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Degree of Master of International Studies
(International Area Studies)

**Other Official Flows, Private Investments and
Development in Sub-Saharan Africa;**

An analysis on the effectiveness of Other Official Flows in
Sub-Saharan Africa from 1998-2016

August, 2019

Graduate School of International Studies
Seoul National University

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A thesis presented

By

ESTHER ANTWI-DANSO

A thesis submitted in partial fulfillment
of the requirements for the degree of
Master of International Studies

**Graduate School of International Studies
Seoul National University
Seoul, Korea**

August, 2019

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Submitting a Master's Thesis in International Area Studies

Seoul National University

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ABSTRACT

Other Official Flows, Private Investments and Development in Sub-Saharan Africa; An analysis on the effectiveness of Other Official Flows in Sub-Saharan Africa from 1998-2016

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This research studies the effectiveness of Other Official Flows (OOF) on economic development in the Sub Saharan Africa Region. The study spanned a period of eighteen (18) years on some selected 36 countries in the region. A fixed effects (FE) regression model was employed in the analysis. Regulations were also used as an absorptive variable interacting it with OOF to find its effect on economic growth.

The study found that, OOF has a slightly negative significant effect on per capita GDP growth. Furthermore, it's significance on per capita GDP growth increased when interacted with regulation but still was still negatively correlated. Trade openness was significantly contributing positively to the growth rates in the region. This implied that, although trade has positive effects on growth, activities and investments that spring out of these trade liberalisations must be carefully considered.

The implication of this study is thus to identify the benefits countries in Sub-Saharan African Countries can gain from such investments if better business regulations are implemented. Some policy recommendations on investments and regulations were presented in the final part of this thesis that can help to improve the outcome of these flows to the development of these countries.

Key Words: Other Official Flows, Economic development, Sub-Saharan Africa, Regulations

Student Number: 2017-23105

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ABBREVIATIONS AND ACRONYMS

CFEP	Centre For Economic Planning
DAC	Development Assistance Committee
DFID	Department for International Development
FDI	Foreign Direct Investment
FE	Fixed Effect
GDP	Gross Domestic Product
MDG's	Millennium Development Goals
MLT	Multilaterals
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SAP's	Structural Adjustment Programs
OOF	Other Official Flows
SDG's	Sustainable Development Goals
SSA	Sub-Saharan Africa
UN	United Nations
WDI	World Development Indicators

CHAPTER ONE : BACKGROUND AND SCOPE OF STUDY

1.1 Background

Many developing countries are characterised by low savings and per capita income which limit the extent to which governments can provide basic socio-economic amenities. The use of external sources of financing like Official Development Aids (ODA) and Foreign Direct Investments (FDIs) then play a significant role in supplementing the savings gap. Through these sources of finance, governments and other stake holders have been able to provide development projects which include social infrastructures and the creation of jobs in helping to eradicate poverty. Thus, the role of external financing has been very significant in economic growth of developing countries. In line with this, M. Epaphra and J. Massawe (2016) argue this point by stating how the Asian tigers like China, Taiwan, Singapore Korea and Japan, have all proven to be beneficiaries of how capital investments can support growth. As such, countries that accrue higher levels of investment tend to achieve faster rates of economic growth and development. Most of these external finances in developing countries have been mainly through the use of Official Development Assistance (ODA) and has been mostly channeled through governments to governments in the public sector. Although the public sector achieved some notable development impacts, particularly in agriculture and health, the effectiveness of these flows in promoting sustainable development have been an issue of complex debate. Furthermore, the recent move to middle income status by some least developed countries in Africa has called for an alternative way in mobilizing finance for funding of development projects as the qualification to receive official development assistance reduces. The private sector then becomes a beckon for growth in the use of external financing; birthing the introduction of Public Private Partnership aid projects.

The role of the private sector in the development of countries has been widely supported by many in the field of academia. The sectors' contribution to development in many countries have been recognized as playing an integral role in poverty reduction through the provision of jobs and income creation (T.N Cain, 2014). Also, classical scholars like Adam Smith have supported the role private individuals can play in promoting growth if government or the state intervened less in their affairs. According to Smith in his book, the "Wealth of Nations", a laissez-faire system where individuals

have the liberty to create their own wealth will contribute to growth. Thus, less restriction by the state and individual freedom to acquire wealth will lead to the general benefit of the society. This is through variables such as savings or capital accumulation, labour and the market (Adam Smith, 1776). Furthermore, the centre for economic and policy development in a 2014 report supports the argument on the importance of the private sector stating that; their markets promote economic growth which in turn affects initiatives and investment leading to the creation of employment and consequently increasing income (CEP 2014). Again, private investments such as Foreign Direct Investments (FDIs) have been argued to support economic growth in developing countries. FDIs have been seen to have a positive impact on the economic growth of developing countries by creating jobs, technology transfers and income generation (Blomström and Kokko, 1997 and 1998). However, the role of governments through the implementation of policies and regulations play an important role in how FDI's can affect growth in developing countries. Consequently, countries with better regulations will have a higher gain from FDI's than those with lower regulatory quality (C. Jude & G. Leveuge, 2013). Also, studies have shown that public investments can lead to a crowding-out of private investment which negatively affects growth (Swaby, 2007).

Although the private sector has been seen as an engine of growth in most economies, development finance from official donors and sources have mostly been invested in the public sectors. However, official investments in the private sector was also mostly channelled to middle income countries until recent times when flows to least developed countries have seen a steady rise. Accordingly, an OECD report in 2014 on mobilizing resources for sustainable development, argues that private investments in the form of Other Official Flows (OOF) have had an increase in recent times. It also states that, the contribution of these flows accounted for one-third of all official assistance to developing countries (OECD, 2014).

It is therefore important to analyse the effectiveness and potentials these funds are playing in contributing to growth in developing countries. For that reason, this paper seeks to find the relationship between Other Official Flows and its impacts on economic development in Africa, focusing on thirty (36) countries in the Sub-Saharan Region.

1.2 Problem Statement

Although there have been some improvement among Sub Saharan African Countries with a number of them moving to middle income status, the region still records the highest rate of people living under extreme poverty. According to the World Bank, more than 400 million people in the region still live in adverse poverty, feeding on less than \$1.90 a day. This number according to the World Bank, represents more than half the worlds' number of people living in poverty. This phenomenon is among the reasons that have led to the arguments on the effectiveness of development related aids. Recipient government's mishandling of official development assistance, lack of investment in key areas and accountability are among the failures of these flows leading to the lack of effectiveness on growth (C.Smith, 2013). Also, although the private sector in most developing countries has been seen as a driver of growth through its provision of jobs and the creation of income, little attention has been paid to this sector by official development donors. While private investments such as FDI's have been argued to boost growth, flows to Sub-Saharan African countries tend to be lower than other regions (D. Lederman, L.C Xu, 2010). Although FDI's have been argued to boost economic growth in host countries, there are also evidences that counter the effectiveness of these flows in developing countries, especially in Africa. Furthermore, FDI's although a form of private investment, mostly do not involve domestic people in the Sub-Saharan African region and are mostly concentrated in mineral extractive sectors focusing less on other areas of development (M. Akhtaruzzaman, S. Yang and A. Omar, 2018; E. Aseidu, 2006). Also, a study by Argosin supports the argument that "FDI in developing countries do not engage people in the host country but merely represent transfers of existing assets from the domestic people to foreign hands, rather than an infusion of additional or complementary capital" (Agosin and Machado, 2005), this evidence which is commonly found in Africa (See Aitken and Harrison, 1999; Wooster and Diebel, 2010). For this reason, a need for private investments that directly involve local stake holders and people should be considered in attracting foreign investments. Other Official Flows, then play a significant role in private investments as they have been argued to have direct contact with domestic firms and private state holders in the recipient countries (OECD, 2014).

1.3 Objective of the Study

This study's main objective is to analyze the effectiveness of Other Official Flows and its contribution to economic development in Sub Saharan Africa. In the examination of the effectiveness of these flows, the study employs the use of an econometric method in the analysis of data for the selected Sub-Saharan African countries. Included in this study are thirty six (36) countries in Sub-Saharan African within a period of eighteen (18) years; from 1998 to 2016. Lastly, this study will analyse the influence of government regulations and other external finances like ODA to see how such flows may impact the effectiveness of OOF on economic growth.

