

**Determinants and Effectiveness of External Finance on
Growth and Development in Sub-Sahara Africa (SSA): A
Review of the Literature.**

by

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DECLARATION

I declare that the Determinants and Effectiveness of External Finance on Growth and Development in Sub-Sahara Africa (SSA): A Review of the Literature is my own work and that all the sources used have been acknowledged with complete references.

Date: 10 May 2022

Name: Ninah Bianca Hendricks

A handwritten signature in black ink, consisting of a large, stylized initial 'N' followed by a series of loops and flourishes.

Signature:

DEDICATION

I dedicate this dissertation to God, my family, close friends, and all the teachers who have significantly impacted my life. Accept this study as a geture of how appreciative I am of each lesson taught, moments savoured, and the experiences yet to come.

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First and foremost, all thanks and honour and glory be granted to God the Father Almighty, who has been a pillar of strength, hope, love, and grace throughout my life. May Your light continue to shine in my life, especially in those moments when I stumble.

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Ninah Bianca Hendricks

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Abstract

Sub-Saharan Africa (SSA) faces substantial development funding gaps and significant socio-economic challenges. To overcome these funding gaps and achieve the many developmental goals, many SSA countries rely on external funding modalities, specifically foreign direct investment (FDI) and foreign aid inflows. The literature on foreign aid, FDI and economic growth yields a myriad of studies – with contradicting findings – on the effectiveness of external finance in improving development outcomes. The impact of foreign aid on growth and development in SSA has been scrutinised given the low development and growth observed despite significant aid flows to the region. Conversely, FDI in SSA, attributed to increased investment and growth, is considered largely beneficial. Given that the literature presents conflicting findings, this study provides a comprehensive reassessment of (i) the determinants of FDI and foreign aid, and (ii) the effectiveness of FDI and foreign aid overall, with specific focus on SSA through the systematic review of literature from 1960 to 2020.

According to the findings of this study, the main determinants of FDI flows to SSA are trade openness, human capital development and infrastructure development. Ambiguity exists regarding the role of economic growth, governance, and natural resource endowments in attracting FDI. Key drivers of foreign aid to SSA include institutional stability, and historical and cultural ties with donor countries. The findings for economic growth, human capital development and altruistic motives as drivers of foreign aid yielded mixed results. As far as the effectiveness of FDI and foreign aid in SSA is concerned, FDI improves economic growth, productivity, trade, and human capital development, while its impact on governance and the environment has been negative. Foreign aid enhances economic growth, governance, education, and health variables in SSA. Substantial foreign aid has been provided to SSA countries and this has fostered dependence on such flows to overcome capital deficiencies. It is recommended that policy makers target FDI and foreign aid programmes which align to the short-term and long-term socio-economic needs of SSA economies.

KEY TERMS: Foreign Direct Investment (FDI), Foreign Aid, Growth, Development, Socio-Economic Indicators, Effectiveness, Determinants, Sub-Saharan Africa (SSA).

Opsomming

Afrika suid van die Sahara (*SSA*) word deur beduidende sosio-ekonomiese uitdagings en wesenlike gapings in ontwikkelingsbefondsing gekonfronteer. Om hierdie befondsingsgapings te oorbrug en die vele ontwikkelingsdoelwitte te bereik, maak baie *SSA*-lande staat op eksterne befondsingsmodaliteite – spesifiek buitelandse direkte investering (BDI) en invloei van buitelandse hulp. Die literatuur oor hulp uit die buiteland, BDI en ekonomiese groei omvat 'n magdom studies met teenstrydige bevindinge oor die doeltreffendheid van eksterne finansiering om ontwikkelingsuitkomst te verbeter. Die impak van buitelandse hulp op groei en ontwikkeling in *SSA* is noukeurig ondersoek gegewe die lae ontwikkeling en groei wat waargeneem is ten spyte van beduidende hulp wat aan die streek verleen is. Omgekeerd word BDI in *SSA*, wat aan verhoogde investering en groei toegeskryf word, grotendeels as voordelig beskou. Met inagneming daarvan dat die literatuur teenstrydige bevindinge aandui, bied hierdie studie 'n omvattende herassessering van (i) die determinante van BDI en buitelandse hulp, en (ii) die doeltreffendheid van BDI en buitelandse hulp oor die algemeen, met spesifieke fokus op *SSA* deur die sistematiese oorsig van literatuur van 1960 tot 2020.

