



**UNIVERSITY
OF TURKU**

Turku School of
Economics

Foreign Direct Investment in sub-Saharan Africa

sustainability perspective

International Business

Bachelor's thesis

Turku school of Economics

Author:

Leea Hering

Supervisor:

D.Sc. Jonathan Van Mumford

20.12.2024

Turku

The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin Originality Check service.

Bachelor's thesis

Subject: International Business

Author: Leea Hering

Title: Foreign Direct Investment in sub-Saharan Africa: sustainability perspective

Supervisor: D.Sc. Jonathan Van Mumford

Number of pages: 43 pages + appendices 1 page

Date: 20.12.2024

The significance of the Global South is growing in the global economy. Sub-Saharan Africa (SSA), that consists mostly of developing countries, is going through a huge change process as it is more strongly becoming an important part of the global economic system. This is happening mostly through foreign direct investment (FDI). There are various motives that makes multinational enterprises (MNEs) invest in SSA. This thesis discusses the location specific advantages of the OLI-framework to describe the drivers of FDI. Findings indicate that among others, strong institutions are attracting FDI, and they are also a necessity for sustainable FDI.

FDI can be seen both as a sustainability promoting or a sustainability hindering phenomenon. This thesis compares modernization theory and dependency theory, that describe the dual pathways of development in the developing country. Modernization theory suggests that the host country develops through positive spillover effects, whereas dependency theory suggests that there is still an eminent exploitative relation between developed and developing countries. Since SSA has historically suffered from exploitation, unsustainable structures are common especially in resource rich countries. In countries with a one-sided economy structure, natural resource dependency and tendency for rent-seeking, a shift towards sustainable development is challenging. However, if host countries succeed strengthen institutions, attract MNEs that follow the triple bottom line (TBL), and commit to the sustainable development goals (SDGs), sustainability is much easier to achieve.

Key words: foreign direct investment, sub-Saharan Africa, triple bottom line, sustainable development goals, modernization theory, dependency theory

Kandidutkielma

Oppiaine: Kansainvälinen liiketoiminta

Tekijä: Leea Hering

Otsikko: Foreign Direct Investment in sub-Saharan Africa: sustainability perspective

Ohjaaja: KTT Jonathan Van Mumford

Sivumäärä: 43 sivua + liitteet 1 sivu

Päivämäärä: 20.12.2024

Globaalin etelän merkitys maailmantaloudessa kasvaa. Suurimmaksi osaksi kehittyvistä maista koostuva Saharan eteläpuolinen Afrikka käy läpi valtavaa muutosprosessia, kun siitä tulee yhä tärkeämpi osa maailmanlaajuista talousjärjestelmää. Tämä tapahtuu pääasiassa ulkomaisten suorien sijoitusten kautta. Moni asia motivoi monikansallisia yrityksiä investoimaan Saharan eteläpuoliseen Afrikkaan. Tämä tutkielma käsittelee OLI-viitekehyksen sijaintikohtaisia etuja kuvatakseen ulkomaisten suorien sijoitusten ajureita. Löydökset indikoivat, että muun muassa vahvat instituutiot houkuttelevat ulkomaisia suoria sijoituksia, ja nämä ovat myös edellytys kestäville investoinneille.

Ulkomaiset suorat sijoitukset voidaan nähdä kestävästä kehityksestä edistävänä tai haittaavana ilmiönä. Tämä tutkielma vertailee modernisaatioteoriaa ja riippuvuusteoriaa, jotka kuvaavat kehittyvien maiden kehitystä kahdesta näkökulmasta. Modernisaatioteorian mukaan kehittyvä maa kehittyy positiivisten sivuvaikutusten kautta, kun taas riippuvuusteorian mukaan kehittyneiden ja kehittyvien maiden välillä vallitsee riistävä suhde. Koska Saharan eteläpuolinen Afrikka on historiallisesti kärsinyt riistosta, kestävämmät rakenteet ovat yleisiä erityisesti luonnonvaroiltaan rikkaissa maissa. Maissa, jossa on yksipuolinen talousrakente, luonnonvarariippuvuutta ja taipumusta päättäjien välistävetoon, muutos kohti kestävästä kehityksestä on haastava. Toisaalta, jos valtio pystyy vahvistamaan instituutioitaan, houkuttelemaan kolmoistilinpäätöstä noudattavia monikansallisia yrityksiä ja sitoutumaan kestävästä kehityksen tavoitteisiin, on kestävästä kehityksestä huomattavasti helpompaa saavuttaa.

Avainsanat: ulkomaiset suorat sijoitukset, Saharan eteläpuolinen Afrikka, kolmoistilinpäätös, kestävästä kehityksen tavoitteet, modernisaatioteoria, riippuvuusteoria

TABLE OF CONTENTS

1	Introduction	7
1.1	Background	7
1.2	Aim of the thesis	8
1.3	Structure of the thesis	10
2	Foreign direct investment in sub-Saharan Africa	11
2.1	Emphasis on location specific advantages	11
2.2	Modernization theory & dependency theory	14
2.2.1	Modernization theory	14
2.2.2	Dependency theory	15
2.3	FDI initiatives in SSA	16
2.3.1	Belt and Road Initiative	16
2.3.2	Global Gateway	17
2.4	Synthesizing FDI drivers and perspectives in SSA	19
3	Sustainability and FDI in SSA	20
3.1	The Triple Bottom Line	21
3.1.1	Environmental pillar	21
3.1.2	Social pillar	25
3.1.3	Economic pillar	27
3.2	Sustainable Development Goals and FDI	30
3.3	Introducing the institutional-quality-based sustainable FDI framework	33
4	Conclusion	35
	References	38
	Appendix	44

LIST OF FIGURES

Figure 1: Dependency theory	15
Figure 2: Environmental Kuznets Curve	22
Figure 3: Institutional-quality-based sustainable FDI framework	33

LIST OF TABLES

Table 1: FDI initiatives in SSA	16
Table 2: Positive externalities to be promoted by MNEs	31
Table 3: Negative externalities to be diminished by MNEs	32

1 Introduction

1.1 Background

Sub-Saharan Africa (SSA) is a massive, geographically and culturally diverse area, which consists of 50 countries, most of them being poor developing countries. It has a rapidly growing population with total inhabitants of over 1,24 billion (UNCTAD Statistics 2024). The significance of the Global South is growing, just like the African continents impact on the world. However, sub-Saharan Africa's share of global foreign direct investment (FDI) flow is still small. In 2023 total FDI inflow in SSA was 40 billion dollars, while the whole world accounted for 1332 billion dollars of FDI inflows (UNCTAD World investment report 2024). Thus, there is a massive gap between reality and the amount of FDI a region this large in population could achieve. Reasons for the contrast are manifold. Countries in SSA have suffered from not being able to attract a sufficient amount of FDI, since other parts of the world have been more appealing for multinational enterprises (MNE). MNE's motives to invest in SSA have not always been beneficial to the economic growth of the region, since some investors have a neo-colonialist approach towards SSA. FDI has thus brought also downsides to the development of sub-Saharan Africa even though FDI inflows are generally seen as wealth bringing. Therefore, emphasis should be put into sustainable development.

In the 21st century, MNEs can no longer ignore sustainability issues. Especially in SSA, where climate change causes extreme conditions, poverty persists and economic development is not stable and linear, sustainability issues must be tackled. Solving these issues does not only need the attention of policymakers. MNEs to play their part, since their contribution to the economy is large. Throughout the last decades a three pillar mode has been a predominant framework in sustainability literature in the economics field (Purvis et al. 2019, 682). This so-called triple bottom line (TBL) introduces three pillars of sustainability that a firm needs to have as a basis in business operations to be able to reach sustainability. These pillars are environmental, social and economic sustainability, more accurately environmental quality, social justice and economic prosperity (Elkington 1997). The parts of the TBL contribute to each other, which is why one sustainability factor can be traced down to even all three of the pillars. If MNE's do sustainable choices by taking all pillars of the triple bottom line into account, it will provide economic growth, but also better working conditions and a healthier planet.

To help global partners to reach sustainability, the United Nations (UN) released in 2015 the Agenda 2030 with 17 Sustainable Development Goals (SDGs), that should be accomplished by 2030 (UN 2024). Many of these goals are strongly connected to sub-Saharan Africa. SSA has quite challenging premises to reach the goals, since throughout history the area has suffered from exploitation, which again has led to underdevelopment. Solutions to reach sustainability are not always simple and one sided. Zambia has been investing in building hydropower infrastructure, and thereby providing its citizens with renewable energy (BBC 2024). However, draughts have decreased the level of water in the Zambesi River, which again has led to energy shortages. The lack of energy has caused inhumane suffering, as load shedding has broken the cold chain, and people have had to live for days without electricity, heating, or water (BBC 2024). In a situation where there is constantly no energy available, companies cannot operate smoothly either.

1.2 Aim of the thesis

This thesis studies the impact of FDI in sub-Saharan Africa from a sustainability perspective. Through various theories, frameworks and findings of literature, I aim to form a comprehensive overlook on my main research question: *How does FDI influence sustainable development in sub-Saharan Africa?* The theme is significant, since SSA's role in the global economy will increase and people from currently developing countries are going to become middle class. While major infrastructure projects are launched to develop SSA countries, these projects should be carried out sustainably to promote the wellbeing of the people and planet in the long run. I will approach my main question through three sub questions.

My first sub question is *What is attracting MNEs to engage in FDI to SSA?* By understanding FDI's impact on sustainability, one must first engage with the basics of the context of FDI in SSA. In my thesis I will discuss motives that encourage, and on the other hand hinder MNEs interests to invest in SSA. I will approach this mainly through the eclectic paradigm's location specific advantages. The conditions in the host country play a major role in which type of FDI is being attracted to SSA. When talking about sustainability, the type of FDI determines whether FDI has an exploitative nature, whether it is helping to build a sustainable society, or whether it's effect on the host country is something in the middle.

The second sub question is *What are the pros and cons of FDI for host countries in SSA?* I discuss the impact of FDI on the host countries and keep my perspective in the impacts on the region, not on the MNE. I am aiming to give a comprehensive overview on both the benefits and downsides that FDI might cause in SSA. One way how I will approach this question is through modernization theory and dependency theory, which I will then connect to other theories and findings from other scholars. Especially in the sustainability context FDI can do a lot of harm in the host country. On the other hand, if MNEs stick to high quality sustainability standards, it can offer large scale benefits to the host country's development. I approach the sustainability related impacts through various theories, such as the pollution halo and pollution haven hypotheses, and the Environmental Kuznets Curve.

