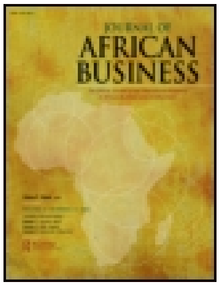

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Increasing Sub-Saharan Africa's Share of Foreign Direct Investment: Public Policy Challenges, Strategies, and Implications

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Increasing Sub-Saharan Africa's Share of Foreign Direct Investment: Public Policy Challenges, Strategies, and Implications

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In this article, the author describes anecdotal predictors of foreign direct investment (FDI) inflows, which include key indicators of development, governance variables, information infrastructure, and business environment. He also presents the public policy challenges of increasing FDI to Sub-Saharan Africa. Using Porter's 1990 framework of competitive advantage of nations as a backdrop, specific strategies to increase FDI inflows with their implications are offered. Among the suggested strategies and implications are using the "principle of clustering" where demand conditions are favorable, looking outside the traditional inflows of FDI to Africa, establishing carefully monitored export processing zones, expanding regional trading arrangements, working together to change the negative perceptions of the region, and reducing corruption. The article ends with a conclusion and discussion.

Key words: *Africa, foreign direct investment, public policy*

INTRODUCTION

The future for hundreds of millions of Africans depends on enhancing investment opportunities in Africa. Yet, African countries receive very little foreign direct investment (FDI) inflows. In any event, Africa barely captures 3% to 5% of the total global FDI, whereas developing countries of Asia receive 25% of the FDI dollars (*FDI Confidence Index,* 2005, p. 34). However, "returns to investment in Africa are among the highest in the world" (World Bank, 2010, p. 1). For Africa to integrate into the world economy, African countries must attract capital investment and/or generate internal savings for development. Noteworthy is the fact that Africa's private investment/gross domestic product (GDP) ratio is still at 15%, half of that of Asia (World Bank, 2010, p. 5).

Currently, Africa's share of world exports of manufactured products is less than 1% and its share of world exports of business services is between 2% and 3% (Golub, 2009). Thus, Africa has yet to be a significant contributor to global manufacturing and business services. Africa is also heavily dependent on remittances and aid; national budgets rely on donor-countries. For example, a quarter of the national budget of Ghana is donor-funded (West Africa: IRIN-WA Weekly Round-Up, 2009), and foreign largess accounts for more than half of Mozambique's national budget (Bearak, 2009).

To reduce Africa's poverty rate by half per the United Nations' Millennium Development Goal (MDG), Africa needs to increase its GDP by 12% or needs to fill an annual resource gap of $64 billion. Since income levels and domestic savings are low and most countries in the region do not have access to international capital

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markets, a bulk of the finance will have to come from FDI or donor aid (Asiedu, 2006).

In light of the aforementioned information, finding ways to increase FDI inflows into Africa should be of paramount interest to African governments. This article describes relevant anecdotal predictors of FDI inflows, such as good governa nce and information infrastructure, and presents the public policy challenges of increasing FDI to Sub-Saharan Africa countries. The focus is on 48 countries in Sub-Saharan Africa. Five North African countries (i.e., Algeria, Egypt, Libya, Morocco, and Tunisia), which are generally linked to the Middle East, are left out. Using Porter's (1990, 1996) framework of competitive advantage of nations as backdrop, strategies with their implications are offered to increase FDI inflows to Sub-Saharan Africa. This article ends with a conclusion and a discussion.

THE ENVIRONMENT AND CONTEXT

Using data from the *World Fact Book, Human Development Report, Internet World Stats,* and other sources, Africa's *key indicators of development* (i.e., population, population growth, life expectancy, literacy, UNDP's Human Development Index rankings), *governance variables* (i.e., political stability, government effectiveness, regulatory quality, rule of law, and control of corruption), *information infrastructure variables* (i.e., telephone lines in use, mobile phones in use, Internet users, and Internet penetration), and *aspects of the business environment* in Africa (i.e., starting a business, registering property, getting credit, protecting investors, and enforcing contracts) are described. These measures parallel those used in other studies (see, for example, Anyanwu, 2006; Asiedu, 2002; 2006; Bartels, Alladina, & Lederer, 2009; Bende-Nabende, 2002; Cleeves, 2008; Dupasquier & Osakwe, 2006; Ngowi, 2001; Willem te Velde, 2002) to reflect the antecedents of FDI inflows.