1.4 Research Questions

The research will seek to answer the questions below:

- The relationship between Other Official Flows and economic development in Sub Saharan Africa.
- Whether regulations make Other Official Flows more or less effective in promoting growth.
- Whether other external finances like ODA impacts the effectiveness of Other Official flows in promoting growth.

1.5 Significance of the Study

Study on foreign investments in developing countries is undoubtedly one of the most researched areas in developing studies, however most of these studies are mainly focused on Foreign Direct Investments (FDI's) and Official Development Assistance (ODA) giving little attention to the impacts of other investments. While there have been other official flows disbursed into other countries in support of private investments, little research have been made on the effectiveness of Other Official Flows. Also, there have been recent increases in investment of these flows to developing countries according to a 2014 report by the OECD, implying increased involvement of OECD DAC countries with the private sector. In light of this, knowing the effectiveness of these flows in recipient countries can aid in policy implementation. Hence, this study seeks to analyze the effectiveness of other official

flows and the role regulations play in influencing the significance of these flows on the economic development of recipient countries.

1.6 Hypothesis and Research Questions

1.6.1 Hypothesis :

Ho:1

- Other Official flows contributes to economic growth in Sub-Saharan Africa.

Ho:2

- Private sector regulations impact the effectiveness of Other Official Flows in contributing to economic growth in Sub-Saharan Africa.

Ho:3

- ODA crowds out OOF in contributing to economic growth

Null Hypothesis:

- **Ha :1**

Other Official Flows has no significant effect on economic growth in Sub-Saharan Africa.

- **Ha :2**

Regulations do not impact the effectiveness of Other Official Flows in contributing to economic growth in Sub Saharan Africa.

- **Ha :3**

ODA does not crowd out OOF in contributing to economic growth

1.7 Research Questions

- What is the Relationship between Other Official Flows (OOF) and economic development in Sub Saharan Africa?
- What influence do private sector regulations have on the effectiveness of these flows in promoting development?

- Do other external finances like ODA impact the significance of private investments (OOF) in Sub-Saharan Africa?

1.8 Organization of the Study

The organisation of the study will be as follows:

- It begins chapter one with the background and scope of the work. It states the research problem, motivation of this study, objectives, research questions and hypotheses.
- Chapter two reviews theoretical and empirical literatures on the effectiveness of development related finance in Sub-Saharan Africa.
- Chapter three analyses the trends of Other Official Flows and Development in Sub-Saharan Africa.
- Chapter four introduces the methodology for the analyses of the research. It includes, data collection, justification of variables and model and the model for the regression.
- Chapter five analyses the results of the data after the regression model is employed.
- Chapter six concludes the research by summarising the findings, policy recommendations and stating the limitations of the study for further research in the area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, the review of existing studies related to the effectiveness of private investments and economic growth will be presented. The literature will be divided into two main parts; review of theoretical and empirical studies. Theoretical reviews are theories that have been used to in explaining the effectiveness of investment of growth, whereas empirical reviews focus on evidences of studies carried out by researchers.

2.2 Theoretical Literature on Investment and Growth

Generally, theories on investment and growth have often been sub divided into sub periods. They include the classical, neo-classical and modern periods. Smith and Marx are among the early classical economists who were concerned with understanding economic development regarding industrialization in their time (J.Copestake, 1999). However, recent growth theories have often focused on the alleviation of poverty than on development process alone (I.H Kvangraven, 2017). For this reasons, theories on investments and growth will sub divided into periods to give a clearer understanding of the study.

2.2.1 Classical Development Theories

These early growth theories identified strongly with the early classical economists like Adam Smith which spoke of development in the light of capital accumulation and labor. In his book “Wealth of Nations”, he makes mention of the ‘Laissez-Faire’ which requires states in refraining from the imposition of restrictions on freedom of an individual. Thus, advocating the philosophy that less restriction of the state on individuals will lead to growth if people are allowed to create their own wealth. Subsequently, allowing these individuals to create their own wealth increases the output of national products, thus leading to the promotion of public interests. Growth according to Smith, was however dependent on the division of labor, capital accumulation and specialization.

2.2.2 Neo-Classical Model

The Neo classical growth theories is focused on the market, it is based on the belief that the accumulation of capital through free markets plays a significant role in economic growth. Notable scholars in this period were Robert Solow, Evsey Domar, and Roy Harrod. Three factors are argued as the requisite contributors to growth in the Solow model. They are labor quality, capital and technology (Solow 1956). They also argue that the challenges faced by under developed countries is not only the consequence of the negative activities of developed countries and the international agencies but rather spurs from negative domestic activities. They further go on stating that “underdevelopment is a causal effect of domestic issues spurring from onerous state intervention such as government corruption and poor resource allocation” (Meier, 2000). Economist like Bauer (1984) and Johnson (1971) in response to the inefficiency of public sectors in developing countries, argue that free markets and less government intervention in private ownership will lead to economic growth. In regard to this, policies on trade openness, liberalization and privatization will be promoted.

2.2.3 New Growth Theories

These are growth theories in the 1990’s explaining underperformance of many least developed countries. Romer (1986) and Lucas (1988) are among the notable new growth theorists arguing that, economic growth is not dependent only the factors of growth explained by neo-classical theories. They opine that growth rate is dependent on investments in human capital, research and development and infrastructure (Dang G and Sui Pheng 2015). Contrary to the early development models in the classical and neo classical era, these theories focuses on the role of governments and public policies on growth and the encouragement of private investments in areas of human capacity building such as education and technology (Meier 2000).

2.2.3.1 Theory of Coordination Failure

This new growth argues that the effectiveness of investments in a market is influenced by existing ones. According to this theory, the returns on one investment is influenced by the presence of other types of investments in the market. Furthermore, they argue about the failure of investments relating it

to the failure of the market to coordinate investments. Also argued by this theory is the fact that a firm's productivity does not only depend on its effort but is also influenced by other factors such as infrastructure, regulations and other public goods (Rodriguez 2005). Coordination failure in markets, therefore plays a key role in the effectiveness of private investments. The intervention of government in the effectiveness of private investments therefore plays a significant role in how these finances affect growth.

2.2.3.2 Endogenous Growth Theory

The main arguments in this theory are that investments in innovation and human capital will foster growth. They include public and private investments in knowledge based areas such as research and development, technology and education. Furthermore, it argues that government policies should encourage entrepreneurship, protection of private investments and private investments to foster growth.

Romer (1990) argues that investments in research and developments will foster growth. Also, Aghion and Howitt (1992), have also supported the growth rate of development in relation to investments in research and development.

2.3 Review of Empirical Studies

There have been substantial number of studies on the topic of investment and growth. Among these are reviews on the effectiveness of private and public investments and sometimes the combination of the two. Discourses on the issues of development have often been a blend of postulated concepts in international relations. Thus, it is unlikely to talk about the issues of development without referring to concepts such as poverty, production, regulations and investments. However, literature on investments and growth in developing countries has often been confounding leading to mixed empirical results in this field of study.

2.3.1 Effectiveness of Private Investments on Economic Growth.

Theoretical and empirical literature for some time have analysed the impacts of foreign and private investments on economic growth of the receiving country. One school of thought argues that FDI and private investments foster growth in the host country through the provision of employment, capital inflows and technology spill overs. They debate that, host countries benefit from knowledge spillovers and capital accumulation through FDIs. However, arguments in support of the positive impacts of private and foreign direct investments mostly indicate that long term investments tend to have higher influence on growth than short term investments. According to Findlay (1978); Mansfield and Romeo (1980); and Blomström (1986), “The inflow of new knowledge may benefit domestic firms through imitation and learning”. Similarly, Görg and Hijzen (2004) argues that FDI’s foster growth in host nations. However, this is conditional on the firm clusters of the host country. In their findings, local companies do benefit from foreign investments if they are “geographically close to multinationals and have enough absorptive capacity” Furthermore, Javorcik (2004) finds out that “spillovers may occur through backward linkages between multinationals and their local suppliers”

Li and Liu (2005), also support the argument on FDI’s promoting growth, confirming this by employing mixed econometric methods which all produced similar results. On the other hand, converse results have been found by other studies on the same topic. Carkovic and Levine (2005) for instance, from a research using panel regression of 72 countries within a thirty five (35) year period on FDI and growth discover that, FDI did not have any positive significance on economic growth which was contrary to the many findings including that of Javorcik mentioned above. They however noted that “inconclusive evidence in the literature in general might be due to the specific empirical approaches and the different time periods used”. Also, Balasubramanyam et al. (1996) have argued, the effectiveness of FDI on growth is conditional on conditions such as trade. They claim that “FDI is conditionally effective only in export-promoting rather than in import-substituting countries”, thus trade openness is crucial for the effectiveness of these investments in promoting growth.

