the very assets that used to be free. Factored into this is the government's hands-off approach to ameliorating these net effects on the poor.

C. Emerging Markets

Emerging markets are created for several reasons, several of which have been studied in the literature. Leading causes are typically the failure of state-led economic development and the need for capital investment, although other plausible reasons exist. According to the World Bank, China, India, Indonesia, Brazil, and Russia are the five biggest emerging markets, also known as BRICs (Li, 2008). Characteristics of such markets may include regional economic strength, transitional functions inclusive of economic and political reforms, world's fastest growing economies, and critical participants in global political, economic, and social affairs (*Id.*, 2008).

The Morgan Stanley Capital International ("MSCI") indexes are industry standards used to measure economic growth in emerging markets, and are used by approximately 90 percent of emerging markets managers. Capturing a broader representation of emerging markets, the Standard & Poor's list of investment-grade countries may include higher-risk countries, such as Mexico, South Korea and Malaysia, which would not make the MSCI indexes. Investors are free to weigh the level and degree of risk, as presented in the short term and long term indexing of these indicators. Notably, the MSCI has gained more than 600 percent since 1988, beating the S&P 500 percentage points. They are not correlated with developed markets. (Authers, The Financial Times, 2006).

In a recent Deloitte study, conducted by the Manufacturing Industry Group of the management consultant firm, wherein 446 C-suite executives from manufacturing companies in 31 countries responded, only 56 percent of those polled stated that they conduct a "very rigorous" risk assessment before opening a satellite office, a research-and-development lab, or another business operation in a developing nation. Legal and regulatory risks ranked the highest of risk assessment concerns, with 45 percent reporting that they perform risk assessments regularly. A further breakdown of legal and regulatory risks showed concern about supply chain (76%) and business continuity (72%). Intellectual-property risk ranked high as a concern, due to the ease with which other companies can copy new products.

1. FDI and Regional Alliances

Several other key features of the Deloitte study related to emerging markets and the best methods for investing in developing nations. Greenfield investments, or the formation of a wholly owned new subsidiary, overwhelmingly were cited as the most popular strategy when establishing a presence in emerging markets. The most plausible explanation for this strategy related to deregulation--a relaxation of government regulations that had historically held that foreign entities could not fully own new companies or subsidiaries. Surprisingly and relevant to Africa, risks related to unstable political and natural environments of the developing world were not considered much of a concern, with 57 percent assessing security risks, 51 percent considering geopolitical risks, 30 percent assessing terrorism, and 30 percent considering the impact of natural disasters (Deloitte study, 2007).

Regional alliances and Partnership Forums are burgeoning through the coordinated efforts of African governments and foreign investors and interested parties. For example, at the 11th Meeting of the Africa Partnership Forum in November 2008, German Federal Minister of Economic Cooperation and Development Heidemarie Wieczorek-Zeul stated, "In this situation, it is more important than ever for us to forge a functioning, global and equitable partnership. We need Africa as a strong player in that partnership." The Africa Peer Review Mechanism ("APRM") Process was recognized as an effective, Africa-owned process that has produced results on matters of governance. APF recommendations in 2009 are for exploring further studies/analysis of tax revenue in Africa, illicit financial flows, relationship between Trade and Development in Africa, and the possible impact of the economic recession on Africa (Africa Partnership Forum, 2008).

D. Case Studies in Privatization and Regional Integration

The case studies briefly sampled for purposes of this paper, in applying the foregoing principles, trends, and conceptual framework, are a mix of regional privatization data pertaining to North African and Sub-Saharan countries. The selected countries are Morocco, Malawi, Tanzania, Ghana, and South Africa. Each country's efforts to privatize certain public enterprises have met with varied levels and degrees of success, but not without costs and long-term problems internal and external in nature.

At a quick glance, the countries can be comparatively analyzed, according to relative economic strengths in various sectors, such as regulations and tax, permits and licenses, corruption, finance, infrastructure, trade, and workforce. This data is publicly available through the World Bank's Enterprise Surveys, which provide productivity analysis in emerging markets, and from which the following data is gleaned. Ghana, for instance, in the trade sector, as to 464 firms surveyed and reporting, reported 9.78 percent trading firms identified customs and trade regulations as a major constraint, going to the Deloitte study's strong percentage of executive concerns about legal and regulatory concerns. All countries showed 17.40 percent.

