

# The Effects of Foreign Direct Investment on Sub-Saharan African Region's Economic Growth

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**Abstract** This research evaluates the effect of foreign direct investment on Sub-Saharan Africa's economic growth from 2010-2020, using selected countries from the Sub-Saharan Africa region as sample size for the research. The study is made up of two sections namely; theoretical review and empirical analysis. The theoretical section reviews the basic concepts about foreign direct investment as well as an overview of the Sub-Saharan Africa region. The second section focuses on the empirical analysis which deploys secondary data and selected variables to analyse the effects of FDI on the economic growth of the Sub-Saharan African region. The data used for analysis were obtained from world bank data (world development indicators). The instrument for data analysis were divided into static panel data approach and dynamic panel data approach and results were compared on coefficient significance basis. The results from the research shows that foreign direct investment has a negative effect on Sub-Saharan Africa region's economic growth between 2011-2020.

**Keywords** Effects, Foreign Direct Investment, Sub-Saharan Africa, Economic Growth

## 1. Introduction

In the last few decades, foreign direct investment has proven to be an important driving force in the growth and development of an economic unit, and even more important for the economic growth of developing countries, as majority the Sub-Saharan African countries belongs to this category. Many studies attest to the notion that foreign direct investment positively correlates to economic growth, (Borensztein and Gregory, 2010) whose findings shows that foreign direct investment can promote technology development and transfer, enhance human capital and market competitiveness, enhance domestic economy and world economy, and ultimately promote the positive development of enterprises. However, there are some studies that conclude foreign direct investment does not bring about a positive effect on the host country's economic growth. (Cao Ju, 2012) using China's provincial panel data found foreign direct investment has a negative development effect on domestic enterprises. The reasons for the differences in results can be attributed to many factors including factors inherent in the host country's economy prior to foreign direct investment inflow as well as the investment strategies and motives of the investing country. In many developing countries, foreign direct investment has become the most stable and largest component in achieving economic growth.

This is because foreign direct investment is relatively flexible in providing employment, improves skills through technology innovation and transfer, as well as increase the general competitiveness of the local market.

The Sub-Saharan African region accounts for a greater majority of Africa's population and economic livelihood source, the region houses 49 countries, most of which represents the core of Africa's economy, with Nigeria and South Africa the leading countries. The Sub-Saharan Africa region has recorded significant increase in foreign direct investment inflow over the years from different investing countries, majority of which are from Europe, America and Asia. According to the World Bank global economic outlook database, 2013: report shows that among all the trading partners of the Sub-Saharan African region, China has emerged as the most important trading partner owing to its continuous increased investment in the region, aid funds most of which channel towards infrastructure construction which is very necessary for the economic growth and development of the Sub-Saharan region.

Compared to the United States and other European trading partners, the Sub-Saharan Africa region's trade with China has been growing more rapidly. By 2009 China subsequently replaced the United States as the largest trading partner to the region, and by 2013, 22% of Sub-Saharan region trade volume was occupied by China, China's direct investment increased more than six times mainly in mining and manufacturing sector, with China's aid fund to the region increasing from \$500million in 2000 to \$3.2billion in 2013 thereby making Sub-Saharan Africa region the largest recipient of Chinese aid fund.

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Even though there is continued increase in foreign direct investment inflow into the Sub-Saharan African region from different investing countries, however there is a resultant corresponding increase in economic growth which raises many questions concerning the true motives of the investing countries as well as the efficacy of Sub-Saharan African countries government towards the utilization and management of foreign direct investment funds. This study seeks to find the effects of foreign direct investment on Sub-Saharan Africa's economic growth. For this purpose, this research is sectioned into two parts, with the first part being a theoretical review which sheds light on the basic concepts concerning foreign direct investment, the current economic situation of the Sub-Saharan African region as well as an overview of foreign direct investment inflow into the region between 2011-2020. The second part consists of the empirical analysis which makes use of secondary data on the Sub-Saharan region obtained from world bank data (world development indicators). Using the static and dynamic panel approach, data is analyzed to generate recommendations were based on the results of the findings. It is important to note that there has been many research work carried out in this area of study with different results, this paper thereby intends to carryout a detailed analysis on the subject matter and take a valid stand based on the empirical results obtained as well as put forward valuable suggestions for subsequent studies in this area of research.