My third sub question is *What is shaping sustainability in SSA?* I will approach this sub question through the triple bottom line and through the sustainable development goals. MNEs that follow the TBL have a positive impact on sustainability of the host country. Thus, I aim to discover the state of sustainability in SSA in all the levels of the TBL. Since each pillar consist of several factors, I will have a look at different FDI-related sustainability phenomena that will help to understand the TBL framework. Sustainability standards are often relying on the effectiveness of governance and strength of institutions. This is why I am aiming to connect the triple bottom line to institutions. The pressure to sustainability does not only come from the inside of the country, but also from external players. Thus, I will discuss the SDGs and how they can be linked to FDI. Simultaneously this sub question can be connected to FDI drivers and their impact on sustainability.

The aim of my thesis is to contribute to the scientific discussion by building a clear picture of FDI in SSA. This thesis can benefit MNEs that are planning to enlarge their operations sustainably in SSA to understand the FDI context in the region. It will help to recognize the pros and cons of SSA as a region for sustainable investments. The thesis can help also policymakers to evaluate the impact of FDI and help them to reach sustainability goals through the help of MNEs. This thesis contributes to the scientific debate by combining theories in international business, international relations and sustainability, and giving a comprehensive literature overview on the scientific debate of the topic.

1.3 Structure of the thesis

In the following chapter I will discuss the location specific advantages that interest MNEs to choose SSA as a location of investment. Emphasis will be put on different strategies and other factors that contribute to the attractiveness of the host country. I will also introduce modernization theory and dependency theory, and the contrast between these theories. Through these theories I question whether FDI can truly be seen as a positive force in development. Building these theories above, I will also have a look at FDI projects that currently exist in SSA.

In chapter three I will dig deeper into sustainability. With the aid of the TBL framework I discuss critically FDI's impact on environmental, social, and economic sustainability. I will also use other sustainability theories within the TBL context. I will approach my research questions by evaluating FDI's impact on the development of wellbeing and wealth in SSA. In addition, I will discuss the United Nations SDGs and how they can be implemented in SSA into a MNE level. Finally, I will introduce a new, all the theories combining framework, through which I aim to answer my research question.

2 Foreign direct investment in sub-Saharan Africa

The basic theory of why multinational enterprises (MNE) engage in foreign direct investment (FDI), is called the eclectic paradigm by John Dunning (Dunning 1980; Dunning 2000). The paradigm includes the OLI-framework, which is short for ownership, location, and internalization advantages. As this thesis is dedicated to a specific geographical area, the focus will be here in location specific advantages, and to specify, to the motives and strategies that attracts firms from afar to invest directly in sub-Saharan Africa (SSA). However, it should be kept in mind that SSA is a large area covering the regions of East Africa, Southern Africa, West Africa and Central Africa. This is why there is alternation among different sub regions and countries. Therefore, it is not always accurate to investigate the whole area as a whole, but to also consider country specific differences.

2.1 Emphasis on location specific advantages

The motives for FDI in a specific location can be divided into four: resource seeking, market seeking, efficiency seeking and strategic asset seeking (Okafor et al. 2015, 876). In resource seeking the MNE is looking for something that it can only gain in investing in this specific country, such as rare natural resources like oil, gas, or minerals, combined with a functional infrastructure (Ezeoha & Cattaneo 2012, 601; Meyer 2015, 58). In market seeking the MNE is searching for fruitful markets, both new or already existing ones (Ezeoha & Cattaneo 2012, 601; Meyer 2015, 58). By efficiency seeking costs are being minimized through the combination of economies of scale and scope, and seeking for low-cost areas (Ezeoha & Cattaneo 2012, 601; Meyer 2015, 58). Finally, by strategic asset seeking the MNE is aiming to increase its own capabilities by acquiring firms that support the MNE's competences. Through the enhancement in technology and organizational structure the MNE is to be able to gain success also in third country markets (Meyer 2015, 58).

Traditionally in research on SSA only resource, market, and efficiency seeking have been emphasized, and strategic asset seeking has been left behind from research (Okafor et al. 2015, 876). However, it is still a significant factor and therefore it shouldn't be ignored while doing research on SSA. In fact, Okafor et al. (2015, 876) found in their research that against expectations resource seeking was the only strategy of these four that didn't

play a significant role. This is quite surprising, since SSA is known for its rich natural resources. However, the lack of infrastructure might affect this, since for example transportation can be difficult if the road and rail network is poor. Another reason for the findings could be, that resource seeking MNEs have already invested in those host countries that are rich in natural resources.

The main strategies for FDI in SSA are market, efficiency and strategic asset seeking (Okafor et al. 2015, 876). However, FDI appears differently in different geographical areas of SSA. In Central and West Africa FDI was mostly motivated by efficiency and market seeking, whereas in Southern and East Africa efficiency seeking was the only significant strategy (Okafor et al. 2015, 888). For SSA it is beneficial that the main motive for FDI is not resource seeking, since research has shown its problematic nature to the host country. Due to the rent seeking theory, which often can be applied to SSA, the host country leaders want to benefit personally from the country's natural resources (Asiamah et al. 2022, 1, 10, 12). Therefore, the leaders are prone to corruption, and eventually a political elite will arise (Asiamah et al. 2022, 2). Due to the centralization of power and money, institutions will get weaker, and wealth will not be spread equally in the society. The elite's, people's and MNE leader's opinions on the usage of natural resources can lead to disagreements, which again arises turbulence and instability in the society. This process will eventually make the country unappealing for future FDI. This is why policymakers in resource rich host countries should put effort on strengthening institutions and diversifying the fields of industry, so that negative externalities deriving from resource seeking would not materialize.

Institutions, finance, and natural resource endowment play a crucial role in FDI stock growth and FDI inflow in SSA (Ezeoha & Cattaneo 2012, 597). A division can be seen between resource-rich countries and non-resource-rich countries. Especially in non-resource-rich countries it is important to have good institutions, that follow rule of law, trade openness, efforts on good infrastructure (Ezeoha & Cattaneo 2012, 625). In countries with quality institutions, FDI is also more dynamic and diverse, since MNEs can rely on good governance. Simultaneously this will create a safer and more innovative environment for business. In addition, quality infrastructure, such as telecommunication systems network supports FDI inflow (Ezeoha & Cattaneo 2012, 625). Thus, SSA countries with a more diverse industry structure can be considered to benefit financially more from FDI.

Countries in SSA have different premises for building stable institutions and functioning infrastructure. Ezeoha & Cattaneo (2012, 606) emphasize that if a country has history of being a part of the English common law system, it has once been integrated a shareholder appreciating system, which can be seen as a promoter of better institutions. There can be seen a shift in time on the drivers of FDI. Before the 21st century resource endowment played the most important role in FDI in SSA, but in the beginning of the 21st century there was a shift from natural resource endowment towards institutional factors and economic growth (Ezeoha & Cattaneo 2012, 626). Especially mineral resource sector used to be dominant in SSA, but later the FDI inflows shifted towards service- and manufacturing industries (Ezeoha & Cattaneo 2012, 598–599). A shift in time can be seen also in an even longer run. After many SSA countries becoming independent in the 1960, openness towards international trade and especially towards FDI has been often reluctant (Dupasquier & Osakwe 2006, 241–242). Many independent SSA countries became protectionist and created restricting laws for MNEs in the fear of losing political power that had just been gained through independency (Dupasquier & Osakwe 2006, 242). There was also fear that foreign MNEs would overrule domestic firms and invest only in natural resources, which would augment exploitation and the degradation of the environment (Dupasquier & Osakwe 2006, 243). For example in Nigeria foreign oil firms had bad effects on the local environment (Dupasquier & Osakwe 2006, 243). Thus, a negative attitude towards FDI can be seen as one factor that hinders FDI in SSA.

To add some more FDI increasing factors and also to summarize the findings above, Okafor et al. (2015, 888) find that a larger market size, return on capital, human capital orientation, trade openness and liberalization, good infrastructure, and an innovative R&D environment positively contribute to FDI inflow in SSA. On the other hand, factors that discourage MNE's intentions to make investments in SSA, are political and microeconomic instability, low economic growth in GDP and market size, infrastructure that is lacking behind, poor governance, unwelcoming policies for FDI, rent from natural resources, corruption, inflation, and high cost of fuel (Dupasquier & Osakwe 2006, 250–253; Okafor et al. 2015, 888). While these downsides hinder FDI inflows in SSA, MNEs move their investments into other parts of the world. However, even though the inflow of FDI can be seen as beneficial, it can also be seen as a problematic matter in the host country. I will tackle this phenomenon throughout the thesis, next however through discussing the modernization and dependency theory.

2.2 Modernization theory & dependency theory

Beyond studying what attracts FDI in sub-Saharan Africa, one might as well ask if the host countries are asking for FDI in the first place. During the past twenty years scholars' views have changed as results have shown that FDI isn't always promoting wealth and socioeconomic wellbeing in host country. The approach towards the development in developing countries – and thereby in sub-Saharan Africa – can be viewed through two opposite theories: modernization theory and dependency theory. Modernization theory and dependency theory are theories used in social sciences and international relations, but they are vitally applicable in the international business context, especially in the terms of this research.

2.2.1 Modernization theory

Modernization theory was created in the 1950's to the 1970s (Goorha 2010, 2). Its core idea is that developing countries will develop through inclusion in the global economy (Ofori et al. 2023, 3). Development will happen through knowledge spillovers and technological spillovers, originating from FDI (Ofori et al. 2023, 3). In addition, FDI might boost the host country's endogenous growth. Eventually through time the country will develop also socioeconomically. The development starts with the specialization of low-skilled labour, but eventually this will lead into wealth, modernization of industries and political stability (Ofori et al. 2023, 3). However, even though spillover effects exist in host countries, the amount of them is dependent on local capabilities and competition (Blomström & Kokko 1998, 1).

