Gordon Institute of Business Science
Centre for African Management and Markets

DHL GIBS DEVELOPMENT SERIES:
DELIVERING DEVELOPMENT IN AFRICA

AID, INVESTMENT AND BEYOND

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Centre for African Management and Markets (CAMM)
CAMM at the Gordon Institute of Business Science (GIBS) conducts academic and practitioner research and provides strategic insight on African markets. Our purpose is captured in our mission of “Build. Connect. Do.” We are proud to be one of the centres at the heart of GIBS, ranked as the African continent’s leading business school. This embeddedness provides a credible and respected base, and a powerful network of researchers, practitioners, academics, and policy workers throughout the continent. Our footprint is driven by our conviction that Africa’s innovation and competitiveness is intimately connected to traversing borders with Africa-wide trade, cross-border investment activity, and pan-African business initiatives.

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IMAGE: scharfsinn86 – stock.adobe.com

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FOREWORD

Enduring debates have staying power for a reason. They address complex problems, usually involving difficult trade-offs. While there is often no absolute answer to these questions, evolving circumstances demand that we revisit them with fresh eyes and new data to reevaluate them in a changed world.

One such debate concerns the benefits of aid and investment. Specifically, which one is more important for economic development? Multiple valid stances exist among developmental economists. For instance, one can argue that aid serves as a catalyst that precedes investment and development. Others will argue that aid should be limited to alleviating humanitarian disasters, and that it is investment alone that can drive an economy up the development slope.

Wherever one's instincts lie, we now live in a world where we must rethink the aid/investment dynamic. As this paper demonstrates, aid and investment trends are changing. In some cases, this means large and abrupt movements with far-reaching implications.

If Africa is to reach necessarily ambitious development goals, policymakers, investors and other stakeholders will have to show ingenuity. We will have to do more with less.

In this paper, we explore aid and investment as generators of prosperity before delving into the ways to make sure the continent gets "bang for buck" from both sources of funding.

Hennie Heymans

CEO, DHL Express Sub-Saharan Africa

EXECUTIVE SUMMARY

DHL Express Sub-Saharan Africa and the GIBS Centre for African Management and Markets (CAMM) have joined forces to explore prosperity in Africa. Across the continent and the globe, there is no shortage of aspirational examples of development taking hold and entire generations enjoying economic upliftment. It is the ingredients of these transformations that we seek to understand.

Our collaboration has spanned a variety of lenses on prosperity. The four-part series of papers on trade used big data to unearth ways in which African nations can gradually expand into more complex export product markets. A standalone white paper delved into second cities or, as we term them, "next cities", as hubs of growth. And most recently we published a report on the multitude of ways in which technology is boosting agricultural productivity on the continent.

The current paper marks the start of our development series. Here we lay a platform by untangling two important factors of development: international aid and foreign direct investment. Evaluated with fresh eyes in the context of a changing world, this is a necessary step towards understanding and creating the development we need on the continent.

If this paper contributes to your appreciation of development in Africa and inspires you, we will consider our jobs done.

Regards,

The DHL and CAMM teams

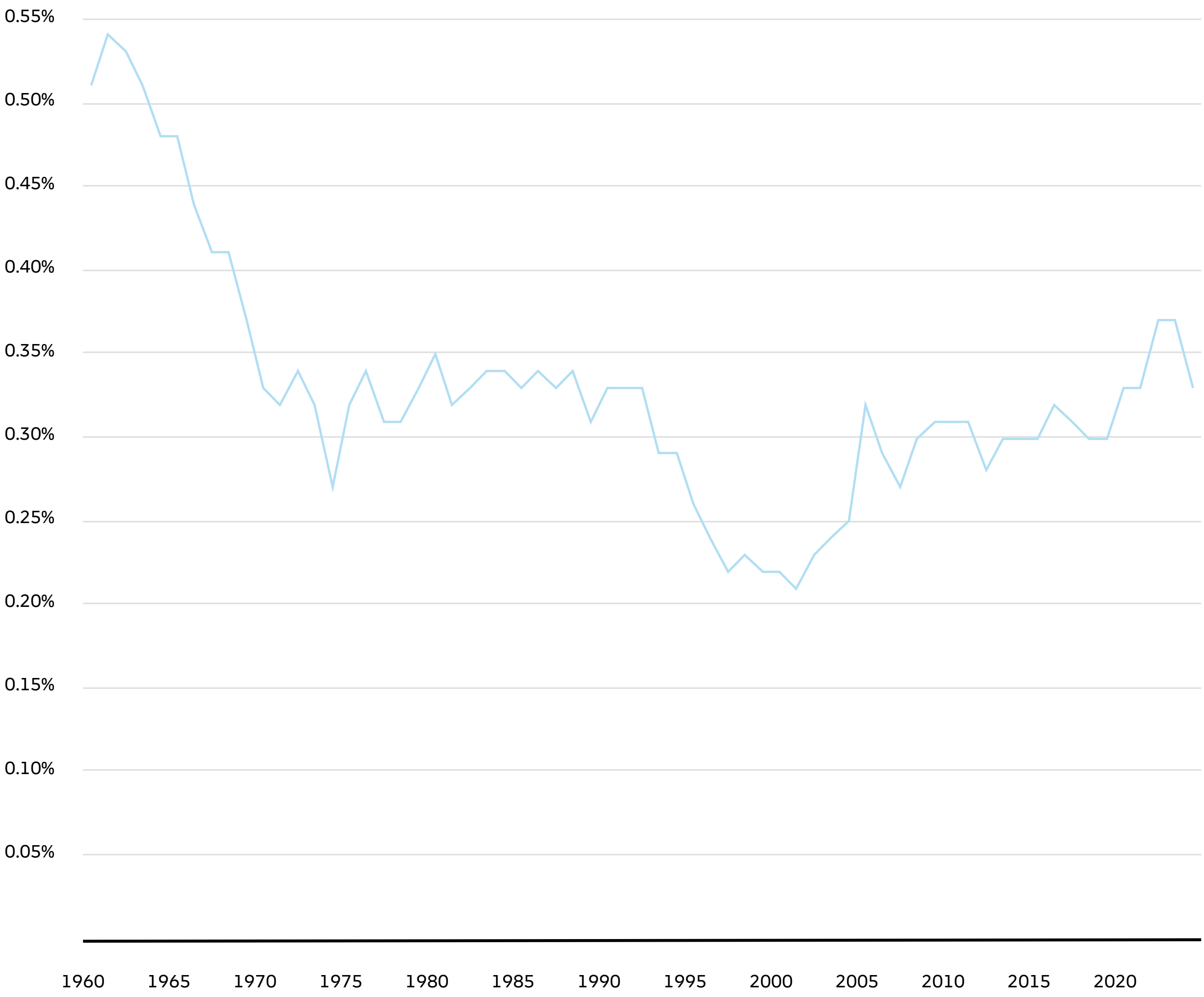
1. INTRODUCTION

The globe's economic centre of gravity is in motion. We have become accustomed to the United States (US) as the world's great superpower. However, since the 1990s, economies like those of China and India have been catching up with vigour.

Demographically, population growth is slowing in developed nations and rising in emerging regions. All the while, technology has steadily raised the pace at which change happens in almost every sphere of life.

Whereas global supply chains and foreign aid have historically evolved slowly, President Trump has ushered in a sense of urgency and volatility in this space. With the US emphasising domestic concerns and reshoring its overall spending, there is now a clash with the previous trends of globalisation. The speed, breadth, and scale of tariffs by the US have been a shock to international trade norms. When paired with the substantial budget cuts to the U.S. Agency for International Development (USAID) – the body established by US President John F. Kennedy in 1961 – it has meaningfully reduced the overall quantum of international aid. When complete, the USAID budget might be cut by 90% – giving the world some $60 billion less in aid.

FIGURE 1
TOTAL GLOBAL OFFICIAL DEVELOPMENT ASSISTANCE (ODA) BY OECD DEVELOPMENT ASSISTANCE COMMITTEE (DAC) (% OF GROSS NATIONAL INCOME (GNI))



Source: OECD (2025).

Global megatrends and a new direction in Washington, D.C., combine to demand fresh and urgent scrutiny of the drivers of economic development. Chiefly, which is more important, aid or investment? This is particularly urgent in African markets, where already vast funding gaps have widened. Spurring much-needed development requires an evolved understanding of how best to fill the voids. In other words, what funding do we need more of, and how do we extract the most benefit out of each dollar?

2.

AID VS INVESTMENT: OLD DEBATE; NEW URGENCY

The President of the United States, Donald Trump, is fighting the market forces that have long fuelled specialisation and trade. Mr Trump is aiming to attract a greater share of inward investment to the US and to minimise the country's trade dependency. At the same time, he has slashed America's foreign aid budget as part of an "America first" agenda.