## 2. What is Foreign Direct Investment?

There are basically two forms of foreign investment namely; foreign direct investment and foreign indirect investment. While there are countless cases of gross misconception of the both, it is important to note that foreign direct investment mainly refers to the economic operation whereby the investor directly opens its enterprises or operates other enterprises abroad, it is the direct investment of their capital into the operation and management of an enterprise abroad. Foreign indirect investment refers to securities investment and capital investment abroad normally in the form of medium or long term credit as well as economic development aids and assistance. For the purpose of this study, we focus our attention on foreign direct investment.

A noteworthy understanding of foreign direct investment is provided by The United Nations Conference on Trade and Development (UNCTAD, 2005) which defines foreign direct investment as investment involving a long-term relationship and reflecting a lasting interest and control by a firm in an enterprise resident in a foreign country. Foreign direct investment normally has three components namely; equity capital (the purchase of shares in the foreign enterprise), re-invested earnings (those earnings not distributed as dividends by foreign affiliates or remitted to the investor enterprise and intra company loans or debt transactions (borrowing and lending between parent and foreign affiliate

enterprises. The organization for Economic Co-operation and Development's benchmark definition (OECD, 1996) defines foreign direct investment as "the resident of one country (direct investor) and the resident of another country (direct investment enterprise) outside the investor's country with activities carried out for the purpose of obtaining lasting benefits". The meaning of lasting interest here is that there is a long-term relationship between direct investors and enterprises, and direct investors have a significant impact on the management of the enterprises. It is also important to note that both the subsequent transactions and the initial transactions that led to the establishment of the co-operation between the direct investor and the direct investment enterprise all constitute direct investment, transactions which does not give rise to any form of monetary settlement (transactions settled using shares) must also be taken record of in the balance of payment and in the index of industrial production.

Foreign direct investment does not imply a mere outward investment of capital, it also extends to the transfer of management knowledge, technology, capital and skills from a particular industrial sector of the home investing country to that of the host investment country. It can occur in the form of co-operative operation, joint venture, sole proprietorship, assembly trade, international leasing and various other forms. As a result of the positive transformations that goes with foreign direct investment, it is viewed by many developing countries as a means to supplement the shortfalls in domestic investment, increase employment opportunities as well as improve the standard of living of its citizens. However, in spite of all the benefits that it affords, various incentives and policies needs to be put in place in order to attract foreign direct investment as well as ensure its consistency with the country's economic development goals. To reap its maximum benefits, foreign direct investment requires policies that support the investment environment and also the building of institutional and human capacities to ensure proper execution. Foreign direct investment is not a direct cure to an ailing economy but it can serve as a positive driver of economic growth through the robust economic transformation it provides.

### 2.1. The Sub-Saharan African Region in Numbers

The Sub-Saharan region is a home to 49 countries on the African continent namely Nigeria, South Africa, Ghana, Cameroon, Rwanda, Ethiopia, Sudan and South Sudan to mention a few. It is the region of Africa below the Sahara desert and accounts for the vast majority of the African continent with the exception of the North African countries. The Sub-Saharan Africa region is rich in culture as it embodies hundreds of ethnic groups who speak over 2000 languages. According to the World Banks Open Data (2020), the Sub-Saharan African region boasts a population of 1.14 billion people with 60% of the region's population being below the age of 20years, thereby making it the most youthful region in the world. Despite the promise of a

youthful population, the flip side it records 38% poverty headcount ratio, an annual population growth rate of 2.6% and a life expectancy of 62years.

