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### RESEARCH ARTICLE

#### A REVIEW OF FOREIGN DIRECT INVESTMENTS (FDI) IN SUB-SAHARAN AFRICA (1970-2017)

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#### Abstract

In the past, the history of Sub-Saharan Africa (SSA) countries have been defined in terms of foreign aid, but its future is becoming more defined by the volumes of FDI it receives annually. Moreover, between 2005 and 2015 marked a significant phase in the growth of FDI in Sub-Saharan Africa (SSA), thus, necessitate a review of the flow of FDI in Sub-Saharan Africa (SSA) countries (1970-2017). Moreover, the data for this study was collected from various secondary sources such as books, journals, annual reports and internet sources amongst others. Besides, the data were content analysis. Besides, this study revealed that Foreign Direct Investment (FDI) flows and Greenfield projects in Sub-Saharan African countries some SSA countries are helping in creating new jobs, developing professional capacity, infrastructure and services in countries like Nigeria, Ghana, Zambia, Congo, and Mozambique among others. Therefore, this study makes a case for the sustainability of achievements.

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#### Introduction:-

For many years, in the development of African states, its developmental process has been largely interrupted by slavery and colonialism. Besides, after the cold war (ideological war Eastern and Western bloc) globalization has been characterized by various degrees of political instability emanating from armed conflicts in many Sub-Saharan Africa (SSA) such as Congo Democratic, Liberia, Mali and Sierra Leone just to mention few at one point or the other. Moreover, Sub-Saharan Africa (SSA) countries like Nigeria, Ghana, and Mozambique amongst others were faced with the challenges of "global debt and global disconnect" such that a large number of their financial resources are spent on serving foreign debts which have greatly affected their prospects of achieving sustainable development (Bright & Hruby, 2015:26). Thus, the need to service debts have made many African countries sceptical of the intentions of foreign investors over the years thereby losing out of enormous benefits arguably that are associated with FDI inflows in the continent.

Moreover, despite efforts at liberalizing investment environment in Africa following the introduction of the Structural Adjustment Programme (SAP) sponsored by the World Bank and the International Monetary System (IMF), many SSA countries have not received much FDI which has been attributed to lingering scepticism toward foreign investment, owing to historical, ideological, and political reasons (Moss, Ramachandran and Shah 2004). Today, to get out of economic challenges bedevilling most countries in Sub-Saharan Africa (SSA) such as Nigeria,

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Angola, Mozambique, Chad and Ethiopia etc. effort has been made by African leaders at various fora to be pleading for “trade, not aid” to improve the economic condition of the African continent within the international economy. This effort by African leaders has also been backed up through the seeking of international partnership with countries from the Global East to access the Global North market.

Despite, this effort by African leaders to improve their economic conditions, their ability to access the Global North markets have arguably remained largely inaccessible. It is against this background that for African countries to escape its economic state of stagnation, have been encouraging Multinational Corporations (MNCs) as well as individual foreign investors to embark on huge capital investment to increase their share of Foreign Direct Investment (FDI) which will among other things increase their export earnings to gain a greater share of international trade and reduce their trade deficit (Kegley & Blanton, 2011:128). It is against this backdrop that this study seeks to examine the flow of FDI in Sub-Saharan Africa (SSA) in the contemporary era of globalization.

### **Theoretical Framework:**

In the literature of International political economy, Scholars have over the years developed several theories to study the flow of Foreign Direct Investment (FDI). Some of these theories include product Cycle Theory, Obsolescing Bargaining Theory and Oligopoly theory just to mention a few. According to the Product Cycle Theory of Foreign Direct Investment (FDI), firms expand their business activities overseas when their products become “developed” in the host country markets. These usually necessitate when firms begin to set up subsidiaries abroad to boost their production capacity (Momoh, 2016). However, the product cycle theory does not explain the flows of Foreign Direct Investment (FDI) in Africa in recent years.