Volgens die bevindinge van hierdie studie is die hoofdeterminant van BDI-vloei na *SSA* handelsoopheid, ontwikkeling van menskapitaal en ontwikkeling van infrastruktuur. Daar is dubbelsinnigheid oor die rol van ekonomiese groei, beheer, en begiftiging van natuurlike hulpbronne in die lok van BDI. Sleutelaandrywers van buitelandse hulp aan *SSA* sluit institusionele stabiliteit, en historiese en kulturele bande met skenkerlande in. Die bevindinge vir ekonomiese groei, ontwikkeling van menskapitaal en altruïstiese motiewe as aandrywers van buitelandse hulp het gemengde resultate gelever. Wat die doeltreffendheid van BDI en buitelandse hulp in *SSA* betref, verbeter BDI ekonomiese groei, produktiwiteit, handel, en ontwikkeling van menskapitaal, terwyl die impak daarvan op beheer en die omgewing, negatief was. Hulp uit die buiteland verbeter ekonomiese groei, beheer, opvoeding, en gesondheidsveranderlikes in *SSA*.

Wesentliche buitenlandse hulp is aan SSA-lande verleen, en dit het afhanklikheid van sodanige vloei laat ontstaan om kapitaalkorte te oorkom. Daar word aanbeveel dat beleidsbepalers BDI en buitenlandse hulpprogramme teiken wat in lyn met die korttermyn- en langtermyn- sosio-ekonomiese behoeftes van SSA-ekonomieë is.

SLEUTELTERME: Buitelandse Direkte Investering (BDI), Buitelandse Hulp, Groei, Ontwikkeling, Sosio-Ekonomiese Aanwysers, Doeltreffendheid, Determinante, Afrika suid van die Sahara (SSA).

Tshobokanyo

Aforika e e kwa borwa jwa Sahara (SSA) e lebagane le tlhalelo e e boitshegang ya tlamelo ya matlole a tlhabololo le dikgwetlho tse di bonalang tsa ikononiloago. Go fenyha tlhalelo eno ya tlamelo ya matlole le go fitlhelela bontsi jwa maikemisetso a tlhabololo, dinaga tse dintsi tsa SSA di ikaega ka mekgwa ya tlamelo ya matlole go tswa kwa ntle, bogolo segolo peeletsotlhamalalo ya dinaga tse dingwe (FDI) le go amogela thuso ya dinaga tse dingwe. Dikwalo tsa thuso ya dinaga tse dingwe, FDI le kgolo ya ikonomi di tlhagisa dithutopatlisiso tse dintsi tse di nang le diphitlhelelo tse di ganetsanang malebana le nonofo ya tlamelo ya ditšhelete go tswa kwa ntle go tokafatsa dipoelo tsa tlhabololo. Ditlamorago tsa thuso ya dinaga tse dingwe mo kgolong le tlhabololo mo SSA di sekasekilwe thata ka ntlha ya tlhabololo le kgolo e e kwa tlase e e lemogilweng le fa go ntse go na le kelelo e e bonalang ya thuso mo kgaolong. Fa go buiwa, FDI mo dinageng tsa SSA, e e akgolelwang dipeeletso le kgolo e e tokafetseng, e tsewa e le mosola thata. Ka ntlha ya gore dikwalo di tlhagisa diphitlhelelo tse di ganetsanang, thutopatlisiso eno e tlamela ka tshekatshekosešwa ya (i) diswetsi tsa FDI le thuso ya dinaga tse dingwe le (ii) bokgoni jwa FDI le thuso ya dinaga tse dingwe ka kakaretso, go totilwe dinaga tsa SSA ka tshekatsheko e e rulaganeng ya dikwalo tsa go tloga ka 1960 go fitlha 2020.