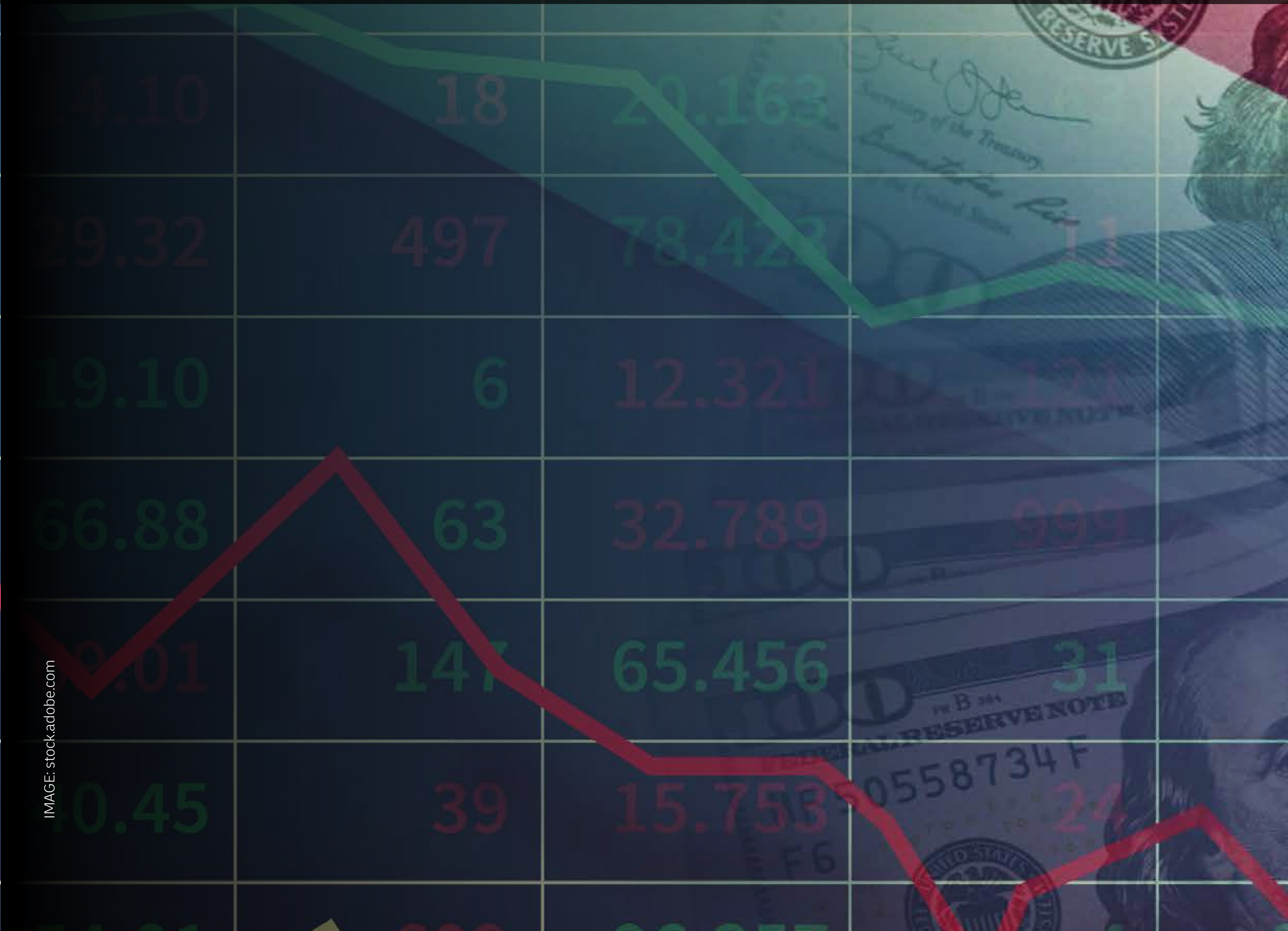
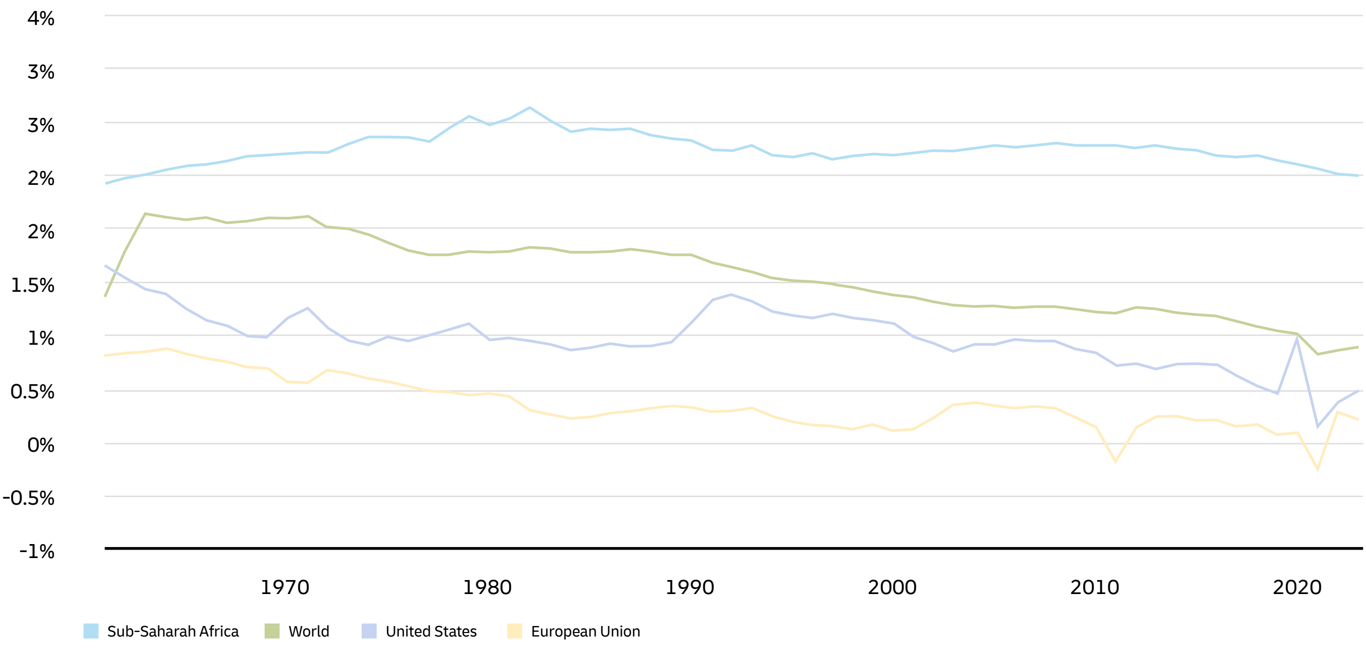


IMAGE: stock.adobe.com

Mr Trump's second term in office arrived on the back of an existing curtailment of aid. "International aid from official donors fell in 2024 by 7.1% in real terms compared to 2023, the first drop after five years of consecutive growth."[1]

The cut in aid spending has opened funding gaps. Leaders in some of the world's poorest economies have no choice but to conduct an agonising reappraisal of budgets, priorities, and funding strategies. This coincides with a seismic megatrend of growing populations in Africa, while birth rates in much of the developed world settle below the replacement rate. Sub-Saharah Africa's population is growing at 2.5% per year, while the European Union's population growth intermittently dips below zero.[2]

FIGURE 2
POPULATION GROWTH (ANNUAL %)



Source: World Bank (2023).

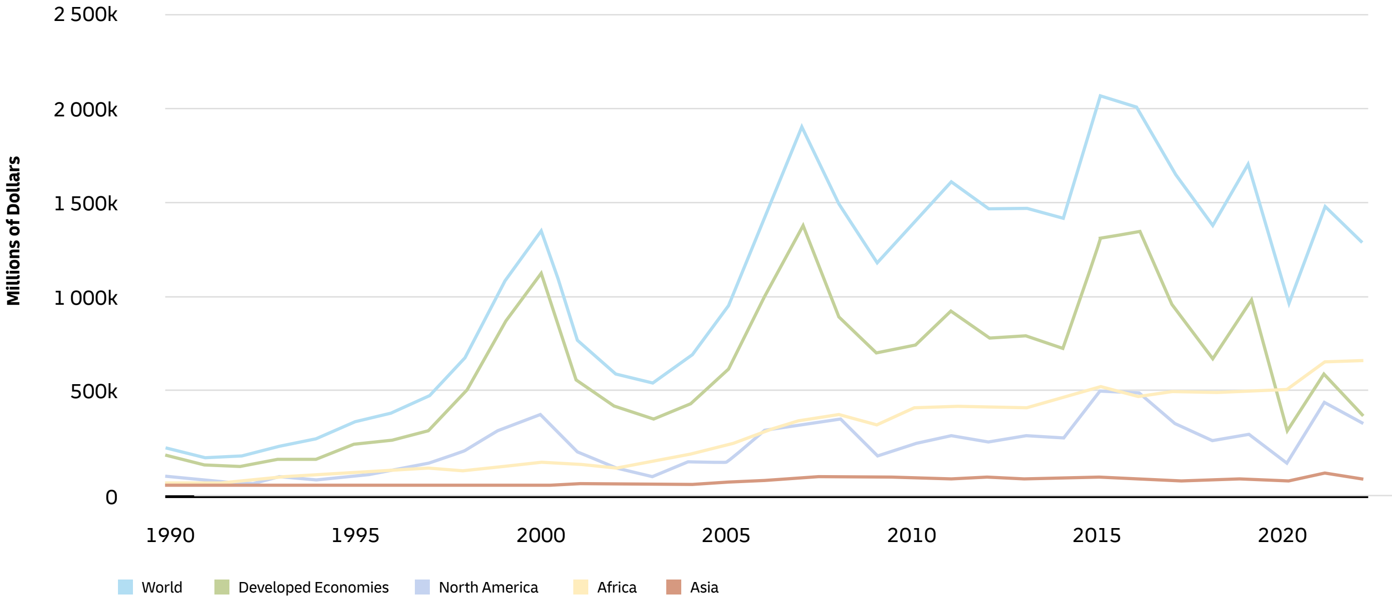
The result of these two forces is the widening of an important development gap.[3] Developing countries need to fund infrastructure, education, healthcare and the like if they are to achieve ambitious developmental goals and join the ranks of rich nations. As aid recedes and trade wars wreak havoc on international investment, policymakers, business leaders, and economists have their work cut out to establish ways to fill the funding gap.

Unfortunately, foreign direct investment (FDI) is trending downwards from a high in 2015. Only Asia bucks this trend.[4]

IMAGE: stock.adobe.com

1. International aid falls in 2024 for first time in six years (2025). OECD.
2. World Bank (2023).
3. Saville, A. D., & Lumby, A. B. (1995). Multinational Corporations the Building, Construction and Engineering Industries. South African Journal of Economics, 63(2), 108-124.
4. UNCTAD (2023).

FIGURE 2
FDI INFLOWS (USD MILLIONS)



Source: UNCTAD (2023).

The most recent World Investment Report out of the United Nations reckons that despite claims that FDI was "4 percent higher, at $1.5 trillion" in 2024, "this figure was inflated by volatile flows through conduit economies. Excluding those, global flows fell by 11%, a second year of decline. The outlook for 2025 is negative, owing to high investor uncertainty."[5]

In short, development has been disrupted. If developing countries are to overcome the barriers holding them back, we need new and better answers to difficult questions. What is the best source of capital to fill the financing gap that has been widened by the aid pull-back? To what extent should aid and investment, respectively, be targeted to achieve this? And how do developing nations best attract and utilise this funding to get the most out of it?

IMAGE: stock.adobe.com

5. United Nations Conference on Trade and Development. (2025). World investment report 2025: International investment in the digital economy (Report No. UNCTAD/WIR/2025). Geneva, Switzerland: United Nations.