Oligopoly theory of Foreign Direct Investment (FDI) contends that firms move abroad to exploit the monopoly power they possess like “unique product, marketing expertise, control of technology and managerial skills or access to capital” (Spero & Hart, 2007:130). Similarly, when firms compete for profits and share of the market value overseas, they usually engage in the oligopolistic competition as part of their competitive strategy by exploring new market overseas with the expectation that their strategy would give them a continuous advantage over their competitors.

Another theory of Foreign Direct Investment (FDI) worthy of note is the Obsolescing Bargaining theory which postulates that before Multinational corporations invest overseas they begin with bargaining with the host country and because of the benefit the host country seeks to derive from such business enterprise, the host country will grant trading rights to the firms to operate (Momoh, 2016). It is pertinent to note, that the benefits that may be accruing to the host country may include technology transfer when the technology of the MNCs would have advanced and possible access to international capital as well as finished market products. The Obsolescing theory has been used to explain the flow of Foreign Direct Investment (FDI) into the Middle-East in the 1920s, by American oil companies who were issued a license to drill petroleum in the new oilfield after agreement on terms of operation was reached. It is against this background that this study adopts the Obsolescing theory to review the flow of Foreign Direct Investment (FDI) in Sub-Saharan Africa.

### **Conceptual Review:**

#### **Foreign Direct Investment (FDI):**

There is no consensus among Scholars on what constitutes Foreign Direct Investment (FDI) in International Political Economy literature. In this section of our study, we shall examine some works on FDI. The United States Department of Commerce defined FDI as “involving control over at least 25 per cent of the equity of foreign business”. Though, the United States Department of Commerce later reduced the 25 per cent of equity share of foreign ownership or control to 10 per cent that is a reduction of 15 per cent. Similarly, Japan government sees FDI as “involving at least 10 per cent equity ownership” (Cohn, 2000:276). From the foregoing conception of FDI, we can infer that the United States and Japan have a different benchmark set for an equity share for their foreign investments to be considered as Foreign Direct Investment (FDI).

#### **Cohn, (2000) remarked that:**

“In reality, the per cent of equity required for control varies in different circumstances. On the one hand, a foreign investor may gain managerial control of an enterprise by owning a widely dispersed 49 per cent ownership may not confer control if a single individual or firm owns the other 51 per cent. The important point that

a large shareholder may have considerable control over a company's operations even without holding a majority of shares" (Cohn, 2000:276).

In their conceptualization of Foreign Direct Investment (FDI) Spero and Hart, (2007) posit that Foreign Direct Investment (FDI) involves "financial transfers by a Multinational Corporation from the country of the parent firm to the country of the host firm to finance a portion of its overseas operations". They added that Foreign Direct Investment (FDI) occurs when a Corporation headquartered in one nation invest in a corporation located in another nation, either by purchasing an existing enterprise or by providing capital to start a new one (Spero and Hart, 2007:406).

O'Brien and Williams, (2007) defines Foreign Direct Investment (FDI) as: "investment made outside the home country of the investing company in which control over the resources transferred remains with the investors. It consists of a package of assets and intermediate goods such as capital, technology, management skills, access to markets and entrepreneurship" (O'Brien & Williams, 2007:176). O'Brien and Williams, (2007:177) in summary see "Foreign Direct Investment as control of business decisions".

Kegley and Blanton, (2011) see Foreign Direct Investment (FDI) as "a cross-border investment through which a person or corporation based in one country purchases or constructs an asset such as a factory or bank in another country so that a long-term relationship and control of an enterprise by non-residents results" (Kegley & Blanton, 2011:128). Similarly, Goldstein and Pevehouse, (2008) assert that Foreign Direct Investment (FDI) "involves tangible goods such as factories and office building (including ownership of a sizable fraction of a company's total stock, as opposed to a portfolio with little bits of many companies)" (Goldstein and Pevehouse, 2008:339).