To conclude, a study by Alfaro et al. (2004) have also found out that growth from private and FDI investments is conditional on market and financial regulations in host country. The study concludes

that a well-regulated financial market allows businesses and investors to benefit from inward credit access and also in the attractiveness of foreign investments.

2.3.2 Impact of Regulations on Private Investment.

There have been many studies on the impact and role of regulations on the performance of investments in contributing to economic growth. A good investment climate is likely to harness the output of investment, thus contributing to growth. Countries with good investment regulations have been argued to increase economically. Hernando de Soto (1990) supports this notion through his study on property rights and ownership, he finds out that countries with good regulatory policies on property rights like Japan benefited significantly from private investments. Conversely, regulations and policies that do not promote private enterprises and investments have a high possibility of affecting investments. A study conducted by Aseidu E. (2008) on the determinants of FDI to Africa revealed that large local markets along with the existence of natural resources attract FDIs. The study also shows that policies in the host country with factors like corruption and inflation did have a negative effect on FDIs. Similarly, Nunnenkamp (2004) argues that attracting FDI alone is not enough to foster growth but rather host countries should focus on institutional quality and policies that will enhance the effectiveness of these private investments. He discovered in his research, how foreign investments can help the MDG's that, contrary to the ideologies that attracting FDI's were enough to boost growth in host countries. Reasons for the ineffectiveness of these investments were the negative impact of institutions, policies and regulations in the host country. Dawson (2006) also finds out that countries that have less business regulation restrictions benefit more from private investments than those with strict regulations. His study looked at regulations in the labor market and business and their implications on private investment. To conclude, Patillo (2001) also found out in his research on the investment behaviour of companies in Ghana that "weak property rights limit the reinvestment of profits in some types of firms and those firms with the least secure property rights invest nearly 40 percent less than those with more secure property rights". He concluded that businesses with the perception that their assets are not secure tend to reinvest less at around 32 percent whereas those with the perception of a secure property rights tend to invest reinvest higher at around 56 percent.

2.3.3 The Relationship between Public and Private Investment on Economic Growth

Studies on the effectiveness of public and private investments on growth have been ongoing for some time now. The works of Aschauer (1989), are among early studies on this topic. In his study on the impact of public investments in non-military infrastructure on growth in the United States, he found out that public investments complimented private investment. Similar to the findings by Aschauer, Munnell (1992), public investments do have an impact on private investments. According to his study on how public investments in the United States affected development, output increased with investments in infrastructure. However, the evidences of his study have been criticised by many researchers, claiming that the data employed in his study was non stationary. Subsequently, private investments have been argued to crowd private investments either negatively or positively. Pereira (2000) argues that, public investment crowds in private investments in the long run. After the categorization of public investments into various groups in his study, Pereira discovered that private investments were crowded out by public investments although the latter had a positively significant effect on economic growth. Furthermore, Daude and Cavallo (2011) on his studies on some selected developing countries within the period of 1980 to 2006 also supported the argument that public investments crowded out private investment. Evidence in support of the aforementioned argument is a study carried out by Kumar and Khan (1997), they report that investments in public infrastructure aided in the effectiveness of private investment.

Contrary to the findings on the crowding out effects of public investments on private investments is another school of thought which argues that public investment actually supports private investment. Newman and Mittnik (2001) have argued that public investments play a key role in the effectiveness of private growth. Their study employed an estimated dynamic model on the performance of public investment on economic growth. They concluded in their study that, public investment helped the effectiveness of private investments and that reduction in public spending could lead to a decline in economic growth. Yang (2006) also argues that “both private and public investments play significant role in the Japanese economy, but private investments significantly impacted growth in the case of the United States”. In the case of developing countries, Reinhart (1998) finds from a study on 24 developing countries that private investments compared to public investments played a significant

role on the growth of the economies. Similar findings by Ghura (1997) also supported the findings of Reinhart when he studies the effect of private and public investments on some 95 developing countries. He found out that although both investments played an important role in the growth rates the countries, private investments had a higher impact on growth compared to public investments. Similarly in Sub-Saharan Africa, studies have shown the effect of public investments on private investments. Beddies (1999) supports the argument on the relationship between public investments on the performance of private investment in Gambia. Through his study, he finds out that although both investments were crucial to the growth of the economy, the effect of private investments outweighed that of public investments. To conclude, a study on the effectiveness of public and private investments in Ivory Coast by Bedia, showed that the effect of private investments on economic growth was significantly higher than that of public investments, however public investments have long run effect on growth whereas private investments were significant in the short run (Bedia 2007).

CHAPTER THREE: ECONOMIC PERFORMANCE AND TREND OF OTHER OFFICIAL FLOWS IN SUB – SAHARAN AFRICA

3.1 Introduction

This chapter analyses the economic performance and trends of Other Official Flows in Sub -Saharan Africa. It begins with an overview of the regional growth rates within the period of 1998 to 2016. The last part of the chapter delves into the trends of Other Official Flows in the region and discusses the characteristics of regional share of flows and the areas where they are invested.

3.2 Economic Performance of Sub-Saharan Africa

African countries unlike others in developing regions were not able to restore growth after the lost decade of the 1980's. Subsequently, growth rates experienced stagnation and decline during the 1980's until the first half of the 1990s. The causes of this low growth rates according to a report by the UN on the economic performance on Africa was “due to a combination of adverse external developments, structural and institutional bottlenecks and policy errors” (UNCTAD 1999). In response to the decline and stagnation growth in economic performance, many countries in the region adopted Structural Adjustment Programmes (SAP) supported by the Bretton Woods Institutions. This was characterised by the liberalisation, deregulation and privatization policies by countries in the region. However, economic performance in the region was still poor until the mid 1990's. This performance during this period to some extent dissipated the widespread pessimism about the African growth prospects. From (Fig 1), the growth rates in the region saw a steady growth from 1998 to around 2004 when growth rates started to decline. Growth rates after that period have generally been fluctuating until 2014 when it saw another turn of decline till 2016. The highest growth rate for the region for the selected period of study was in 2004 and was largely related to the high inflow of development related aids in quest of achieving the millennium development goals.

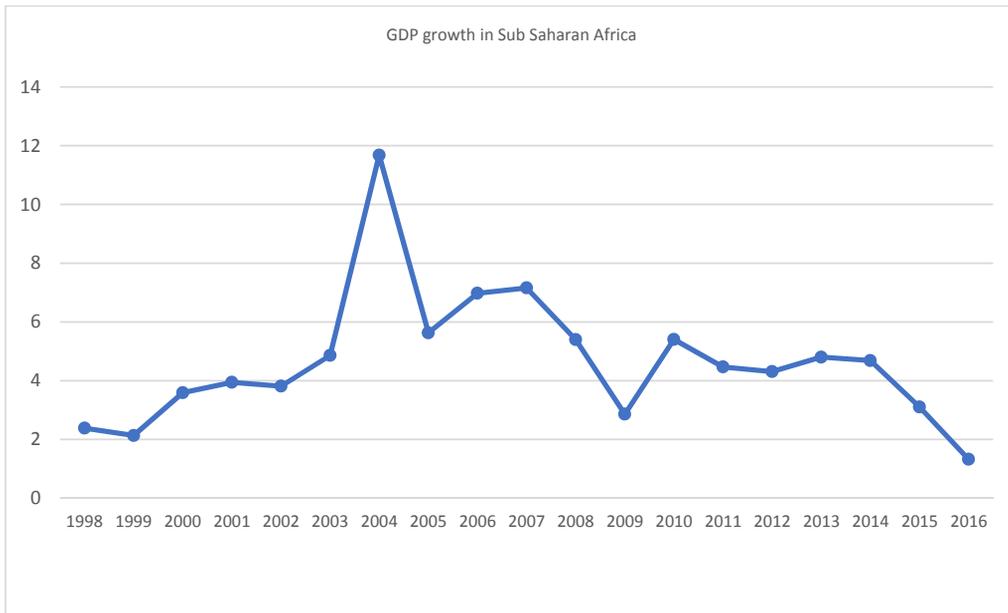


Fig. 1.0 GDP growth in Sub-Saharan Africa

Data Source: World Bank

3.3 Other Official flows In Sub-Saharan Africa

Other Official Flows (OOFs), is defined by the OECD as “official sector transactions that do not meet Official Development Assistance (ODA) criteria. OOF includes: grants to developing countries for representational or essentially commercial purposes; official bilateral transactions intended to promote development, but having a grant element of less than 25% and official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose” (OECD). It also includes credits extended to support export promotion, subsidies (grants) and funds in support of private investment.