3. AIDING ECONOMIC DEVELOPMENT

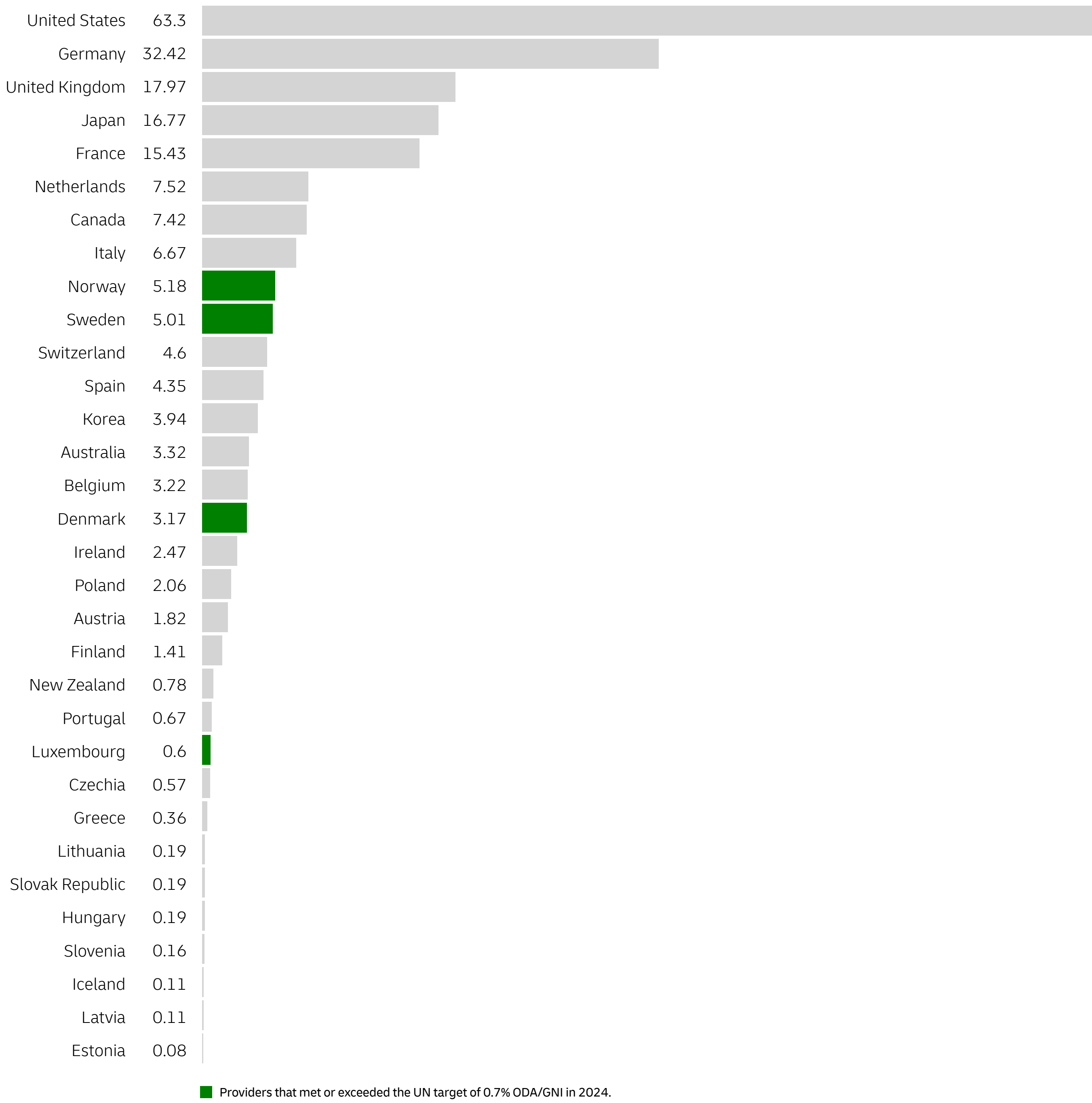
United States President Donald Trump has focused on reducing US trade dependence and deficits, largely via both national and sectoral tariffs. This generates conflict with previous market forces that have long fuelled specialisation and trade. The "America first" agenda brings challenges and opportunities for African markets.

DEFINING AID

The Organisation for Economic Co-operation and Development (OECD) offers guidance on measuring and categorising aid. Its Development Assistance Committee (DAC) uses the term Official Development Assistance (ODA), defining this as "government aid designed to promote the economic development and welfare of developing countries ... in areas such as health, sanitation, education, and infrastructure."[6]

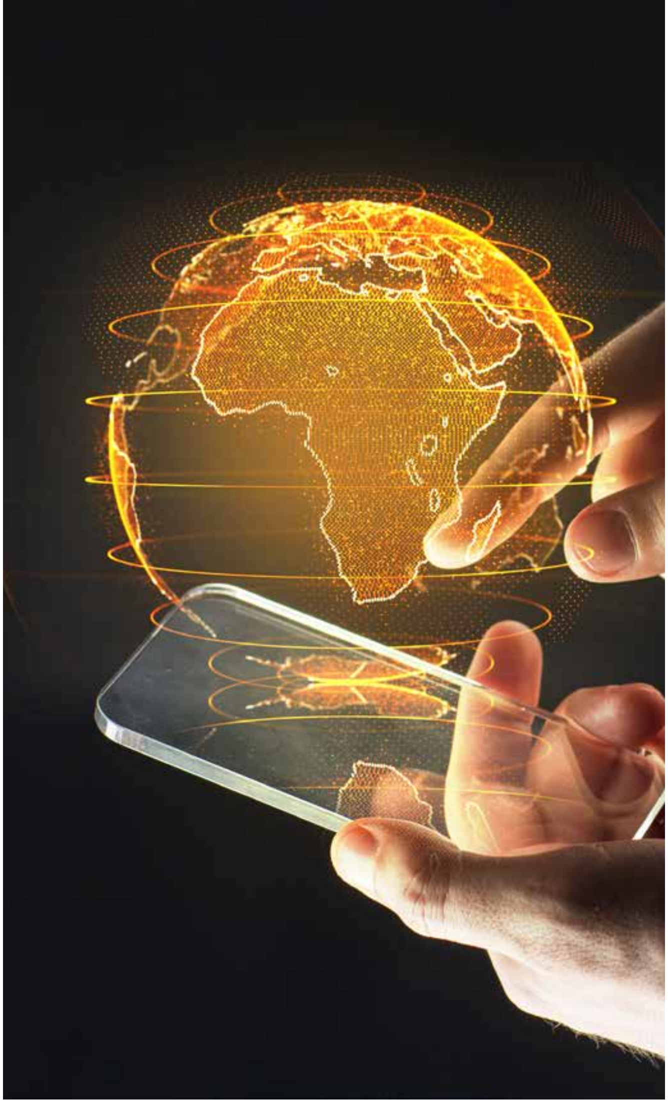
Given the consistency and authority of OECD data, this paper employs the DAC's definition as far as possible.

FIGURE 4
SOURCE OF AID BY NATION, 2024 (USD BILLION)



Source: OECD (2025).

6. OECD (2025).



AID IN AFRICA

Africa has historically received the greatest proportion of aid. As of 2024, sub-Saharah Africa receives roughly 30% of net bilateral ODA,[7] lending credence to the claim economist and author Dambisa Moyo makes that Africa is "addicted to aid."[8]

THE STATE OF AID AND FUTURE OUTLOOK

International aid suffered its first annual fall in real terms in 2024, with official donations down 7% from 2023.[9] And the decline is expected to gather pace. The Institute for Economics & Peace projects a decline of between 20% and 40% in aid spending in the next several years, with sub-Saharah Africa at risk of losing nearly one-third of ODA inflows.[10]

Akinwumi Adesina, President of the African Development Bank Group, puts it bluntly: "The era of aid or free money is gone. Africa must overhaul its approach toward achieving fast-paced development."[11]

THE AGE-OLD AID DEBATE

The capacity of aid to spur development is a long-standing and hotly debated topic. Luminaries such as Nobel laureate Milton Friedman have dismissed the notion. The pithy rebuttal of Friedman and collaborators: "The great error of the past has been to suppose that you could do good to another country by giving it money."[12]

Friedman illustrates his point by referring to ancient Egypt's large-scale investment in building more than 100 pyramids. He points out that, despite the enormous amounts of capital employed to construct the pyramids, this grand, resource-intensive project had no significant bearing on the economic growth of ancient Egypt.[13]

Those in Friedman's camp also argue that aid can contribute to rent-seeking and the building of political empires, breed corruption, crowd out private investment, exacerbate inequality, and institutionalise wastefulness. Recipient countries can also become dependent on aid rather than promoting a culture of initiative and self-reliance, thereby contributing to stagnation.

Dambisa Moyo adds that aid negatively influences economies by encouraging currency overvaluation.[14]

Proponents of aid, such as American economist and professor at Columbia University, Jeffrey Sachs, argue that aid could kick-start developing economies if only donor countries gave sufficient levels of aid. He argues that the "minimal drip" of aid that the world has seen to date cannot take a developing nation far enough to enable "economic take-off."[15]

In his defence of aid, Sachs draws on the work of Dollar and Burnside, who argue that aid can promote economic growth in developing countries, provided the policy environment is favourable and the nation's institutions are strong.[16]

New York University Professor William Easterly, a development specialist, opens the door to common ground, advocating that aid "should set more modest goals, like helping some of the people some of the time, rather than trying to be the catalyst for society-wide transformation."[17]

7. OECD (2025). Cuts in official development assistance: OECD projections for 2025 and the near term. OECD Publishing.
8. Moyo, D. (2010). Dead Aid: Why Aid Makes Things Worse and How There Is Another Way for Africa.
9. OECD (2025).
10. Vision of Humanity. (2025, March). Official Development Assistance. Institute for Economics & Peace.
11. Akinwumi Adesina, 14th Convocation Ceremony address, National Open University of Nigeria, April 2025.
12. Friedman, M., Friedman, R. D., & Adams, J. (1980). Free to choose: A personal statement (Vol. 249). New York: Harcourt Brace Jovanovich.
13. Friedman, M. (1962, April 30). An alternative to aid: An economist urges US to free trade, end grants of money. The Wall Street Journal, 30 April, p.16.
14. Moyo, D. (2009). Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa. London: Allen Lane.
15. Pilling, D. (2025, March 4). Can international aid survive in a crumbling world order? Financial Times.
16. Burnside, C., & Dollar, D. (2000). Aid, policies, and growth. American Economic Review, 90(4), 847–868.
17. Easterly, W. (2003). Can foreign aid buy growth? Journal of Economic Perspectives, 17(3), 23-48.