Rourke and Boyer, (1998) define Foreign Direct Investment (FDI) as "buying of stock, real estate, and other assets in another country to gain a controlling interest in the foreign economic enterprise" (Rourke and Boyer, 1998:436). The definition of Foreign Direct Investment (FDI) provided by Rourke and Boyer, (1998) shares certain similarities with Cohn, (2000) who defines Foreign Direct Investment (FDI) as "investment involving the ownership and control of assets in one country by residents of another country" (Cohn, 2000:382). It is pertinent to note that the residents of countries in question where investments are often made are Multinational Corporation (MNCs) which have management rights or control in their subsidiary.

On the whole, we discovered that scholars have different views on what constitutes Foreign Direct Investment (FDI). From the available literature, we can conclude that Foreign Direct Investment (FDI) involves management, ownership or control of tangible assets or investment by investors abroad (usually that cannot be moved when compared to Portfolio Investment that can be moved). Besides, sometimes Foreign Direct Investment (FDI) may occur as Greenfield investment like acquiring or setting up new investment or through the acquiring of stock in an existing Multinational Corporation (MNCs) known as Brownfield investment.

## **Literature Review:-**

### **Foreign Direct Investments (FDI) flows in Sub-Saharan African (SSA):**

There are volumes of books, reports, research works and large numbers of academic and professional journals published papers on the causes of FDI and its cost and benefits to the host countries (O'Brien & Williams, 2007:174). Evidence-based research has shown that productive infrastructure aid complements FDI inflows and that socio-economic infrastructure aid have no significant impact on FDI inflows in 31 SSA countries for the period 1995 to 2012. This studies further revealed that when resource (oil) motive of FDI is considered productive and socio-economic infrastructure aid to oil-producing Sub-Saharan African (SSA) countries led to decrease in FDI inflows when compared to non-oil producing SSA countries (Amusa, Monkam & Vieg, 2006). Lastly, considering the large numbers of literature on FDI, there is no consensus on either the causes or impacts of FDI on the host countries (Moss, Ramachandran and Shah 2004; Dupasquier and Osakwe, 2005; Prakash and Potoski 2007; Kegley and Blanton, 2011; and Taiwo, Achugamonu, Okoye, Agwu 2017). It is against this background; this study seeks to make contributions to the existing literature on FDI flows in Sub-Saharan Africa (SSA) (1970-2015).

### **Global flows of Foreign Direct Investments (FDI) (1970-2017):**

The growth of Foreign Direct Investment (FDI) started from the nineteenth century and continued into the twentieth century and even the aftermath of the World War I period. Shortly after the World War I Foreign Direct Investment (FDI) was hindered by the increasing level of international political and economic stability experienced then as large

numbers of host countries of many Multinational Corporation (MNCs) across the globe began to impose a certain level of limitations on their outflow of Foreign Direct Investment (FDI) especially to the developing countries. For instance, the Soviet Union nationalized several of her foreign assets and the use of gold as the foreign exchange was suspended (Cohn, 2000:281).

Moreover, the negative impact of the Great Depression of 1929/30 and the World War II also hindered the activities of several Multinational Corporation (MNCs) around the world as they are one of the agents of Foreign Direct Investment (FDI). Besides, before the WWII developing countries of the world received over 60 per cent of total FDI but the figure fell to almost 30 per cent due to drastic shift of FDI from primary products (Agriculture) to manufacturing products. This change in the FDI hurt developing countries as many of them relied heavily on primary products. For instance, the mid-1970 witnessed inward flow of FDI as there was a dropped further from the earlier 30 per cent to 25 per cent due to developing countries insistence of having more control over their natural resources which resulted into the accumulation of external debts while the developed countries enjoyed the increasing level of technology-related investment.

Another implication of the decrease in FDI in developing countries was such that the inflow of FDI in Africa decreased from 6.7 per cent in 1975 to 3.7 per cent in 1985 while Asia and Latin America received an inflow of FDI which later dropped from 12.5 in 1975 per cent and 10.4 per cent in 1985 respectively. Central and Eastern Europe had no FDI inflow due to their drive for socialist ideology. It is pertinent to note that the drop in the level of FDI in Latin America in 1975 was attributed to its foreign debt crisis (Cohn, 2000:286).