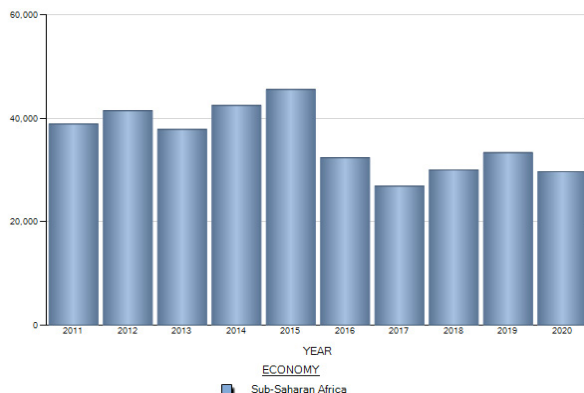
On the economic front, the Sub-Saharan region has a gross domestic product of \$1.71 trillion, a per-capita income of \$1501.2 and a GDP growth rate of -2% (World Bank Data, 2020). The inflation of consumer prices stands at 3.3% while foreign direct investment as a percentage of GDP is 1.8% in 2020. Nigeria is the largest economy in the region with a population of nearly 200 million people. South Africa is a modern economy with modernized industries, financial systems and a GDP of 335 billion dollars. The majority of the Sub-Saharan African countries economies depend on trading such as cocoa, rubber, and crude oil.

The Sub-Saharan Africa is geographically well positioned, richly endowed both with natural resources and a youthful labour force thereby placing it in a privileged position to become one of the top destinations for foreign direct investment. However, the reverse has been the case as poor leadership, bribery and corruption and other societal vices have plagued its development for years, as (UNCTAD, 2020) reports that as at 2020, Sub-Saharan Africa still accounts for less than 4% of world total investment.

## 2.2. A Brief Analysis of Foreign Direct Investment Inflow into the Sub-Saharan African Region (2011-2020)

The majority of the countries in the Sub-Saharan African region are mainly developing countries whose economy largely depend on commodity trading. Foreign direct investment is viewed by the region as a means of making up for shortfalls in domestic investments as well as driving economic growth. However, foreign direct investment inflow into the region also comes with certain economic implications, this study therefore intends to take a deeper dive into the actual implications of foreign direct investment inflow into the region by reviewing the foreign direct investment inflow data. Data used in this section are obtained from UNCTAD database.

### Sub-Saharan Africa region Total Foreign Direct Investment Inflow (2011-2020) USD at current market price (millions)



Source: UNCTADSTAT Database

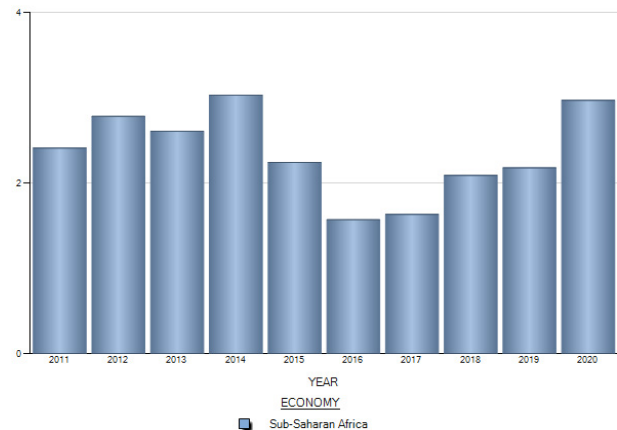
Figure 1

From the above bar chart, it can be observed that foreign direct investment inflow into the Sub-Saharan African region has witnessed a clear case of fluctuation and in the last five years has been on the decline.

The base year 2011 records a foreign direct investment inflow of 38 billion dollars, the next four years after the base year records a continuous increase in foreign direct investment inflow with the exception of the year 2013 which recorded 37 billion total inflow, the highest inflow within the decade was recorded in 2015(45 billion dollars). The years after 2015 sees a continued downward spiral and foreign direct investment inflow never got back to the levels attained in the previous five years. From 2016-2020, there has been fluctuations characterized by slight increase and slight decrease but compared to the 2011-2015, the later half of the decade represented a sharp decrease in the Sub-Saharan Africa region's foreign direct investment inflow. Foreign direct investment into the region has declined in recent years and recent events such as the COVID -19 outbreak and cases of global conflicts among nations pose a big challenge towards economic recovery.

Sub-Saharan Africa's Total Foreign Direct Investment Inflow (2011-2020) as a percentage to World's Total.