IMAGE: stock.adobe.com

AID TO DATE: WHAT HAS WORKED AND WHY?

Charles Kenny of the Center for Global Development, a think tank, sums up the lack of potency and reliability that aid has to stimulate the economy: "There is no country that has really grown from aid."[18] Of course, economic growth is only part of development. Aid has shown its mettle in multiple ways.

AID FOR AIDS AND OTHER DISEASES

Many of the most notable examples of aid's efficacy lie in healthcare, particularly disease eradication and prevention. The President's Emergency Plan for Aids Relief, PEPFAR, was launched by then-American President George W. Bush in 2003 and has worked in partnership with The Global Fund[19] as well as the private sector. Twenty years later, the United Nations reported that just under 30 million of the 39 million people living with HIV were receiving life-saving treatment. As a result, it is estimated that 21 million deaths have been prevented, including infant lives saved through the prevention of mother-to-child transmission.[20]

Interventions to combat malaria have also seen significant, measurable success thanks to aid funding. The World Health Organization reports that at least two billion malaria infections have been prevented since 2000, and 13 million deaths have been averted.[21] Here, death and disease are reliably prevented by measures as simple as the distribution of nets.

Expanded immunisation programmes in Africa have resulted in the eradication of polio and smallpox on the continent.[22] These programmes have also prevented deaths from diseases such as measles. In total, these programmes have saved an estimated 51 million lives in the last 50 years.[23]

EARLY IMPACT AID FOR GROWTH

Work out of the IMF has shown that "early impact aid"[24] and economic growth are positively correlated. Early impact aid is aid for budget support and debt relief as well as funding for specific sectors, including transport, energy, communications, construction, banking and finance, agriculture and business.[25]

The IMF authors reckon that one percentage point of GDP in early impact aid results in annual additional GDP growth of 0.3 percentage points. They conclude that "policy discussions should not focus exclusively on determining the limits of aid on growth – but rather on how those limits can be expanded, and how aid can be made even more effective in supporting growth and development."

AID AND THE "BOTTOM BILLION"

British economist and Professorial Fellow at St Anthony's College, Oxford, Paul Collier addresses the issue by interrogating the wealth group at which aid is targeted. He calls his lens "poverty-efficient allocation".[26] In his 2007 book, *The Bottom Billion*, Collier argues that aid has not been channelled to countries that the poorest billion (the bottom billion) call home and that aid's impact has therefore not been maximised.[27]

It stands to reason that the most impactful developmental achievements are to be had where people's needs are the most basic. Collier nonetheless warns that the rich world cannot solve these problems, and that "change in the bottom billion has to come from within, but the international community can help tip the balance."

18. The Economist. (2025, March 6). Aid cannot make poor countries rich. The Economist.
19. The Global Fund to Fight Aids, Tuberculosis & Malaria.
20. Joint United Nations Programme on HIV/AIDS. (2022). Global AIDS monitoring 2023: Indicators and questions for monitoring progress on the 2021 Political Declaration on Ending AIDS. Geneva, Switzerland.
21. World Health Organization. (2025, April 11). Malaria progress in jeopardy amid foreign aid cuts.
22. World Health Organization. (2020, August 20). Africa eradicates wild poliovirus.
23. World Health Organization. (2024, April 24). Over 50 million lives saved in Africa through expanded immunization programme.
24. Radelet, S., Clemens, M., & Bhavnani, R. (2005). Aid and growth. Finance & Development, 42(3). International Monetary Fund.
25. Ibid.
26. Collier, P., & Dollar, D. (1999). Aid allocation and poverty reduction. Development Research Group, World Bank.
27. Collier, P. (2008). The Bottom Billion: Why the poorest countries are failing and what can be done about it. Oxford University Press, USA.

He identifies other rules of thumb for effective aid. It is best used in countries with good governance. Temporary security guarantees that stabilise post-conflict states also work. And uplifting trade helps, too.

Collier offers one African nation as an instance of post-conflict progress. “Mozambique is an example of how aid and reform can work together in post-conflict reconstruction,” he argues, “but its progress remains vulnerable.” Collier points to peace-building efforts, market-oriented reforms and expansion of aid-absorption capacity in the Southern African Development Community (SADC) member nation.

MAXIMISING THE IMPACT OF AID

Danish political scientist and president of the Copenhagen Consensus Center think tank, Bjørn Lomborg, turns to cost-benefit analyses to identify the most effective ways to allocate aid spending. In his 2023 book *Best Things First,* he lays out the areas that have seen the greatest impact per foreign aid dollar.[28] In his words, “some things are difficult to fix, cost a lot, and help little. Other problems we know how to fix, at low cost, with remarkable outcomes. We should do the smart things first.”[29]

Drawing on 12 recent, peer-reviewed studies published in the Journal of Benefit-Cost Analysis, Lomborg’s book identifies the most impactful solutions that can deliver the most substantial benefits at relatively low costs. The top 12 levers range from fixing tuberculosis and malaria to implementing e-procurement systems and securing land tenure.

Lomborg’s synthesis of the dozen papers is that by directing aid wisely, we can save 4.2 million lives a year and generate $1.1 trillion more for the world’s poor, all for just $35 billion – the equivalent of the increase in annual global spending on cosmetics over the last two years.

RANDOMISED CONTROLLED TRIALS

The field of development economics has changed markedly over the last two decades. It has become a micro-empirical field, with studies becoming hyper-focused on evaluating the successes or failures of highly targeted, smaller-scale interventions.[30]

IMAGE: stock.adobe.com

28. Lomborg, B. (2023). Best Things First: The 12 most efficient solutions for the world’s poorest and our global SDG promises. Copenhagen Consensus Center.
29. Ibid.
30. Olken, B. A. (2020). Banerjee, Duflo, Kremer, and the rise of modern development economics. Scandinavian Journal of Economics, 122(3), 853–878.
31. The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2019 (n.d.). Nobel Prize Organisation.
32. Glewwe, P., Kremer, M., & Moulin, S. (2009). Many children left behind? Textbooks and test scores in Kenya. American Economic Journal: Applied Economics, 1(1),
33. Miguel, E., & Kremer, M. (2004). Worms: Identifying impacts on education and health in the presence of treatment externalities. Econometrica, 72(1), 159–217. 112–135.
34. Moyo, D. (2009). Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa. London: Allen Lane.
35. Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. G. (2013). The miracle of microfinance? Evidence from a randomized evaluation (NBER Working Paper No. 18950). National Bureau of Economic Research.
36. Miguel, E., & Kremer, M. (2004). Worms: Identifying impacts on education and health in the presence of treatment externalities. Econometrica, 72(1), 159–217.

In 2019, Esther Duflo, Abhijit Banerjee and Michael Kremer jointly won the Nobel Prize for their "experimental approach to alleviating global poverty."[31] In the mid-nineties, Kremer pioneered the use of randomised controlled trials (RCTs) in development studies to evaluate the efficacy of specific aid-funded interventions – a micro-empirical method.

His first trial, for example, tested the assumption that providing additional textbooks improves educational outcomes. The results were surprising: additional textbooks did not significantly improve results.[32] In a later RCT, deworming at schools was found to improve both health and educational outcomes, with an observed 25% reduction in absenteeism.[33]

On the back of Kremer's work, economists Esther Duflo and Abhijit Banerjee have performed 70-80 rigorous RCTs to identify which interventions have improved outcomes for the poor. These RCTs evaluate micro-level aid-funded projects in healthcare, education and microfinance based on evidence revealed in the results.

Microfinance was one of Dambisa Moyo's 2009 recommended alternatives to aid in Africa.[34] Duflo and Banerjee decided to test the developmental impact of microfinance. Their randomised controlled trials spanned a research period of eight years, beginning in 2005. But when their findings were first documented in 2013, the results challenged conventional wisdom. The trials revealed that access to credit through microfinance did not materially improve average household income, consumption or health.[35] They did reveal other potential benefits, such as improving well-being by reducing reliance on traditional moneylenders.

These evidence-based findings help us to steer aid to the most effective uses. The aforementioned deworming study in Kenya is a notable example of success.[36] The trial began in western Kenya in 1998, when close to 60% of school children were believed to be infected with worms. Seventy-five schools formed part of the study, with treatment randomly assigned to some schools, while others acted as a control. Children in treatment schools were given deworming medicine at a cost of $0.50 to $1.00 per child per annum. The positive impacts proved to be widespread. Treated children saw a 44% reduction in the probability of being infected with worms, they were less prone to illness and, on average, grew taller than untreated children. School absenteeism also plummeted by a quarter.

WHAT HASN'T WORKED AND WHY: THE UNINTENDED CONSEQUENCES OF AID

Economist and bestselling author Dambisa Moyo argues that not only has aid failed to reduce poverty, it has actively harmed the people it was meant to help. "The notion that aid can alleviate systemic poverty," she writes, "is a myth. Millions in Africa are poorer today because of aid; misery and poverty have not ended but have increased."[37]

While some, like Jeffrey Sachs, credit aid with Africa's post-2000 GDP growth, critics such as Greg Mills challenge this by pointing to stagnant per capita income. From 1990 to 2019, Africa's share of global income declined, and per capita income in sub-Saharah Africa rose by just 27% – an average annual increase of less than 1%.[38]

Despite $1 trillion in aid between 1970 and 2008, many African countries experienced negative average growth, rising poverty, and persistently low life expectancy and literacy rates. These stagnant indicators support Moyo's claim that aid has been a "political, economic, and humanitarian disaster."[39]

One of the most corrosive effects of aid, Moyo argues, is rent-seeking – when government resources are directed towards obtaining aid and ensuring that the aid flows continue, year after year. This diverts talent and resources away from productive sectors and reinforces a cycle of dependency. In such environments, real economic development is stifled.[40] Aid is, unfortunately, also often exploited for personal or political gain.

In his book *Ending Aid Dependence*, Ugandan policymaker and author Yash Tandon extends the critique, arguing that once developing nations become dependent on aid, they are vulnerable to being controlled by donor countries, they become poorly positioned to develop self-reliance, and are more easily exploited.[41]

POLICY RECOMMENDATIONS: MAKING AID WORK

"When the music changes, so does the dance," goes the Hausa proverb. Like it or not, the music of international aid has changed – perhaps forever. The dance must follow. Recipients have a difficult adjustment to make. As far as development goes, the key is a strategic reorganisation to make aid work better.