By the 1980s the inflow of FDI was only visible in the Global North markets while the Global South markets were relegated to the background as the average growth rate of FDI increased by the mid-1980s to 14 per cent. Between 1986 and 1996 FDI rose to 350 per cent which has never happened since the nineteenth century as liberalism has helped remove all the barriers to international trade while capital flow, deregulation, privatization was greatly encouraged all over the world. Other reasons advanced for the rapid growth in FDI in the mid-1980s was a shift of the Global East to market-oriented reforms, the outcome of the Uruguay round negotiations as well as the use of non-tariff barriers and investment in services and manufacturing (O'Brien & Williams, 2007:177).

However, between the 1980s and 1990s, several changes within the international economic system affected the outward flow of FDI such that the United States dominant as a source of FDI was defeated by Japan which emerged as a major source of FDI. Besides, the emergence of the European Union and developing countries as important actors in the international political economy are fundamental in shaping the directions of FDI at the international level. Another development worthy of note within the international economic system was the proliferation of Multinational Corporation (MNCs) such that the numbers of Multinational Corporation (MNCs) headquarters in 15 major developed countries of the world almost quadrupled from 7,000 in 1968 to 27,000 in 1993 (Cohn, 2000:286). Momoh, (2016) asserts that between 1968 and 1969 the number of MNCs originating from 14 developed countries was 7276 and by 1998, there were about 19,000 MNCs, which accounted for 25 to 30 per cent of the GDP of all market and 80 per cent of the trade in managerial and technical skills.

Cumulatively, since the 1970s FDI flows all over the world have risen by one-hundred-fold by the year 2000 to \$1.4 trillion, and as at 2007, it was estimated over \$1.9 trillion before it decreased by approximately 15 per cent in 2008 due to the global financial crisis. Besides, the developed countries witnessed a drop in the inflow of FDI to an estimated 25 per cent. However, since the ends of the global financial crisis, FDI have been consistently increased has witnessed a rising trend especially in the Global South and Global East. For instance, developing countries of the world are experiencing increasing inflow of FDI from an initial amount of \$98 billion in 1995 to a net inflow of over \$526 billion in 2007 while on an average developing country receive \$5.3 billion of FDI or about 25 per cent of total outflow of FDI (Kegley & Blanton, 2011:451).

The World Investment Report (2018) shows that global foreign direct investment (FDI) flows fell by 23 per cent to \$1.43 trillion in 2017. FDI flows to developing economies remained stable at \$671 billion, seeing no recovery following the 10 per cent drop in 2016. FDI flows to Africa continued to slide, reaching \$42 billion, down 21 per cent from 2016. The decline was concentrated in the larger commodity exporters. Flows to developing Asia remained stable, at \$476 billion. The region regained its position as the largest FDI recipient in the world. FDI to Latin America and the Caribbean rose 8 per cent to reach \$151 billion, lifted by that region's economic recovery. This was the first rise in six years, but inflows remain well below the 2011 peak during the commodities

boom. FDI in structurally weak and vulnerable economies remained fragile. Flows to the least developed countries fell by 17 per cent, to \$26 billion. Those to landlocked developing countries increased moderately, by 3 per cent, to \$23 billion. Small Island developing States saw their inflows increase by 4 per cent, to \$4.1 billion (United Nations, 2018).

By and large, there is a shift in the focus and activities of Foreign Direct Investment (FDI) today from manufacturing and petroleum to service industries. This has been encouraged by deregulation of the financial and telecommunications sectors in the developed countries and the privatization policies pursued by several developing countries especially in Africa.

#### **Foreign Direct Investments (FDI) in Sub-Saharan Africa (1970-2017):**

There is an unsettling gap in the literature on the impact of Foreign Direct Investment (FDI). This arises from the dearth of studies on the impact of inflow of FDI in many countries. The studies on FDI in Africa have been lively, progressive but largely generating contentious issues for further enquiry. However, the debate between proponents and opponents of the impacts of Foreign Direct Investment (FDI) dates back to 1960 and hitherto is ongoing. Besides, the Dependency scholars who were key opponents to the argument against the positive impacts of Foreign Direct Investment (FDI) in the 1970s were winning in this raging debate with the Neo-liberalists because they justified the New International Economic Order (NIEO) that was considered promising. However, the aftermath of the cold war, there is the triumph of neo-liberalism and imposition of Structural adjustment policies in the Global south which justify the assertion that Foreign Direct Investment (FDI) is beneficial the neo-liberal scholars arguably are winning the debate as the globalization of production has come to stay.