3.3.1 Shares of Official Flows in Sub-Saharan Africa.

In the last two decades, trends in development finance have seen some drastic changes with an increase in Other Official Flows (OOF) in contrast to the decline of ODA (OECD 2014) flows to developing countries. Other Official flows have become a source of external finance due to its non-concessional nature and also the decline of ODA flows to developing countries which do not meet the

criteria for development aid. Lower and higher middle income countries are the highest recipients of these sources of finance (OECD). Also, there have been increased involvement with the private sector by the official donors in recent times. According to a report by the Department for International Development (DFID, 2015), countries like the United Kingdom have increasingly been involved in the finance of private sector projects in Africa. Subsequently, the UKAID has spoken on the need for private sector engagement in fostering sustainable development and also to help reduce the dependency of developing countries on aid. According to the same report by DFID, investment in the private sector is helping to raise income and wealth and aiding in poverty reduction in developing countries (N. Deva 2015).

They further elaborate the fact that the private sector and business are the primary drivers of rising income and wealth. Japan and Australia are also among official donors that engage with the private sector. A report by Taku Miyazaki also confirms these private investments by Japan in Africa. It is reported that “ Japanese government-related organisation promoting trade and investment between Japan and other nations has been putting much more emphasis on supporting trade and investments in Africa” (Taku Miyazaki 2015).

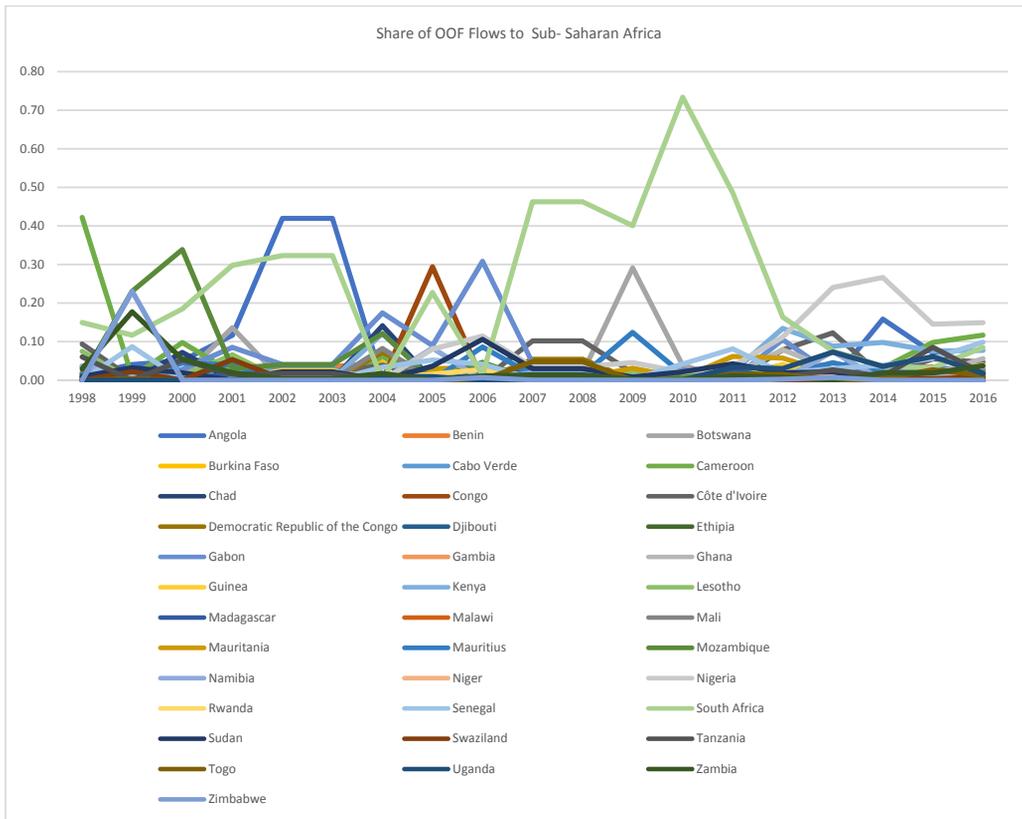


Fig 2.0 Other Official Flows to SSA.

Data source: OECD. Calculations by Researcher

Figure 2.0 shows the shares of OOF disbursements to SSA from 1998 to 2016. During the early periods of the study, SSA countries that received the highest share of OOF disbursements were Cameroon, South Africa and Tanzania respectively. The total shares received by Cameroon during this year was about 42% followed by South Africa with 15 %. However after the year 1999, trends in OOFs to Cameroon decreased. Countries like South Africa, Angola and Mozambique were among the highest recipients of OOF investments during the beginning of the millennium. In 2004 however, trends in OOF to the region decreased again but rose again in 2007 and 2008. Flows to the region saw another downturn in most countries after 2008; which could be related to the global financial crises. Only countries like South Africa and Botswana received such investments during this period. General investments to most countries in the region after 2011 reduced but for Nigeria which received an annual share of about 20%. The recipient of the highest share during the entire period of study was South Africa the year 2010, receiving about 73% of total shares amounting to about \$ 3.7 billion.

3.3.2 Donor Share of Long Term Loans Disbursed

The share of long term loans from 1998 to 2001 from (Figure 3.0) shows that total loans extended to the SSA region was mostly from multilateral agencies, however countries like France and Germany also contributed some significant shares during this period. The DAC country with the greatest amount of shares was Germany, contributing its highest share of about 75% of total shares in 2002, however its share in the year after hit a massive decline up to about -25% in 2003. It gradually rose up in subsequent years contributing about 57% of total shares in 2005. Other active contributors from DAC countries were the United States, the United Kingdom, Japan, Portugal, Italy and France. Funds to Sub Saharan Africa after 2008 saw a decline and this could be related to the global financial crises causing a global decline in investments. During the early years of the study, Multilaterals agencies did not contribute much compared to that of the DAC countries. However after 2006, Multilateral agencies contributed the highest amount of long term loans while the share of most DAC countries reduced significantly. This could be related to the effect of the global financial crises of 2008, forcing most of the DAC countries to reduce investments.

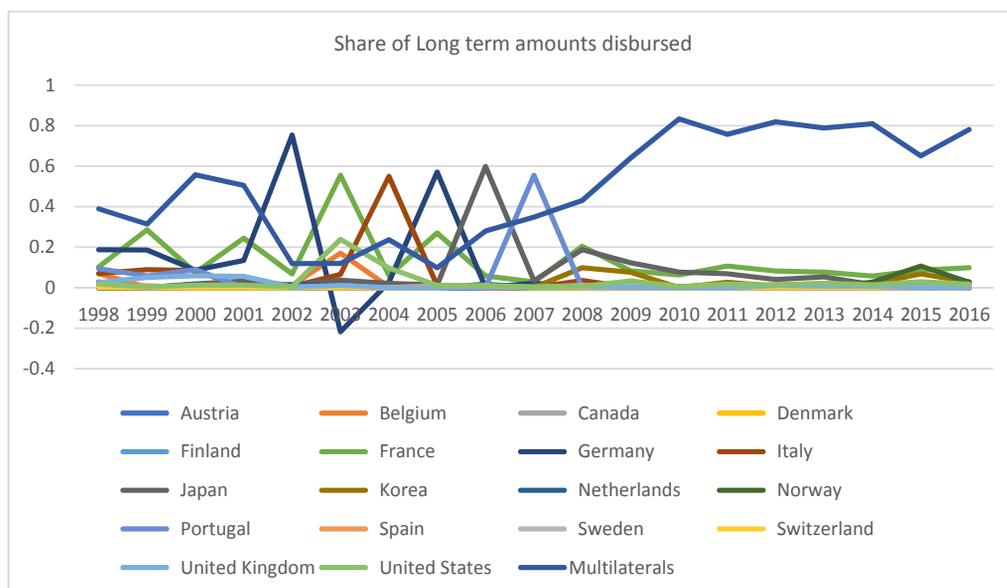


Figure 3.0 Share of Long Term Loans Disbursed to SSA

Data source: OECD. Calculations by Researcher

3.3.3 Share of Official Export Credit Disbursed

The share of export credits (Fig 4) was higher during the earlier period of 1998 to 2000. During that period, the highest disbursements of these flows were dominated by the United States and Portugal. In that same period, the share of United Kingdom and France also dropped. The shares of the United States and Portugal after the new millennium also reduced. Although this flow was mostly dominated by the United States during the entire period of study, there was an active involvement of other DAC countries investing in export related areas. The share of the United States during the year 2000 was about 45 %, followed by Portugal with about 24%. Other DAC countries who actively invested these types of flows were Japan, Germany, Canada, the United States France, Netherlands, Germany and the United kingdom