Modernization theory has been criticized for its Eurocentric, capitalist and social Darwinist viewpoints and therefore as a non-comprehensive theory (Goorha 2010, 1). Already in early times scholars were debating that the life span of development that modernization theory suggests would take a long time to materialize (Ofori et al. 2023, 3). A distorted viewpoint has been dominant. Researchers have focused only on the end result of modernization theory, ignoring the complex process behind it (Goorha 2010, 3). In international business FDI has been long seen as the motor of the developing countries' growth. However, this view does not recognize the complex processes that FDI starts in a host country. Modernization theory doesn't comprehend the socioeconomic developing process of economic sustainability, political freedom and social emancipation, which is

why it is considered old fashioned (Goorha 2010, 1). Is FDI then bringing sustainable wealth and wellbeing in sub-Saharan Africa? Due to modernization theory the answer is yes, however the process isn't that simple, and more recent research has showed that that is not the case.

2.2.2 Dependency theory

Dependency theory divides the world into three types of countries: core, semi-periphery and periphery (Lisimba & Parashar 2021, 1105). Developing countries such as countries in SSA represent the periphery, whereas newly industrialized BRICS-countries such as China represent the semi-periphery. The core is represented by western countries such as countries in Europe or the United States. The periphery is dependent on the core's investments, financial support, and manufactured products, whereas the core is dependent on low cost primary production provided by the periphery (Lisimba & Parashar 2021, 1109). Dependencies arise also between the periphery and semi-periphery as well as the semi-periphery and core. Relations between the periphery, semi-periphery, and core are illustrated in *figure 1*. The combination of exporting primary commodities with low prices to the core and simultaneously importing high cost manufactured commodities from the core automatically impoverishes the periphery. Thus, these dependencies are not beneficial to the periphery.

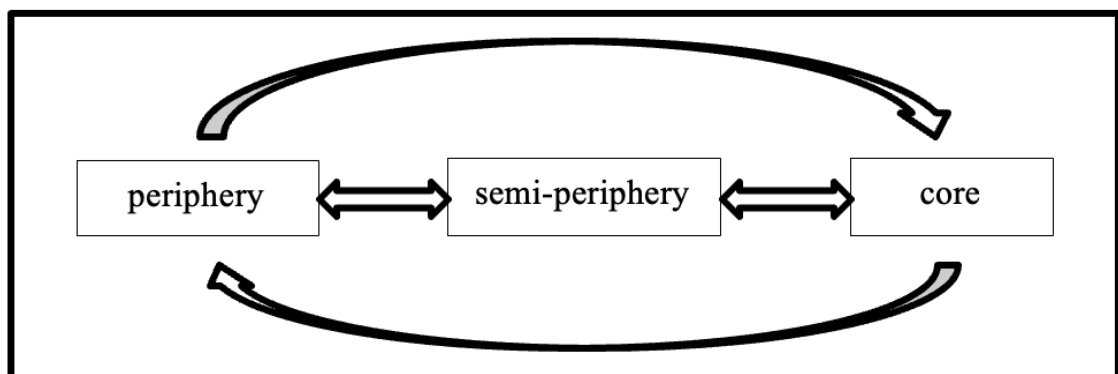


Figure 1: Dependency theory

Dependency theory challenges the presumptions of modernization theory in many ways. There is plenty of support for dependency theory. FDI is often capital-intensive in developing countries, which requires the usage of unskilled low-cost labour (Ofori et al. 2023, 3). Paying small wages is not promoting social development, and thus the development gap between the core and periphery is not diminishing. FDI can also

contribute to the widening of inequality gaps within host countries, although the empiric proof in this case is controversial (Ofori et al. 2023, 3).

Nowadays the semi-periphery, namely China, has started to take the role of the core. It has been investing in SSA in a way that reminds of neo-colonialist behaviour. Although sometimes masked as a gesture of good will, China's reason to invest directly in SSA is not philanthropic, but create new dependencies in trade and diplomacy and politics (Lisimba & Parashar 2021, 1106).

2.3 FDI initiatives in SSA

There are two major FDI related initiatives in SSA, the Belt and Road Initiative (BRI) by China and the Global Gateway by the European Union. Both initiatives include investment projects all around the world, but a great deal of investments is directed to SSA. The investments are usually implemented on a large scale, as they are often concentrated on crucial infrastructure. Both initiatives have certain values or priorities that reflect the home country. Differences can be compared from *table 1*, and they will be explained profoundly in the following subchapters.

Table 1: FDI initiatives in SSA

initiative	Belt and Road Initiative (BRI)	Global Gateway
country of origin	China	European Union (EU)
launch year	2013	2021
total investments worldwide	> 1 trillion USD	300 billion € by 2027
contribution in SSA	projects in nearly every country	150 billion €
values/priorities	policy coordination, facilities connectivity, unimpeded trade, financial integration, people-to-people bond	democratic values and high standards, good governance and transparency, equal partnerships, green and clean, security focused, catalysing the private sector

2.3.1 Belt and Road Initiative

The Belt and Road Initiative (BRI) is a 21st century initiative launched by China to do FDI in strategically important areas, such as SSA. It was inspired by the Han Dynasty, and its aim is to create trade corridors by connecting China to other parts of the world on

land and by sea (Belt and Road Portal 2024). The launched projects in BRI can concern for example railways, harbours or industrial zones (Ali Aden et al. 2022, 2), and many of them they aim to promote sustainability through investments in new technologies, renewable clean energy, and eco-friendly projects (Shinwari et al. 2022, 39539). The five major priorities in BRI are policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond (Belt and Road Portal 2024). On the tenth anniversary of the BRI, the initiative had invested already over one trillion USD in different projects all over the world (BRI Investment report 2023). In sub-Saharan Africa these investments are welcomed, because developing host countries have a need for improvement in their logistic infrastructure, which is needed for enhancing trade, and eventually to promote also social and environmental sustainability (Ali Aden et al. 2022, 11). In fact, almost all countries in SSA are BRI countries (BRI Green Finance & Development Center 2024). In the coming three years China has announced to invest in African countries by over 50 billion dollars in loans and FDI projects (YLE 2024).

The Road and Belt Initiative has been proved to have a positive influence on the FDI on southern Africa (Sabola 2024, 261). A significant location specific motive to attract BRI projects in southern Africa was market size (Sabola 2024, 258) and high GDP per capita, (Wang et al. 2024, 35). On the other hand, political instability was discouraging Chinese FDI in southern Africa (Sabola 2024, 261) and physical distance between the host country and China had a negative connection with the bilateral trade relations (Wang et al. 2024, 35). All in all, BRI has brought statistically significant impact to the bilateral trade relations between all SSA countries and China (Wang et al. 2024, 35).

2.3.2 Global Gateway

As a response for China's Belt and Road Initiative, the European Union (EU) launched the Global Gateway. In the years 2021–2027 the EU has planned to invest 300 billion € through this initiative (European Commission 2024). The six values that the Global Gateway promotes are: democratic values and high standards, good governance and transparency, equal partnerships, green and clean, security focused, and catalysing the private sector (European Commission 2024), whereas the main operating areas are the digital sector, health, education and research, climate and energy, and transport (European Commission 2024). The cause is to give tools for EU's partners to develop their society and economy, as well as for making it easy for MNEs originating from the EU to invest

in those countries. The initiative is aligned with the SDGs as well as the Paris climate agreement, which indicates of a sustainability orientated programme.

Most of the money in Global Gateway has been invested in sub-Saharan Africa, altogether by 150 billion €. It has been allocated to green transition, digital transition, job creation, health, education and finance (European Commission 2024). It has however been argued that the Global Gateway still follows a neo-colonial order. It is upholstered with coercing the normative power Europe's values like peace, liberty, the rule of law, democracy, human rights, anti-discrimination, and good governance (Babić 2023, 255), but in fact is mostly just a plan to act against the Chinese. What makes it hard for EU to compete with China is that the EU insists on high standards, good governance, and transparency (Babić 2023, 252). For Europe its norms are legitimized but since they are Eurocentric, some African countries have rejected these value packages as there has been an easier FDI inflow alternative available (Babić 2023, 257).

To conclude, a notable amount of FDI and other foreign capital is running to SSA from China and the EU. These two large economies tend to have superior power towards SSA and can thereby dictate the terms of trade for host countries that are desperately craving for foreign money in crucial infrastructure investments. China, however, tends to be ahead of the EU. The scale of China's project is manifold to the EU projects, which can be seen especially in the finances of both initiatives. The BRI has also gained much more awareness in public as the Global Gateway. China has been criticized for making host countries financially dependent on China both through loans and FDI projects (YLE 2024). Thus, there is a connection between these investments and dependency theory. It is still unknown how dependencies between SSA countries and China will develop over time, but it has for sure increased exponentially over the decades. China can be described as a global superpower, and therefore one might question, when is it time to call China the core and not semi-periphery? When comparing the BRI and the Global Gateway, China is outweighing the significance of the EU in SSA. Historically strong ties and dependencies are now shifting from the west towards the east. On the other hand, there might arise dependencies within SSA. South Africa for example is a BRICS-country alongside China, and Nigeria could be considered as semi-periphery due to its large population and economy.

To get back to my research questions, the BRI and Global Gateway might offer both beneficial and disadvantageous matters for SSA. Investments in infrastructure, especially if they include green energy or other environmentally friendly technology, are helping host countries to grow in a sustainable way. However, it is unknown how the Belt and Road Initiative and Global Gateway are able to truly promote sustainability in environmental, economic and social levels. On the other hand, as discussed previously in this chapter, FDI projects can also cause disadvantages that limit socioeconomic wellbeing. Dependencies are not helping host countries to reach sustainable growth on their own and can trap countries into staying as periphery. Thus, one can question the ethics of these FDI projects as being truly sustainability promoting.