Harnessing the best results that aid can bring depends on absorptive capacity. Strong institutions not only attract aid but also extract the best impact from it. Without governance, transparency, property rights and the like, aid can amount to, as development economist Peter Bauer once put it in the House of Lords, "a system of taking money from poor people in rich countries and giving it to rich people in poor countries."[42]

We also know a great deal about what to spend aid money on to get the best results. Lomborg's "best things" offer one matrix for precision-guided aid, and the World Bank's "early impact" offers another.

Perhaps most important of all is the acknowledgement of aid's limitations. Aid does not make countries rich.[43] Aid alone will not fill the gap that many African nations need to fill to go from developing to developed nations. From this perspective, despite the hardship of the rapid loss of aid, long-term benefits may well accrue from this dislodgment. That is, if the continent is able to attract and utilise an alternative, superior source of funding for development.

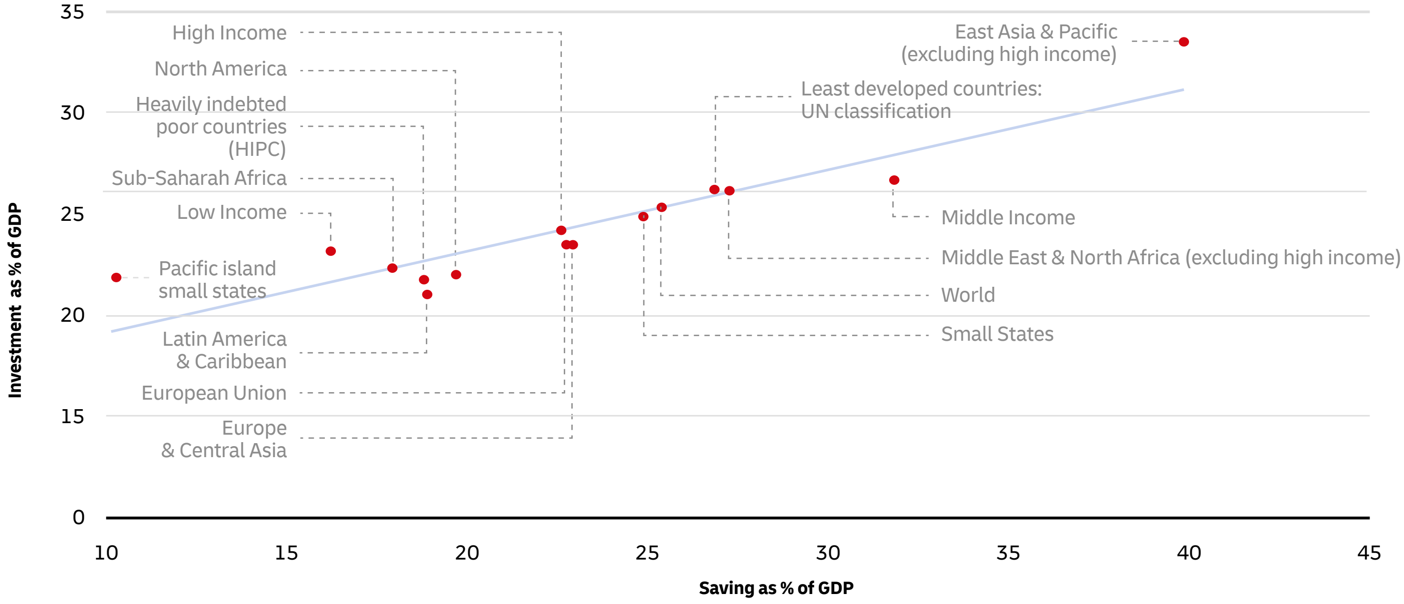
IMAGE: stock.adobe.com

37. Moyo, D. (2009). Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa. London: Allen Lane.
38. Mills, G. (2021). Expensive poverty: Why aid fails and how it can work. Penguin Random House South Africa.
39. UNESCO Institute for Statistics. (2010, September). Adult and youth literacy, 1990–2015: Analysis of data for 41 selected countries (UIS Fact Sheet No. 3). UNESCO.
40. Moyo, D. (2009). Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa. London: Allen Lane.
41. Tandon, Y. (2008). Ending Aid Dependence. Pambazuka Press.
42. UK Parliament. (2012, October 22). EAC Report: Development Aid [House of Lords debate]. Hansard.
43. The Economist. (2025, March 6). Aid cannot make poor countries rich. The Economist.

INVESTING IN DEVELOPMENT

Two brief statements capture the mechanism that drives a great deal of growth. First, saving funds investment. The more savings in a country, the more money available to invest.

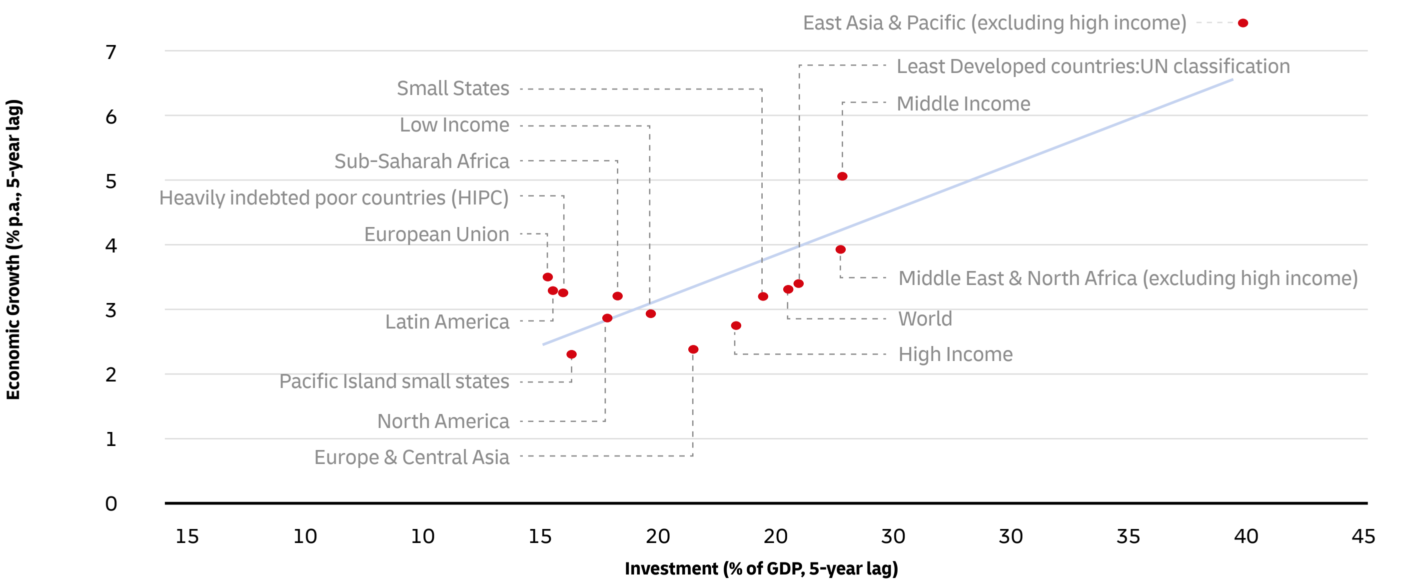
FIGURE 6
SAVING VERSUS INVESTMENT



Source: IMF (2024); World Bank (2024).

Our second statement: Investment is a major driver of prosperity. In fact, we can quantify this. Based on data spanning 1960 to 2024, the level of investment explains more than 71% of the variation in economic growth ($R^2 = 0.7105$). This stands to reason. Building factories, schools, and roads induces a rising tide.

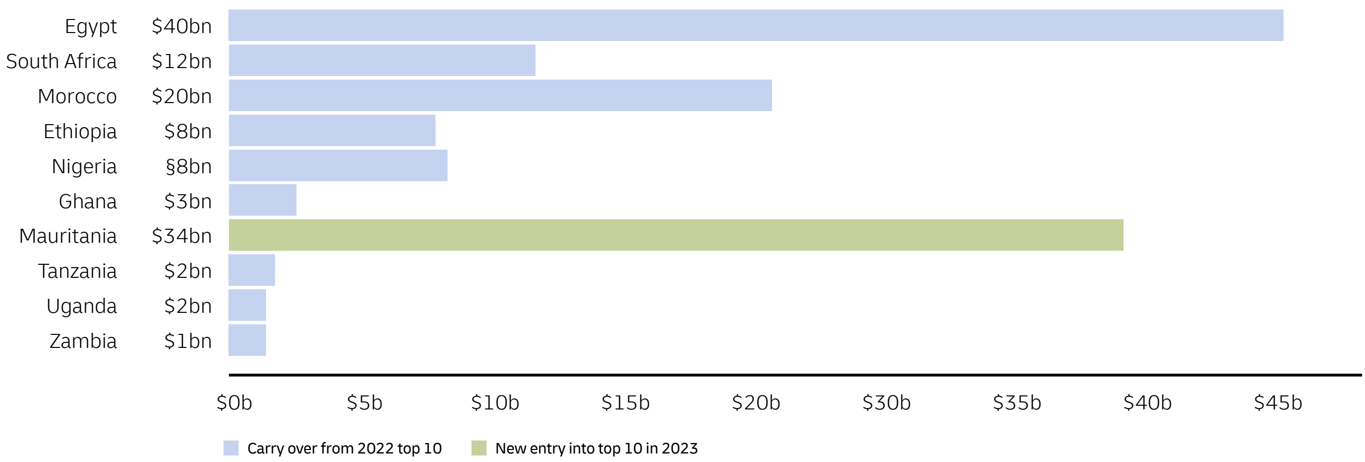
FIGURE 7
INVESTMENT VERSUS ECONOMIC GROWTH



Source: IMF (2024); World Bank (2024).

However, domestic investment has its limits. To spur epochal growth and development, nations must attract foreign capital. In the modern climate of contracting flows of both aid and investment, competition for this funding is high.

FIGURE 8
AFRICA'S MAIN RECIPIENTS OF FDI, 2023 (USD BILLION)



Source: fDi Intelligence (2025). Note: Mauritania received a single major inflow of $34 billion from the United Arab Emirates (UAE) to fund a green hydrogen project.

FDI VS FPI

So, investment is indispensable to advancement. Local capital for investing is limited, and large pools of capital lie abroad. But which sort of international investment drives growth faster, more enduringly and with a better chance for inclusive expansion?