Comparatively, Tanzania, in trade on customs and trade regulations, ranked 11.62, slightly higher than Ghana in Western Africa. With 419 firms reporting, at a GNI per capita (US$) of $400, 36.68% reported tax rates as a major constraint, and on corruption, 49.47% reported that firms were expected to pay informal payments to public officials in terms of bribes or grease payments. All countries reported 34.88 on informal payments, which continue to be a concern when doing business in emerging markets. Tanzania has struggled with privatization in the area of water systems. The Tanzanian government privatized its water system by selling this state-owned enterprise to Biwater, a subsidiary of City Water Services in 2003. However, complex litigation ensued when Tanzania seized control back from CWS in 2005, after CWS mismanaged the public water works infrastructure in allowing water and sewerage services to severely deteriorate. A London tribunal awarded the Tanzanian government £3m in damages pursuant to a construction contract. The Tribunal observed that water privatization was imposed on Tanzania by the World Bank in return for much needed debt relief (Seager, 2008).

In contrast, Morocco's privatization efforts had 37 percent of the regional value through the US$2.5 billion sale of Maroc Telecom (Kikeri & Burman, 2007). Because Morocco's success is a paradigm, of sorts, for privatization in Africa, foreign direct investors and emerging market managers are optimistic that the country's 5 percent growth of output, since 2005, will increase, largely through open regionalism in which regional advantages and resources would be integrated into the global economy (MENA, 2008).

Morocco is not without regional challenges, as is evident with its low rankings on protecting investors (164/181 economies), getting credit (131), and employing workers (168). However, positive rankings as to trading across borders (64), starting a business (62), and dealing with construction permits (90), show the progressive regionalism that is spurring North Africa towards integrating with world economies (Doing Business 2009, The World Bank Group).

South Africa has struggled with adopting new constitutional and economic practices ever since the elimination of apartheid in 1994. Nelson Mandela and the African National Congress ("ANC") eradicated the last vestiges of apartheid's racial practices and, in an effort to reform the former economic and political systems, instituted privatization of state-owned assets as an ameliorative measure to spur economic growth and to attract outside investment.

A recent development in South Africa, toward open regionalism and integration into the global economy, is the launching of the Africa Board, a new trading segment on the Johannesburg Stock Exchange Main Board. This segment is in large response to foreign investors looking for ways to diversify their portfolios. In conjunction with this development, the stock performance of emerging markets actually outperformed developed markets for investors (Appel, 2009). These trends will continue to attract foreign direct investment as African political and business leaders learn more ways to integrate their regional economies into the global economy. And South Africa will continue to be a bellwether of regional integration in fostering economic growth through privatization efforts.

Lastly, Malawi, with a population of 13,920,062, and a GNI per capita (US$) of $250, is faced with regional challenges, not unlike other Sub-Saharan countries. In looking at comparative data with 181 economies, Malawi ranks relatively high in paying taxes (58), getting credit (84), and protecting investors (70), but compares less favorably on starting a business (122), enforcing contracts (138), and trading across borders (167) (Doing Business 2009, The World Bank Group).

PART II. EMERGING MARKETS: EPIC SHIFTS IN LAND USAGE

The Malawian land use model is similar to the land usage of Tanzania, Congo, Liberia, and South Africa. Africa is now increasingly becoming a dynamic global economy because of advancing political freedom of expressions, an end to human rights abuses, and also free enterprises. The atmosphere of distrust by foreign direct investors is disappearing because of democratic capitalist countries. (Kalonga Stambuli, 2002) Therefore, there is a lot of immigration to African countries as foreign investors are buying the indigenous African land from poor people and displacing them.

The large land use for most African countries is used for:

(i) Settlements;
(ii) Subsistence agriculture;
(iii) Energy, and
(iv) Infrastructure.