2.4 Synthesizing FDI drivers and perspectives in SSA

Chapter two has helped to answer my first and second sub questions. It has discussed the drivers of FDI in SSA, as well as the advantageousness of FDI in the development process of SSA from two different perspectives. It has also offered concrete examples of how FDI is present in SSA through different initiatives. The analysis was made through three theories: the eclectic paradigm, modernization theory, and dependency theory. What seems to bridge all these theories is the role of institutions. The motive to invest directly to another country is often affected by the condition of existing institutions in the host country. If the institutions are strong, they are most likely to attract FDI with a positive impact on the host country. On the other hand, if the host country has strong institutions, it has the means to shape its own direction of development. Strong institutions often increase the country's absorptive capacity, which is needed for spillover effects that modernization theory is relying on. Dependency theory on the other hand suggests, that host countries will remain dependent if other countries will keep on ruling over them. This can be prevented with strong institutions. To answer my main research question, I can conclude that FDI's influence to sustainable development is somewhat context dependent. FDI can either be driven by modernizing powers, such as advancements in knowledge and technology infrastructure, or by dependency creating powers that increase exploitation and thus unsustainable spillovers in environmental, social, and economic viewpoints. Bearing this in mind, we will combine the findings of this chapter into the sustainability framework, which will be discussed thoroughly in the next chapter.

3 Sustainability and FDI in SSA

Sustainable solutions are in high demand in attempts to save the planet, end human suffering, and promote economic wellbeing. These three aspects – planet, people, and profit – are strongly contributing to each other (Martins et al. 2023, 980). Sustainability cannot be reached by achieving only two of the factors above. The weakening of one factor usually weakens the other aspects. There are controversial findings on what kind of impact does FDI have in the sustainability framework in SSA. It is dependent on many factors, such as the motive of FDI and the environment of the host country. MNEs can also contribute positively by taking part in projects and other actions of sustainability. A guideline can be found from the UN's Sustainable Development Goals (SDG). Although the SDGs are designed for a country level, they can be adjusted to serve the needs of MNEs (Montiel et al. 2021, 999).

Energy plays an important role in achieving the SDGs. It is the seventh SDG, and it also influences many other SDGs. Affordable green energy that is provided to companies, public offices and private households cover the environmental, social and economic pillar of sustainability. The volume of this successful energy supply is tied to economic growth and reduction of poverty (Owusu-Manu et al. 2021, 320). However, the mode of producing and supplying energy is tied to the environmental cleanness and quality (Owusu-Manu et al. 2021, 320). The more renewable energy plants there are, the healthier is the environment of the host country. Renewable energy doesn't only promote social sustainability but mitigates climate change in sub-Saharan Africa (Owusu-Manu et al. 2021, 320). This is why in this chapter I put emphasis on energy and electricity in the framework of the Triple Bottom Line (TBL).

It is unclear whether FDI is bringing economic growth to SSA (Martins et al. 2023, 983). FDI inflows bring money to the host country, but it does not necessarily spread to the rest of the economy and society. FDI inflows might even have negative effects to economic growth (Martins et al. 2023, 983). I deepen this discussion in the economic pillar section and look for evidence whether FDI truly is a positive thing for countries in SSA or are the downsides outweighing the advantages.

In this chapter I will connect sustainability to FDI in SSA. I will first study the Triple Bottom Line (TBL) by discussing the environmental, social and economic sustainability.

I will have a look at many hypotheses concerning environmental sustainability and discuss renewable energy. Further I will evaluate the impact of institutions, human capital, democracy, poverty and inequality to FDI. After I will have a look at the UNs SDGs and integrate it to the FDI discussion. Finally, I present my own framework combining my findings and theories that I have used throughout my thesis.

3.1 The Triple Bottom Line

The Triple Bottom Line (TBL) by (Elkington 1997) gives a comprehensive overlook on sustainability. It suggests that the firm should base the society and the environment as equal bottom lines with profit making. This will reflect on the well-being of the community, and the effects radiate also globally. In the case of sub-Saharan Africa, a single MNE can have a major impact, both positive or negative, on the wellbeing of the society terms of human, environmental, and economic wellbeing.

3.1.1 Environmental pillar

One way to look at the environmental pillar is pollution. FDI can either increase or decrease pollution in the host country. The pollution haven hypothesis suggests that MNEs invest in host countries that are not strongly restricting the number of emissions coming from business operations, creating a correlation between FDI and emissions (Duan & Jiang 2021, 2). In other words, polluting MNEs search for countries with low environmental standards. Local authorities might even lower their standards to attract FDI in the wish for external capital inflows, enlarging a positive correlation between FDI and emissions. This forms a basis for MNEs in developed nations to relocate their business do developing countries that do not have sufficient environmental legislation and other regulations (Asongu et al. 2024, 162). There is a connection between pollution haven hypothesis and dependency theory. Although SSA countries are seeking for FDI and are dependent on the inflows from developed countries, the living standards in the host country are not increasing. At the same time, the core is dependent on the periphery's low environmental standards. Developed countries benefit at the expense of developing countries.

On the other hand, the effect of FDI can also be the opposite. The MNE can have a positive influence on decreasing emissions in the host country. This phenomenon is called the pollution halo hypothesis. The hypothesis suggests that an advanced MNE has

pollution-avoiding principles and practices, which will then spread to the surrounding environment in the host country. This green technology transfer eventually diminishes emissions in the host country (Duan & Jiang 2021, 2). Due to the pollution halo hypothesis successful FDI brings wealth which rises the living standards in the host country, and eventually leads into stricter legislation and higher environmental standards, boosting environmental sustainability (Martins et al. 2023, 982), (Asongu et al. 2024, 162). Shinwari et al. (2022, 39528) found that although the Chinese Road and Belt Initiative (BRI) have been criticised, during the years 2000–2019 Chinese FDI has had a pollution halo effect on host countries, since the investments have been based on new technologies, renewable and clean energy and other eco-friendly projects. Simultaneously the research states that FDI from other countries have had opposite effects in BRI countries. There can be seen similarities between the pollution halo hypothesis and modernization theory due to the basic thought of technological spillover effects. Another modernization theory related hypothesis in the environmental sustainability framework is the Environmental Kuznets Curve (EKC).

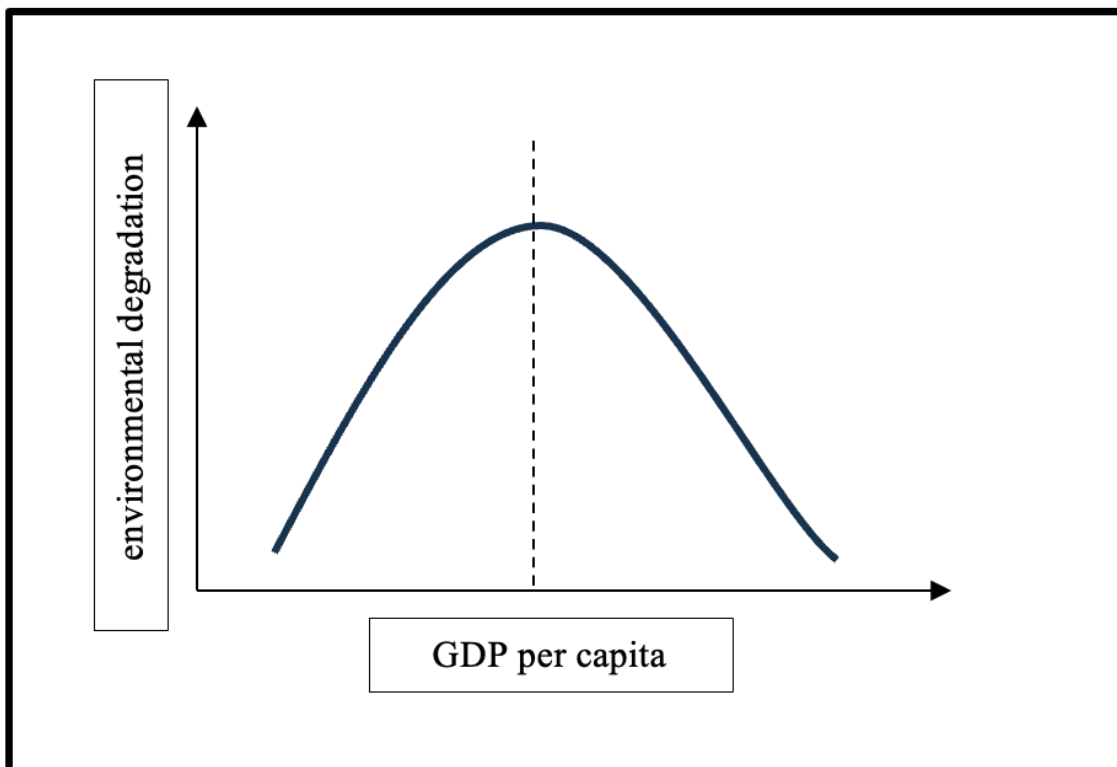


Figure 2: Environmental Kuznets Curve, adjusted from Agras and Chapman (1999)

The Environmental Kuznets Curve suggests, that when developing countries start to develop, they only concentrate on economic development and do not care about the

increase in environmental degradation caused by the economic growth (Asongu et al. 2024, 159). However when the country reaches a certain point in wealth, it starts to acknowledge environmental issues, namely starts reducing CO₂ (Asongu et al. 2024, 159). Thus, after the turning point environmental degradation will decrease although the economy is growing still further in these former developing countries (Agras & Chapman 1999, 275). This is illustrated in *figure 2*, where the curve grows due to an increase both in GDP and environmental degradation, until it reaches the turning point. After that the curve starts to shrink, as environmental degradation stops but GDP keeps on growing. This optimistic theory however is relying only on positive spillover effects, which is why the EKC has been criticized for multiple reasons. Kaika & Zervas (2013, 1404) point out that the hypothesis does not consider the fact that all countries are not going to follow a similar path of development, such as the western countries. In addition, rapid growth does not support overcoming income inequality, which arises doubts whether it is possible for rapid economic growth to reduce degradation (Kaika & Zervas 2013, 1407). Furthermore, the EKC only takes CO₂ emissions into account, which doesn't give a full picture on environmental sustainability. Additionally, Ashraf et al. (2021, 63–64) found that FDI in developed economies is decreasing emissions, but in developing economies it is increasing them.