First, a brief summary of the key indicators of development for 48 Sub-Saharan countries is provided (World Factbook, 2010; UNDP, 2010). These indicators (i.e., population, population growth, life expectancy, literacy, Human Development Index [HDI]) have a bearing on a country's market attractiveness and the quality of labor available. Eighteen countries have populations of less than 5 million each. Population growth ranges from as low as 0.12% for Lesotho to 3.69% for Burundi. Life expectancy ranges from 38.6 years for Angola to 74.0 years for Mauritius.

The United Nations' HDI reflects achievements in the most basic human capabilities—leading a long life, being knowledgeable, and enjoying a decent standard of living. Countries are ranked from 1 (best performer) to 169 (worst performer). Mauritius, ranked at 72, is the best performer. Only Mauritius is in the high human development category. Zimbabwe is the worst performer (ranked 169). Nine of the 48 Sub-Saharan African countries fall in the medium range and 35 are in the low human development category.

Low levels of human development, in general, can create an unfavorable environment for FDI. Low HDI rankings also suggest that people in these countries are less likely to (a) lead a long life, (b) be educated, and (c) enjoy a decent living. Improvements in the level of human development can go a long way to enhance the investment climate of the region.

Second, using data from Kaufman, Kraay and Mastruzzi (2009), five governance variables are discussed. They include political stability, government, effectiveness, regulation quality, rule of law, and control of corruption. Political stability refers to the likelihood that the government will be destabilized by unconstitutional means. Government effectiveness covers the quality of public services, the capacity of the civil service, and its independence from political pressures. Regulatory quality addresses the ability of the government to provide sound policies and regulations that enable it to promote private sector development. Rule of law pertains to the extent to which public agents have confidence in and abide by the rules of society and, finally, control of corruptions addresses the extent to which public power is exercised for private gain (Kaufman, Kraay, & Mastruzzi, 2009; World Bank, News Release, July 29, 2009). The higher the score or percentile rank, the better is the governance in the specific country. Clearly, good governance strengthens investment climate (World Bank, 2005, p. 42).

Among the Sub-Saharan African group, Botswana, Cape Verde, Ghana, and Mauritius are the best performers with scores hovering above the 50s across all measures. Some of the worst overall performers are Burundi, Central African Republic, Chad, Comoros, Congo (Zaire), Ivory Coast, Guinea, Nigeria, Somalia, and Zimbabwe. For example, in the case of "control of corruption," 11 countries scored 50 or higher and 10 countries scored less than 10 on the same scale. It is apparent from these figures that Africa suffers from a deficiency of governance (Khalil & Dahou, 2009). Improvements in governance can go a long way to enhance the investment climate of the region (Asiedu, 2006).

Third, based on data provided in the World Factbook (2010) and Internet World Stats (2009) on information infrastructure of the Sub-Saharan Africa, the following synopsis is provided. The better the information infrastructure, the greater is the ease of conducting business transactions. A proxy for infrastructure development is the number of telephone main lines per 1000 people (Asiedu, 2004). For telephone lines in use per 1000 people, Mauritius, Seychelles, and Cape Verde lead with 284, 265, and 168, respectively. Twenty-two of the 48 countries have less than 10 telephone lines in use per 1000. However, the number of mobile phones in use per 1000 is much higher. Seychelles, South Africa, Gabon, Mauritius, and Botswana lead the region with 975, 917, 858, 804, and 746 mobile phones per 1000, respectively. Seven countries have less than 65 mobile phones per 1000.

For Internet users per 1000, Seychelles, Cape Verde, Nigeria, and Mauritius lead with 384, 295, 289, and 224, respectively. Thirteen of the 48 countries have less than 20 Internet users per 1000. In addition, Internet penetration is very low for many countries. Thirty-nine of the 48 countries have less than 10% penetration rate. The best performers are Seychelles, Cape Verde, Nigeria, and Mauritius with Internet penetration rates of 38.4%, 29.5%, 28.9% and 22.4%, respectively.