This section, Part II, of the paper will look at the impact of this subdivision to the African indigenous people and how this trend is interrelated to the privatization of companies in these countries. The philosophy of the governments in Africa is shifting from obstructive regulation to demonstration of authority and political will to encourage free enterprise. However, this is encountering resistance from some activists who think that the process is causing more harm than good.

A. Land Use, Settlements, and Subsistence Agriculture in Malawi and Tanzania

The proportion of the whole land use for farming in Malawi and Tanzania is estimated at 43% and 47% respectively (Nyasulu, 1997). This is due to the fact that lakes, forests, and settlements occupy the most coverage of land, agriculture which is composed of livestock and crop components, hinges on the exploitation of land resources, soil for cultivation of crops, and natural vegetation as the main feed of the livestock. These direct effects result from the competition of land for most African indigenous people, whose main source of income derives from agriculture. That is food for consumption and forestry for energy and building material for their houses. With increasing population pressures there is a shortage of land for most African people.

In Malawi and in the Mangochi district for example, the largest tourism district because of Lake Malawi, the third largest lake in Africa, and which occupies one-third of Malawi's land area, most of the land in the area has been bought by huge corporations, building tourism resorts, hotels, and cottages, thereby denying access to the areas for the indigenous Malawians who used the land area to cater for their household's food requirements through farming and fishing, social obligations, and for local trading. "There are thousands of Malawians who do not have land to cultivate on; there are other thousands who do not have any source of income to enable them to purchase food and other basic needs. There are also others whose crops are washed away by heavy rains and cannot afford to replace the lost crops due to poverty. These factors are enough to leave some people without food, and therefore starve," said Mabvuto Bamusi of the Malawian Economic Justice Network.

The same applies to Tanzania. With increasing population pressures and shortening land for farming areas around the Kilimanjaro, the highest mountain in Africa, the indigenous African people suffer from increase in settlements, which is causing shortages in land for farming. "In Tanzania, it is known that by 1500 A.D. there were stable and permanent societies, in Kilimanjaro, West Lake, (Kagera), and southern highland areas, and local communities were planting perennial crops such as coconuts and bananas. Indigenous knowledge was used to maintain soil fertility and conserve water for agriculture as well as livestock. People managed to establish agriculture land suitability using simple indicators" (Omari, 1976; Illife, 1971; Negrao, 1995). Settlements in these areas forced indigenous people to seek refuge in areas of poor access and low agricultural potential. The settlements provided a new dimension to the relationship between the local people and the natural resources, as it evolved in the exploitation of natural resources for commercial purposes. (Mlay, Turuka, Kowero, & Kachule, 2001).

There is evidence to show that growing land scarcity in highland areas of Kilimanjaro, Meru, and Pare mountains of Tanzania necessitated movement of people to other parts to open land for agriculture (Omari, 1976). He notes that the people in these areas began to cultivate and settle on the slope of the mountains.

B. Land Use, Energy, and Infrastructure in Malawi and Tanzania

Deforestation is now one of the most pressing environmental problems faced by most African countries, and one of the primary causes of deforestation is the use of wood for fuel. Deforestation has negative implications for the local environment (increased erosion) and the global environment (fast climate change). The problem of deforestation has also to some extent affected the construction industry. Almost all burnt bricks in Africa are produced on score kilns and this is an inefficient process and consumes a lot of firewood. This demand has competed with the domestic demand of fuel with disastrous effects on the environment. The majority of Africans use wood for energy due to insufficient electricity power (Zingano B. W and Associates, 2005).

In the case of Malawi, only 5.8% of its people are connected to the grid (electricity). The Electricity and Supply Commission is 100% owned by the government and 93% of the country's energy requirement depends on firewood and charcoal. This trend is unlikely to change for a very long time since wood fuel is a major source of energy for rural and urban households. It is also used for small-scale industry such as fish processing, brick making, and lime production. In 1995 annual consumption of fuel wood was 12.98 million cubic meters, and in 1996, the demand was 14.28 cubic meters, a growth of approximately 10% per annum (UNDP Project, 2001).

