THE INTERNATIONAL JOURNAL OF
BUSINESS & MANAGEMENT

Impact of FDI on West African Economies: A Critical Review

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Abstract:
Many nations of the world especially developing ones have grown in their dependence on foreign direct investment (FDI) as one of the key means of spurring their economic growth. Foreign direct investment to Africa and for that matter West Africa has been on the slide. In the 1970s, Africa including West Africa enjoyed a quarter of all foreign direct investment to developing nations. However, as the years progressed, this proportion began to decline, rather steeply to the extent that in 1992, the continent accounted for only 5.2 %. Could it be that FDI inflow into Africa and for West Africa in particular is declining because investors are not really seeing the impact of their investments because the economies of host countries are not significantly growing in spite of the FDI inflows? The study therefore sought to ascertain the impact of FDI on West African economies using secondary data such as GDP growth and inflation rates. The study employed a mix of both qualitative and quantitative methods. Findings from data analysis strongly suggested that regardless of the source of FDI, FDI inflows into West African economies may neither result in significant economic growth or significant reduction in unemployment rates of host countries. This perhaps is so because of host countries' lack of comprehensive policy framework regarding FDI. This situation may also be due to the practice where the foreign direct investors award a huge chunk of the FDI projects to foreign contractors and the fact that expatriates get far better remunerations and benefits than their local counterparts. Furthermore, the study proposed a framework that sought to show the interrelationship between the various components of FDI as identified in the study. It is recommended that West African government develop a comprehensive policy framework with regards to FDI.

Keywords: *FDI, Impact, West Africa, developing country, FDI impact, economy*

1. Introduction

For the past 20 years, foreign direct investment has held the number one spot as the major source of external finance for developing nations especially those in sub-Saharan Africa (Kamara, 2013) which includes West Africa.
Foreign direct investment basically refers to inflows from individuals and institutions located in foreign destinations into host countries for the purpose of socio-economic activities such as creation of projects, enterprise, infrastructural development and the like. Mwilima(2003) throws more light: "FDI refers to investment made to acquire a lasting management interest (usually at least 10 % of voting stock) and acquiring at least 10% of equity share in an enterprise operating in a country other than the home country of the investor. FDI can take the form of either "greenfield" investment (also called "mortar and brick" investment) or merger and acquisition (M&A), depending on whether the investment involves mainly newly created assets or just a transfer from local to foreign firms" (p. 31).
Many nations of the world especially developing ones have grown in their dependence on foreign direct investment (FDI) as one of the key means of spurring their economic growth. It's been observed that in recent times inflows from FDI had outstripped flows from development aid (OECD, 2002).But then, enjoying the profits accruing from any FDI is not instantaneous for any country, considering the fact that these profits or advantages are heterogeneously distributed across countries (OECD, 2002; Velde & Morrissey, 2002) as well as within countries. For instance, countries in Southern Africa and Northern Africa enjoy greater FDI inflows than East and West African countries(Ernst and Young, 2015).This heterogeneity could be attributable to the differences in the policy environment regarding FDI and perhaps the varying conditions tied to those FDI flows, with good governance being a key prerequisite for gaining access. Foreign investors have been wont to consult a host country's socio-economic indicators especially on governance before deciding the location of their investment, because of their belief in the maxim that governance dictates economic growth (Arndt & Oman, 2006). For example, spanning a period between 2000 and 2004, loans given out to borrowing countries by the World Bank for the purpose of reforming their economies declined by 14 % every year, whilst loans tied to enhanced governance increased by a margin of 11 % yearly (Arndt & Oman, 2006).

1.1. Problem Statement

Foreign direct investment to Africa and for that matter West Africa has been on the slide. In the 1970s, Africa including West Africa for that matter enjoyed a quarter of all foreign direct investment to developing nations (Mwilima, 2003). However, as the years

progressed, this proportion began to decline, rather steeply to the extent that in 1992, the continent accounted for only 5.2 %. One would have thought that at the turn of the millennium, things would have looked up. However, nothing changed. In 2000, Africa's FDI situation worsened as it registered a further decline in FDI inflows. It received a meagre 3.8 % of total FDI coming into the developing world. Asia was the primary location for FDI followed by Latin America.