The approach taken in this study rejects the position of the opponents of the positive impacts of Foreign Direct Investment (FDI) in Africa. In this study, our analysis focuses on selected countries that have made the list of the fastest-growing economies in the world with evidence on the positive impacts of Foreign Direct Investment (FDI) on their Gross Domestic Product (GDP) bearing in mind that the positive impacts of Foreign Direct Investment (FDI) is likely to vary depending on the context or the country in focus. This position has been buttressed by Prakash and Potoski (2007) who remarked that: "...it is important to know not only how much FDI a country receives but from where. The effect of inward FDI needs to be appreciated beyond its usual role of alleviating resource scarcities and creating jobs in host countries. FDI is a conveyor of norms, technologies and corporate practices." (Prakash & Potoski, 2007:738).

Evidence-based research has shown that since 1970, Sub-Saharan African countries have received over 0.43 trillion in FDI. Also, FDI has provided SSA countries that are not resource-based (oil) significant source of funds to meet their development needs. This has further set the pace for the transfer of technology and technical know-how that have stimulated job creation, enhanced infrastructure development, investment and economic growth. Since 1970, Foreign Direct Investment inflows into Africa have increased only modestly, from an annual average of almost \$1.9 billion in 1983–1987 to \$3.1 billion in 1988–1992 and \$6.0 billion in 1993–1997. The decline in Africa's position in terms of FDI inflow is also reflected in the ratio of FDI to GDP. In 1970, Africa had attracted more FDI per \$1,000 of GDP than developing countries in Asia and Latin America and the Caribbean (UNCTAD, 1999).

The rapid growth of FDI inflow in Africa in the 1970s has been attributed to several factors such as growth in the activities of Multinational Corporation, a shift from primary products to manufacturing products, liberalization policies and market-oriented reforms, use of nontariff barrier, Uruguay negotiation (Cohn, 2000) investment in services and manufacturing (O'Brien & Williams, 2007). Recent studies have shown that some African countries have initiated economic reforms aimed at increasing the role of the private sector in economic development through the privatization of State-owned enterprises. Besides, African countries have taken bold steps to restore and maintain macroeconomic stability through the devaluation of overvalued national currencies and the reduction of inflation rates and budget deficits (UNCTAD, 1999).

Consequently, both the value of its FDI inflows and the FDI/GDP ratio grew for most of the time between 1975 and 1997. By 1990, Africa had fallen behind other developing regions and has stayed behind since then. The gap became even more pronounced during the 1990s when the worldwide surge in FDI flows into developing countries largely bypassed the region. While inflows to developing countries as a group almost quadrupled, from less than \$20 billion in 1981–1985 to an average of \$75 billion in the years 1991–1995, inflows into Africa only two folded during that period (UNCTAD, 1999). By implication, Africa's share in total inflows to developing countries dropped

significantly from more than 11 per cent in 1976–1980 to 9 per cent in 1981–1985, 5 per cent in 1991–1995 and to 4 per cent in 1996–1997. Its share in total outflows from the European Union, Japan and the United States – the so-called “Triad”, the most important source regions for FDI flows -- was even lower during 1987–1997 periods as other developing regions became more attractive as investment locations: until 1996 it never exceeded 2 per cent, increasing to 2.4 per cent in 1997.