The same applies to Tanzania. Electricity generation, transmission, and distribution are through Tanzania Electric Supply Company known as Tanesco. The company is also 100% government owned and is responsible for 98% of the country's electricity supply. Petroleum, hydro, and coal are the other major sources of commercial energy in the county, which account for almost 1%. The biomass energy resource, which comprises fuel, wood, and charcoal from natural forests and plantations, account for 93% of total energy (Tanzania Country Assessment, 2001). Settlements and energy compete for land and other resources besides agriculture thereby bringing disastrous effects to the environment and its people. Yet, agriculture and agriculture processing are the backbone of the economics of these two countries.

The term "infrastructure" was evolved during the Second World War by military strategists to indicate wide ranging of war logistics. Thereafter, economists introduced the term into the developments of economics to be used interchangeably with overhead capital (Youngson, 1967). Despite the detrimental effects of epic shift in land usage, privatization is bringing development in Africa by bringing social, economic, and physical infrastructure. Here, the term means creation of capital goods that carry a distinction of producing social benefits. These are services produced by the developments, such as roads, ports, water utilities, and health utilities such as hospitals, technology, electricity, transport, irrigation, and drainages. But the characteristics and the degree to which these investments process are still important in distinguishing the roles of public versus private investment. The review of infrastructure will focus mainly on roads because of its association to land usage. Land transport facilities generally entail large investment to establish a network of other investments, and its importance to economic development on the aggregate level. Without proper road infrastructure, development slows down because accessibility is difficult (Tuma Z.W., 2001).

Many parts of the rural areas of Malawi lack proper roads. This means that they are not accessible, and it becomes worse in the rainy season. Incidentally, some areas have not been served with public transport for more than a decade because of poor roads. People walk long distances to their destinations or they have to depend on private transport, mostly trucks and bicycles. This has not only hampered the free movement of people, goods, and services, but also constrained the private sector to penetrate and exploit rural markets. The turning point recently is the Malawi government under President Dr. Bingo WaMutharika, who has placed high priority on development of road infrastructure. It is one of the priorities under the Growth and Development Strategy. Government has realized that for the private sector to grow there is a need to promote and improve transport infrastructure through construction of new roads and rehabilitating old ones. This will open rural areas to easily access local and external markets. For example, the Paladin Investment Mining industry in Karonga district will earn the country about $200 million U.S. dollars every year for the expected 10-year mining life span. Neville Huxham, Paladin County Manager in Malawi, however, cited a number of challenges that Paladin Investment mining is encountering in developing the mine, with the most outstanding one being the poor condition of the road by which the project is accessed (Nyasa Times, January, 2009). Karonga district lies along a 100 km earth road that connects to another town of Chitipa. The road is currently being upgraded. Another example is the Mtwara Development Corridor (MDC), a spatial road development initiative linking Tanzania to Malawi, which attracted an investment of US$6 billion for Tanzania.

Established in the middle 1990's, MDC focused on unlocking the inherent economic and growth potential of the area in agriculture, mining, tourism, and the exploitation of natural resources. The corridor attracted billions of dollars of Foreign Direct Investment (FDI). According to Joseph Simbalika, the then Tanzania's National Development Corporation's (NDC) Managing Director, "We identified and established an alliance with a group of developers/investors as strategic partners, who had the requisite technological, financial, and managerial capability to develop and fund projects in the corridor." One of the major MDC projects he cited was U.S. 612 million, 400 megawatt Mchuchuma power project, which used large amounts of coal from Mchuchuma – Katewaka coal mines (African Business Journal, Trade, Investments, and Tender, July, 2001).

C. Is South Africa a Model Case Study? Settlements and Subsistence Agriculture

The history of settlements in South Africa in a nutshell started with the Portuguese. Bartolomeo Diaz, a seafarer, who sailed around the southern point of Africa in 1486. He named the area Cape of Good Hope. Then around 1652, the Dutch started settling into the area through Jan Van Riebeck, who arrived with three ships. The French started immigrating into the area around 1689, settling into what was known as Elephant Corner Valley. Then it was the Britons, who arrived in the area in March of 1820.