Environmental sustainability can also be studied through scale impact and composition impact (Asongu et al. 2024, 162). The scale impact theory suggests that while the developing country's economy is growing due to external flows, the host country's emissions are growing simultaneously. On the other hand, compositions impact theory suggests that developed economies that have strong institutions are often specialized to produce environmentally friendly commodities. When MNEs from these countries with advanced environmentally friendly practices invest in developing countries, such as in SSA, these external flows would have a link to environmental aspects (Asongu et al. 2024, 162). Xie et al. (2020, 2) found while examining economic growth and CO₂ emissions, that FDI inflow needs to reach a certain turning point, where FDI would start to have a pollution reducing nature, supporting the EKC theory. They also found that FDI's direct effect to the host country is negative from the emissions perspective, supporting the pollution haven hypothesis. However, spillover effects were found to have opposite effects, supporting the pollution halo hypothesis. Asongu et al. (2024, 164–165) again

found that in literature there is controversial evidence whether FDI truly has a connection with CO₂ emissions.

The energy need in SSA is growing rapidly due to population growth, digitalization, and rise of living standards. Thus, energy infrastructure investments are needed. However, the cheapest option to build an energy production plant is often not the cleanest and greenest alternative. Therefore, foreign capital is welcome in investments on renewable energy infrastructure. There is a lot of potential in renewable energy in SSA, for example in hydro or solar power, but the region has been historically suffering of lack of investments in the energy infrastructure (Moner-Girona et al. 2021, 1). The reflects can be seen still today, but there are some suggestions to resolve the problem. Access to electricity could be increased through policymakers that support technologies that can provide low-cost energy and form policies that attract private investments, such as FDI (Pueyo 2018, 85). By supporting the building of renewable energy infrastructure, energy security as well as environmental sustainability is increasing. What is problematic, however, is that even though policies to increase renewable energy exist, there has been problems in implementing these policies (Pueyo 2018, 95). However, this is also dependent on the host country.

Scholars have suggested that energy intensity could be reduced by improving energy policy, developing technology and tightening regulations (Amoako & Insaadoo 2021, 1). Amoako & Insaadoo (2021) investigated, if energy problems could be solved through FDI in Ghana in the presumption of MNEs tending to invest in energy-saving technology. Technological spillovers could occur especially when MNEs from developed countries invest in SSA, since those MNEs are already sticking into high environmental standards in their home countries. Especially efficiency might increase, since MNEs have a more profit seeking essence as policy makers and thereby tend to be more efficient (Amoako & Insaadoo 2021, 1–2). However, Amoako & Insaadoo (2021, 2) state that this would need a sufficient absorptive capacity from the host economy to be able to benefit from the spillovers. What is, however, controversial is that FDI tends to increase the demand of energy, as other sectors expand too with the economic boost that considerable FDI inflow brings along. Disappointingly, Amoako & Insaadoo (2021, 6) found that FDI did not have much spillover effects on energy saving technology in Ghana. In fact, to increase the absorptive capacity, the educational system of Ghana should be improved (Amoako & Insaadoo 2021, 6). This shows that host countries should invest in building their human

capital and putting effort in social development of the society to be able to benefit from FDI.

3.1.2 Social pillar

The social pillar of sustainability radiates strongly everywhere in the society. Primary needs of social wellbeing need to be accomplished on an individual level before individuals are willing to tackle other issues, such as ending the climate crisis or environmental degradation. Phenomena like poverty, inequality, and the level democracy shape economic stability, and thereby also the investment decisions of MNEs. That is why the social pillar with its humanitarian aspect can be seen as the baseline of all other improvements in the sustainability field.

Gossel (2024) investigated the influence of FDI and democracy to inequality in sub-Saharan Africa. The findings indicated that FDI has no significant effect on reducing inequality in SSA. However, it was found that democracy promotes equality in the short run and in the long run. Host countries should thereby invest in strong institutions, since democracy improves equality no matter what the amount of FDI there is, or whether the country has a substantial number of natural resources (Gossel 2024, 47). After all, like discussed in chapter 2, strong institutions are attracting FDI. There is a possible explanation to the finding that FDI is not reducing inequality in SSA. In SSA countries that attract resource seeking FDI spillover effects have been negative (Gossel 2024, 34). Resource dependent countries in SSA are often ruled by the elite and thereby suffer from the lack of democracy. Sadly, less democratic countries can attract FDI due to exploiting opportunities. On the other hand, Gossel (2024, 34) discusses that the more democratic the country is, the more it attracts FDI. Democracy reduces corruption, improves institutions and creates a more stable policy environment, which are appealing factors for MNEs and building blocks of a socially sustainable society (Gossel 2024, 34).

The first goal in the SDGs is ending poverty (Iddrisu et al. 2023, 1). Poverty is a clear factor of social sustainability, but it radiates its effects also to other pillars. This is why it is important to ask whether FDI is truly decreasing poverty. Poverty is linked with inequality. If FDI inflows are high but the money is distributed unequally in the community, it doesn't help in resolving poverty since the money sticks with the rich and never reaches the poor. Iddrisu et al. (2023, 1) found that Chinese FDI in SSA can reduce poverty. However, it can realize only if the institutions and governance in the host country

are strong. Therefore, host countries should improve their institutions, as it would attract more FDI and simultaneously SSA could benefit a lot more from Chinese FDI. Again, the role of institutions has a crucial factor in the context of FDI.

Poverty can be examined through the supply of electricity. 675 million people in the world still live without electricity, and four fifths of them live in SSA (UN 2024). Electricity is an important measure of development, since it is connected with very basic needs. Electrification has been found to increase employment rate, especially for women (Dinkelman 2011). Governments especially in developing countries do not always have the resources to build electricity infrastructure, which is why MNEs could be encouraged to invest in improving infrastructure in electricity supply network (D'Amelio et al. 2016, 12). A better infrastructure would also benefit the MNEs business operations and simultaneously it would gain legitimacy among local stakeholders and reduce poverty (D'Amelio et al. 2016, 12). A better infrastructure would also encourage other MNEs to do FDI in the area, which would again boost the economy.

Another beneficial thing for the host country is human capital orientated FDI. Human capital orientation means, the firms invest in the career development and motivation building of the employees in terms of training, personal benefits and good salary to be able to gain advantage in effectiveness (Bryl 2018, 61). Martins et al. (2023, 983) found that human capital orientation is often the determinant of FDI inflows. Human capital orientated FDI inflows can for example help to build a more stable macroeconomic environment, liberalise policies, increase the availability of energy and growth of the domestic markets Martins *et al.* (2023, 983). Naturally, it also improves opportunities of individuals. On the other hand, countries that attract natural resource seeking and low-cost labour seeking FDI instead of human capital orientated FDI do not tend to reach high-value added chains (Martins et al. 2023, 983). Thus, countries in SSA should aim for seeking human capital orientated FDI, not for resource seeking of low-cost labour seeking FDI. In human capital oriented FDI positive spillovers are also more effective. Lehnert et al. (2013, 285, 295) found that FDI has brought positive spillover effects on the welfare and knowledge infrastructure of the host country, when measured by education, health, and standard of living. This can be seen especially in low-income countries (Lehnert et al. 2013, 295). However, some MNEs are reluctant to spread its technological innovations to others (Lehnert et al. 2013, 295). This phenomenon is naturally not advantageous for host countries in SSA. Socially sustainable MNEs

contribute positively to the host country's workers skills and do not only try to profit themselves. This will also create economic wealth and wellbeing.

3.1.3 Economic pillar

It is not clear whether FDI truly promotes economic wealth in developing countries. FDI does bring money flows, but there are controversial arguments whether this money starts to circulate also outside of the MNE creating socioeconomic growth for local people. However, FDI flows are usually seen as wealth improving, and unemployment decreasing, which is why many developing countries have changed their policies to more welcoming to FDI (Waldkirch 2011, 502–503).

There are several theories how economic development can be approached. The neoclassical growth theory suggests that through external monetary streams the stock capital grows in the host country, and eventually leads to economic prosperity (Asongu et al. 2024, 161). The endogenous growth theory highlights how the external economic flow boosts technological achievements, as well as human and physical capital leading into economic prosperity in the host country (Asongu et al. 2024, 161). On the other hand, from a dependency theory perspective one can see that the external flows, such as FDI, might be harmful for socio-economic development. This is because FDI might promote negative, economically unsustainable externalities, such as income inequality (Asongu et al. 2024, 161–162).

On the other hand, many scholars have highlighted the positive externalities arising from FDI. FDI has been argued to bring up employment opportunities directly and indirectly, bring capital to the state's treasury, integrate the country to the global economy, lift working skills and abilities, and bring technology spillovers and efficient business operations (Dupasquier & Osakwe 2006, 243–244). (Mottaleb & Kalirajan 2010, 370) argued that developing countries can achieve rapid growth in wealth through FDI by liberalizing their investments policies and by attracting FDI through offering aid to MNEs in starting business in the new host country. Other factors that contribute positively to FDI inflows in developing countries are GDP level, GDP growth speed and a business-friendly environment (Mottaleb & Kalirajan 2010, 403).

Despite of the spectrum of FDI attracting means, most of the world's FDI inflows are targeted to developed countries, not to developing countries (Mottaleb & Kalirajan 2010,

371). Thus, countries in SSA are often not so appealing for MNE's since they do not necessarily have sufficient means of attracting FDI in comparison to developed countries. What deepens the gap between SSA and for example the western world is that the other developing world is overriding SSA by far. In fact, Asia is attracting most of the FDI among developing countries (Mottaleb & Kalirajan 2010, 372). Developing countries that have lower-middle income level, such as Asian countries, attract more FDI than low-income countries, such as many SSA countries (Mottaleb & Kalirajan 2010, 373). In addition, FDI in Africa is mostly focused on the primary sector, whereas in Asia FDI flows go also into the secondary sector (Dupasquier & Osakwe 2006, 243). The primary sector is specialized in producing primary products such as food or mining products, whereas the secondary sector is specialized in industrially manufactured products. The secondary sector can be seen as more positive spillover promoting, and thus the dominance of primary production in SSA can be seen as a disturber for economic development.

Institutional quality plays an important role in the quality of economic growth. The more a sub-Saharan country has natural resources, the more it is dependent on them, and the weaker that country's institutional structure is (Asiamah et al. 2022, 1). Since natural resources usually guarantee money inflows, policymakers do not need to develop the country's institutions in order to attract FDI. This leads to one-sided national economies in resource rich countries, and unequal splitting of wealth among the society. In fact, resource rich sub-Saharan countries tend to follow the rent-seeking theory (Asiamah et al. 2022, 1, 12). Like discussed in chapter 2, the rent-seeking theory suggests that the resource rich country's leader's wants to benefit personally from the natural resources, which is why the political elite is prone to corruption (Asiamah et al. 2022, 1–2). The political elite is keen on doing two-sided agreements with MNEs, which only benefits the MNE and the leaders. In the end, massive amounts of money that could be used for common benefit is going to private persons (Asiamah et al. 2022, 2). Due to this viewpoint, economic sustainability in the society is extremely hard to achieve.