However, despite the significance of FDI to the economies of SSA countries, these countries have failed to attract the desired share of global FDI that will improve their economies. For instance, between 1980 and 1998 the inflows of FDI in Europe, Central Asia, Eastern Asia, Pacific, South Asia and Latin American grew by 5,200 per cent, 942 per cent, 749 per cent and 455 per cent while SSA countries FDI only grew by 59 per cent (Amusa et al, 2006). Moreover, the inability of SSA countries to attract inflows of FDI between 1980 and 1998 when compared to other parts of the world notable Europe, Central Asia, Eastern Asia, Pacific, South Asia and Latin American have further demonstrated that SSA countries were under intense pressures to generate the desired resources needed for its development.

Besides, studies have shown that FDI remains one of the reliable sources of finance when compared to other sources of finance like foreign aid and concessional loan needed by SSA countries for their development (Amusa et al, 2006). It is pertinent to note that the decline in FDI inflows to SSA countries can be attributed to several factors notably amongst these factors are structural factors that are responsible for the reduction in fiscal and labour-cost arbitrage opportunities in international operations, as well as weak oil prices and harmful lingering effects from the commodity bust, saw flows contract, especially in the larger commodity-exporting economies.

Economically, the African continent in its entirety has not fared as well over three decades. As economic growth in Africa has been low, as the real gross domestic product (GDP) per capita increased by an average of only 1.5 per cent a year during the 1980s and by 0.4 per cent a year between 1990 and 1994 (UNCTAD, 1999) and in 2008/2009 due to the global financial crisis. Growth in FDI in Africa has been slow when compared to other developing regions of the world, with economic stagnation or even decline of output characterizing the experience of some African countries; from 1990 to 1994, for example, 15 African countries had negative average rates of growth. Although, since, 1994, this ugly trend has been reversed; as per capita income rose for several consecutive years, even in sub-Saharan Africa countries.

Another important variable of challenges of FDI has been the weak economic performance of some African countries over a long period which also reflected in the poor record of the continent as regards foreign direct investment inflows. Despite, certain stabilization of inflows since 1994 at a higher level than at the beginning of the 1990s, the continent is still struggling to make up for the ground it lost during much of the 1970s and the 1980s. By extension, African countries have also improved their regulatory frameworks for FDI, to ensure that there is provision for profit repatriation and payment of tax and another mechanism that will motivate foreign investment in their respective country. For instance, 26 out of the 32 countries in Sub-Saharan Africa covered in a 1997 survey by UNCTAD had a liberal or relatively liberal regime for the repatriation of dividends and capital overseas (UNCTAD, 1999). Also, African countries have made significant progress in other areas that are vital for the FDI climate, such as trade liberalization, the strengthening of the rule of law, and improvements in legal and other institutions as well as in telecommunications and transport infrastructure (UNCTAD, 1999).

However, the foregoing factors highlighted have played a significant role in promoting the growth of FDI in Africa from 1970 to 2008. Although the image of Africa as a location for foreign direct investment (FDI) has been heavily criticized on one hand and the other hand it has not been favourable. More often Africa has been associated only with pictures of civil unrest, starvation, deadly diseases and economic disorder, and this has given many investors a negative impression about Africa. While this picture is not based on fiction, and in some countries these unfortunate conditions prevail, it is not a true picture of the African continent. Thus, should not be generalized.

Though, the global financial crisis experienced in 2007 and 2008 respectively had negative consequences on development partners willing to provide development assistance to SSA countries before the global financial crisis experienced in 2007 and 2008 respectively. Before the recent growth in FDI in Africa opinion about African countries enjoying increasing FDI after the 2008/2009 global financial crisis have not palatable by some critics. This

is because the United States National Intelligence Council 2015 Global Trend Report released in 2000 has predicted that:

“In Sub-Saharan Africa, persistent conflicts and instability, autocratic and corrupt governments, overdependence on commodities...low levels of education, and widespread infectious diseases will combine to prevent most countries from experiencing rapid economic growth...(and) increasing international marginalization.... Most African states will miss out on the economic growth engendered else-where by globalization and by...scientific and technological advances.” (Bright & Hruby, 2015:20).