We distinguish between two fundamental types of investment. Foreign direct investment (FDI) applies when an entity in one economy obtains "a lasting interest in an enterprise resident in another economy."[44] This includes greenfield investments, where a new project is launched, or expansion on existing business operations. The crux is the commitment.

FDI is a long-term commitment. Investors lay out the capital not for immediate gain, but to build the productive means that will generate long-term gains. To adopt the metaphor, FDI is less like having a fish dinner and more like learning to fish.

Foreign portfolio investment (FPI) includes investments across borders with little or no time commitment. It may sustain over the long run, but the investor has the option of liquidating the investment rapidly. FPI consists of foreign purchases of stocks (company shares), bonds, certificates of deposit, and commercial paper.[45] This sort of investment can take the shape of "hot money". It can depart local shores as quickly as it arrives.

There is robust evidence showing that FDI is a more reliable and potent driver of growth than FPI. Using data from Africa, Asia, Latin America, and the Caribbean spanning 1989 to 2018, researchers from Nigeria's Covenant University find that "both FDI and FPI had a positive coefficient, but only FDI has a significant effect on economic growth."[46]

This confirms intuition. Money used to establish or expand an operating company has a more direct relationship with productive output than, say, the purchase of stocks on the secondary market.

It is fair to conclude that policymakers' time and energy are better spent attracting FDI than FPI. As Iyika et al. say, "it is therefore recommended that to achieve the much-needed growth expected from financial liberalisation, policymakers of EME [emerging market economies] should, on one hand, encourage more inflow of FDI than FPI as currently experienced and the other hand increase regulation on portfolio investors to prevent cyclical imbalance created when the massive exodus of their investments occurs."

In other words, attracting and utilising FDI gives bang for buck. For this reason, we limit our scope to investigating the relationship between FDI and development, paying particular attention to African economies.

44. Eurostat. (n.d.). Glossary: Foreign direct investment (FDI). Statistics Explained.
45. Todaro, M. P., & Smith, S. C. (2020). Economic development (13th ed.). Pearson.
46.Iyika, P. I., Omankhanlen, A. E., & Uwuigbe, U. (2021). International financial inflows and economic growth of selected emerging markets: Panel corrected standard error approach. International Journal of Environmental Science, 6.

FDI FOR GOOD

A recent study out of Tanzania captures the urgent need to rethink FDI: "The need to examine FDI inflows is enormously based on domestic macroeconomic parameters that are stuck in many developing countries... implying that FDI is necessary for growth and development now and in the future."[47] However, FDI varies greatly in its nature and impact. In the context of the widened funding gap, it is necessary to re-evaluate the demonstrated ways FDI contributes to development in Africa.

FDI, GROWTH AND BEYOND

While GDP growth is a blunt measure, it is a worthwhile one, and "FDI has long been recognised as a driver of productivity and GDP growth."[48] There is also evidence of a virtuous cycle. FDI can stimulate growth, and growth can, in turn, attract FDI.[49]

A 2022 paper out of Nigeria's Covenant University investigated the respective capacities of FDI and FPI to generate economic growth in emerging markets. Finding overall that FDI is positively associated with growth, they conclude that the finding is most robust when calculated only for Africa.[50] They summarise, "This result provides further evidence to support the view of many researchers and policymakers who have continued to emphasise that FDI is more beneficial to the economy than FPI. The benefit is linked to the stable nature and the spillover effect of FDI, including employment generation, technology transfer from the foreign firms to domestic ones, as well as an increase in the tax base to improve revenue generation."[51]

Some studies quantify the relationship between FDI and economic growth. For example, a paper in the International Journal of Business and Management finds that a "1% increase in FDI would result in 0.07% increase in GDP of China and 0.02% increase in GDP of India."[52] This suggests that China has superior absorptive capacity. It is better at turning FDI into growth.

This speaks to the importance of the environment. FDI by no means always and everywhere leads to GDP growth. FDI has a varied impact on both short-term and long-term growth.[53]

Nonetheless, development is about far more than GDP. FDI drives many of the constituents of national development.

IMAGE: stock.adobe.com

47. Kitole, F. A., & Utouh, H. M. L. (2023). Foreign direct investment and industrialization in Tanzania admixture time series forecast analysis 1960 – 2020. Applied Economics Letters, 31(20), 2110–2117.
48. Sule, S. A. (2025). Exploring foreign direct investment (FDI) flow and economic growth: a systematic approach. International Journal on Economics, Finance and Sustainable Development (IJEFSD), 7(1), 25-42.
49. Ruxanda, G., & Muraru, A. (2010). FDI and economic growth. Evidence from simultaneous equation models. Romanian Journal of Economic Forecasting, 1(2010), 45-58.
50. Only in Africa was the relationship significant at the 5% confidence level.
51. Nupehewa, S., Liyanage, S., Polkotuwa, D., Thiyagarajah, M., Jayathilaka, R., & Lokeshwara, A. (2022). More than just investment: Causality analysis between foreign direct investment and economic growth. Plos One, 17(11), e0276621.
52. Agrawal, G., & Khan, M. A. (2011). Impact of FDI on GDP: A comparative study of China and India. International Journal of Business and Management, 6(10), 71.
53. Hsiao, C., & Shen, Y. (2003). Foreign direct investment and economic growth: the importance of institutions and urbanization. Economic development and cultural change, 51(4), 883-896.

EMPLOYMENT

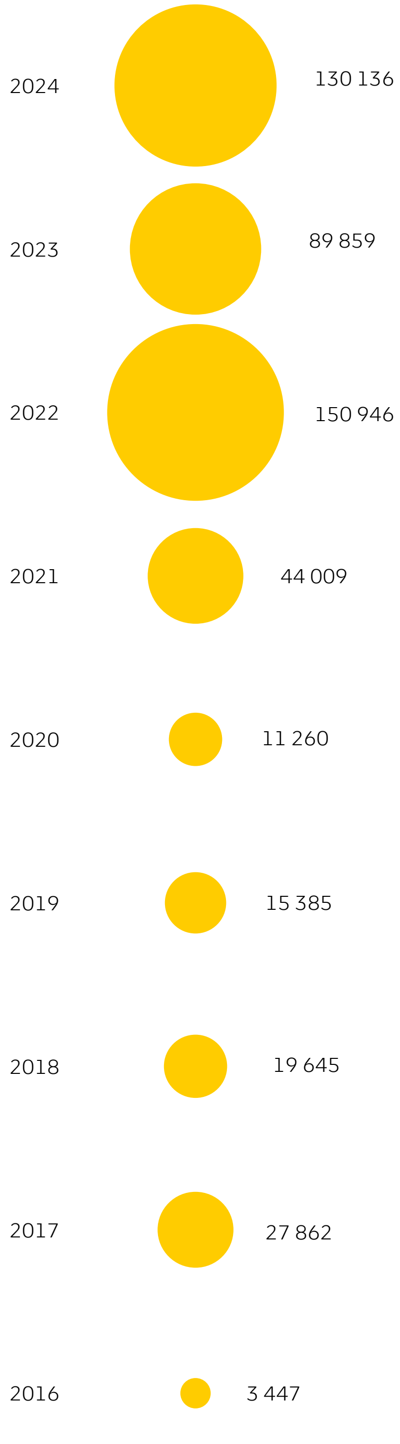
Afolabi and Raifu delve into 20 years of data, starting in 2000, to understand the nexus between FDI, institutional quality, and gender employment in SSA. They find that "FDI has a significant employment-enhancing effect irrespective of gender and age considerations ... and that "institutional quality amplifies this effect." So FDI is good, and the better the institutional environment, the better FDI is at creating jobs, regardless of gender and age.[54]

The authors conclude that "efforts should, therefore, be concentrated on improving institutional quality, the success of which will appeal to foreign investors and attract more foreign investments."

Time matters, though. There is data from the Economic Community of West African States (ECOWAS) showing no meaningful impact in the short run, but that in the long run, FDI grows employment. Specifically, "capital accumulation had a significant positive relationship with employment generation," and that a unit change in capital accumulation leads to a 0.58% increase in the employment rate.[55]

IMAGE: stock.adobe.com

FIGURE 9
AI-RELATED JOBS CREATED BY FDI



Source: fDi Intelligence (2025).

54. Afolabi, J. A., & Raifu, I. A. (2024). FDI, institutional quality and gender employment in sub-Saharan Africa. Studies in economics and econometrics, 48(3), 252-274.
55. Aderemi, T. A., Omitogun, O., & Osisanwo, B. G. (2022). Effect of FDI inflows on employment generation in selected ECOWAS countries: Heterogeneous panel analysis. CBN Journal of Applied Statistics, 13(1), 241-263.

INDUSTRIALISATION

Mim et al. (2021) wield data from 46 African economies spanning 1998 to 2019 to investigate whether FDI can spur industrialisation. They find "a two-threshold relationship between FDI and industrial output. FDI should range between an upper and a lower bound to produce a positive effect on domestic industries. Our findings also suggest that weakly industrialised countries and countries endowed with high absorptive capacities are those taking advantage from the spillover effects generated by FDI.

"Finally, estimation results reveal that financial development, human capital, infrastructure and the legal framework are the main channels through which FDI contributes to promote the industrialisation process in Africa."[56]

At a national level, a 2024 paper looking at World Bank data covering the six decades to 2020 finds that "in the long run, FDI has a significant impact on Tanzanian industrialisation growth."[57] It goes on to confirm a virtuous cycle. The more industrialisation grows, the more FDI is attracted.

The authors construct specific policy advice for central banks, recommending "the Bank of Tanzania to take appropriate measures to control poor-performing economic parameters such as the exchange rate, inflation, and the improvement of the money market in order to enhance capital availability and accessibility."

SKILLS TRANSFER

Investment across borders can bring the sorts of leadership, skills and training that uplift local skills. As Hoekman et al. (2023) put it, "FDI contributes to an increase in employment, and shifts of workers towards modern industries and higher-skilled occupations."[58]

Of course, this outcome is not guaranteed or uniform. "Results are heterogeneous, reflecting the characteristics of the foreign investor and of the business activity undertaken by foreign firms in the local market. Geospatial analysis of changes in performance of domestic firms exposed to nearby FDI projects provides evidence of horizontal spillovers and inter-industry linkages, suggesting a complementary mechanism through which FDI drives structural change."