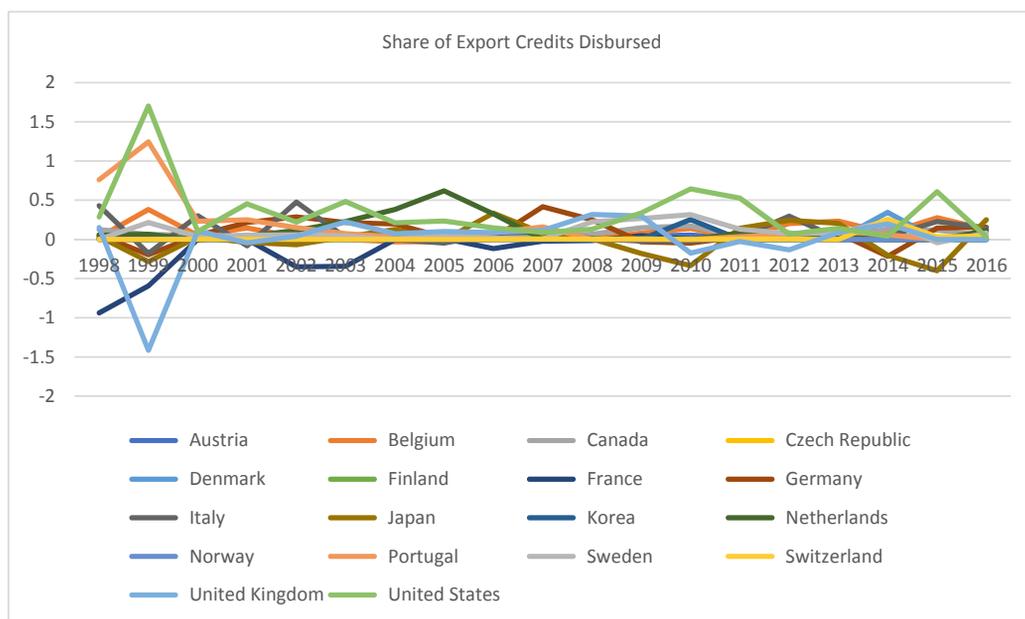


Figure 4.0 Share of Export Credit Disbursed to SSA

Data source: OECD. Calculations by Researcher

Finances from export credits were mostly invested in the transport and industrial sectors, receiving total shares of about 29% and 28% respectively. Disbursements of export credits to developing

countries however have been decreasing in recent times. Investments in the sector declined from \$ 75 to \$55 billion from the year 2010 to 2012 (OECD 2014).

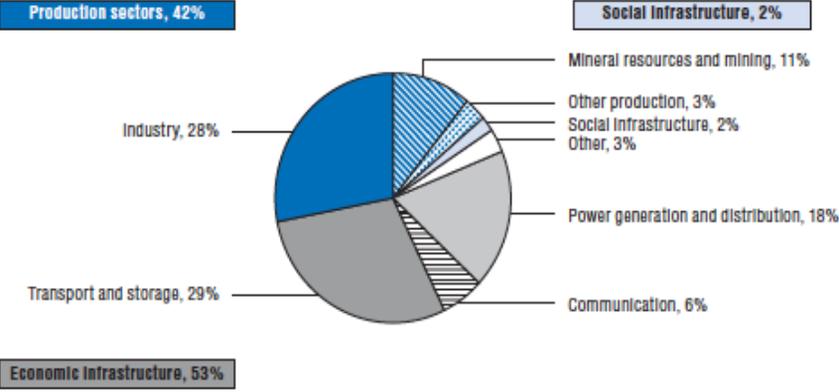


Figure 5.0 Sectors share of export credits in developing countries.

Data Source: (OECD 2014)

CHAPTER FOUR: METHODOLOGY

4.1 Introduction

In this chapter, the research methodology employed in the data collection, analysis, and presentation of the data will be outlined. Also included in this chapter is how the research is organised, the approach, research design, sources and description of data, justification and measurement of variables.

4.2 Research Design

To analyze the research topic and questions, this study employs the use of a quantitative research method. Quantitative research approach is the systematic, logical and organized analysis of numerical data so as to draw factual conclusions that are supported by findings from the data.

The population for the study is countries located within the Sub-Saharan region. It uses the definition accepted by the UN for Sub-Saharan Africa; it is made up of all African countries located below the Sahara desert. It includes countries in the eastern parts of Africa like Ethiopia, Kenya and Tanzania, countries in the western parts like Ghana, Senegal, Nigeria and Cote D'Ivoire, countries in the central parts like Congo, Gabon, and Central Africa Republic and lastly to the southern located countries like South Africa, Namibia and Botswana and Mozambique. Also, islands (or archipelagoes) on the borders of the continent and below the desert are classified as part of Sub-Saharan Africa of which Madagascar is one of them. This study utilizes a sample size of 36 SSA countries. Macro data is collected from the thirty-six (36) SSA countries over an eighteen year period (1998-2016), sampled for the study. The list of countries are presented in Table 4.0. The study will also employ the use of an ordinary least square fixed effects (FE) regression model estimation. The software for running the regressions will be Stata.

Additionally, the number of countries employed is to give a higher degree for freedom. This is because using a large set of data for panel regressions, increases the data points and the degree of freedom which in turn gives better credibility to the results from the study. Accordingly, a study by Brooks and Jansen states how this method reduces the collinearity among independent variable (Brooks 2008; Jansen 2012) Thus, panel data allows us to control for unobservable variables such as

cultural and environmental factors, differences in acceptable practice peculiar to certain locations, or other variables that only change over time but not over country or location. For that matter, this method is preferred because of the consistency of results compared to cross sectional data and time series.

4.3 Data Sources and Collection

The source of data for this paper is mainly online secondary form of data, using the panel data in pooling 36 Sub Saharan African countries from the period 1998 to 2016. Data on development indicators will be extracted from the World Bank and OECD's data hub websites whereas data on OOF is from the OCED. Other Official Flows (OOF) is one of the main variable of interest and data from the OECD's economic measures is employed. The gross OOF disbursements of flows to sub Saharan African region will be used. The GDP per capita growth variable in the model is the dependent variable and represents the Gross Domestic Product per capita growth rates of every country. As stated earlier, 36 SSA countries are used for the study of which a panel data set is drawn for a period spanning eighteen (18) years, from 1998 to 2016. This period is chosen because it captures both pre-privatization and post privatization era and the MDG period, where there was an increase in official flows to the Sub Saharan African. The countries selected for this research are listed in the table 4.0 below.

4.4 Regression Model

4.4.1 Fixed Effects (FE) Model

The fixed effects model takes the form of an Ordinary Least Square;

$$y_{it} = \alpha_{it} + \beta X_{it} + \mu_i + \varepsilon_{it}$$

Here, y signifies the dependent variable for country i at time t and X denotes selected explanatory variables for country i at time t . μ_i is the time invariant fixed effect. α represents the constant term and β is the estimated coefficient of the independent variable. ε_{it} represents the error term.

4.5 Estimation Technique

The Fixed Effects (FE) model treats for unobserved individual heterogeneity (thus μ_i). It is used to analyze the relationship between explanatory variables and the explained variable particularly in situations where there is the possibility that the independent variable could be affected by the error term. In certain situations, there can be some similar characteristics that are peculiar to independent variables in the equation (thus they are the same for each). It could be country specific characteristics or time specific characteristics. If this effect is not accounted for, it will be present in the estimates leading to inefficiency. This characteristic can cause the independent variable to be correlated to the error term, thus, leading to a bias in the estimation. Hence, it is important to control for such biases. The FE model removes the time-invariant characteristics so that the estimates are not biased. In this case, a country specific fixed effects (μ_i) would be employed in the model.