Furthermore, the number of FDI projects on the African continent and by extension West Africa is decreasing. In fact, the continent registered an 8.4% decline in projects related to foreign direct investments (Ernst and Young, 2015). Furthermore, the decline in FDI projects differed across different regions of the African continent: East Africa and Southern Africa respectively recorded a 12 % and 11 % decline in FDI projects. The highest slide in FDI initiatives was recorded in West Africa. As a result, Ghana and Nigeria realized fewer projects than usual. The only exception was North Africa which posted a 22 % increase in FDI initiatives. Could it be that FDI inflow into Africa is declining because investors are not really seeing the impact of their investments because the economies of host countries are not significantly growing in spite of the FDI inflows? It's been suggested that FDI inflow enhances economic growth which in turn feeds into profitability for the investor.

External financing for West Africa was exacerbated by the financial crises of 2008; during which governments of developed nations reduced the level of financial assistance they offer developing nations. Consequently, governments of developing nations including those in West Africa have had to put in place policies that investors would find attractive enough to justify their investment in the host country. This situation may perhaps have triggered capital flight from the developed countries into the developing ones. This is being suggested because in 2014, Africa pulled 17.1 % of the worldwide FDI inflows (Ernst and Young, 2015). This notwithstanding, job created as a result leaved much to be desired; FDI inflow accounted for only 8.7 % of the jobs created despite this being reported as an improvement.

In spite of the aforementioned decline in FDI inflow into Africa, FDI still remains the most importance source of external finance. As such, there is the need to investigate whether FDI is positively impacting the economies of West African countries or not. This is important because studies by different authors have demonstrated conflicting claims on the impact of FDI on the economies of developing nations (Borensztein et al., 1998; Stanisic, 2008; Roman, 2012).

This study focused on West Africa and its countries. The reasons for this are that it is home to the continent's biggest economy, Nigeria and also because about 90 % of all the businesses in the sub-region are informal and are SMEs in nature contributing 30 % to gross domestic product (GDP) (Bouri, Balloch, Mudaliar, Schiff, & Gustafson, 2015); hence, it is important to find out whether FDI inflows is having any positive impact on the economies of these SMEs. West Africa is an African sub-region made up of 16 states, joined together by the Economic Community of West Africa States.

Review of available literature brought to the fore the notion that studies related to FDI tends to center on six key thematic areas namely, (1) Sources of FDI; (2) Channels of FDI; (3) Factors that attract FDI; (4) Impact of FDI; (5) Challenges confronting FDI inflow; and (6) Policy environment regarding FDI. This paper therefore sought to produce a framework showing the interrelationships between the different components or thematic areas of FDI.

1.2. Objectives

The main objective of this paper is to assess the impact of FDI on West African economies using secondary data. The specific objectives are to:

1. To review available literature on the components of FDI with particular reference to West Africa countries.
2. To assess the impact of FDI inflows on macroeconomic indicators such as inflation rate, GDP growth rate, monetary policy rate and unemployment rates of West African countries.
3. To propose a framework showing the interrelationship between the different components of FDI.

The remaining part of this paper is structured as follow. In section 2 below, we review available literature on the components of FDI with particular reference to West Africa countries. In Section 3, the methodology followed to assess the impact of FDI inflows on macroeconomic indicators such as inflation rate, GDP growth rate, monetary policy rate and unemployment rates of West African countries. Section 4 covers the results and discussion. The paper is concluded in Section 5, conclusion.

2. Literature Review

2.1. Sources of FDI

There appears to be two broad groupings of foreign direct investment in West African countries. They are FDI by Development Finance Institutions/Investors (DFI) and FDI by non-Development Finance Institutions/Investors (non-DFI) (Bouri et al., 2015). Whilst Development Finance Institutions (DFIs) are primarily concerned with what impact their investments are making in the host country, non-DFIs are largely concerned with profits and returns being made on their investments thus for non-DFIs impact is a secondary issue. Covering a period between 2004 and 2013, West Africa was found to be responsible for 35 % of all the FDI inflow coming into sub-Saharan Africa (SSA)(World Bank, 2015), with Nigeria "eating up" the lion's share (> 50 %). In fact, among the countries below the Saharan belt, Nigeria is the third most important beneficiary of FDI, after South Africa and Mauritius (both countries in Southern Africa) (World Bank, 2013).