Go ya ka diphitlhelelo tsa thutopatlisiso eno, diswetsidikgolo tsa kelelo ya FDI go ya kwa dinageng tsa SSA ke go bulega ga kgwebisano, tlhabololo ya badiri le tlhabololo ya mafaratlhatlha. Go na le ketsaetsego malebana le seabe sa kgolo ya ikonomi, bolaodi, le ditlamelo tsa tlhologo malebana le go ngokela FDI. Ditsamaishi tse dikgolo tse di ngokelang thuso ya dinaga tse dingwe mo dinageng tsa SSA di akaretso go tsepama ga ditheo, le dikgolagano tsa hisetori le setso le dinaga tse di abang. Diphitlhelelo tsa kgolo ya ikonomi, tlhabololo ya badiri le maikaelelo a go thusa kwa ntle ga boitebo jaaka ditsamaishi di tlhagisitse dipholo tse di tlhakatlhakaneng. Malebana le bokgoni jwa FDI le thuso ya dinaga tse dingwe mo dinageng tsa SAA gone, FDI e tokafatsa kgolo ya ikonomi, tlhagiso, kgwebisano, le tlhabololo ya badiri, fa ditlamorago mo bolaoding le tikologo tsona di sa siama. Thuso ya dinaga tse dingwe e tokafatsa kgolo ya ikonomi, bolaodi, thuto, le boitekanelo mo dinageng tsa SSA. Go tlametswe ka thuso e e bonalang ya dinaga tse dingwe mo dinageng tsa SSA mme seno se bakile gore go nne le go ikaega mo tlamelong eno go fenyha ditlhalo tsa matlole. Go atlenegisiwa gore badiradipholisi ba tote FDI le mananeo a thuso ya dinaga tse dingwe a a lepalepaneng le ditlhokego tsa pakakhutshwane le tsa pakatelele tsa diikonomi tsa dinaga tsa SSA.

MAREO A BOTLHOKWA: Peeletso ya Tlhamalalo ya Dinaga tse Dingwe (FDI), Thuso ya Dinaga tse Dingwe, Tlhabololo, Disupi tsa Ikonomiloago, Bokgoni, Diswetsi, Aforika e e kwa Borwa jwa Sahara (SSA)

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Abbreviations/ Acronyms

ADF – African Development Fund

AIDA – Accelerated Industrial Development of Africa

ASEAN – Asian and South-East Asia

BOP – Balance of Payments

BRICS – Brazil, Russia, India, China and South Africa

CAB – Current Account Balance

CAFTA-DR – Central American Free Trade Agreement-Dominican Republic

CERF – Central Emergency Response Fund

COVID – Coronavirus disease

DAC – Development Assistance Committee

EPZ – Export Processing Zone

EU – European Union

FDI – Foreign Direct Investment

FTA – Free Trade Agreement

GDP – Gross Domestic Product

GEF – Global Environment Facility

GF – Global Fund

GNI – Gross National Income

HDI – Human Development Index

HIV/ AIDS – human immunodeficiency virus, acquired immunodeficiency syndrome

IDA – International Development Assistance

IFAD – International Fund for Agriculture Development

IFRS – International Financial Reporting Standards

IIA – International Investment Agreement

IPCC – Intergovernmental Panel on Climate Change

IPR – Investment Policy Reviews

IMF – International Monetary Fund

LDC – Less Developed Countries
MENA – Middle East and North African
MENAT – Middle East, North Africa and Turkey
MINT – Mexico, Indonesia, Nigeria, Turkey
MNC – Multi-National Corporations
MNE – Multi-National Enterprises
NEPAD – New Partnership for Africa’s Development
NGO – Non-Government Organisation
ODA – Official Development Assistance
OECD – Organisation for Economic Cooperation and Development
OLI – Ownership, Location, Internationalisation
PHH – Pollution Haven Hypothesis
RD – DI – Recipient Need Donor Interest
R & D – Research and Development
RGDP – Real Gross Domestic Product
SAARC – South Asian Association for Regional Cooperation
SADC – South Africa Development Community
SSA – Sub-Saharan Africa
TFP – Total Factor Productivity
TOT – Terms of Trade
UK – United Kingdom
UN – United Nations
UNCTAD – United Nations Conference on Trade and Development
UNDF – United Nations Development Fund
UNGA – United Nations General Assembly
UNSC – United Nations Security Council
UNICEF – United Nations Children’s Fund
USA – United States of America

WDI – World Development Indicators

WWII – World War 2

Chapter 1: Introduction

1.1 Background

Apart from experiencing a significant development funding gap, Sub-Saharan Africa (SSA) is also plagued by substantial socio-economic challenges. In order to overcome this funding gap and achieve the many essential developmental goals, many SSA countries have relied on, and continue to rely heavily on external funding sources. SSA's limited access to international capital markets, coupled with low-income and low domestic savings levels, has promulgated the reliance on foreign finance in the form of foreign aid and foreign direct investment (FDI) (Tang and Bunghoo, 2017).