### Sub-Saharan Africa's Total Foreign Direct Investment Inflow (2011-2020) as a percentage to World's Total



Source: UNCTADSTAT Database

Figure 2

The above bar chart clearly shows that Sub-Saharan African region's foreign direct investment inflow only represented (2.7%) of world's total as at 2011. The period between 2012-2014 records some highs and lows but all of which represent an increase compared to the base year. The highest high within the decade was recorded in 2014, with the Sub-Saharan region accounting for (3%) of world's total investment.

Sub-Saharan region's foreign direct investment went on a downward spiral between 2015-2019, experiencing a sharp decline compared to the previous year (2014) and the period before (2011-2013). The lowest lows were recorded in 2016 and 2017, a (1.5%) and (1.6%) of world's total investment respectively. The following two years experiences a slight recovery from the preceding two years but these increments

are not as significant as the figures recorded in the first half of the decade. The year 2020 records an impressive increase in investment inflow into the region, with a (2.9%) of the world's total investment, very close to the highest investment inflow percentage recorded in 2014.

From the brief analysis carried out, we observed that the first half of the decade recorded higher inflow of foreign direct investment funds compared to the second half of the decade which has been on the decline with the exception of the year 2020 which recorded a drastic increase compared to the five years preceding 2020. World investment has declined since the outbreak of the COVID-19 pandemic in 2019, followed by trade conflicts and wars among countries. This probably has diverted certain investments into the region as the Sub-Saharan region did not record increased cases of the global epidemic and experienced less conflicts within this period thereby making it more attractive for foreign direct investment. The results from the analysis show that the Sub-Saharan African region in this last decade still represents an insignificant percentage of the world's total investment and foreign direct investment inflow has been on the decline therefore the numbers proves that foreign direct investment alone is not enough to drive the region's economic growth given its relatively low foreign direct investment inflow.

### 3. Empirical Analysis

#### 3.1. Source of Data collection and Data Description

The empirical analysis carried out in this of this paper is based on panel data analysis. The basic data used in the course of this empirical analysis is a set of panel data obtained from 8 countries of the Sub-Saharan African region and the time frame in consideration is 2011-2020. The gross domestic product of the Sub-Saharan African countries in the sample size served as the dependent variable, while foreign direct investment net inflow, net import of goods and services, net export of goods and services were used as the independent variables. The data for the variables used in the empirical analysis were obtained from the World Bank data(World Development Indicators). The research method used in this section is divided into two namely; static panel data approach and the dynamic panel data approach. The Fixed Effect(FE), Random Effect(RE) and the Generalized Least Square(GLS) methods all belong to the static panel data approach while the Hausman test was used to choose between the Fixed and Random Effect. The Generalized Method of Moment (GMM) represented the dynamic panel data approach and results obtained from the static panel data analysis were compared to the dynamic panel data analysis on a coefficient significance basis. The empirical analysis will be carried out using the STATA application.

#### 3.2. Method of Data Analysis

**The Fixed Effect (FE)** belongs to the static panel data

analysis method. It strives to explain the relationship between dependent and independent variables within a unit. Since each unit has its own individual characteristics which may or may not be correlated to the explanatory variables, there is need to control for bias which may arise from the correlation of the unit and its predictor or predicted variable and this is the foundational idea behind correlation in the fixed effect model. The FE method does not allow for time invariant variables to serve as predictor variables and this ensures that only the net effect of the predictor variables is being considered. In the event where the FE is not suitable, the random effect model will be preferred as a better approach to model the relationships within the economic unit.

**The Random Effect (RE)** also belongs to the static panel data analysis method. The RE method assumes that individual characteristics of an economic unit is random and uncorrelated with the explanatory variables within the unit. The RE unlike the FE allows for time invariant variables to serve as explanatory variables since the explanatory variables are assumed to be uncorrelated to the error term. A major challenge faced when using the RE is that of the problem of omitted variables which may arise due to unavailability of some variables due to missing data.

**The Hausman's test** is a universally accepted test for choosing between the fixed effect and the random effect. It tests the the null hypothesis (RE is preferable) and alternative hypothesis (FE is preferable) by considering the co-efficient estimated by the models. Either the fixed effect or random effect is preferred depending on how significant the estimates of the P-value is.