4.6 Model Specification

The proposed model for the study is:

$$GDPgrt_{it} = \beta_1 + \beta_2 OOF_{it} + \beta_3 OOF_{it-1} + \beta_4 REG_{it} + \beta_5 INTER_{it} + \beta_6 FLOWS_{it} + \beta_7 GDPgrt_{it-1} + \beta_8 X_{it} + \mu_i + \epsilon_{it}$$

The Interpretations are as follows;

β_1 denotes the constant. This is the point at which all the independent variables are zero. Thus, it is equal to the dependent variable when all the independent variables are zero

OOF_{it} denotes gross disbursements of other official flows to country i at time t . It refers to other official flows given for private sector investments. (OECD)

β_2 is the coefficient of OOF to be estimated in the regression model. We expect a positive relationship with the dependent variable.

OOF_{it-1} denotes the lagged variable of OOF. The study employs a lagged variable of OOF to check the causalities between previous investments and on the performance of current investments of OOF. β_3 is the coefficient of OOF_{it-1} to be estimated in the regression model. This is also represented by the variable L1.OOF.

REG_{it} represents the regulations variable for each country and each year. We proxy Regulatory Quality Estimate as our representational variable. Regulatory Quality according to the World Bank is “the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development”.

β_4 represents the coefficient for regulations. A negative or positive relationship with the dependent variable is expected.

INTER_{it} represents the interaction between OOF and Regulations. Hence, we refer to this variable as an interaction term. We interact OOF with regulations to see the absorptive capacity of OOF under the influence of government regulations.

β_5 represents the coefficient of the interaction term. We expect the interaction to be significant because, the relationship between investments and regulations often go hand in hand. Regulations and policies are needed to boost investments, and on the other hand investments can change the framework of some regulations in a given economy.

FLOWS_{it} represents the sum of flows of OOF and ODA, This variable is added to the model to check the effects of other external financing on how OOF relates to GDP growth.

β_6 represents the coefficient of FLOWS.

GDP_{it-1} represents the lagged GDP of country (I) at time (t-1). This establish a causality between current GDP growth and previous growths of country. We use the previous growth rates of a country as the growth rate of at the current time (t-1). This is also represented by the variable L1.GDP.

β_7 represents the coefficient of lagged GDP. Expectation of this variable is either positive or negative, as a previous year's growth rates could affect current growth rates either ways

X_{it} represents a set of control variables to control the bias of the result. This includes a set of control variables that influences the effectiveness of foreign investments in a host country. A set of business environment conditions will be included to be sure that we are capturing the effect of the OOF on economic growth. These control variables have been used in other studies as well (see Agbloyor et al 2016). The variables included are technology (TECH); represented by the number of people using the internet in a given country at a particular time. Political stability (PLS); labor force (LBF) are represented by the population from 15-64 years by the International Labor Organization, as working population in a given country. Furthermore, the study includes a variable to control the level of trade openness (OPEN); this represents the degree to which a particular country (i) is willing to trade in goods and services with others outside their borders at a time period t . It is constructed as sum of exports and imports of the country over the by GDP. Studies such as Kaya (2010) and Rowthorn & Ramaswamy (1999) noted that international trade is an important variable in explaining differences in manufacturing share in total output or total employment (see also Trindade, 2005). Lastly, Infrastructure (INFRA) represented by the access to electricity is added as a control variable to check the relationship between private investments and growth. Energy as we know is one of the key drivers of productivity in today's industrialized world (See B.C.Beaudeau, 1995).

μ_i represents the country specific effect which is the same across time for the data. It is time invariant hence the subscript i .

ϵ_{it} represents the error term also known as white noise.

4.7 Justification of Variables

4.7.1 Dependent Variables

4.7.1.1 GDP per capita growth

To achieve the purpose of the study, the dependent variable for the regressions is economic growth.

Since Gross Domestic Product (GDP) measures the total monetary output of economic activities in a country, this study will employ the use of this variable to determine the performance or growth in country i at time t . Hence an upward trend of a country's GDP or GDP growth suggests that the country is producing more goods and services. An economy that produces more goods for consumers is said to be vibrant and developing. GDP or GDP per capita is frequently used to measure economic growth in studies with data from Africa (see Aseidu, 2002; Adams;2009; Agbloyor et al, 2016).

4.7.2 Independent Variables

4.7.2.1 Other Official Flows (OOF)

OOF inflows is one of the independent variables and also represents one of the main variables of interest in the model. This is because, one of the study's objective is to know the impact these flows have on economic growth. OOF inflows is the measure of gross disbursements of Other Official flows. These are official flows in support of private investment and also export related trades in the forms of grants, long term loans and non-concessional loans (OECD).

4.7.2.2 External Investments (FLOWS)

Studies have shown the impact of external debts and loans on the effectiveness of private investment. Therefore, to check the causality of external loans, this study will factor the existence of other external finances like ODA. This will be done by examining the total investments of ODA and OOF flows as one variable which will be represented by the variable name "flows". This variable is added to check for any crowding effect on OOF flows in the host countries (See T.D Mossie, 2014).

4.7.2.3 Interaction Variable (INTER)

This is an interaction between Regulation and OOF to check the absorptive capacity of OOF in the presence of regulations. This interaction method has been employed by some studies to check the impacts of some casual variables on other variables of interest. (See R.A Kotey , 2017; Burnside and Dollar 1997)

4.7.2.4 Government Regulations (REG)

Regulations by the government here represent policies that influence private sector growth and investments. This will be represented by the World Bank's regulatory variable, which is "the ability of government to formulate and implement sound policies and regulations that permit and promote private sector development" (World Bank). This includes policies that attract private investments from both foreign and domestic sources.

4.7.3 Control Variables

4.7.3.1 Technology (TECH)

Technology is argued by many studies to be one of the core or primary factors aiding economic development or productivity. Hence, the level of technological advancement in a country inherently fosters rapid growth. As argued by Schumpeter, the innovation and technological progress of a country is one of the main factors that lead to growth and also the determinant of attracting foreign investments leading to economic progress. (Schumpeter, J. 1934)

4.7.3.2 Trade Openness /Trade liberalization (OPEN)

Trade openness is characterised by export and import of services and goods produced between countries. It includes policies that support trade between countries. Hence, the more flexible but controlled trade policies a particular country has, determines the extent to which it can trade with other countries. Effects of trade on the economic growth of countries are measured by the rate at which countries are willing to either restrict or invite trade between them and other countries. Consequently, trade liberalization implies having tariffs that promote exports and reduce imports.

Studies on the impact of trade openness on economic growth have also been researched quite enormously in the field of development studies. In light of this, Romer argues that “openness provides domestic producers with a broader variety of capital and intermediate goods” (Romer 1990). According to him, the results of these trade openness will enlarge knowledge in productivity which will lead to the growth of productivity.

4.7.3.3 Political Stability (PLS)

Political Stability according to the World Bank measures “the perceptions of the likelihood of political instability and or politically-motivated violence, including terrorism”.

Economic growth and political stability have also been argued by studies as having a significant relationship. Thus, the ambivalence of an unstable political environment will tend to reduce the rate of private investments in a given country. Political uncertainties have been argued to reduce the flows of investments in a given country

4.7.3.4 Infrastructure – Access to Electricity (INFRA)

Access to increased use of energy, an example like electricity stands as one of the key factors of production. The relationship between electricity and production began in the early stages of industrialization. Thus access to electricity becomes a key factor here in economic development by increasing productivity and providing a favourable environment for foreign investment (See B.C.Beaudreau, 1995).

4.7.3.5 Labor Force (LBF)

The study employs the use of data on labor force to account for the impact of labor on economic growth. Data on labor force is taken from the World Bank database; world development indicators, and a significant relationship with economic growth is expected.

5.0 CHAPTER FIVE: RESULT INTERPRETATION

5.1 Introduction

This chapter presents the results from the regression run on the data selected for the study. It employs the use of descriptive statistics, correlation and covariance and regression tables for simpler interpretation of the results.

5.2 Descriptive Statistics

From Table 1.0, the mean of GDP per capita (GDPgrt) growth of 697 observations is 4.857, which means the average of the GDP per capita value for our sample set is 4.857. GDP per capita growth which happens to be our dependent variable also had a standard deviation of 4.8. Due to the variations of economic growth in the selected sample; which is the Sub Saharan region comprising of lower to higher middle income countries, there is a wide difference in the GDP per capita growth rate values. Hence, a more developed economy will produce more GDP. The minimum and maximum GDP per capita growth rate values are -17.88 and 63.29 respectively.