Fourth, a summary is presented for the rankings of various aspects of doing business in the region (World Bank, 2009). The aspects considered are starting a business, registering property, getting credit, protecting investors, and enforcing contracts. The range is 1 to 183, with 1 being the best and 183 being the worst. Rankings in the low digits means the countries in question have enabling environments for the smooth operation of business and vice versa. Many of the countries fall in the worst quartile (i.e., 138 to 183). However, four countries are doing very well compared to the rest of the world in specific aspects of environment of business. For example, for starting a business, Mauritius, Rwanda, and Madagascar are ranked 10, 11, and 12, respectively. For getting credit, South Africa and Kenya are ranked 2 and 4, respectively, and for protecting investors, South Africa and Mauritius are ranked 10 and 12, respectively. Mauritius is also ranked 12 for enforcing contracts. Taken together, the best performers (ranked ordered) in creating an enabling environment for business are Mauritius, South Africa, Botswana, Namibia, Rwanda, Zambia, Ghana, Kenya, Ethiopia, and Seychelles.

PUBLIC POLICY CHALLENGES

Clearly, the above discussion indicates that the region has numerous challenges that make it difficult for Sub-Saharan Africa to compete for a fair share of FDI inflow. First, there is a lack of a "strategic" motivation for investing in Sub-Saharan Africa. Most of FDI inflows to Africa come from the United Kingdom and France, reflecting colonial ties. Geopolitical factors influence, in a large part, U.S. investment in Latin America, Japanese involvement in Asia, and European FDI flows to Central and Eastern Europe and North Africa. This geopolitical focus has not changed in the United States despite major efforts by the African American community (Bhinda, Griffith-Jones, & Martin, 1999) to drum up investments for Africa. Nonetheless, the lack of "strategic" motivation is due not only to geopolitical and historical facts but also to the environment and context.

Second, negative perceptions of Africa are a major cause of underinvestment. The negative perceptions may be attributed, in part, to ignorance about countries in the region (Asiedu, 2002). Africa is perceived as overly risky. As a consequence, a country in Africa will receive less FDI by virtue of its geographic location (Asiedu, 2002). In addition, the *New African Initiative* (2001, p. 47) reports the first priority is to deal with investor's perception of the Sub-Saharan Africa as a "high-risk" region, especially with regard to insecurity of property rights, regulatory weakness, and markets. However, the negative perception of Africa is not due to ignorance alone but also due to the environment and context.

Third, maintaining political stability is another challenge (World Bank, 2005, p. 40). A factor that negatively impacts on FDI inflows is political risk in a country. See, for example, the low political stability scores (Table 2). Instability is endemic across Africa and serves to undermine efforts to attract potential FDI to the region (Cleeve, 2008; Dupasquier & Osakwe, 2006; Jenkins & Thomas, 2002). A stable environment is definitely an enabling environment for business. For example, stable government has encouraged investments in Tanzania and Uganda (Bhinda et al., 1999).

Fourth, inadequate physical infrastructure is a challenge and urgently needs to be addressed (Khahil & Dahou, 2009, p. 50). One of the greatest obstacles to conducting business in Africa is the inadequate infrastructure (Anyanwu, 2006; Brunetti, Kisunko, & Weder, 1997; Cleeve, 2008; Dupasquier & Osakwe, 2006). Poor infrastructure is often cited as a disincentive by potential investors. See, for example, the low information infrastructure figures (Table 3). The poor infrastructure is manifested by unreliable and expensive phone lines, power cuts, water shortages, and congested roads, rails, or ports. Day-to-day business is often a practical struggle with transport, logistics, energy, and technology (Issa, 2008). The cost of closing Africa's infrastructural gap is estimated at about an extra US$20 billion a year (Issa, 2008).