**The Generalized least Square** is a panel data approach that is introduced as a result of certain statistical limitations that is associated with the ordinary least square which may lead to poor decisions arising from case of homoskedasticity. The GLS is used in a linear regression model to estimate unknown parameters and is applied when there is a certain level of correlation between the variables in the model.

**The Generalized Method of Moments** belongs to the dynamic panel data analysis method. The GMM aids resolve the problem of endogeneity of explanatory variables and at the same time gives room for the inclusion of lagged dependent variable as an independent variable. The GMM has been developed over the years first by Holtz-Eakin et Al (1988), Arellano and Bond (1991), Arellano and Bover (1995), and Blundell and Bond (1997). This paper inculcates a one-step GMM as part of the dynamic panel data approach.

##### 3.2.1. Research Hypothesis

**H<sub>0</sub>** = Foreign direct investment has a positive effect on Sub-Saharan Africa's economic growth.

**H<sub>1</sub>** = Foreign direct investment has no positive effect on Sub-Saharan Africa's economic growth.

##### 3.2.2. Empirical Model Specification

The linear equation model we developed below presents the variables to be used in the model in their logarithmic

form below:

$$GDP_{it} = \beta_0 + \beta_1 FDI_{it} + \beta_2 EXP_{it} + \beta_3 IMP_{it} + \mu_{it} \quad (1)$$

All variables in the equation below are in their natural logarithm.

Dependent variable: GDP= Gross domestic product output (yearly amount) of host Sub-Saharan African countries.

Independent variables:

FDI= Foreign direct investment net inflows into host Sub-Saharan African countries (yearly amount),

EXP= Net exports of goods and services from host Sub-Saharan African countries (yearly amount),

IMP= Net import of goods and services into host Sub-Saharan African countries (yearly amount).

$\mu_{it}$  = the general disturbance term ( $\mu_{it} = \eta_i + V_t + \epsilon_{it}$ ) where  $\eta_i$  represents unobservable country specific effects,  $V_t$  represents time specific effects, and  $\epsilon_{it}$  the error term;  $i$  = host Sub-Saharan African countries,  $t$ =time(time period between 2011-2020).

## 4. Analysis and Results

### 4.1. Descriptive Statistics: Country Coverage for Equation 1

For the purpose of the empirical analysis, a panel of eight (8) Sub-Saharan African countries were selected to serve as the sample size. These countries embody majority of the attributes associated with the region, and were carefully selected based on their recent trends in economic growth and FDI inflows, hence this serves as a strong justification to use them as part of the sample size and make inferences based on the results obtained. The countries are listed in Table 1.

**Table 1.** Country coverage for Equation 1

Nigeria	South Africa	Cameroon	Ghana
Ethiopia	Rwanda	Tanzania	Ivory Coast

**Table 2.** Summary Statistics for Equation

Var	Obs.	Mean	Std. Dev.	Min.	Max.
GDP	80	1.38e+11	1.65e+11	6.88e+09	5.47e+11
FDI	80	2.07e+09	1.93e+09	9.99e+07	8.84e+09
Exp	80	2.91e+10	3.73e+10	9.53e+08	1.27e+11
Imp	80	3.20e+10	3.64e+10	2.18e+09	1.24e+11

Source: Author's Computation

Table 2. represents the summary statistics for all the variables in our model. The mean GDP value between 2011-2020 stood at USD138 Billion and the standard deviation is USD165 billion, Rwanda accounted for the minimum GDP in 2011 with USD6.88 billion while Nigeria in 2014 had the maximum GDP with USD547 billion. The mean FDI inflow into the selected Sub-Saharan African countries for the period is USD2.07 billion while the standard deviation stood at USD1.93 billion, Rwanda in 2020 represented the minimum FDI inflow with approximately

USD100 million while Nigeria's FDI inflow of USD8.84 billion in 2011 represents the maximum. The mean and standard deviation for export of goods and services out of the region both stood at USD29 billion and USD37 billion respectively, Rwanda in 2011 accounted for the minimum export with USD953 million while South Africa in 2012 had the maximum export amounting to USD127 billion. The mean and standard deviation values for import into the region stood at USD32 billion and USD36 billion respectively, Rwanda in 2011 had the minimum import value of USD2.18 billion while South Africa in 2012 accounted for the maximum import value with USD124 billion. The total number of observation for all the variables all stood at 80.