Available data indicate that there are 45major foreign direct investor bodies (some of which are DFIs and others non-DFIs) operating in West Africa, 26 of which have local presence and 19 with no offices in the sub-region (Bouri et al., 2015). Most of the FDI in West Africa are from non-DFIs. In fact, there are 19 DFIs and 31 non-DFIs operating in the sub-region. In Ghana, for example, there are 4

DFIs and 3 non-DFIs; Nigeria has 3 DFIs and 5 non-DFIs; Guinea has 2 DFIs and no non-DFIs; Cote d'Ivoire has 4 DFIs and no non-DFIs (Bouri et al., 2015). It should be noted however that the investors being discussed in the foregoing are impact investing biased.

Within the DFIs funding released primarily come from global and regional entities such as International Finance Corporation, African Development Bank and Banque Ouest Africaine de Development (BOAD). Together, these three bodies account for more than 70 % of DFI investment in West Africa, an equivalent of USD 4.8 billion. Fund managers, foundations and institutional investors make up Non-DFIs, with fund managers forming the majority; Multinational enterprises (MNEs) such as Coca Cola and Unilever may also be placed under this grouping. Non-DFIs source their funds from overseas. Foundations depend on the benevolence of very wealthy philanthropic individuals and business entities. For fund managers their deployed capital comes mainly from investors in the developed world, whilst MNEs rely on financing from their parent company abroad.

2.2. Channels of FDI and Policy Environment

Foreign direct investment flows into a country through certain channels. These channels may differ from county to country. For some countries, FDI may come in through the channel of mining or real estate; for others it may be through telecommunication or the service industry. Page & Velde(2004) observes that in all of Africa, FDI has been on the ascendancy as far as services especially in the area of telecommunications and privatized services are concerned.

In a survey of 501 investors in EY's Attractiveness Survey Africa 2015, the question, "Which three sectors offer the highest growth potential for Africa in the next two years?" was asked. This was the result: 31.4 % of respondents indicated Agriculture, followed by Mining and metals (28 %), Oil and gas (18.5 %), Hotels and Tourism (16.7%), Infrastructure (roads, highways and ports) (15.5 %), Consumer products (13.0 %), Real estate and construction (9.8%), Telecommunications (8.4 %), Financial services (7.2 %), and information technology (7.0 %). However, 8.3 % of respondents said they "can't say" (Ernst and Young, 2015). As such, it is only logical to assume that African governments, including those in West Africa especially, would formulate policies to attract FDI into the sector with the greatest growth potential for many African countries (i.e. Agriculture). Sadly, this is not usually the case. The survey further revealed that real estate, infrastructure and consumer-facing sectors are the three core areas foreign direct investment flows in most Africa countries. Agriculture is disturbingly absent. What is clear from these data is that investors are primarily interested in their interests and so it is vital that West African government also begin to greatly take interest in national interests that ultimately benefit the masses, not in theory but in practice. A lack of clear policy for FDI in host countries may be the reason for this situation. Elsewhere, Anyanwu(2011) observed that majority of the FDI inflows in the top ten country recipients of FDI are directed towards exploitation of natural resources (e.g. mining, and oil and gas), leaving out agriculture again. These top ten country recipients are Egypt, South Africa, Nigeria, Sudan, Angola, Congo Republic, Morocco, Tunisia, Algeria and Chad.

If indeed Agriculture (31.4 %), Mining and metals (28 %), and Oil and gas (18 %) are the top three sectors that offer the highest growth potential for Africa including West Africa, why then is the policy framework governing these areas seem to disadvantage the host country especially the citizenry? Citizens of many oil producing sub-Saharan African nations have virtually nothing to show in terms of socio-economic improvement in the lives in terms of derived benefits from oil drilling activities in their country. Nigeria is a typical example. Gold mining in the township of Obuasi, Ghana is another case in point, where the youth in the community have resorted to illegal mining thus polluting precious water bodies in this era of climate change. Often times in Africa, after oil discovery investment in Agriculture tend to take the 'back seat', causing scarcity of food which leads to rise in prices of food commodities – a sure source of inflation for the country. The bottom line is this: the policy environment of the host country ultimately determines the level of benefits that would be derived from FDI.