Fifth, poor financial infrastructure can also be a deterrent. Many Sub-Saharan African countries lack a strong and well-developed financial sector. Poorly functioning financial markets represent a major obstacle to the mobilization of savings for investment in Africa (Khalil and Dahou, 2009, p. 50). Research shows that inefficient financial system reduces foreign investment flow in Africa (Khalil & Dahou, 2009, p. 51). Among the potential problems or concerns are the high domestic interest rates due to inflation, inefficient local financial intermediation (Bhinda et al., 1999), and currency volatility. A strong and well-developed financial sector can help attract significant FDI;

Sixth, inadequate national markets are an important deterrent for investment. Evidence of this can be seen from the low GDP per capita, small domestic markets, and/or small population sizes. Eighteen of the 48 countries have population sizes of less than 5 million. Small population sizes or small national markets create a challenge (Mlambo, 2005). Countries like Ethiopia, Congo, and Nigeria, however, are exceptions; they have enough population to support a variety of industries. Unfortunately, all three are perceived to be politically unstable.

Seventh, regulatory opacity is a problem. See, for example, the low regulatory quality indices in Table 2. Complex and nontransparent regulatory frameworks hamper the attraction of FDI (Anyanwu, 2006; Cleeve, 2008; Dupasquier & Osakwe, 2006; Mmieh & Owusu-Frimpong, 2004). Reducing red tape, having transparent regulatory strategies, and establishing a well-administered tax collection system are major challenges in improving the investment climate (World Bank, 2005, p. 40). For example, a rise in the tax rate on multinational firms reduces inward FDI (Mmieh & Owusu-Frimpong, 2004). Consequently, work needs to be done by all stakeholders to develop an appropriate and transparent regulatory framework.

Eighth, corruption remains a powerful deterrent. See, for example, the low corruption control indices in Table 2. One of the greatest obstacles to conducting business in Africa is corruption (Anyanwu, 2006; Brunetti, Kisunko, & Weder, 1997). Corruption is endemic across Africa and heads the list of reasons cited by transnational companies to justify their refusal to invest in Africa (Khalil & Dahou, 2009, p. 47). For example, some of the problems hindering FDI inflow in Ghana include bribery and corruption, which are deeply rooted in the political and socioeconomic systems (Mmieh & Owusu-Frimpong, 2004).

To improve the investment climate of the region, the World Bank suggests (a) restraining corruption by government officials, firms, and other interest groups, (b) establishing credibility by maintaining economic and political stability; (c) fostering public trust and legitimacy through open and participatory policy making, transparency, and equity, and (d) ensuring that government policies realistically reflect current conditions and continue to adapt to changing economic and business conditions (World Bank, 2005, p. 40).

GAINING COMPETITIVE ADVANTAGE

In this section, the author uses Porter's (1990) framework of competitive advantage for nations to provide insights into Sub-Saharan Africa's ability or the lack thereof to compete in the global marketplace for FDI. Porter (1990) argues that four broad attributes of a nation shape the environment in which countries compete. These attributes make up a nation's "diamond" and promote or impede the creation of competitive advantage for a nation. A nation's diamond, as Porter (1990) terms it, consists of the following attributes:

- *Factor endowments* (i.e., a country's position in factors of production such as skilled labor and the infrastructure, necessary to compete in a given industry).
- *Demand conditions* (i.e., the nature of home-market demand for the industry's product or service).
- *Related and supporting industries* (i.e., the presence or absence in the nation of supplier industries and other related industries that are internationally competitive).
- *Firm strategy, structure and rivalry* (i.e., the conditions in the nation governing how companies are created, organized, as well as managed and the nature of domestic rivalry) (Hill, 1999; Porter, 1990).

First, Porter contends that a government can positively influence each of the four components of the national "diamond" in important ways. Governments, through (a) financing and constructing of infrastructure, (b) their actions, (c) their policies, and (d) their regulations, can influence the elements of the attributes and competitiveness of countries (Hill, 1999). Thus, public policy within specific countries can create an enabling environment for FDI inflow. Creating an enabling environment requires examining the four attributes of Porter's "diamond" from a country's and the region's perspective.

