

## **CAPITAL FLOWS AND THE AFRICAN GROWTH EXPERIENCE: THE ROLE OF FOREIGN DIRECT**

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In the Nepad document it is envisaged that the African resource gap be filled through two initiatives: the market access initiative and the capital flows initiative. The capital flows initiative emphasises the importance of increasing domestic resource flows, debt reduction, increases in aid flows and FDI. This paper aims to explore the importance and significance of capital flows in general and FDI flows in particular in explaining the historical and more recent growth experiences on the continent. The paper will provide a literature overview on the determinants of growth in Africa. This will be followed by a panel data analysis on the determinants of growth from 1990 to 2002 to establish the significance of capital flows in explaining the growth pattern. Preliminary analysis in this respect shows that capital flows, and particularly FDI flows, are becoming more prominent in explaining growth in Africa. The paper will conclude with some policy implications.