2.3. Factors Attracting FDI Inflow

Several studies have been conducted on the factors that attract FDI inflow or the determinants of FDI inflows. The OLI framework ascribed to Dunning (1997, 1993) suggests that FDI are made with the view of gaining advantages associated with ownership (O), location (L) and internalization (I). The ownership advantage enables a firm to access local market and the natural resources in the country, although foreign. For example, a sugar producing company would view as a great advantage relocating to a country which consumes a lot of sugar. The location advantage may come about when the host country has favorable tax regimes and so the MNE may want to move all or some of its operations there to take advantage of the policy, because outside the county of interest it can't partake of it. Internalization advantages arise from exploiting imperfections in external markets such as state-generated anomalies like tariffs, foreign exchange controls, and subsidies (Anyanwu, 2011).

Fedderke and Romm (2006) studying the determinants of FDI took cognizance of the vital role of policy in attracting FDI when they classed determinants of FDI into policy and non-policy factors. The policy factors comprised openness, product-market regulation, labor market arrangements, corporate tax rates, direct FDI restrictions, trade barriers, and infrastructure. Non-policy factors was found to be composed of market size of the host country (often measured by the GDP), distance/transport costs, factor proportions (or factor endowments) and political and economic stability (Mateev, 2009). In other studies, factors attracting FDI inflow were conceptualized as a "push" or a "pull" (Fernández-Arias and Montiel, 1996); Calvo, Leiderman & Reinhart, 1996); Gottschalk, 2001). The "push" basically refers to all factors internal to the recipient or host country whilst "pull" denotes factors external to the host country.

In a comprehensive study spanning a period from 1980 to 2007, Anyanwu (2011) sought to determine the factors that attract FDI inflow into Africa. He found that: "(i) there is a positive relationship between market size and FDI inflows; (ii) openness to trade has a positive impact on FDI flows; (iii) higher financial development has negative effect on FDI inflows; (iv) high government consumption expenditure attracts FDI inflows to Africa; (v) higher FDI goes where international remittances also goes in Africa; (vi)

agglomeration has a strong positive impact on FDI inflows to Africa; (vii) natural resource endowment and exploitation (especially for oil) attracts huge FDI into Africa; (viii) East and Southern African sub-regions appear positively disposed to obtain higher levels of inward FDI"(Anyanwu, 2011, p.4). The foregoing data thus provides a 'window' into the minds of foreign investors.

2.4. Impact of FDI

Foreign direct investment has been known to be a driver of employment, technological progress, productivity improvements, and ultimately economic growth. It plays the critical roles of filling the gaps in development, foreign exchange, investment, and tax revenue in developing countries (Smith, 1997; Quazi, 2007). In particular, it can play a crucial role in 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 (Dupasquier and Osakwe, 2003).

Furthermore, a study conducted for more than 60 countries to assess the influence of FDI on economic growth over a period of 35 years indicated that FDI failed to speed up growth in all the investigated countries (Jyun-Yi, 2008). The foregoing observation agrees with Stanisic (2008) who observed a lack of a positive association between FDI inflows and economic growth rate. Elsewhere, it was discovered that FDI and deployed capital showed positive correlation with changes in GDP (Roman, 2012). Each sector of a country's economy is guided by different regulatory frameworks which determine the policy environment under which the sector operates. As such, it is likely that the impact a FDI may have on an economy may be a function of which sector the FDI funds are directed. For example, a study by Alfaro (2003) found that foreign direct investment into the primary sector (e.g. agriculture) negatively impacted on economic growth; whilst FDI inflows into the manufacturing sector brought about positive impact.

The foregoing shows that findings from studies on FDI impact are often mixed and not clear-cut - an indication of a reduced level of consensus. This situation is possibly due to differences in policy environments in host countries. The level of consensus among the results produced from FDI impact investigations is weak.