Second, Porter distinguishes between basic factors (e.g., natural resources, climate, location and demographics) and advanced factors (e.g., communications, infrastructures, sophisticated and skilled labor, research facilities, and technological know-how). He notes that the stock of factors is less important than the rate and efficiency with which a country creates, upgrades, and deploys the factors in particular industries. He adds that basic factors, such as a pool of labor or a local raw material source, do not constitute an advantage in knowledge-intensive industries. To support competitive advantage, a factor must be highly specialized to an industry's particular needs (Porter, 1990, p. 172); such a factor definitely requires sustained investment to create. Porter also argues that the advanced factors are more significant for gaining competitive advantage.

Hence, Sub-Saharan African governments can provide an enabling environment by investing (a) in people, education, and health and (b) in skilled and competent management. It behooves a country to ensure availability of a skilled, motivated, and knowledgeable workforce with a patriotic mindset (Richardson, 2007) in order to have an "advanced factor" advantage.

In Sub-Saharan Africa, only 3% of individuals of the age of 20 have a post-school educational qualification, and research by the World Bank suggests an 89% correlation between levels of tertiary education and important economic indicators such as GDP per capita or labor productivity per capita (Nevin, 2003). Also, research has shown a strong link between the levels of graduate expertise in science and technology and the capacity of the local private sector to develop and produce local solutions to local problems (Issa, 2008). In addition, research by Noorbaksh, Paloni, and Youssef (2001) indicates that human capital is a statistically significant determinant of FDI inflows. Thus, investments in education can make a big difference in the success or failure of the region's ability to compete in the global marketplace for FDI.

Third, the governments of Sub-Saharan Africa can, through their policies and actions, push companies to raise their aspirations and move to higher levels of competitive performance. An indirect, as opposed to a direct, role is called for to encourage quality output (Porter, 1996). Fourth, whereas the size of the market may potentially influence home demand, the size of home demand is less significant than the character of home demand. Sophisticated and demanding buyers within a local market can provide a window into advanced customer needs, pressure companies to meet high standards and force companies to respond to tough challenges and to be competitive (Porter, 1996). Fifth, competitive home-based suppliers create advantages in downstream industries. They tend to deliver the most cost-effective inputs in an efficient and rapid way (Porter, 1996). Finally, the presence of strong local rivals is a stimulus to the creation of competitive advantage. It also creates an opportunity for constant upgrading of the sources of competitive advantage (Porter, 1996).

FDI VISION, STRATEGIES, AND IMPLICATIONS

Africa needs the capital investment with the attendant transfer of technology and benefits that come with direct investment (Hume, 2004). These benefits include a reliable connection to the global market place, being part of the link in global production facilities, and access to first world management skills. FDI supplies capital, technology, and management resources and brings jobs (Hill, 1999). In addition, it is assumed to be an engine of growth, transferring technological know-how and workplace skills, and stimulating new export opportunities (UNCTAD, 2005, p. 2).

Notwithstanding the efforts by the region to attract FDI, FDI to the region remains low. Even when a country is perceived as an attractive location for FDI that does not mean there will be an immediate inflow of FDI. In rethinking the role of FDI in Sub-Saharan Africa, UNCTAD argues "for a more balanced and more strategic approach to FDI, one tailored to African economic conditions and development challenges" (UNCTAD, 2005). Asiedu (2002) warns that policies that have been successful in other regions should not be blindly replicated in Sub-Saharan Africa since such policies may have differential impact on Sub-Saharan Africa. Thus, it is in this context that we present the following discussion points.

First, a country can identify those preferred industries based on the principle of "clustering," where a country's factor advantages today provide some competitive advantage, but where other determinants of national advantage are actually or potentially present. With these areas as a core, a country can stimulate the development of related industries in which advantage is less factor-sensitive. A country can identify those industries or sectors where demand conditions are favorable and encourage investments by foreign multinational enterprises in areas that facilitate export production, especially where clusters of industries can be established (Porter, 1990).

Second, there is the need to develop FDI strategy plan for actively seeking FDI in particular sectors of industries with corresponding incentives for the investment and an agency for making the plan come to fruition. An aggressive investment promotion agency (IPA) can target particular firms and industries and locate FDI strategically. IPAs can engage in policy formulation, site visits and match making, and help in any way possible (Willem te Velde, 2002). It is not enough to have an agency or center; the agency or center must be effective.