Sub-Saharan countries that are not rich in natural resources must invest in good institutions to be able to stay competitive and sustain economic wellbeing. The higher the institutional quality is, the better is the employment, education and FDI rate in SSA countries (Asiamah et al. 2022, 1). Good quality institutions consist of various factors, such as voice and accountability, governance effectiveness, political stability, rule of law,

regulatory quality, and control of corruption. FDI has been found to promote voice and accountability, governance effectiveness (Asiamah et al. 2022, 12; Yagoub Ali Gangi & Abdulrazak 2012, 168), and rule of law (Yagoub Ali Gangi & Abdulrazak 2012, 168), whereas trade openness has been found to promote political stability, rule of law, voice and accountability, regulatory quality, and control of corruption (Asiamah et al. 2022, 12). FDI can thus help in constructing a functioning system of institutions which will again help to attract FDI. Non resource rich as well as resource rich SSA countries should invest in these factors to achieve economic sustainability. In addition, SSA countries with rich natural resources should try to diversify their dependency on only the natural resource sector and invest in building better institutions to achieve economic growth and sustainable development.

Agbloyor et al. (2016, 479–480) found in their study concerning FDI, economic growth and institutions in SSA, that institutions can shape the successfulness of FDI in terms of economic growth in countries that do not have developed financial markets. However, when looking at natural resource abundant countries there was no connection. Similarly, FDI was found to promote economic growth in countries with scarce natural resources, but not in countries with developed financial markets. What can be concluded from this is that location within SSA plays an important role in the effect of economic growth. Agbloyor et al. (2016, 479–480) state that external money flows from private companies promote growth in the host country only if there is human capital development, trade openness, macroeconomic stability, infrastructural development, institutions, financial development, and good governance.

There is a timeline in the change of scientific literature. In the 2000s and 2010s many scholars have focused more on the bright sides of possibly emerging FDI advantages. Most recent literature however is not that optimistic but is paying more attention to the downsides of FDI and its relation to socioeconomic growth. Location and institutions of the country play a major role in how spillover effects possibly appear in the host economy. Furthermore, SSA has long been and is still examined from a Eurocentric perspective, and steps of development have been researched through a western perspective. The discussion is however changing as FDI's effect in SSA is seen as more meandering.

3.2 Sustainable Development Goals and FDI

In the mid 2010's The United Nations (UN) released 17 goals of sustainability to be achieved by 2030 (UN 2024). These goals cover all areas of sustainability, the environmental, social, and economic pillar, and are generally known as the Sustainable Development Goals (SDG). They concern the five P's: People, Planet, Prosperity, Peace and Partnership (Martins et al. 2023, 980). Many of the goals are particularly crucial in sub-Saharan Africa, where poverty is common and causes furthermore many other problems.

The African Union (AU) has given its own contribution to the sustainability discussion, as it set in 2013 its own sustainable development goals in the *Agenda 2063*. The Agenda includes 20 goals, many of which are linked to the UN's SDGs (AU 2024). These goals, however, are planned to be accomplished by 2063, meaning that the AU has 50 years to accomplish them. Examples of flagship projects are several infrastructure projects and the creation of The African Continental Free Trade Area. Although it is important to work towards the UN's SDGs, it is challenging for SSA to accomplish them in the limited time zone. Since SSA is still mostly developing, it doesn't have all the means that other regions in the world might have to work towards the goals. It is important that the African Union is aware of its own limitations, although ambitious goals are necessary. I will further discuss the UN's SDGs in the context of FDI.

The Sustainable Development Goals are initially designed as sustainability guidelines for sovereign states and countries, but not companies (Montiel et al. 2021, 1000). This causes a dilemma. MNEs shape the world economy and national markets in a significant way, often having even more power than policymakers. Thereby MNEs are in many ways the ones that are leading the shift towards sustainability – or on the other hand the opposite. That is why the SDGs, the valued and world-wide known goals should be modified from a country level to a company level, from where they can be also applied to the achieving of the Agenda 2063. Eventually, MNEs should take larger responsibility on their operations and not leave it only in the hands of the host country.

Due to Montiel et al. (2021, 1002), the 17 sustainability goals should be divided into six groups to be able to put them in the MNE context. Three groups would be grouped under the title of positive externalities, including the increase of knowledge, wealth and health. The other three would be grouped under negative externalities, including the overuse of

natural resources, damaging social cohesion and overconsumption. The most common group that has been contributed by MNEs is reducing the negative externalities, especially the overuse of natural resources (Montiel et al. 2021, 1002). However, the attempt to reduce negativities is not enough. Companies should take the responsibility for also generating environmental, social and economic wellbeing. Next, I will present how these positive externalities can be implemented.

Table 2: Positive externalities to be promoted by MNEs, adjusted from Montiel et al. (2021)

	POSITIVE EXTERNALITIES		
group	Increasing knowledge	Increasing wealth	Increasing health
SDGs	-Quality Education -Industry, Innovation, and Infrastructure	-No Poverty -Gender Equality -Decent work and economic growth	-Zero Hunger -Good health and well-being
examples of means	-Training programmes -Building educational infrastructure	-Equal opportunity programmes -Promoting entrepreneurship	-Building hospitals -Nutrition programmes

Positive externalities are outlined in *table 2*. Knowledge spillovers has been a recurrent theme in this thesis when talking about FDI's benefits to host country. However, MNEs should not expect spillovers to happen automatically, as modernization theory suggests, but put effort in increasing them. MNEs can contribute to the increasing of knowledge by following the goals of "Quality Education" and "Industry, Innovation and Infrastructure" by for example leading training programmes or building educational infrastructure (Montiel et al. 2021, 1004–1006). This is also related to the strategy of human capital orientated FDI. To increase wealth the MNE should look at the goals "No Poverty", "Gender Equality" and "Decent work and economic growth" by providing equal opportunities as well as entrepreneurship programmes (Montiel et al. 2021, 1006–1008). Finally, to increase health MNEs should focus on the goals "Zero Hunger" and "Good health and well-being" by helping to build hospitals and aiding in nutrition programmes (Montiel et al. 2021, 1008–1010). In all of these actions the MNE should keep in mind that there should not be just a subsidiary promoting viewpoint, but an aim to promote the whole community where the MNE is operating. Positive externalities are easier to implement if cooperation with the MNE and host country is seamless. In addition, the better the institutions are in the first place, the more seamless is it to achieve the SDGs.

Table 3: Negative externalities to be diminished by MNEs, adjusted from Montiel et al. (2021)

	NEGATIVE EXTERNALITIES		
group	Reducing overuse of natural resources	Reducing damage to social cohesion	Reducing over-consumption
SDGs	-Clean Water and Sanitation -Affordable and clean Energy -Climate Action -Life on Land	-Reducing inequality -Sustainable cities and communities -Peace, justice, and strong institutions -Partnerships for the goals	-Responsible consumption and production -Life below water
examples of means	-Promoting renewable energy transition -Stopping the usage of virgin natural resources -Building energy and water supply infrastructure	-Giving everyone access to get employed -Cooperating with NGOs	-Establishing recycling stations and waste management systems -Providing knowledge about recycling

Negative externalities are outlined in *table 3*. To reduce the overuse of natural resources the MNE should concentrate on the goals of “Clean Water and Sanitation”, “Affordable and clean Energy”, “Climate Action” and “Life on Land” by promoting renewable energy transition, stopping the usage of virgin natural resources, and building energy and water supply infrastructure (Montiel et al. 2021, 1011–1013). To reduce harm to social cohesion, MNEs should follow the goals “Reducing inequality”, “Sustainable cities and communities”, “Peace, justice and strong institutions” and “Partnerships for the goals” by giving everyone access to get employed and cooperating with NGOs (Montiel et al. 2021, 1013–1015). To reduce overconsumption there are two more SDGs left: “Responsible consumption and production” and “Life below water”. These can be achieved through establishing recycling stations and waste management systems as well as providing knowledge about recycling (Montiel et al. 2021, 1015–1017).

It is not enough that policymakers try to implement the SDGs into the society. Large corporations’ investment decisions define the direction of the planet and its people. In SSA the change towards sustainability-driven MNEs can be carried out through reinforcing strong institutions, which will eventually enhance positive spillover effects. MNE’s with high sustainability standards value investments in countries with strong institutions, which gives those SSA countries with well-functioning institutions the

possibility to act as the motors of implementing the SDGs. When institutions are strong, also spillover effects are more accurate and positive externalities spread around the society.

3.3 Introducing the institutional-quality-based sustainable FDI framework

Throughout my thesis I have discussed various theories, concerning FDI and sustainable development. In this sub chapter I aim to connect my findings and the theories I used. Since the quality of institutions has remained a theme throughout my thesis, I can conclude that it strongly affects the outcome of FDI's effects in SSA. Thereby it can be connected to the triple bottom line, dependency theory, modernization theory, as well as the eclectic paradigm. Thus, I am introducing the *institutional-quality-based sustainable FDI framework* which is illustrated in figure 3.