2.5. Challenges Confronting FDI Inflow

In recent times, developing countries are experiencing inflows from FDI far greater than flows originating from donors and development partners; thus necessitating that more attention be given to ways of exploring a greater flow of FDI into the region. But then, Africa and for that matter West Africa is confronted with challenges when it comes to attracting FDI.

Foreign direct investment into developing countries doesn't come easy for the investing parties especially when there are a lot of uncertainties or risks associated with the move. This is especially so in the case of Africa and for that matter West Africa. Traditionally, Southern and Eastern Africa have been the preferred investment destination for a number of FDIs coming into Africa. Nonetheless, available data suggests that North Africa has overtaken both Eastern and West Africa to become the second most preferred sub-region on the continent for FDI (Ernst and Young, 2015). The continental sub-region investors choose to direct FDI can be viewed as a by-product of a rigorous risk-reward assessment. For instance, prior to 2010, North Africa was the preferred investment destination for most FDI s until the Arab Spring, thus making way for Southern Africa to overtake Northern Africa. The Arab Spring made North Africa politically unstable.

Indeed, there is a certain level of risk associated with FDI in Africa; some of which are unstable macroeconomic environment, lack of enforcement of contracts resulting in asset losses, and armed conflicts. These rank among the key risks associated with FDI in Africa and West Africa for that matter.

With every opportunity comes attendant challenge(s). One of the challenges that may characterize FDI is the expatriation of a huge chunk of profits made out of the country, possibly because of the host country's policy. In a bid to make a country's regulatory and tax policies attractive for FDI, governments may enact certain laws that may be appropriate for a certain era but maintained even though it has ceased to be relevant in the current dispensation. A case in point is the mining sector in Ghana. The mining laws of the land allow investors to expatriate 95 % of the profits made from the selling of the country's gold. This is bad news for the country's currency. It is therefore no wonder that despite the redenomination of Ghana's currency, it has still managed to shed off 281 % of its value to date. It was redenominated at a dollar rate of 1:1; but now the dollar rate of the Ghanaian cedi is GHS 3.81 (as at 20th May, 2016).

For any economy, be it developed or developing, to fully benefit from FDI, it is important that the local economy of that host community be able to dovetail with the FDI project. Failure to do so results in members of the local community having very little or nothing to show from the implemented FDI project in terms of socio-economic impact.

Another key challenge that hampers FDI inflows into Africa is the lack of trade integration amongst the member countries within a particular sub-region (OECD, 2002). This situation is observable in the Economic Community of West African States (ECOWAS) where the charter of the organization makes room for the free movement of goods and services. However, the realities on the ground are a far cry from what has been stipulated on paper. The result therefore is that markets for FDI tend to be limited to that of the host country - an unattractive prospect for the majority of investors.

Furthermore, a study conducted by Ernst and Young's 2015 Africa Attractiveness Survey found that out of a total of 501 respondents the following proportions of respondents were of the view that the major challenges to FDI inflow into Africa and West Africa by extension were: (1) unstable political climate (55 %); (2) bribery and corruption (26 %); (3) Poor security (22 %); (4) Lack or inadequate infrastructure (14 %); (5) absence of skilled workforce (13 %); (6) Unfavorable tax and regulatory policies (17 %) (Ernst and Young, 2015).

3. Methodology

3.1. Research Method

The study utilized a mix of qualitative and quantitative methods. A mixed methods design has the advantage of capturing the best of both quantitative and qualitative approaches (Creswell, 2003). The qualitative component of the work entailed the carrying out of an extensive literature review on FDI, impact of FDI and economic indicators of West African economies, as well as document analysis. This helped in the identification of the sources and channels of FDI for West African economies, not to mention the factors that attract FDI inflow into West Africa and the associated challenges confronting FDI inflow into West Africa. Secondary economic data was used to carry out the quantitative aspects of the study.