For example, the government of Ghana has established the Ghana Investment Promotion Center (GIPC) to promote, encourage and coordinate investment and business partnerships in Ghana (Mmieh & Owusu-Frimpong, 2004). However, there appears to be no control over what FDI actually comes in and/or where they are located. Of the 78 projects registered in Ghana in the fourth quarter of 2008, 51 (i.e., 65%) were wholly owned foreign enterprises and 27 (i.e., 35%) were joint ventures between Ghanaians and their foreign partners. Eighty-three percent of these projects were located in the capital, Accra. In terms of sectorial composition of the new projects, 22 went to the service sector, 18 to general trading, 13 to manufacturing, 8 to tourism, 7 to construction, and 4 to export trade (B&FT, February 24, 2009).

Countries such as Costa Rica, Ireland, and Singapore have shown that targeting of star transnational corporations can precede episodes of successfully attracting FDI. Increasing diversification of investors by sector and source country calls for a plan at the sector level and/or source country level. Thus, it will be necessary to conduct constant analysis of investor motivations and to target promotion efforts on sector and/or source countries that are most responsive and motivated (Leape & Martin, 1999).

Third, there is the need to look outside the traditional inflows of FDI to Africa from the United Kingdom and France. A new source of investment is the Middle East–based real estate, telecommunications, and tourism sector. Middle East–based companies are becoming a competitive force in Sub-Saharan Africa FDI market, and Middle Eastern finance is looking to Africa as an investment destination (Sorbara, 2007). Countries such as China and India offer opportunities for capital inflows. For example, China is likely to become an increasingly important source of investment over the next few years for the region (Ford, 2008).

Fourth, there is the need to set up export processing zones to offer special tax incentives, streamlined customs procedure, low tariffs and specialized infrastructure. A sustainable free trade area is more likely to offer the economies of scale required for investment to be profitable and thus should encourage more direct investment in the region (Jenkins & Thomas, 2002). Costa Rica, Singapore, and Malaysia used this approach as a first step in the ladder to diversify from garments into more complicated manufacturing operations (Willem te Velde, 2002).

In light of the poor record of such zones in Africa, including the dangers of enclavism, there is the need to carefully monitor their performance in terms of balance-of-payments impact of attracting FDI and to devise policies that reduce high import content of such activities (UNCTAD, 2005, p. 8). The use of differential tariffs will be needed to establish domestic capabilities. Policies would have to be "designed to make the multinational companies conform with wider objectives related to profit remittances and balance of payments, technological upgrading, and levels of monopoly control, all of which amount to managed integration into the global economy" (UNCTAD, 2005, p. 8).

Fifth, there is the need for regional trading arrangements (RTAs) in Sub-Saharan Africa. Such arrangements have assumed increasing importance and proliferated in recent years and are likely to strongly expand trade for developing regions, in general, and in Sub-Saharan Africa, in particular (UNCTAD, 2005, p. 9). This is likely to increase both intraregional trade and trade with Third World countries and help attract FDI to the region because of the importance of market size to potential foreign investors (UNCTAD, 2005, p. 9). Although there are some 30 regional trading groups in Africa, the official intra-African trade flows remain very low (Mlambo, 2005).

Sixth, the governments of Sub-Saharan Africa can work to change the negative perceptions of the region. Effective promotion and marketing of the region at the country and regional levels will help attract FDI. The region's positive message must be told forcefully and consistently. Improvements in the business climate, governance, and infrastructure must be undertaken and publicized on continual basis.

Seventh, because quality of labor instead of price of labor is the deciding factor in attracting new manufacturing investment, building domestic capacity by improving training and education can be helpful. In order to be competitive, not only do African countries need to maintain low unit labor costs, but they also must improve quality of labor. This can be accomplished by encouraging productivity (Vietor, 2007). Thus, Sub-Saharan Africa must develop private and public sector initiatives that link industry, education, human capital and institutional capacity (*FDI Confidence Index*, 2005) and build stronger ties with global business community.