Moving on to OOF, the mean of the variable is 157.39 with a standard deviation of about 386.34.

FLOWS had a similarly higher mean and standard deviation of 653.11 and 0.62 respectively relative to that of OOF. The interaction term between OOF and regulations (INTER) was employed to analyze the relationship between the two variables to the growth rates of GDP. The mean of the interaction term is -72.47 with a standard deviation of 409.92. The minimum and maximum values of the interaction term are -5844.02 and 982.35 respectfully. The negative mean indicates a negative relationship between the interaction term and the growth rates of per capita GDP.

For the control variables of the regression model, control is made for infrastructure representing that by the percentage of population with electricity access, trade openness, labor force and political stability, technology; which is also represented by the percentage of people with internet access. The mean for infrastructure is 35.41, while standard deviation along with minimum and maximum values for the variable is 24.12, 0.30 and 99.41 respectfully. The standard deviations and means for labor force is 4.4 and 54.19. Technology and Openness have standard deviations of 9.93, 0.35 and means' of 6.76 and 0.76 respectfully.

Table 1.0 DESCRIPTION STATISTICS

Variable	Obs	Mean	Std. Dev.	Min	Max
GDPgrt	679	4.857256	5.31114	-17.66895	63.37988
OOF	644	157.3993	386.3453	0	3959.92
PLS	612	-.4350325	.8806675	-2.844653	1.219244
INTER	581	-72.47104	409.9232	-5844.002	982.3595
REG	612	-.5716029	.62599	-2.297536	1.12727
FLAWS	684	415.8961	653.6702	-4051.083	9166.087
LBF	679	54.19242	4.49598	47.21909	70.77984
L1.GDP	680	5.157493	7.675891	-17.66895	149.973
INFRA	684	35.41035	24.12917	.3015234	99.41197
L1.OOF	647	155.7429	382.8242	0	3959.92
TECH	676	6.767557	9.9371	.04131	54
OPEN	614	.7665556	.3504095	.0850803	2.485466

5.3 Correlation and Covariance

Next are the results of the correlation and covariance analysis of the regression. This discusses the degree of correlation among the variables. The table is presented below.

Table 2.0 CORRELATION MATRIX

	GDPgrt	LBF	OPEN	OOF	INTER	INFRA	FLAWS	L1OOF	L1GDPgrt	REG	PLS	TECH
GDPgrt	1.0000											
LBF	-0.1180	1.0000										
OPEN	0.0558	0.4005	1.0000									
OOF	0.0577	0.1491	-0.1277	1.0000								
INTER	-0.1489	0.2043	0.0609	-0.6200	1.0000							
INFRA	-0.1108	0.7597	0.2594	0.2106	0.1005	1.0000						
FLAWS	0.0381	-0.0788	-0.2256	0.1240	0.1593	-0.0805	1.0000					
L1OOF	0.0303	0.1579	-0.1281	0.5689	-0.1843	0.2236	0.3051	1.0000				
L1GDPgrt	0.3400	-0.1197	0.0533	0.1094	-0.1139	-0.1065	0.0933	0.0550	1.0000			
REG	-0.0701	0.5123	0.0739	0.0609	0.2950	0.3278	0.0683	0.0665	-0.0311	1.0000		
PLS	-0.0461	0.4609	0.3164	-0.1361	0.2594	0.3101	-0.1965	-0.1487	-0.0057	0.6386	1.0000	
TECH	0.1372	0.6055	0.1537	0.0995	0.1219	0.6466	0.0230	0.1400	0.0945	0.3123	0.1943	1.0000

As seen from Table 2.0, the correlation between OOF and GDP is quite minimal at 0.0058. The lagged variable of GDP per capita growth was positively correlated with a coefficient of 0.34. This

implies that, current growth rates of per capita GDP is influenced by 0.34 % of previous GDP growth. Openness, OOF and flows are also positively related to GDP growth but with minimal significance on the growth rate of GDP. Infrastructure, labor force, political stability, regulations and the interaction term from the correlation table above were also negatively correlating to the growth rates of per capita GDP. Furthermore, the correlation between infrastructure and technology as seen on the table had a strong positive coefficient of 0.64. This also explains how much technology and infrastructure are related as proven by many studies. The correlation between lagged OOF investments (L1.OOF) and current OOF investments was also positively correlated at 0.56, which indicates a positive relationship between previous investments and current investments. Labor force and infrastructure is also positively correlated at 0.75, which indicates a strong relationship between the level of infrastructure and labor force available in a country. This comes as no surprise as labor force along with good infrastructure have been known to promote growth in economies. Similarly, labor force and trade openness were correlated at 0.40 percent, which although not highly positively correlated shows how much labor force and trade do interact. Trade openness has been argued by some studies to promote growth and job creation (See Sachs and Warner 1995 and Harrison 1996)

5.4 Regression Analysis

5.4.1 Model Results: Fixed Effects

For the regression model, the use of a panel fixed effects model is employed. Per capita growth rates of GDP is regressed on OOF, flows of investments which are Official Development Assistance and Other Official Flows represented by the variable (FLOWS), regulations, the interaction term, and some control variables. The presentation of the three tests run on the data for the research is presented. Test one (1) includes all the variables in the model. In test two (2), the variable FLOWS is eliminated to check if OOF will have some significance in the absence of other external flows. Finally in Test 3, substitutes trade openness to check if OOF will still be significant without that variable.

Looking at the R-squared values for all three tests. These were 13.16%, 11.85% and 12.50% respectively from test one (1) to test three (3). These R-squared values are consistent with many

studies that focus on clusters or groups with high variations or differences. In test one (1) the results show that OOF had a relatively low as well as negative significance on the growth rates of GDP per capita growth at 10% alpha level. The interaction variables between regulations and OOF also had a negative significant level of 5% although regulations had no significant effect on GDP growth. This can be similarly related to studies on the impacts of foreign direct investments on growth such as G.D Steve (2014), Khaliq and Noy (2007), and Shaikh (2010) whose study confirm that private investments in the form of FDI's have a negatively significant relationship on economic growth. Flows had no significant relationship on growth rates of GDP, which does not indicates any crowding effect on OOF flows.

The lagged variables of GDP per capita growth was positively significant at 1% alpha level in all three tests signifying that current GDP growth is influenced by the previous growth rates of per capita GDP. Lagged variables of OOF was also insignificant, indicating no relationship between previous and current investments. Technology was also positively significant to GDP growth at 5% confidence level which also confirms the results of similar studies on the role it plays in GDP growth, (see R.A Kortey ,2016).

The results in test two (2) was similar to that of the previous test, with OOF and the interaction negatively significant to GDP growth at 10% and 5% levels with coefficients of 0.001 and 0.002 which are very close to zero. The indication is that, although the impact of these flows on GDP growth is negative the effects are not minimal. The variable "FLOWS" was substituted in the second test but this did not alter the results much as significant levels for OOF and the interaction term remained the same. This tends to imply that other development flows do not have any significant impact on the significance of OOF and its contribution to growth.

Finally in test three (3), trade openness was substituted to check the impact of OOF on growth rates in its absence. The results still maintained its results, with significance and coefficient levels as similar to that of the previous tests. This implies that although trade openness is present for the attraction of foreign investments and trade, its absence does not impede the role OOF has on GDP per capita growth. The increased significance level of the OOF when interacted with regulations to some extent signifies the role business regulations play in the effectiveness of external investments. Also, the

negative significance level of the interaction term confirms that both regulation and OOF have negative impact on the growth of the economy in Africa. This result is confirmed by several studies indicating the negative impact of private investments and also regulations in Africa. Many African countries have been known to have weak business regulations and thus are not able to absorb much from external investments. Similarly, Hossein Jalilian, 2006 in his study on the impact of regulations on economic growth on some selected developing countries confirms these findings. In his work, he argues that there was indeed a causal link between regulatory quality and economic growth.

The control variable infrastructure was insignificant to GDP growth. These results confirm the case in most Sub-Saharan African countries where there is lack of infrastructure to aid trade and development. Technology as part of the control variables was positively significant at 5% confidence levels in tests one and two but reduced to a 10% level when trade openness was substituted in the third test. This also confirms the results of many studies on the influence of trade openness and the transfer of technology (See B.A Mmadu, 2011; D.G Borojo, 2016).