3.2. Sample

The sample size for the study was fourteen (14) West African countries. Available economic data (GDP, inflation rate, interest rate, unemployment rate) on these countries were extracted from the site Trading Economics (source: www.tradingeconomics.com, date accessed 23/05/2016). The countries were Nigeria, Ghana, Cote d'Ivoire, Senegal, Togo, Guinea, Burkina Faso, Niger, Mali, Benin, Liberia, Sierra Leone, Cape Verde, and Guinea Bissau.

3.3. Data Collection and Analysis

Secondary data from Bouri et al., (2015) on both DFI and non-DFI investments as well as data on economic indicators of fourteen (14) West African countries from Trading Economics were extracted for meta-analysis; this constituted the quantitative aspects of the work.

Inferential statistics such as regression analysis and analysis of variance (ANOVA) were used to draw inferences from the collected secondary data. The scope of this study and thus associated data is limited to only direct investments and capital that has been deployed. The SPSS software was used to carry out these statistical tests.

4. Results and Discussion

4.1. Assessing Impact of FDI on West African Economies

From Table 1, it can be observed that Nigeria registered the highest number of FDI deals (n =92) in West Africa as well as the biggest amount of deployed capital. This is not too surprising as Nigeria has the largest economy or market size. Although, Ghana recorded the highest average size deal (27.84 USD millions); it was however second to Nigeria in terms of deployed DFI capital. The country with the least capital deployed was Guinea Bissau.

	Total Direct DFI Investment			
S/N	**Country**	**Capital deployed (USD millions)**	**Number of Deals**	**Average Size Deal (USD millions)**
1	Nigeria	1860	92	20.22
2	Ghana	1615	58	27.84
3	Cote d'Ivoire	879	49	17.94
4	Senegal	535	53	10.09
5	Togo	353	22	16.05
6	Guinea	191	6	31.83
7	Burkina Faso	121	16	7.56
8	Niger	115	14	8.21
9	Mali	113	20	5.65
10	Benin	111	19	5.84
11	Liberia	90	15	6.00
12	Sierra Leone	54	11	4.91
13	Cape Verde	12	3	4.00
14	Guinea Bissau	3	3	1.00
	Overall Mean	**432.28**	**27.12**	

Table 1: Total direct DFI investment by country, January 2005 - July 2015
Source: Bouri et al., (2015)

Comparing the overall mean of capital deployed for DFI and non-DFI gives a strong indication that the major source of FDI in West Africa is from Development Finance Institutions (DFIs) since the overall mean of capital deployed for DFI, 432.28 USD millions (Table 1) far exceeded that for non-DFI (20.14 USD millions) as seen in Table 2. Furthermore, the number of DFI deals (**27.12**) was greater than that for non-DFI deals (**22.20**).

S/N		Total Direct non-DFI investment		
	Country	**Capital deployed (USD millions)**	**Number of Deals**	**Average Size Deal (USD millions)**
1	Nigeria	79	89	0.89
2	Ghana	75	84	0.89
3	Senegal	16	21	0.76
4	Cote d'Ivoire	11	10	1.10
5	Benin	10	10	1.00
6	Mali	10	12	0.83
7	Sierra Leone	8	7	1.14
8	Burkina Faso	5	7	0.71
9	Togo	4	7	0.57
10	Niger	3	3	1.00
11	Liberia	0.6	2	0.30
	Overall Mean	**20.14**	**22.20**	

Table 2: Total direct non-DFI investment by country, January 2005 - July 2015
Source: Bouri et al., (2015)

Country	**Economic Indicators of West African Economies**			
	Inflation rates	**GDP Growth rate**	**Interest Rate**	**Unemployment rate**
Nigeria	13.72	2.12	12	-
Ghana	18.7	4.9	26	5.2
Cote d'Ivoire	1.2	8.5	3.5	5.3
Senegal	0.7	7	3.5	13.4
Togo	2.2	6	3.5	6.9
Guinea	7.7	4.2	11	3.8
Burkina Faso	0.7	4.2	3.5	6.6
Niger	0.3	4.9	3.5	2.25
Mali	-2.5	4.7	3.5	8.2
Benin	-0.2	5.7	3.5	1
Liberia	7.1	0.3	13.67	3.8
Sierra Leone	8.85	6.57	9.5	3.3
Cape Verde	-0.9	3.2	7.5	15.8
Guinea Bissau	2.3	5	3.5	1.8

Table 3: Economic Indicators of West African Economies, by Country
Source: tradingeconomics.com, date accessed 23/05/2016.