### 4.2. Correlation Matrix for Equation 1

This study uses the pairwise correlation matrix to show the level of correlation that exists among the variables under consideration. Table 3. presents the correlation matrix for equation 1.

**Table 3**

VAR.	GDP	FDI	EXP	IMP
GDP	1.0000			
FDI	0.6772*	1.0000		
EXP	0.9097*	0.7193*	1.0000	
IMP	0.9325*	0.7209*	0.9774*	1.000

Source: Author's computation

Based on the correlation matrix shown in table 3. above, we observed that there is a positive correlation between foreign direct investment inflow and gross domestic product of the selected Sub-Saharan African countries as shown by a co-efficient of 0.6772\*. Also a positive correlation is seen between foreign direct investment and export as well as import of goods and services as represented by 0.7193\* and 0.7209\* respectively. There are other correlations between gross domestic product and import, export as well as a positive correlation between import and export but this paper will be more focused on the correlation between foreign direct investment and other variables.

### 4.3. Empirical Results Interpretation

This section of the empirical analysis presents the results of the estimates obtained from the Fixed Effect(FE), Random Effect(RE), Generalized Least Square (GLS) and the Generalized Method of Moments. The estimates obtained will be compared on a co-efficient significance basis.

In the static panel data method, results from the fixed effect are all statistically insignificant except for import of goods and services with a positive co-efficient of 1.5823\*\*\* at 1% significance level. Also the random effect showed a similar trend with import being the only statistically significant variable with a positive co-efficient of 1.9116\*\*\* at 1% significance level.

The result from the Hausman's test rejected the null hypothesis and confirm fixed effect(FE) model as preferable

to the random effect(RE) having obtained a co-efficient of (0.0055) which is less than 0.05. The GLS also showed a similar pattern as the FE and RE with import being the only statistically significant variable with a positive co-efficient of 4.4086\*\*\* at 1% significance level.

**Table 4.** Estimated Outcomes for Equation 1

VAR	(1)	(2)	(3)	(4)
	FE	RE	GLS	GMM
	GDP	GDP	GDP	GDP
FDI	0.5038	-0.6400	1.1663	-3.5479***
	(2.5725)	(2.6283)	(4.4908)	(1.2092)
EXP	0.4209	0.5759	-0.2115	1.4821***
	(0.3952)	(0.4052)	(0.8139)	(0.1648)
IMP	1.5823***	1.9116***	4.4086***	0.8286***
	(0.4286)	(0.4314)	(0.8319)	(0.1598)
L.GDP				0.5679
				(0.4636)
_CON	7.36e+10	6.10e+10	0	-8.40e+08
	(1.04e+10)	(2.76e+10)		(7.08e+09)
N	80	80	80	64

Source: Author's Computation  
Standard error in parenthesis  
\*p<0.1, \*\*p<0.05, \*\*\*p<0.01

Irrespective of the differences in figures of the various co-efficient obtained from the three static panel approaches, we observed an obvious similarity in the trends and patterns shown by the variables especially for import given the fact that it was significant at 1% in all the three static panel data estimation methods. The three explanatory variables were all significant at 1% in the GMM method which represents the dynamic panel data approach, thus providing a strong basis for the choice of GMM as the best estimation method and also confirms the co-efficient presented by the explanatory variables. Hence we state that *ceteris paribus* foreign direct investment inflow negatively affects the economic growth of the Sub-Saharan African region at a 1% significance level as shown by a co-efficient of (-3.5479\*\*\*). On the other hand, export and import of goods and services positively affects the economic growth of the Sub-Saharan region all at 1% significance level given the co-efficient of (1.4821\*\*\*) and (0.8286\*\*\*). The GMM estimation method shows that at one percent significance level, a unit increase in foreign direct investment inflow into the Sub-Saharan region will lead to -3.5479 unit decrease in economic growth, while at one percent significance level, a unit increase in both export and import of goods and services across the region will drive 1.4821 and 0.8286 unit increase of economic growth respectively.