"By introducing new knowledge and resources into a given locality, the entry of foreign firms expands and updates the domestic knowledge pool, which is one of the drivers of structural transformation."

"On the supply side, foreign firms generally bring in more advanced technology to the host location, supporting productivity growth, potential reduction in informality, or easing capital constraints."

Hoekman et al. distil their findings into three forces FDI has on local employment: "(1) the shift of workers from agriculture to modern sectors; (2) the shift of workers from low- to high-skilled occupations; and (3) the shift of workers out of self-employment."

FDI's ability to enhance human capital is confirmed by Olufemi Onatunji (2024). He argues that "the role of human capital and foreign direct investment (FDI) in fostering sustainable development, however, has been largely neglected by policymakers and scholars, despite recent emphasis on FDI amidst current economic performance worldwide, particularly in developing countries."[59]

His study examines the "effect of human capital and FDI on sustainable development in sub-Saharan Africa (SSA) spanning 1991–2021". The firm conclusion: "increasing FDI flows to priority sectors in the region are critical for enhancing human capital, thus stimulating economic performance, job opportunities, and poverty alleviation in SSA."[60]

56. Ben Mim, S., Hedi, A., & Ben Ali, M. S. (2022). Industrialization, FDI and absorptive capacities: evidence from African Countries. Economic Change and Restructuring, 1-28.
57. Kitole, F. A., & Utouh, H. M. L. (2023). Foreign direct investment and industrialization in Tanzania admixture time series forecast analysis 1960 - 2020. Applied Economics Letters, 31(20), 2110–2117.
58. Hoekman, B., Sanfilippo, M., & Tambussi, M. (2023). Foreign direct investment and structural transformation in Africa. Robert Schuman Centre for Advanced Studies
59. Onatunji, O. G. (2024). Achieving sustainable development in Sub-Saharan Africa: Do human capital and foreign direct investment matter?. Managerial and Decision Economics, 45(7), 4464-4482. Research Paper, (02).
60. Ibid.

HEALTH

Done right, FDI can improve health outcomes for host nations. Noting that most studies on the impact of FDI focus on economic growth, Immurana et al. argue that "very little attention [has been] paid to health outcomes."[61]

To remedy this, they investigate the effect of FDI on child health outcomes in 39 African nations between 1998 and 2018, asserting that "focusing on African countries is very important because sub-Saharan Africa (SSA) has the highest rate of child mortality in the world." Using neonatal and infant mortality rates as a proxy for child health outcomes, they conclude that "FDI enhances child health especially through income, after controlling for endogeneity."

More specifically, "a unit increase in FDI is found to decrease neonatal mortality and infant mortality by 0.17 and 0.64 units respectively … this could be that, FDI enhances peoples' ability to afford child health inputs, hence reducing child mortality." They continue, "income is a major channel via which FDI influences child health outcomes."

The study's control variables offer more granular insights. "[A unit of] education is found to decrease neonatal mortality and infant mortality by 0.22 and 0.58 units, respectively, at the 1% level of significance." They assess education by measuring the ratio of overall enrolment in secondary education to the overall number of people in the age group.

Acknowledging that there are many instances where FDI damages health outcomes, they recommend that African governments continue to attract FDI while creating the conditions for this to be a benefit, but "easing administrative procedures for foreign investors, signing more multilateral/bilateral agreements, making entry into African economies easier, providing fiscal incentives (such as tax waivers), discarding double taxation schemes as well as encouraging foreign investors to re-invest accrued profits. … However, in doing so, attention should be paid towards ensuring that foreign firms hire a significant number of Africans … in order to increase income, which is a major channel via which FDI influences child health."

IMAGE: stock.adobe.com

61. Immurana, M., Iddrisu, A. A., Owusu, S., & Yusif, H. M. (2023). Foreign direct investment and child health outcomes in Africa. Cogent Economics & Finance, 11(1), 2164565.

VALUE CHAINS

An interesting case study from Uganda helps to elucidate the way FDI can unleash supply chains. "With a comparative advantage in milk production, the southwest of Uganda has started to attract considerable Foreign Direct Investment (FDI) in processing capacity, mainly targeting the export market," say Van Campenhout et al. (2021). "As a result, processing capacity increased five-fold and dairy became Uganda's third most important export product, coming from negligible amounts a decade earlier."[62]

The study looks at individual nodes in the supply chain, comparing those that received large FDI injections with those that did not. They find that "dairy value chains are transforming rapidly, but innovations are more pronounced in areas that received the bulk of FDI. Our analysis further underscores the importance of milk collection centres, which often take the form of farmer cooperatives, in providing many of the support services that enable other actors in the value chain to produce sufficient milk, and maintain milk sanitation levels necessary for a modern export sector to emerge."[63]

TRANSPORT/LOGISTICS

There is ample evidence that connectivity drives growth. It is therefore unsurprising that FDI that improves transport infrastructure does the same. In the "first research study that explores the mediating role of FDI in the relationship between transport infrastructure and economic growth in Ethiopia",[64] Badada et al. confirm this. They examine the "relationship between transport infrastructure and foreign direct investment (FDI) in explaining economic growth from road and air transport perspectives in Ethiopia over the period 1981 to 2017."

They find not only that "transport infrastructure attracts FDI in Ethiopia," but that "FDI plays a significant mediating role, thereby increasing the economic growth performance of the country."

They conclude that "investments in transportation infrastructure positively impact total factor productivity by increasing micro-production efficiency and resource allocation efficiency, which promotes increases in labour productivity through extensive and intensive marginal effects in economic growth. It improves the economic growth environment,

62. Van Campenhout, B., Minten, B., & Swinnen, J. F. (2021). Leading the way – foreign direct investment and dairy value chain upgrading in Uganda. Agricultural Economics, 52(4), 607-631.
63. Ibid.
64. Badada, B., Delina, G., Baiqing, S., & Krishnaraj, R. (2023). Economic impact of transport infrastructure in Ethiopia: The role of foreign direct investment. Sage Open, 13(1), 21582440231162055.

processes, and outcomes by boosting technological innovation, industrial structure, and productivity. Moreover, investment in transportation infrastructure boosts technical innovation capacity by extending R&D size, enhancing R&D efficiency, and facilitating the transition of scientific and technology innovation achievements through foreign direct investment."

Connectivity can also be virtual. It turns out, virtual and physical connectivity together make for a virtuous cycle:

"Access to high-speed internet induces FDI, particularly in the service sector, with the finance, technology, retail, and health services subsectors as the main beneficiaries. Access to (hard) infrastructure, such as electricity and roads, amplifies the impact of internet connectivity on FDI, thus highlighting the role of complementarities in the impact of infrastructure. Further, the results suggest that improvement in quality of governance and increased performance of incumbent firms are plausible mechanisms."[65]

EXPORT PERFORMANCE, INNOVATION AND SKILLS TRANSFER

Homing in on South Africa and using more than 60 years of data from the South African Reserve Bank, Bongumusa Makhoba investigates the potential for FDI to enhance a nation's export performance. "FDI is positively associated with export growth in South Africa. This finding suggests that a positive shock of FDI promotes export levels in South Africa's economy. Moreover, GDP growth responds positively to the innovative shocks of export growth in the economy. This study provides rigorous South African-specific empirical evidence on the impact of FDI on exports. The empirical findings of the study proposed that the positive spillover effects of FDI strongly indicate that policymakers ought to strengthen investment-friendly policies earmarked for FDI inflows to promote growth and exports in South Africa's economy."[66]

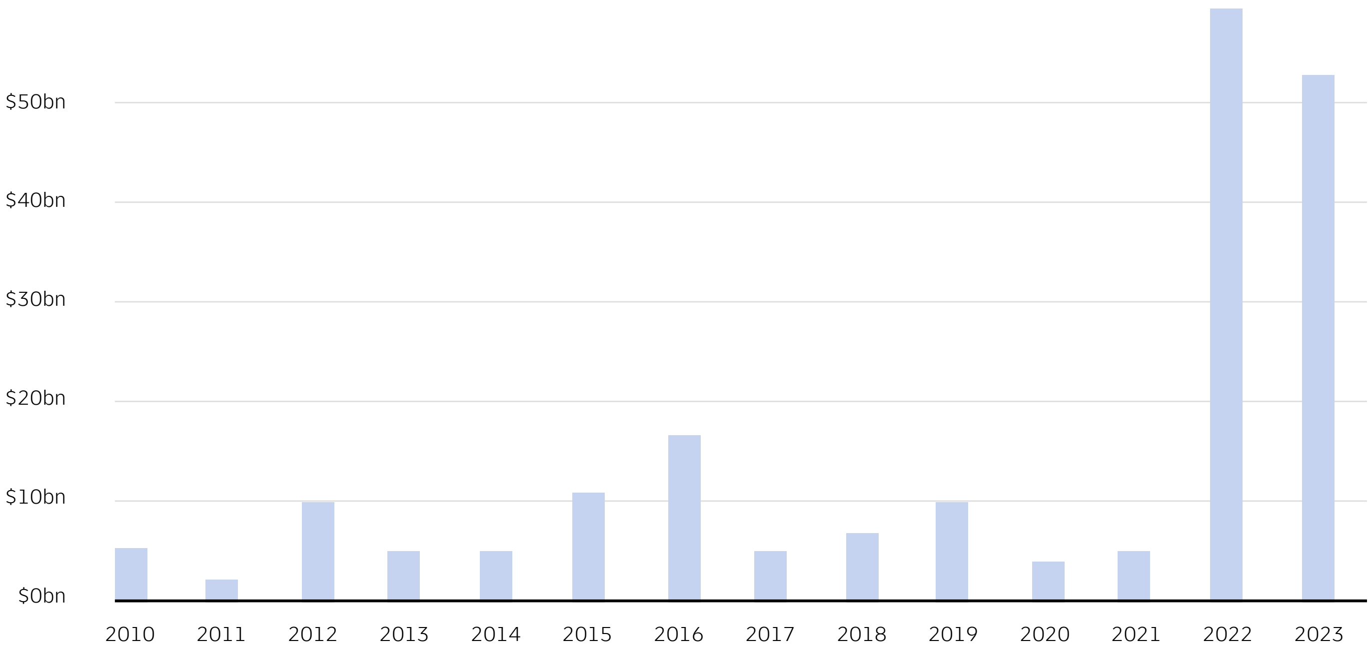
Specifically, it finds that "exports respond positively to the innovative shocks of FDI inflows" and that a "1% increase in FDI causes exports to grow by 2.74%." Makhoba attributes the "positive association ... to an improved level of investments which subsequently improves productivity levels, technological transfer and competition from multinational activities."