The West African country with the highest inflation rate was found to be Ghana (18.7 %), followed by Nigeria (13.72 %), and Sierra Leone (8.85 %) as seen in Table 3 above. Currently, Ghana is facing a number of challenges in the energy sector; this may have contributed to the high inflation rates, coupled with steep tax hikes. Naturally, this led to Ghana registering the highest interest rates of 26 % in the sub-region, followed by Liberia with 13.67 %.The country that recorded the least inflation rate was Mali (-2.5 %), suggesting a drastic fall in prices of goods and services.

The West African country with the highest unemployment rate was observed to be Cape Verde (15.8 %), followed by Senegal (13.4 %). Data on unemployment rates for Nigeria were not available so Nigeria was not included in the regression analysis with regards to that particular indicator.

The question then is what proportion of variance in these economic indicators reflective of West African economies is accounted for by FDI? A regression analysis was conducted to determine the coefficients of determination between each of the economic indicators and FDI inflow into West Africa. Table 4 below depicts the results.

Foreign Direct Investment	**Coefficients of Determination**			
	Inflation rates	**Unemployment rates**	**Interest rate**	**GDP growth rates**
DFI	**51.2 % (p = 0.004; sigf)**	0.27 % (p = 0.867; insigf)	**33.8 % (p = 0.029; sigf)**	11.5 % (p = 0.256; insigf)
non DFI	**66.5 % (p = 0.002; sigf)**	0.59 % (p = 0.883; insigf)	**51.3 % (p = 0.013; sigf)**	0.75 % (p = 0.811; insigf)

Table 4
Significant values are in bold; sigf = significant (p < 0.05)

Foreign direct investments by DFI and non DFI significantly accounted for the variation in both inflation and interest rates in West African economies. However, this was not the case for both unemployment and GDP growth rates, strongly suggesting that FDI

inflows into West African economies, regardless of the source, may neither result in significant economic growth or significant reduction in unemployment rates of host countries. These findings seem to agree with Jyun-Yi (2009) who studying the influence of FDI on economic growth observed that over a period of 35 years FDI failed to speed up growth in all the investigated countries. This perhaps is so because of host countries' lack of comprehensive policy framework regarding FDI. This situation may also be due to the practice where the foreign direct investors award a huge chunk of the FDI projects to foreign contractors, such that at the end virtually all the deployed capital for the FDI project finds its way again out of the "economic shores' of the host country, not to mention the fact that expatriates tend to be more highly paid than the local people – another avenue for the FDI fund to leave the country.
Whilst FDI from DFI sources accounted for 51.2 % of the variation in inflation rates and 33.8 % of variation in interest rates of West African economies, non DFI sources accounted for 66.5 % of variation in inflation rates and 51.3 % of variation in interest rates. This means that FDI from non DFI sources has more impact on both inflation rates and interest rates of host countries than those from DFI sources.

4.2. A Proposed Framework for the Interrelationships between the Various Thematic Areas/ Components of Foreign Direct Investment

Foreign investors are drawn to directly invest in a country (constituting "Sources of FDI") under the influence of certain factors emanating from host countries (i.e. "factors that attract FDI inflow") (Figure 1). These foreign direct investments are then deployed through the medium of certain viable projects and or particular productive sectors of the economy (such as social enterprises, real estate, oil, mining, hospitality and the like). These make up the "channels of FDI". Through these channels, FDI exerts impact ("Impact of FDI") and this impact may either positively or negatively affects economic growth and development of the host country. A positive FDI impact on the host country's economic indicators in turn feeds into the host country's attractiveness as a foreign investment destination. Ultimately, the policy environment of a country determines how FDI would impact the economy of the country as FDI is a function of country's business environment which in turn is dictated by policy and regulations (Alfaro, 2004; Melnyk, Kubatko, & Pysarenko, 2014).