The result of the negative effect of FDI suggest that the foreign direct investment inflow into the Sub-Saharan region is more or less a cover up by investing countries to achieve certain political or economic motives that in no way contributes to the growth of Sub-Saharan host country's

gross domestic product. In this light, foreign direct investment hinders economic growth instead of promoting it. This finding is confirmed by the transactions cost theory which visualizes foreign direct investment as a tool used to evade trading bottlenecks and market barriers by investing countries.

All the variables considered in this section confirmed a positive impact on the dependent variable(gross domestic product of Sub-Saharan African region countries) except the main variable of interest, foreign direct investment which was found to have negative impact on the economic growth of the region.

In the static panel data approach, results from the fixed effect, random effect, generalized least square were all found to be statistically insignificant except for import of goods and services which showed a positive significant co-efficient in all the three static panel data approaches at 1% significance level. The results shown by import is also confirmed by the dynamic panel data approach where the GMM also produced a statistically positive co-efficient thereby re-enforcing the notion that import of goods and services into the Sub-Saharan region positively contributes to the economic growth of the region.

#### 4.4. Conclusions

Foreign direct investment inflow into the Sub-Saharan region has experienced lots of fluctuations between 2011-2020, with the second half of the decade witnessing a downward trend in investment inflow. Scattered across face of the Sub-Saharan region are countless projects and foreign investments that have not produced the expected result, and this has raised many questions especially among the African elites about credibility, accountability, motive and ultimate consequences of these investments on the Sub-Saharan region economic growth and development.

This study examined the effect of foreign direct investment on Sub-Saharan Africa's economic growth. The study sets out by laying a theoretical foundation of what foreign direct investment is all about, a brief introduction of the Sub-Saharan Africa region supported by statistical figures and an analysis of foreign direct investment situation in the region between 2011-2020. The study then proceeds to the empirical section which used a panel data of eight countries from the Sub-Saharan Africa region as sample size and the time period taken into account was 2011-2020. The results shows that the main variable of interest foreign direct investment have negative effects on the economic growth of the region, while other variables such as import and export of goods and services proved to have positive effects on the region's economy. This proves that foreign direct investment not only have not contributed to the economic growth of the region within the time frame but also have hampered the economic growth of the Sub-Saharan Africa region given the negative co-efficient shown by the results. This view is supported by Blomstrom, (2005), whose research 'Does Foreign Direct Investment Promote Development' also

projects the same notion that foreign direct investment can as well lead to negative effects on a country's economic growth and development.

The findings from the study proves that foreign direct investment has a negative effect on Sub-Saharan African region's economic growth between 2011-2020.

#### 4.5. Recommendations

The results drive the following recommendations:

##### Re-examining of Existing FDI projects

Results indicates that most foreign direct investment inflows into the Sub-Saharan region in most cases hinder economic growth. Therefore, there is need to first address the problem of unproductive and failed investments within the region, and then ensure a proper appraisal of incoming foreign direct investment proposals to avoid approval of investments that do not support the economic well-being of the Sub-Saharan region.

##### Ensure that New FDIs into the Region Meet the Required Standard

The Sub-Saharan region is not only bedeviled by the problem of failed investments. In addition there is also a risk of approving new foreign direct investments that do not meet the required standard into the region, this ends up recycling a vicious cycle of failures in investments which negatively affects economic growth. Therefore, ensuring that new investments into the region meet the required standard will go a long way facilitate economic growth in the region.

##### Promulgation of Effective Foreign Direct Investment Management Policy

Just like every seed needs a fertile ground to produce good fruit, so does foreign direct investment need an effective management policy to yield economic growth. Some investments go bad because the situation of the domestic economy does not support its flourishing. There is need for government of Sub-Saharan economies to set up effective management policies that enables both foreign direct investment and domestic investment to thrive in order to provide optimum economic benefits for the region. A balanced blend of both investments will go a long way to help arrest the failures of foreign direct investment and the subsequent economic decline in the Sub-Saharan Africa region.

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