South Africa is a good example of a melting pot where people of different places immigrated into the area (Mwakalebela, African Business Journal, 2001). South Africa has a two-tiered economy; one rivaling other developed countries and the other with undeveloped countries, comprising of a well-developed agricultural commercial sector and a predominantly subsistence-oriented agricultural sector in rural areas. Surprisingly, only about 13% of South Africa's surface area can be used for coop production, of which just 22% can be classified a high potential land. Some 1.3 million hectares are under agricultural irrigation (Molefe, 2001).

Agriculture contributes 2.6% to the gross domestic product and almost 9% of formal employment. The Agro-Industry sector is estimated to comprise 15% of gross domestic product (Afrihost.com, 2001). Agriculture exports have contributed an average of approximately 8% of total South African exports. Today, South Africa is not self-sufficient in virtually all major agriculture products, but it is a net food exporter. There are close to 1,000 primary agricultural cooperatives and agribusiness throughout the country. South Africa is the world's 11th largest producer of sunflower seed, the world's 12th biggest sugarcane producer, and the 8th largest wine producer. The government of South Africa has demonstrated its commitment to open markets in agriculture, privatization, and a favorable investment climate with its release of the crucial Growth Employment and Redistribution (GEAR) Strategy. This strategy has brought a greater agricultural, financial, and macroeconomic stability (U.S. Department of State Country Background notes, October 2000).

D. Land Use, Energy, and Infrastructure in South Africa

The commercial forestry industry in South Africa is committed to practicing sustainable forest management and is a world-class leader in forest certification. This means that the problem of using wood for energy is contained. This is demonstrated by the fact that over one million hectors, or over three quarters of the entire area of commercial forestry plantations in South Africa are currently certified by the Forest Stewardship Council (FSC) and 1S0 14001 certification schemes as being sustainably managed (Afrihost.com, 2001). Electricity supply to the majority of South Africa rural areas curbs the problems of deforestation, also.

The government of South Africa and its electricity company, ESKOM, are one of the world's ten biggest electricity generators, and are in the top eleven in terms of sales. It generates around 95% of the electricity used in South Africa, as well as exporting power to other African countries. South Africa's electricity network is made up of more than 300,000 kilometers of power lines, 27,000 kilometers of which constitutes South Africa's national transmission grid. The main generating stations are located in Mpulamanga Province, where there is a vast coal reserve. The cost of electricity in South Africa is among the worlds lowest and the country's strong economic growth, in which energy contributes about 15% of South Africa's gross domestic product (Molefe, Public Investment Commission, 2006).

South Africa has a modern and a well-developed transport infrastructure. The roads are world-class. The air and rail network are the largest on the continent. The country's ports provide a natural stopover for shipping to and from Europe, the America's, Asia, Australia, and both coasts of Africa. The OR Tambo International Airport in Johannesburg, Africa's busiest airport, serves as the primary airport for domestic and international travel to and from South Africa. (Wolmarran, 2006).

WORKS CITED

1. Africa Partnership Forum, 2008. Eleventh Meeting of the Africa Partnership Forum in Addis Adaba, Ethiopia, held November 17-18, 2008.
Retrieved on January 29, 2009, from
http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/EXTPART.