It can be argued that the above assertion was predicated upon the continues state of political instability and economic woes of the African states that retard the growth and development in the 1990s which made most African countries to have fallen behind other developing regions in terms of FDI inflows. However, from the late 2010 and early 2011, some scholars became optimistic about the situation of the African continent especially on its prospects of economic growth and development.

Adding voice to the positive impacts of Foreign Direct Investment (FDI) in the Global south Kegley and Blanton, (2011) assert that Foreign Direct Investment (FDI) has remained one of the leading cause of the shift from farm work to service jobs in developing countries urban areas, lifting millions of people who constitute 42 per cent in the labour force out of poverty while at the same time outsourcing skilled jobs from the developed countries. Besides, Africans are beginning to make their fortunes in telecommunication, cement and construction; banking; retailing; consumer products such as sugar, flour and edible oils; and manufacturing. For instance, Scott Ford has invested an estimated \$2 million in Rwanda which has created significant numbers of jobs. It is pertinent to note that the significance of FDI in the contemporary era of globalization cannot be overemphasis as its benefits are enormous and it has remained one of the external sources of funding to Sub-Saharan Africa (SSA) countries when compared to foreign aid. This position has been buttressed byTaiwo, Achugamonu, Okoye, Agwu (2017) who admitted the significance of FDI to Nigeria’s development by drawing lessons from 87 developing countries that will help Nigeria attract FDI in recent years owing to the dwindling states of FDI into Nigeria especially in 2017.

United Nations (2018) “World Investment Report 2018” has shown that despite the decline of FDI inflows in some African countries, FDI has had an impact in the economy of a number of them. For instance, FDI flows to Africa slumped to \$42 billion in 2017, which represent a 21 per cent decrease from the 2016 figure. In Ethiopia and Morocco were FDI inflows to diversified exporters were relatively more resilient. Moreover, Central African, FDI flows decreased by 22 per cent to \$5.7 billion in 2017 (United Nations, 2018: 11).

Again, the United Nations (2018: 11) “World Investment Report 2018” further shows that FDI inflows in North Africa, FDI flows were down 4 per cent to \$13 billion. While, in Egypt investment was down, but the country continued to be the largest recipient of FDI in the continent. In Morocco, FDI recorded slight upward movement to 23 per cent to \$2.7 billion, due to growing investments in the automotive sector. However, in West Africa declined by 11 per cent to \$11.3 billion, which was attributed to the economic depression that harmed Nigeria’s economy. Also, in Nigeria, FDI inflows fell 21 per cent to \$3.5 billion in 2017.

In East Africa, which is the fastest-growing region in the continent, received an estimated \$7.6 billion in FDI in 2017 however; the East Africa region experienced a 3 per cent decline in FDI inflows from 2016. Subsequently, Ethiopia received half of this amount of FDI inflows to the East African region with an estimated \$3.6 billion. Today, Ethiopia is now the second-largest recipient of FDI in Africa. In Southern Africa, FDI inflows decreased by 66 per cent to \$3.8 billion. Similarly, South Africa FDI inflows fell by 41 per cent to \$1.3 billion, due to an underperforming commodity sector and political uncertainty. However, Zambia experienced increased FDI inflows due to increasing investment in the solid mineral sector (copper) (United Nations, 2018: 11).

Another fundamental positive impact of Foreign Direct Investment (FDI) in SSA is the development of its roads, bridges and power capacity, investment in ICT. For instance, Nigeria telecom has received a significant boost through Foreign Direct Investment (FDI) of the United Arab Emirate phone operator Etisalat that has invested \$1 billion in upgrading its mobile internet network in Nigeria between 2009 and 2014. Similarly, Kenya received FDI increase to \$672 million (71 per cent) which have been attributed to strong domestic demand and inflows into information and communication technology (ICT) sectors (United Nations, 2018: 11). Also, to this, Intel’s

investment arm, Intel capital started up its office in Lagos, Nigeria to be able to monitor its investment in Africa (Bright & Hruby, 2015).