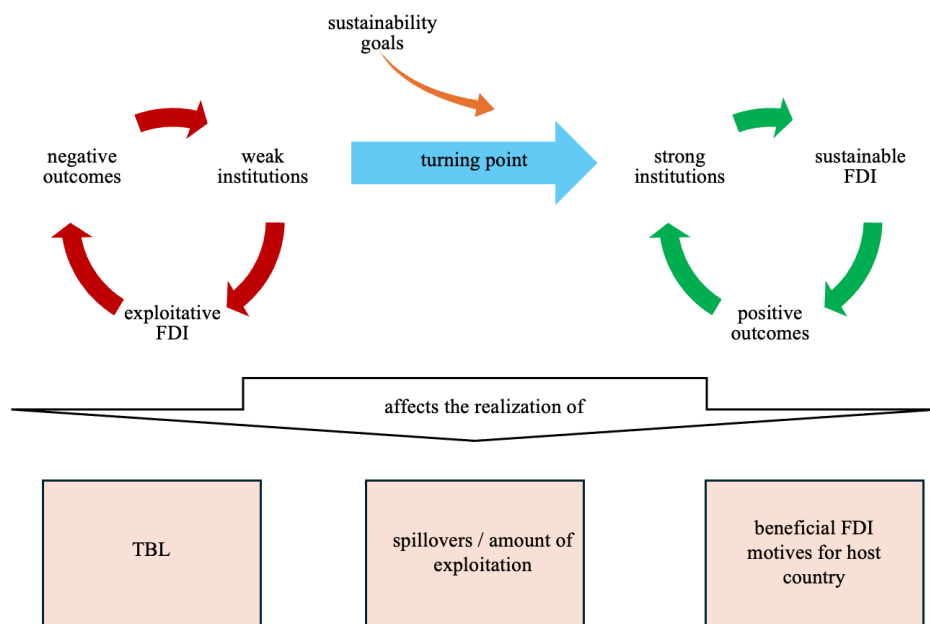


Figure 3: Institutional-quality-based sustainable FDI framework

There are two loops in my model, that describe the nature of FDI in the host country. In a host country that follows the negative loop, there are weak institutions, which leads to exploitative FDI and eventually to negative outcomes caused by FDI. This boosts weak institutions further. If, however, the host country succeeds to improve its institutions sufficiently, it will reach a turning point and end up in the positive circle. The turning point is possibly affected by external pressure, such as sustainability goals from institutions like the UN or the AU. However, to reach the turning point the host country

also needs to achieve endogenous change. In the positive loop the host country has strong institutions and the FDI in the host country is no longer exploitative, but sustainable. Sustainable FDI again leads to positive outcomes that further strengthen institutions.

The realization of the TBL, the pathway of development, and the drivers of FDI are dependent on which one of the loops the host country is following. First, MNEs are most likely to follow the TBL in the host country, if institutions are strong and FDI culture is sustainable. Second, if institutions are strong, the host country will be able to benefit from positive spillover effects, meaning that the country is following a modernization theory pathway. On the other hand, if institutions are weak, exploitation in the host country will increase, indicating a dependency theory pathway. Third, the stronger the institutions are, the more beneficial are the location specific motives for FDI in the host country. This will further attract more positive FDI. All together these three blocks determine the effects of FDI for sustainable development. Thus, SSA countries that are following the negative loop should aim to reach the turning point to be able to benefit from FDI in a sustainable way.

To answer my main research question through the institutional-quality-based sustainable FDI framework, the effect of FDI to sustainable development in SSA is varying much of the nature of the FDI flows. Depending on the strength of institutions MNEs can strictly follow the TBL and SDGs, which leads into a modernizing pathway and sustainability orientated FDI motives. Thus, FDI influences sustainable development positively if the host country has themselves sufficient endogenous capacity. The opposite will occur if the country is suffering from exploitation and instability. Simultaneously the model also touches all my sub questions. Especially my third sub question on the shaping of sustainability in SSA has been answered throughout through the whole chapter three. What however would need further research is the exact means how host countries could reach the turning point in the institutional-quality-based sustainable FDI framework. The framework has a broad viewpoint and does not intend to indicate straightforward suggestions. In other words, it is missing concrete steps to guide host countries to shift from the negative circle to the positive circle. However, the framework has connected comprehensively the factors that contribute to the appearance of FDI in the sustainability context.

4 Conclusion

This thesis has comprehensively examined foreign direct investment in the context of sub-Saharan Africa, with a strong emphasis on sustainability. The discussion has included various theories, frameworks and hypothesis from the literature, as well as findings from scientific articles.

The aim of this thesis was to find out *how FDI is influencing sustainable development in SSA*. The findings indicate, that FDI can both serve as a driver as well as an inhibitor of sustainability. Historically FDI has been more of a hindering obstacle of sustainability in SSA, especially when the nature of FDI has been exploitative. However, in recent times and hopefully also in the future FDI can be the main driver of sustainability in SSA. Sustainable FDI is needed for achieving large goals such as the AU's Agenda 2063 or the UN's Agenda 2030. Major investments in sustainable infrastructure are important ways in reaching those goals. Many projects in this field are guided by economic actors like China and the EU in SSA. Although both are investing in green innovations it is controversial if their FDI is truly promoting a change for the positive. In my view those large players are eventually playing to their own benefit, sometimes on the expense of the host countries. Large investments usually lead into new dependencies, which again is keeping SSA from building its own future itself.

To tackle the main research question one must also question, who is responsible for being responsible in the first place. Are governmental actors from other continents responsible for sustainable development in Africa? Especially the EU has emphasized its duty to drive sustainability in SSA. Is then SSA transforming endogenously towards sustainability, or is it only because of the external pressure? I believe that although investments from China and the EU might be beneficial in many ways to SSA host countries, they should be approached with caution. Host country policymakers should reflect whether a certain FDI project is just deepening the web of dependencies between the African host country and a strong external actor. To get back to responsibility, I do think that both policymakers and MNEs are responsible for contributing positively to sustainable development. However, external governmental actors should step back on getting too much involved in other countries development, since the number one priority for these external actors is almost without exception themselves.

The most frequent answer to my first sub-question on *what is attracting MNEs to invest in SSA*, was institutions. Institutions are important both in attracting FDI, as well as keeping already existing MNEs in the host country. The reason is simple – they bring stability. It can also be concluded, that without strong institutions there cannot really be sustainable FDI. To encourage sustainable FDI, host country policymakers should provide the high environmental standard and human capital orientated MNE with an environment with environmentally friendly policies and trustworthy networks. Strong institutions are important in preventing inequality and reducing poverty, but they also are encouraging sustainable FDI in SSA. In fact, MNEs and strong institutions are key factors in achieving sustainability in SSA.

My second sub-question on *the pros and cons of FDI in SSA* has gotten manifold answers throughout my research. In my view it was most fruitful to approach by pondering, whether FDI is bringing socioeconomic wealth in SSA. The second sub-question is connected quite tightly into my first sub question, since the motive to do FDI largely determines whether the FDI flow is benefitting the host country. Most positive effects of FDI come by maximizing the pros through for example legislation and policy implications, and by mitigating the cons through for example avoiding natural resource dependence.

The institutional-quality-based sustainable FDI framework is somewhat concluding the answer to my third sub-question on *what is shaping sustainability in SSA*. Institutions seem to determine largely the nature of FDI, which further directs the direction of sustainability in SSA. Different sustainability goals naturally deepen the approach towards sustainability issues. In addition, several factors from environmental, social, and economic viewpoints helped to understand the state of sustainable development in SSA host countries.

Based on the discussion above, suggestions and recommendations can be made for policymakers, MNEs and scholars doing future research. To secure a responsible and sustainable path for the host country, policy makers should encourage FDI under certain conditions. The MNEs should have a regenerative mindset and sustainable development-based practices. Policymakers should also promote strong institutions to secure FDI inflow's benefits the whole society. This could be carried out for example by new legislations, improvements in governance, and launching incentives for MNEs that are

willing to invest in renewable energy infrastructure. On the other hand, MNEs that are willing to invest in the growing and constantly influence gaining SSA, should put effort in high sustainability standards that are aligned with the SDG. If the policymakers in SSA start to demand these features from MNEs in the future, it is also beneficial to invest in them now. In addition, the MNE will gain trust in the eyes of consumers and stakeholders if they are contributing positively to the surrounding society.

This research has contributed to the scientific discussion of sustainable FDI in the developing country context by combining theories from various disciplines and introducing the institutional-quality-based sustainable FDI framework. However, there are limitations within the research. Especially within environmental sustainability the discussion was limited mostly to CO₂ emissions and ignored for example deforestation and biodiversity. Thus, this could be examined deeper in future research. Another suggestion for future research is to dig deeper into historical change of sustainable development in SSA within the FDI context. An interesting question would be for example that how FDI has impacted socioeconomic development in SSA throughout the decades.

SSA does have potential to become a role model in the sustainability field. However, it is possible only through the right investment decisions. It also insists that both policymakers and leaders of MNEs take responsibility in the process. In addition, international organizations such as the UN and the AU are needed in the planning of a sustainable future. In fact, partnership and collaboration are crucial for securing sustainability. The coming years will show us the direction of sustainability in SSA. Will FDI be the driver for wellbeing or will it deepen inequalities and boost environmental degradation?

References

- Agbloyor, E. K., Gyeke-Dako, A., Kuipo, R., & Abor, J. Y. (2016). Foreign Direct Investment and Economic Growth in SSA: The Role of Institutions. *Thunderbird International Business Review*, 58(5), 479–497. <https://doi.org/10.1002/tie.21791>
- Agras, J., & Chapman, D. (1999). A dynamic approach to the Environmental Kuznets Curve hypothesis. *Ecological Economics*, 28(2), 267–277. [https://doi.org/10.1016/S0921-8009\(98\)00040-8](https://doi.org/10.1016/S0921-8009(98)00040-8)
- Ali Aden, W., Zheng, J., Almoshageh, M., Ullah, I., Aziz, Q., & Jamal, A. (2022). Dynamic association between socio-economic, environmental and logistic operations: Evidence from SSA BRI host countries. *Frontiers in Environmental Science*, 10. <https://doi.org/10.3389/fenvs.2022.1024180>
- Amoako, S., & Insaiddoo, M. (2021). Symmetric impact of FDI on energy consumption: Evidence from Ghana. *Energy (Oxford)*, 223, 120005. <https://doi.org/10.1016/j.energy.2021.120005>
- Ashraf, A., Doytch, N., & Uctum, M. (2021). Foreign direct investment and the environment: Disentangling the impact of greenfield investment and merger and acquisition sales. *Sustainability Accounting, Management and Policy Journal (Print)*, 12(1), 51–73. <https://doi.org/10.1108/SAMPJ-04-2019-0184>
- Asiamah, O., Agyei, S. K., Bossman, A., Agyei, E. A., Asucam, J., & Arku-Asare, M. (2022). Natural resource dependence and institutional quality: Evidence from Sub-Saharan Africa. *Resources Policy*, 79, 102967. <https://doi.org/10.1016/j.resourpol.2022.102967>
- Asongu, S., Mensah, B., & Ngoungou, J. C. M. (2024). Thresholds of external flows in financial development for environmental sustainability in sub-Saharan Africa. *Management of Environmental Quality*, 35(1), 158–178. <https://doi.org/10.1108/MEQ-05-2023-0135>
- Babić, D. (2023). EU-Sub-Saharan Africa relations: The history of (un)equal partnership. *Međunarodni Problemi (Srpskohrvatsko Izd.)*, LXXV(2), 237–261.