Eighth, Sub-Saharan African governments must reduce the endemic corruption. Corruption adds uncertainty to the cost of doing business. The perception is that corruption is rampant and out of control. Whereas perception may or may not be reality, it affects the image of Sub-Saharan countries and the willingness of foreign investors to invest in the region. As a result, both must be addressed.

CONCLUSION AND DISCUSSION

The figures presented here underlie and confirm certain patterns. Whereas some progress has been made, in the competitive world of today, it is not enough to improve one's policy environment. Such improvements need to be explicit in absolute and relative terms (Asiedu, 2004).

That said, the role of the international donors cannot be ignored. The realities of global politics and economics suggest that with the power imbalance between the Sub-Saharan Africa and the Western economies, Sub-Saharan Africa cannot change much of its current reality without the active support of its development partners. In the short term, aid would have to be increased. However, in the long term, the overdependency on aid would have to stop.

Africa's participation in the world economy is at about one-third of 1% for manufacturing and at about $1\frac{1}{3}$% for business services. These figures are worse for Sub-Saharan Africa. Hence, there is the need for

Sub-Saharan Africa to integrate into the world economy. FDI can play an important role in Sub-Saharan Africa's development efforts, including supplementing domestic savings, employment generation and growth, integration into the global economy, transfer of modern technologies, enhancement of efficiency, and raising skills of local manpower (Anyanwu, 2006, pp. 45–46).

The Global Business Policy Council predicts that FDI flows and corporate investor interest in Africa will be concentrated in a few countries, including South Africa, Nigeria, Egypt, Morocco, and Kenya (*FDI Confidence Index*, 2005, pp. 33, 34). In addition, FDI in Sub-Saharan Africa is dominated by extractive industries. Thus, a proactive and aggressive approach is needed for Sub-Saharan Africa to attract its fair share of FDI inflows. Countries outside the extractive industries would have to work harder to attract FDI and those blessed with extractive industries would also have to work harder to diversify their FDI portfolio.

If Africa is to get a significant proportion of the global FDI for development, a strategic and aggressive approach is needed. This would require a long-range vision at the national and regional levels. Also, needed is "a system of management that is effective and efficient, internationally oriented and nationally focused, culturally inclusive and institutionally supportive and reliable, and promotes business growth and economic development with a sense of social responsibility" (Shrestha, McKinley-Floyd, & Mtwige, 2008, p. 1).

Among the suggested strategies and implications are employing the "principle of clustering" where demand conditions are favorable (Porter 1990), looking outside the traditional inflows of FDI to Africa, establishing carefully monitored export processing zones, expanding regional trading arrangements, working together to change the negative perceptions of the region, and reducing corruption. Streamlining investment regulatory framework, developing a more efficient legal framework, implementing policies that promote macroeconomic and political stability, improving physical, financial, and information technology infrastructure and curbing corruption will have a positive impact on FDI (Asiedu, 2002, 2004, 2006). Also, demonstrating good governance, doing away with parochial conflicts, and exercising fiduciary responsibility will go a long way to create the enabling environment to attract more FDI. Nonetheless, "any strategy for Africa should take into account the differences among countries, in levels of development, economic structure, and political and social environment" (World Bank, 2010, p. 3)

There appears to be some good news on the horizon. The World Bank's (2010, p. 1) draft report on Africa notes that the steady economic growth, progress on the millennium development goals, and very favorable returns on investment give Africa "an unprecedented opportunity for transformation and sustained growth" and the continent "could be on the brink of an economic takeoff, much like China was 30 years ago and India 20 years ago." The World Bank (2010, p. 7) also admits that it "can play a role not just in providing the evidence of the changes in the continent and educating the rest of the world, but also in supporting those, such as the media, who interpret this evidence to the public and thereby shorten the lag between perceptions and reality."

It has been argued elsewhere that a more balanced and more strategic approach to FDI is needed. It is our hope that the foregoing presentation would (a) stimulate further discussion, (b) become the starting point for subsequent and/or critical analysis of the role of FDI in the development of Sub-Saharan Africa, and (c) contribute to an increased desire for seeking a more balanced and holistic approach to FDI.

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