"Government authorities may need to strongly advocate an effective business-friendly environment that would improve the investment climate through promoting both local and foreign investments. FDI projects remain crucial for transferring capital and expertise from multinational companies to domestic enterprises. The positive spillover of FDI across various sectors has been through knowledge, technical and technological transfer from multinational companies to the host economy and subsequently increases in productivity and thus desired export performance for sustainable economic growth and development within various sectors of the South African economy."

Cross-country data supports this. Delving into the implications of FDI for exports in 93 developing countries between 2000 and 2017, Sahoo and Dash (2022) find that "FDI complements exports, and the complementary effect is contingent upon the development levels of the host country."[67] They conclude by advocating for "well-designed policies that prioritise channelling FDI to strategic sectors and push for improvements in the quality of human capital, financial markets, and infrastructure."

65. Mensah, J. T., & Traore, N. (2024). Infrastructure quality and FDI inflows: Evidence from the arrival of high-speed internet in Africa. The World Bank Economic Review, 38(1), 1-23.
66. Makhoba, B. P. (2024). Empirical Analysis of Foreign Direct Investment and Export Performance in South Africa. African Journal of Business & Economic Research, 19(1).
67. Sahoo, P., & Dash, R. K. (2022). Does FDI have differential impacts on exports? Evidence from developing countries. International Economics, 172, 227-237.

FIGURE 10
GREENFIELD GULF INVESTMENT PLEDGES IN AFRICA, 2010 - 2023 (USD)



Source: Financial Times (2024).

POLICY GUIDANCE: INVESTING, ONLY BETTER

The benefits of FDI are not guaranteed. In fact, there is strong evidence that certain conditions need to apply in order to achieve these benefits. And failing that, FDI can have detrimental impacts.

The evidence presented in this paper suggests foundational guidelines that will help empower policymakers to harness FDI to best effect. One category of policy interventions includes an array of governance improvements. Transparency, clamping down on corruption, and adoption of global accounting standards are all relatively simple yet effective steps.

Openness is another theme. An environment conducive to the healthy movement of people, goods, capital and ideas helps to attract investment and make the best of it.

Countries also need to consider FDI policies in the context of FPI. The latter's tendency to be cyclical and unpredictable should be managed without the unintended consequence of becoming insular.

In an age of technological transformation, it is no surprise that multiple sources find a role for digitisation as an enabler of inclusive growth via FDI in Africa.

Healthy, educated populations also attract and utilise FDI more effectively. This speaks to a positively reinforcing dynamic between productive people and FDI.

(See the appendix for a tabulation of these policy findings and recommendations.)

4. CONCLUSION

Like many important dynamics in development economics, the combined and respective roles of aid and investment are forever issues. From time to time, rearrangements of the world order will demand we return to settled and unsettled positions to test our understanding and actions against the latest evidence in a changed context.

Trade wars, demographics, and a shifting world order open the floor for such a re-evaluation. For African economies, plugging funding gaps ripped open in recent months and years is an urgent priority. Aid and investment landscapes have changed. Policies will need to adapt.

Both aid and investment in their various guises have roles to play. Foreign direct investment (FDI), however, stands aloft. Attracting and utilising FDI holds a key to unlocking development in Africa.

APPENDIX

POLICY RECOMMENDATIONS FOR PRODUCTIVE USE OF FDI IN AFRICAN MARKETS

RECOMMENDATION	SOURCE
1. PRIORITISE TRANSPARENCY Transparency should be an overt and prioritised policy tool for central banks "to help mitigate the harmful effects of large and volatile capital inflows."[67]	• Odo, A. C., Urama, N. E., & Odionye, J. C. (2024). Volatile capital flows and economic growth in sub-Saharan Africa: the role of transparency. Empirical Economics, 67(4), 1801-1827.
2. COMBAT CORRUPTION Not only does corruption reduce the attractiveness of a country for FDI, it also reduces the power of FDI to generate growth.[68]	• Yahyaoui, I. (2024). How corruption mitigates the effect of FDI on economic growth?. Journal of the Knowledge Economy, 15(1), 1344-1362. • Miao, M., Borojo, D. G., Yushi, J., & Desalegn, T. A. (2021). The impacts of Chinese FDI on domestic investment and economic growth for Africa. Cogent Business & Management, 8(1), 1886472.
3. MANAGE FPI Regulation should "on the one hand, encourage more inflow of FDI than FPI as currently experienced and on the other hand increase regulation on portfolio investors to prevent cyclical imbalance created when the massive exodus of their investment occurs."[69]	• Iyika, P. I., Omankhanlen, A. E., & Uwuigbe, U. (2021). International financial inflows and economic growth of selected emerging markets: Panel corrected standard error approach. International Journal of Environmental Science, 6.
4. TRADE OPENNESS This has shown to be conducive to improved growth impact of FDI in the BRICS context.	• Joo, B. A., Shawl, S., & Makina, D. (2022). The interaction between FDI, host country characteristics and economic growth? A new panel evidence from BRICS. Journal of Economics and Development, 24(3), 247-261. • Chih, Y. Y., Kishan, R. P., & Ojede, A. (2022). Be good to thy neighbours: A spatial analysis of foreign direct investment and economic growth in sub-Saharan Africa. The World Economy, 45(3), 657-701.
5. ADOPT GLOBAL ACCOUNTING STANDARDS Use of IFRS is associated with improved FDI flows.	• Omotoso, M. O., Schutte, D. P., & Oberholzer, M. (2022). The effect of the adoption of International Financial Reporting Standards on foreign portfolio investment in Africa. South African Journal of Accounting Research, 36(1), 57-79. • Agyei, S. K., Obuobi, N. K., Isshaq, M. Z., Abeka, M. J., Gatsi, J. G., Boateng, E., & Amoah, E. K. (2022). Country-Level corporate governance and Foreign Portfolio Investments in Sub-Saharan Africa: The moderating role of institutional quality. Cogent Economics & Finance, 10(1), 2106636.

67. Odo, A. C., Urama, N. E., & Odionye, J. C. (2024). Volatile capital flows and economic growth in sub-Saharan Africa: the role of transparency. Empirical Economics, 67(4), 1801-1827.
68. Yahyaoui, I. (2024). How corruption mitigates the effect of FDI on economic growth?. Journal of the Knowledge Economy, 15(1), 1344-1362.
69. Iyika, P. I., Omankhanlen, A. E., & Uwuigbe, U. (2021). International financial inflows and economic growth of selected emerging markets: Panel corrected standard error approach. International Journal of Environmental Science, 6.

RECOMMENDATION	SOURCE
6. DIGITISE ICT and FDI are a good team. They combine for inclusive growth.	• Ofori, I. K., & Asongu, S. A. (2021). ICT diffusion, foreign direct investment and inclusive growth in Sub-Saharan Africa. Telematics and Informatics, 65, 101718. • Bello, A. A., Renai, J., Hassan, A., Akadiri, S. S., & Itari, A. R. (2023). Synergy effects of ICT diffusion and foreign direct investment on inclusive growth in Sub-Saharan Africa. Environmental Science and Pollution Research, 30(4), 9428-9444.
7. DEFEND ECONOMIC FREEDOM High economic freedom helps to convert FDI into growth.	• Aluko, O. A., Ibrahim, M., & Vo, X. V. (2023). On the foreign direct investment–economic growth relationship in Africa: does economic freedom mediate this relationship?. International Journal of Emerging Markets, 18(9), 3245-3263. • Kwablah, E., & Amoah, A. (2022). Foreign direct investment and economic growth in Sub-Saharan Africa: the complementary role of economic freedom and financial market fragility. Transnational Corporations Review, 14(2), 127-139.
8. GREENFIELD INVESTMENT BEATS MERGERS AND ACQUISITION New investment in productive capacity has a greater positive effect on employment than M&A.	• Mkombe, D., Tufa, A. H., Alene, A. D., Manda, J., Feleke, S., Abdoulaye, T., & Manyong, V. (2021). The effects of foreign direct investment on youth unemployment in the Southern African Development Community. Development Southern Africa, 38(6), 863-878.
9. DEFEND DEMOCRACY Stronger democracies are better able to utilise FDI to reduce inequality.	• Gossel, S. (2024). FDI and inequality in Sub-Saharan Africa: does democracy matter?. International Journal of Emerging Markets, 19(1), 33-55.
10. GET HEALTHY Populations with higher life expectancies attract more FDI.	• Immurana, M., Iddrisu, A. A., Mohammed, A., Boachie, M. K., Owusu, S., KK, T. J. M., & Halidu, B. O. (2023). The effect of population health on the inflows of foreign direct investment in Africa. Research in Globalization, 6, 100114.
11. IF YOU BUILD IT, THEY WILL COME Greater quality and quantity of physical infrastructure – including transport, communication and social infrastructure, such as education and health – make a nation more attractive to FDI investors.	• Labidi, M. A., Ochi, A., & Saidi, Y. (2024). Relationship analysis between FDI and economic growth in African countries: does governance quality matter?. Journal of the Knowledge Economy, 1-30. • Sahoo, P., & Dash, R. K. (2022). Does FDI have differential impacts on exports? Evidence from developing countries. International Economics, 172, 227-237.
12. SKILL UP FDI is attracted to places where people have the right skills. This applies especially to technological know-how.	• Agrawal, G., & Khan, M. A. (2011). Impact of FDI on GDP: A comparative study of China and India. International Journal of Business and Management, 6(10), 71.

Source: Authors' summary based on cited works.

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16. Hoekman, B., Sanfilippo, M., & Tambussi, M. (2023). Foreign direct investment and structural transformation in Africa. Robert Schuman Centre for Advanced Studies Research Paper (No. 02).

17. Hsiao, C., & Shen, Y. (2003). Foreign direct investment and economic growth: The importance of institutions and urbanization. Economic Development and Cultural Change, 51(4), 883–896.
18. Immurana, M., Iddrisu, A. A., Owusu, S., & Yusif, H. M. (2023). Foreign direct investment and child health outcomes in Africa. Cogent Economics & Finance, 11(1), 2164565.
19. Iyika, P. I., Omankhanlen, A. E., & Uwuigbe, U. (2021). International financial inflows and economic growth of selected emerging markets: Panel corrected standard error approach. International Journal of Environmental Science, 6.
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