

Forms and Performance of Foreign Direct Investments in Sub-Saharan Africa

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The yearly „World Investment Report“ of UNCTAD is currently the most frequently cited source for the measurement of flows and stocks of foreign direct investments (FDI) into sub-Saharan Africa (SSA). Accordingly, the global financial crisis has not spared SSA insofar as FDI inflows have declined by 19 per cent from 72 billion USD in 2008 to 59 billion USD in 2009. The data is derived from the balance of payment statistics of Central Banks in Africa which are making an effort to capture FDI flows and stocks according to the official definition of OECD and the IMF. Despite considerable difficulties and gaps related to the collection and coverage of such data in Africa, its relevance for macro-economic comparisons of countries and the identification of global FDI trends is relatively undisputed.

Apart from the macroeconomic perspective, there was, until recently, no other study available on FDI in SSA which would look at the foreign subsidiary as the main subject of analysis. In its series of “Foreign Investor Surveys” in Africa, UNIDO attempts to fill this vacuum and sheds light on various aspects of the foreign investor operating in Africa that range from the firm’s primary motive of investments (in terms of Dunning’s classification of natural-resource seeking, market-seeking, efficiency seeking or strategic asset seeking), investor performance and investor impact on the local economy. The study confirms the thrust of Panel 67 which describes Africa as a dynamic business location where major shifts and trends in the African FDI landscape happen virtually simultaneously and often largely unobserved by policy makers.

The objective of the paper is to undertake a classification of different foreign investor types in Africa with regard to their size (SME or large multinationals), investor origin (South vs. North), market entry strategy (JV or fully foreign-owned) and the degree of autonomy from the parent company. The rationale for such a classification is to identify successful combinations between the characteristics of investors and the host country’s objective to maximize the development impact of FDI in terms of technology transfer and “spillover” effects. To this end, the study re-iterates various measures of subsidiary performance in terms of sales growth, employment growth, capacity utilization and profitability for different groups of investors.