5.5 Chapter Summary

The results of the regression were presented in this chapter. The regression results showed that OOF has a slightly negative impact on the growth rate of per capita GDP. Regulation had no significant impact on GDP growth. However when interacted with OOF, the impact of the investment rose to 5% negatively. This indicates that regulations and OOF investments do not interact positively. This could be influenced by the quality of regulations present in the host country and also the areas where these OOF investments are made. As well known fact, regulations in most Sub Saharan African countries are mostly poor, thus limiting the outcome of foreign investments and growth. Secondly Labor force in these countries are unskilled and thus limiting the extent to which these investments can benefit the country. To conclude, foreign investments if not invested in profitable sectors have been argued to harm rather than promote growth in host countries.

Table 3.0 Regression Table

	(1)	(2)	(3)
	GDPgrt	GDPgrt	GDPgrt
OOF	-0.0018884* (-1.74) [0.083]	-0.0019502* (-1.82) [0.070]	-0.0021174* (-1.93) [0.054]
LBF	0.0419055 (0.16) [0.270]	0.0412774 (0.15) [0.878]	-0.2947893 (-1.31) [0.191]
INTER	-0.0021164** (-2.20) [0.028]	-0.0022062** (-2.37) [0.018]	-0.0022848** (-2.33) [0.020]
REG	-1.361138 (-1.24) [0.216]	-1.319464 (-1.27) [0.203]	-1.30348 (-1.25) [0.211]
FLAWS	-0.0001258 (-0.37) [0.709]		0.000026 (0.08) [0.939]
L.1 GGDPgrt	0.2139186*** (4.74) [0.000]	0.2135121*** (4.73) [0.000]	0.2837574*** (6.61) [0.000]
INFRA	0.0130797 (0.33) [0.744]	0.0127961 (0.32) [0.750]	0.0642097* (1.67) [0.096]
OPEN	5.156108*** (3.97) [0.000]	5.100988*** (3.96) [0.000]	
TECH	0.0755004** (2.32) [0.021]	0.0754331** (2.32) [0.021]	0.0574646* (1.84) [0.074]
PLS	0.7976424 (1.42) [0.157]	0.8037016 (1.43) [0.153]	0.8305593 (1.62) [0.118]
L.1 OOF	0.0002649 (0.43) [0.668]	0.0002062 (0.35) [0.729]	0.001444 (0.23) [0.818]
Constant	2.542735 (0.18) [0.856]	2.51051 (0.18) [0.857]	7.43651 (1.51) [0.131]
Observations	524	524	573
R.Squared	0.1316	0.1185	0.1250
Number of Countries	36	36	36

P values in parentheses, T-Values in brackets *** p<0.01, ** p<0.05, * p<0.1

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter concludes the findings of the research. The presentation of the scope of the study, specific objectives, methodology, brief analysis and findings are outlined in this chapter. Finally the study will wrap up by looking at the implications and general remarks of the findings and suggest policy recommendations for the enhancements of such investments.

6.2 Summary of Findings

The study sought to find the relationship between OOF and economic growth. It also looked into the impact of these flows when regulations and other external finances was factored in. The sample size was 36 countries in the Sub-Saharan region spanning an eighteen year period from 1998 to 2016. The time frame captures the privatization era (the 1990's) and post privatization era. The privatization era, according to (Adams, 2009), is the period where SSA countries privatized most of their state owned enterprises. That period also saw more inflows of Private investments and multinational collaborations.

It employed the use of a fixed effect (FE) regression model in the analysis of data collected. Furthermore an interaction term between OOF and regulations along with total development flows; which includes both ODA and OOF flows was used in the regression. It also employed the use of some control variables, to check for biases.

After running the regressions, the results showed that OOF is slightly negatively significant to the growth rates of per capita GDP at 10 % level, while the interaction term was also negatively significant at 5% to economic growth. Other control variables were mostly insignificant but for technology which was positively significant at 5% level in the first two tests. In the last test however, the significance of technology reduced in absence of trade openness. This confirmed the results of similar studies like that of D.G Borojo (2016); which found that trade openness was important for the transfer of knowledge in developing countries.

6.3 Conclusion

The study concludes by answering the three research questions. First, OOF does not positively impact economic growth but rather slightly impacts economic growth negatively. Secondly, OOF when interacted with regulation had an increased significance of about 5% higher than that of OOF alone at 10%, its impact was still negative. This also concludes that regulations do affect the significance of OOF negatively in contributing to growth. Finally, this study concludes by looking at the impact of OOF in the presence of other external investments like ODA. From the regression results, the presence of these funds did not have any influence on OOF's contribution to growth. The null hypothesis is then accepted for all three tests in this study based on the results from the study.

6.4 Recommendations.

Policy recommendations for this study will be sub-divided into three (3) parts based on the three thematic areas of research. These will be in the area of finance and investment, and the private sector.

6.4.1 Policy on Investments and Finance

- Policies to discourage business transactions in foreign currencies domestically to prevent exchange rate volatility.

6.4.2 Policy on Business Regulations

- Tax exemptions for some period in areas other than mining such as manufacturing and energy should be encouraged to attract more foreign investments into such areas rather than into the extractive sectors.
- Policies on the construction of basic infrastructure in extractive and heavy industry areas must be implemented to protect and maintain the infrastructures that these companies or investments use in their business activities.
- Corporate social responsibility must be encouraged to protect citizens and infrastructures from being destroyed from the activities of these investments.

- Employment of more domestic employees should be encouraged to prevent high external remittance flows outside the country to boost domestic capital.

6.5. Limitation of the Study

The primary limitation to this research was the access to data for the selected countries. Data for most African countries generally is limited and mostly not uniform across available data base sources due to many domestic constraints and underdevelopment. This caused a great challenge in the collection of data. Secondly, the limited literature on the topic caused challenges in finding support cases and evidences in support of arguments and lastly, was the inability to categorize countries into income earning groups.

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APPENDIX

Table 4.0 List of Countries

SELECTED SUB-SAHARAN AFRICAN COUNTRIES	
Angola	Madagascar
Benin	Malawi
Botswana	Mali
Burkina Faso	Mauritania
Cameroon	Mauritius
Central African Republic	Mozambique
Congo, Dem. Rep.	Namibia
Congo, Rep.	Niger
Cote d'Ivoire	Nigeria
Eswatini	Rwanda
Ethiopia	Senegal
Gabon	South Africa
Gambia, The	Sudan
Ghana	Tanzania
Guinea	Togo
Kenya	Uganda
Lesotho	Zambia
Liberia	Zimbabwe

추상

기타 공식 흐름, 아프리카의 민간 투자 및 개발; 의 효과에 대한 분석 기타 공식
흐름 1998 년부터 1616 년까지 사하라 사막 이남의 아프리카에서

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이 연구는 사하라 이남 아프리카 지역의 경제 발전에 대한 기타 공식 흐름 (OOF)의 효과를 연구합니다. 이 연구는이 지역의 일부 36 개국을 대상으로 18 년간 조사되었습니다. 분석에서 고정 효과 (고정 효과) 회귀 모델을 사용했다. 규제는 경제 성장에 미치는 영향을 알아 내기 위해 (OOF)와 상호 작용하는 흡수 변수로도 사용되었습니다.

이 연구는 OOF 가 1 인당 GDP 성장에 약간 부정적인 영향을 준다는 것을 발견했다. 또한, 규제와 상호 작용할 때 증가했지만 여전히 부정적 상관 관계가있는 것은 1 인당 GDP 성장에 중요성을 부여합니다. 무역 개방은이 지역의 성장률에 긍정적으로 기여했다. 이는 무역이 성장에 긍정적 인 영향을 미치지 만 이러한 무역 자유화로 인한 활동과 투자가 신중하게 고려되어야 함을 의미합니다.

이 연구의 함축적 의미는 사하라 사막 이남의 아프리카 국가들이 더 나은 비즈니스 규제가 실행되면 그러한 투자로 얻을 수있는 혜택을 확인하는 것이다. 투자 및 규제에 관한 일부 정책 권고안은이 국가의 발전에 대한 이러한 흐름의 결과를 개선하는 데 도움이 될 수있는 본 논문의 마지막 부분에 제시되었습니다.

주요 단어 : 기타 공식 흐름, 경제 개발, 사하라 이남 아프리카, 규제
학생 번호 : 2017-23105