2. Appel, Michael, 2009. "South Africa: New JSE Africa Trading Exchange to Boost Inter-Africa Investment." BuaNews (Tshwane). Retrieved on January 29, 2009, from http://allafrica.com/stories/200901290654.html.
3. Authers, John, 2006. "The Long View: How adventurous are emerging markets?" Published: October 20, 2006. *The Financial Times*. Retrieved on January 29, 2009, from http://www.ft.com/cmc/s/be77e600.
4. Clarke, George R.G., and Robert Cull. 2005. "Bank Privatization in Argentina: A Model of Political Constraints and Differential Outcomes." *Journal of Development Economics* 78(1): 133–155.
5. Craig, John (2001). "Privatization and Indigenous Ownership." Institute for Development Policy and Management. Crawford House, M13 9 GH, U.K.
6. Deloitte Touche Tohmatsu, 2007. "Deloitte Study: Emerging Market Innovation. A survey of 446 top executives to profile business practices of U.S. companies in developing countries." Retrieved on January 29, 2009, from http://www.deloitte.com/dtt/article/
7. Doing Business 2009. *Morocco - Explore Economies*. The World Bank Group 2009, Washington, DC. Retrieved on January 29, 2009, from http://www.doingbusiness.org/ExploreEconomies/Default.aspx?economyid=132
8. Doing Business 2009. *Malawi - Explore Economies*. The World Bank Group 2009, Washington, DC. Retrieved on January 29, 2009, from http://www.doingbusiness.org/ExploreEconomies/?economyid=118
9. Harsch, Ernest, 2000. "Privatization shifts gears in Africa: More concern for public acceptance and development impact but problems remain." Africa Recovery, Department of Public Information, United Nations. Retrieved on January 22, 2009, from http://www.un.org/ecosocdev/geninfo/afrec/vol14no1/privat1.htm
10. Harvard International Review, (2007). Africa Redefined: A Call for Internal Initiative, *Courting Africa*, Vol. 29 (2) – Summer 2007. Retrieved January 22, 2009, from http://hir.harvard.edu/articles/1634/
11. Kikeri, Sunita and Burman, Amit, 2007. "Privatization Trends: Near Record Levels in 2005." The World Bank Group, Financial and Private Development, February 2007. Note Number 314.
12. Li, Chuan, 2008. "What are Emerging Markets?" The University of Iowa Center for International Finance and Development. Retrieved on January 29, 2009, from http://www.uiowa.edu/ifdebook/faq/faq_docs/emerging_markets.shtml
13. Megginson, William L. 2005a. "The Economics of Bank Privatization. *Journal Banking and Finance* 29(8-9): 1931–1980."
14. Megginson, William L., and Jeffry M. Netter. 2001. "From State to Market: A Survey of Empirical Studies on Privatization." *Journal of Economic Literature* 39(2): 321–89.
15. Middle East and North Africa, 2007. "2008 MENA Economic Developments and Prospects: Regional Integration for Global Competitiveness." Report to The World Bank. Retrieved on January 29, 2009, from http://web.worldbank.org/ WBSITE/EXTERNAL/COUNTRIES/MENAEXT/MOROCCO
16. Mlay, G., Turuka, Fr., Kowero G., and Kachule, R., Agriculture Policies and Forestry Development in Malawi, Mozambique, Tanzania, and Zimbabwe. Complementarities and Conflicts, 2001.
17. Molefe, Brian, Public Investment Commission, 2006.
18. Mwakalebela, Leonard, African Business Journal, July 2001.
19. Raisuddin, Ahmed and Donovan, Cynthia, Issues of Infrastructure Development. A Synthesis of Literature, 2003.
20. Seager, Ashley, 2008. Tanzania wins L3m damages from Biwater subsidiary. Guardian.co.uk. Published: Friday, January 11, 2008. Retrieved on January 29, 2009, from http://www.guardian.co.uk/business/2008/jan/11/worldbank.tanzania
21. Shirley, Mary M., and Patrick Walsh. 2000. *Public versus Private Ownership: The Current State of the Debate*. World Bank Policy Research Working Paper 2420. Washington, D.C.
22. Stambuli, Kalonga, The Anatomy of Modern "African Capitalist States." 2002.

23. Thurman, Eric (2008). Africa Needs Microfinance: Financial Services are Imperative for Progress. Harvard International Review. Retrieved on January 22, 2009, from http://www.harvardir.org/articles/1722/
24. Tuma, Z.W., Harnessing Energy for Development. Tanzania Country Assessment, 2001.
25. UNDP Project, Energy and woman: Generating Opportunities for Development.
26. Watkins, Thayer (2009). Privatization in the United Kingdom under the Thatcher Government. Retrieved January 22, 2009, from http://www.sjsu.edu/faculty/watkins/privUK.htm. San Jose State University, Economics Department.
27. Wolmaran, Riaran, Mail & Guardian Review, September 2006.
28. Zingano, B.W., The Problem of Fuel Wood Energy Demand in Malawi, with reference to the Construction Industry, November, 2005.