Moss, Ramachandran and Shah (2004) evidence-based research has shown that FDI has had a positive impact in Kenya, Tanzania, and Uganda both the host economies and the workers in foreign-owned firms. Their study further shows that foreign firms are more productive, bring management skills, invest more heavily in infrastructure and the training and health of their workers, and these foreign firms are linked to the international markets. They debunked the assertion that foreign firms do not appear to succeed by grabbing market share and crowding out the local industry in Kenya, Tanzania, and Uganda. Thus, Africa states have not been able to attract significant FDI inflows due to scepticism about the motives of foreign firms, therefore failing to benefit from foreign capital inflows which will contribute to their economic growth and development.

Though in the past, the history of Sub-Saharan Africa (SSA) countries have been defined in terms of foreign aid, but its future is becoming more defined by the volumes of FDI it receives annually. Moreover, the year 2005 to 2015 marked a historic phase in the growth of FDI in Sub-Saharan Africa (SSA). This period marked an era when many African countries where on the world's top ten fastest-growing economies list. However, despite this significant leap in FDI inflows, some factors have hitherto impeded the flows of FDI in the continent. These factors such as political and macroeconomic instability, low growth, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies, are identified as responsible for the poor FDI record of the region (Dupasquier & Osakwe, 2005).

On the whole, the impact of FDI on African economies becoming resilient to foreign shocks through diversification of their economies and implementing sound macroeconomic policies that help integrated their economies into the global economy. There is also the emergence of a new middle class in Sub-Saharan Africa. Besides, Foreign Direct Investment (FDI) flows and Greenfield projects in Sub-Saharan African countries are helping in creating new jobs, developing professional capacity, infrastructure and services. Besides the overall economic impact of Foreign Direct Investment (FDI) in SSA have led to the provision of additional capital, improvements in workers and sector output through shifts in many countries labour forces "away from low productivity agriculture to higher productivity manufacturing and service", reduction in the balance of payment deficit, increased tax revenue and diffusion of skills and technology.

### **Conclusion:-**

Like any other region in the world, Africa deserves to be looked at in a differentiated way. Too often it is forgotten that Africa is a continent consisting of 54 countries which represent around a quarter of the nation-states of the world. African countries differ in terms of their political systems, economic and human development and their attractiveness as locations for FDI as such many Sub-Saharan African countries have done much to create a more business-friendly environment to promote foreign direct investment, and many have made impressive progress towards political and economic stability while others are still struggling. Besides, most Sub-Saharan African countries have substantially improved their FDI framework, and a number of them have already attracted significant amounts of FDI like Nigeria, Mozambique, South Africa and Ethiopia in absolute or relative terms. Besides, FDI in Sub-Saharan African is no longer concentrated in the agricultural sector, but also manufacturing and services industries have received considerable amounts of FDI in recent years. Besides, the manufacturing and services industries in Sub-Saharan African countries have proven to be highly profitable and responsible for the growth in GDP in the sub-region. Moreover, the abatement of conflicts and greater political stability as well as fewer coups, and increased democratic governments have enhanced greater economic reforms such as the privatization of the telecommunication sector. Moreover, an improved business environment, as well as reduced external debt through debt forgiveness and better management, has helped in improving the inflow of FDI in Sub-Saharan Africa.

### **Recommendations:-**

Firstly, African governments should begin to diversify their trade partners, maintaining internal stability through broad-based growth, and allowing the private sector to improve. This will help to address any challenges that may emanate from the decline in the inflow of FDI.

Secondly, African governments should learn to be dynamic and resilient in their economic tool in addressing the problems facing their respective countries. This will involve them having the requisite skills and knowledge in



policy-making to address any future uncertainty and complexity emanating from pandemics and mass youth unemployment.

Thirdly, African governments should also ensure that they do not always have to deliver the solution rather they should create the desired platform that will guarantee the rights of their citizens to access a solution to ensure the sustainability of hitherto achievement.

Finally, Policymakers in Sub-Saharan African countries should scale-down bureaucratic obstacles and interventions in their economies, by embarking on privatization programmes and putting in place pro-active investment measures. These efforts will help to reduce the high commodity prices witnessed in recent years.

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