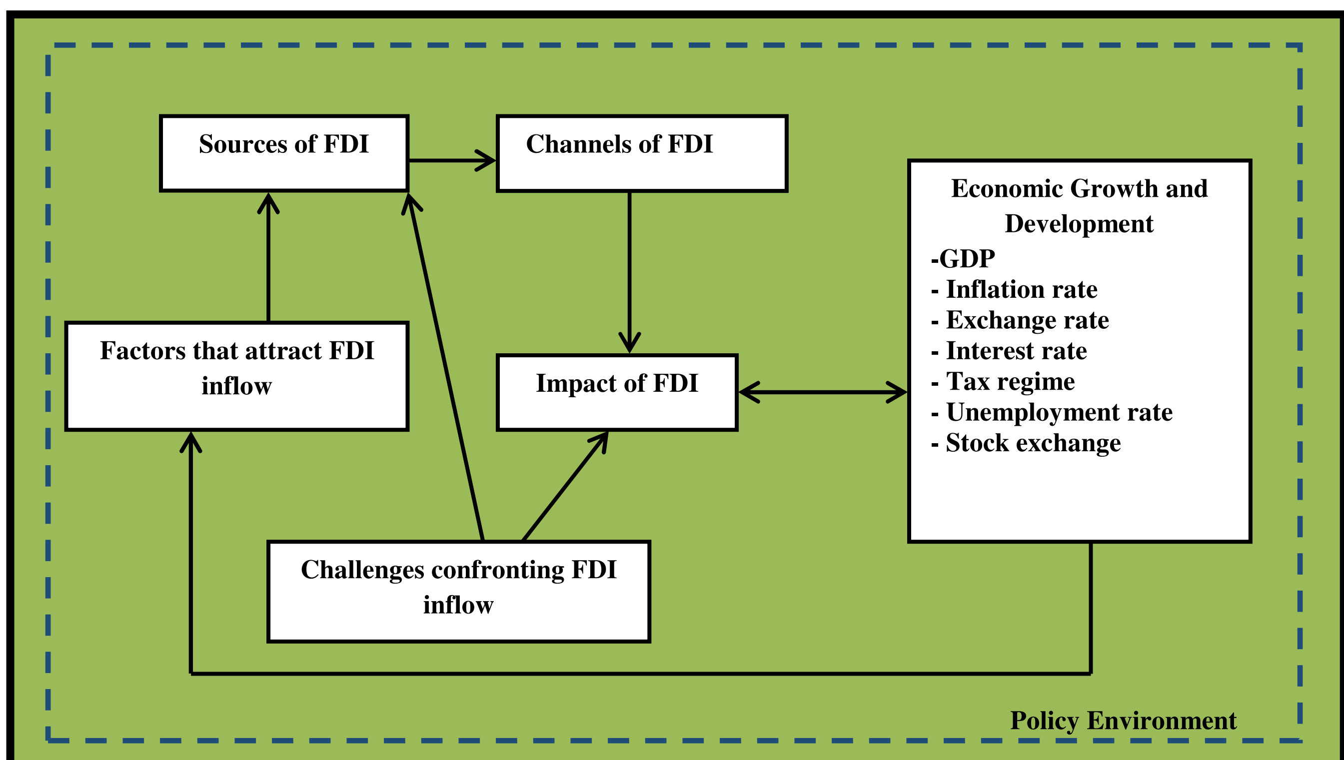

Figure 1: A Proposed Framework for the Interrelationships between the Various Thematic Areas/ Components of Foreign Direct Investment (Direction of arrow indicates direction of effect).

5. Conclusions and Future Work

In conclusion, regardless of the source, FDI inflows into West African economies may neither result in significant economic growth or significant reduction in unemployment rates of host countries. This perhaps is so because of host countries' lack of comprehensive policy framework regarding FDI. There is therefore the need for governments to determine the sectors of the economy with the greatest potential to trigger significant macroeconomic growth so that incoming FDI inflows can be directed to such areas. However, to make such sectors attractive to the investor, it is advisable that they be given certain tax incentives.
The proposed framework sought to link the various components of FDI. In terms of future work, it is suggested that the framework be subjected to validation tests for fine-tuning.

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