- bbc.com. (2024). *Zambia electricity crisis: Drought hits hydro-powered Kariba Dam*.
<https://www.bbc.com/news/articles/cx2krr137x9o>
- Blomström, M., & Kokko, A. (1998). Multinational Corporations and Spillovers. *Journal of Economic Surveys*, 12(3), 247–277. <https://doi.org/10.1111/1467-6419.00056>
- Bryl, Ł. (2018). Human Capital Orientation and Financial Performance. A Comparative Analysis of US Corporations. *Journal of Entrepreneurship, Management and Innovation*, 14(3), 61–86. <https://doi.org/10.7341/20181433>
- D’Amelio, M., Garrone, P., & Piscitello, L. (2016). Can Multinational Enterprises Light up Developing Countries?: Evidences from the Access to Electricity in sub-Saharan Africa. *World Development*, 88, 12–32. <https://doi.org/10.1016/j.worlddev.2016.06.018>
- Dinkelman, T. (2011). The Effects of Rural Electrification on Employment: New Evidence from South Africa. *The American Economic Review*, 101(7), 3078–3108. JSTOR.
- Duan, Y., & Jiang, X. (2021). Pollution haven or pollution halo? A Re-evaluation on the role of multinational enterprises in global CO2 emissions. *Energy Economics*, 97, 105181.
- Dunning, J. H. (1980). Toward an Eclectic Theory of International Production: Some Empirical Tests. *Journal of International Business Studies*, 11(1), 9–31.
<https://doi.org/10.1057/palgrave.jibs.8490593>
- Dunning, J. H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9(2), 163–190.
[https://doi.org/10.1016/S0969-5931\(99\)00035-9](https://doi.org/10.1016/S0969-5931(99)00035-9)
- Dupasquier, C., & Osakwe, P. N. (2006). Foreign direct investment in Africa: Performance, challenges, and responsibilities. *Journal of Asian Economics*, 17(2), 241–260.
- Elkington, J. (1997). The triple bottom line. *Environmental Management: Readings and Cases*, 2, 49–66.
- EU-Africa: Global Gateway Investment Package - European Commission*. (2024).
https://international-partnerships.ec.europa.eu/policies/global-gateway/initiatives-region/initiatives-sub-saharan-africa/eu-africa-global-gateway-investment-package_en

- Ezeoha, A. E., & Cattaneo, N. (2012). FDI flows to sub-Saharan Africa: The impact of finance, institutions, and natural resource endowment. *Comparative Economic Studies*, *54*, 597–632.
- Global Gateway overview—European Commission*. (2024). https://international-partnerships.ec.europa.eu/policies/global-gateway/global-gateway-overview_en
- Goal 7 | Department of Economic and Social Affairs*. (2024). <https://sdgs.un.org/goals/goal7>
- Goorha, P. (2010). Modernization theory. In *Oxford research encyclopedia of international studies*.
- Gossel, S. (2024). FDI and inequality in Sub-Saharan Africa: Does democracy matter? *International Journal of Emerging Markets*, *19*(1), 33–55.
<https://doi.org/10.1108/IJOEM-03-2021-0321>
- Iddrisu, K., Abor, J. Y., Insaaidoo, M., & Banyen, K. T. (2023). Does China's Flow of FDI and Institutional Quality Matter for Poverty? Evidence from Sub-Sahara Africa. *Journal of Asian and African Studies (Leiden)*. <https://doi.org/10.1177/00219096231188948>
- Kaika, D., & Zervas, E. (2013). The environmental Kuznets curve (EKC) theory. Part B: Critical issues. *Energy Policy*, *62*, 1403–1411.
<https://doi.org/10.1016/j.enpol.2013.07.130>
- Kiina lupaa Afrikalle kymmeniä miljardeja uutta rahoitusta ja miljoona työpaikkaa*. (2024, September 5). Yle Uutiset. <https://yle.fi/a/74-20109585>
- Kiinalla on uusi taktiikka Afrikassa: Lainoja annetaan anteeksi 17 maalle ja velkoja kuitataan tietulleilla | Yle*. (2024). <https://yle.fi/a/3-12597013>
- Lehnert, K., Benmamoun, M., & Zhao, H. (2013). FDI Inflow and Human Development: Analysis of FDI's Impact on Host Countries' Social Welfare and Infrastructure. *Thunderbird International Business Review*, *55*(3), 285–298.
<https://doi.org/10.1002/tie.21544>
- Linking Agenda 2063 and the SDGs | African Union*. (2024). <https://au.int/agenda2063/sdgs>

- Lisimba, A. F., & Parashar, S. (2021). The ‘state’ of postcolonial development: China-Rwanda ‘dependency’ in perspective. *Third World Quarterly*, *42*(5), 1105–1123.
<https://doi.org/10.1080/01436597.2020.1815527>
- Martins, R. V., Santos, E., Eugénio, T., & Morais, A. (2023). Is foreign direct investment caring for sustainability? A look in African sub-Saharan countries. *Sustainability Accounting, Management and Policy Journal*, *14*(5), 978–1001.
- Meyer, K. (2015). What is “strategic asset seeking FDI”? *Multinational Business Review*, *23*(1), 57–66. <https://doi.org/10.1108/MBR-02-2015-0007>
- Moner-Girona, M., Bender, A., Becker, W., Bódis, K., Szabó, S., Kararach, A. G., & Anadon, L. D. (2021). A multidimensional high-resolution assessment approach to boost decentralised energy investments in Sub-Saharan Africa. *Renewable & Sustainable Energy Reviews*, *148*, 111282-.
- Montiel, I., Cuervo-Cazurra, A., Park, J., Antolín-López, R., & Husted, B. W. (2021). Implementing the United Nations’ sustainable development goals in international business. *Journal of International Business Studies*, *52*(5), 999.
- Mottaleb, K. A., & Kalirajan, K. (2010). Determinants of Foreign Direct Investment in Developing Countries: A Comparative Analysis. *Margin: The Journal of Applied Economic Research*, *4*(4), 369–404. <https://doi.org/10.1177/097380101000400401>
- Ofori, I. K., Dossou, M. A., Asongu, S. A., & Armah, M. K. (2023). Bridging Africa’s income inequality gap: How relevant is China’s outward FDI to Africa? *Economic Systems*, *47*(1), 101055.
- Okafor, G., Piesse, J., & Webster, A. (2015). The motives for inward FDI into Sub-Saharan African countries. *Journal of Policy Modeling*, *37*(5), 875–890.
<https://doi.org/10.1016/j.jpolmod.2015.07.003>
- Owusu-Manu, D.-G., Mankata, L. M., Debrah, C., Edwards, D. J., & Martek, I. (2021). Mechanisms and challenges in financing renewable energy projects in sub-Saharan Africa: A Ghanaian perspective. *Journal of Financial Management of Property and Construction*, *26*(3), 319–336. <https://doi.org/10.1108/JFMPC-03-2020-0014>

- Pueyo, A. (2018). What constrains renewable energy investment in Sub-Saharan Africa? A comparison of Kenya and Ghana. *World Development*, *109*, 85–100.
<https://doi.org/10.1016/j.worlddev.2018.04.008>
- Purvis, B., Mao, Y., & Robinson, D. (2019). Three pillars of sustainability: In search of conceptual origins. *Sustainability Science*, *14*, 681–695.
- Sabola, G. A. (2024). The link between Chinese belt and road initiative and foreign direct investment inflows in Southern Africa. *Borsa Istanbul Review*, *24*(2), 256–262.
- Shinwari, R., Wang, Y., Maghyereh, A., & Awartani, B. (2022). Does Chinese foreign direct investment harm CO2 emissions in the Belt and Road Economies. *Environmental Science and Pollution Research International*, *29*(26), 39528–39544.
<https://doi.org/10.1007/s11356-021-18357-7>
- THE 17 GOALS | Sustainable Development. (2024). <https://sdgs.un.org/goals>
- UNCTAD Statistics. (2024). *UNCTAD Statistics*.
<https://unctadstat.unctad.org/datacentre/dataviewer/US.PopTotal>
- UNCTAD World investment report, U. N. C. on T. and D. (2024). *UNCTAD World investment report*. https://unctad.org/system/files/official-document/wir2024_ch01_en.pdf
- Waldkirch, A. (2011). Comparative advantage FDI? A host country perspective. *Review of World Economics*, *147*, 485–505.
- WANG, C. N. (2024a). *Countries of the Belt and Road Initiative (BRI) – Green Finance & Development Center*. <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>
- WANG, C. N. (2024b, February 5). *China Belt and Road Initiative (BRI) Investment Report 2023 – Green Finance & Development Center*. <https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2023/>
- WANG, Z., LU, Y., ZHANG, S., & NEGASH, E. S. (2024). ANALYSIS OF THE BRI AND CHINA’S OFDI IN SUB-SAHARAN AFRICA. *Singapore Economic Review*, *69*(1), 35–59. <https://doi.org/10.1142/S0217590820500496>

What is the BRI? - BELT AND ROAD PORTAL. (2024).

<https://eng.yidaiyilu.gov.cn/p/0N4P7CF0.html>

Xie, Q., Wang, X., & Cong, X. (2020). How does foreign direct investment affect CO2 emissions in emerging countries? New findings from a nonlinear panel analysis. *Journal of Cleaner Production*, 249, 119422. <https://doi.org/10.1016/j.jclepro.2019.119422>

Yagoub Ali Gangi, & Abdulrazak, R. S. (2012). The impact of governance on FDI flows to African countries. *World Journal of Entrepreneurship, Management and Sustainable Development*, 8(2/3), 162–169. <https://doi.org/10.1108/20425961211247761>

Appendix

Artificial Intelligence (ChatGPT) was used in this thesis as a tool to generate ideas.