The belief remains that external assistance is vital for development at least in the short to medium term (Loxley and Sackey, 2008; Alemu and Lee, 2015). The data shows that FDI allocations to SSA stand at approximately \$540 billion since the 1960s, however, the inflows have been significantly lower than those experienced by other developing countries (World Bank, 2017). The region's poor FDI performance has been attributed to the declining economic and political climate over the decades (Tang and Bundhoo, 2017). The reliance on foreign aid to facilitate the provision of socio-economic services and assist in building institutional and economic capacity has been substantial. In terms of net official development assistance (ODA), SSA has received the highest allocation from donors. Foreign aid inflows to SSA has grown to about 30 percent of total global aid; this amounts to approximately \$1 trillion since 1960 (Moyo, 2009).

The foreign aid, FDI and economic growth literature yields a myriad of studies with contradicting results. For instance, in recent times, some studies have concluded that aid promotes dependence, while also strengthening existing corrupt practices (see Loxley and Sackey, 2008; Bandyopadhyay and Vermann, 2013). Other studies have argued that foreign aid encourages self-reliance and sustainability of the recipient (see Moyo, 2009; Alemu and Lee, 2015). However, the overriding view is that foreign aid has a largely negative effect on growth in developing countries. Furthermore, the role of foreign aid and its impact on growth and development in less-developed economies has been closely scrutinised. This is because despite being the top recipient of foreign aid over the past two decades, SSA continues to be plagued with low development and growth as measured by the Human Development Index (HDI) and Gross National Income (GNI) respectively (Tang and Bundhoo, 2017).

Conversely, FDI allocations to African countries were significantly lower than those experienced by other developing countries (Ajayi, 2006; Ramesh and Packialakshmi, 2014; Tang and Bundhoo, 2017). The role of FDI in SSA, in the short run, is to supplement domestic funds in order to spur growth and investment (Ramesh and Packialakshmi, 2014). However, in the case of SSA, the short run benefits of FDI have not translated into sustained growth and development in the recipient economy. The literature has highlighted the inability of domestic SSA stakeholders in the economy to build their internal capacity, and fund domestic investment opportunities (without assistance from foreign investors) (Tang and Bundhoo, 2017; Chen, et al., 2015).

1.2 Problem Statement

Significant deficiencies in domestic capacity have severely hampered growth and development in SSA. Plagued by massive financial and infrastructure gaps and developmental challenges, the limited domestic capital available has failed to enhance development and growth in the region, in part due to corrupt practices, political instabilities, poor economic policies and poor development of human capital (Ogundipe, et al., 2014). Many SSA countries have attempted to utilise foreign aid and FDI to improve their socio-economic conditions, however, the effectiveness of both funding types in achieving this goal remains highly debated.

Historically, foreign aid was a means to facilitate development in Africa. In recent years, with the formulation of the New Partnership for Africa's Development (NEPAD) in 2001, calls for further capital inflows to enhance growth in Africa have grown louder. Following the endorsement of the 2005 Paris Declaration by the Organisation for Economic Co-operation and Development (OECD) and the Development Assistance Committee (DAC), the effectiveness of foreign aid was brought to the fore and it was noted that the condition of some recipient countries had worsened (Loxley and Sackey, 2008; Bandyopadhyay and Vermann, 2013). Continuous dependence on external funding sources may not be ideal for long-term sustainable growth and development, but in instances of incapacity, it may be necessary to offset short-term shortfalls in funding (de Mello, 1997). The attainment of sustainable growth and development especially for SSA countries continues to be paramount considering the financial and developmental gaps alluded to above. One of the major issues is that international funding whether FDI or foreign aid has not translated into significant benefits for SSA countries. The empirical literature shows that in SSA, foreign aid and FDI have resulted in mixed socio-economic outcomes; the impact of which is due to an array

of intrinsic factors unique to the different recipient nations. Despite substantial research undertaken to verify the effectiveness of both funding sources in improving socio-economic outcomes in SSA, there remains ambiguity in the findings. To meet the growth and development goals of many countries on the sub-continent, it is imperative to understand the funding sources and the empirical findings. Thus, the need to consolidate and present a holistic picture of the debates and ambiguous findings from the literature.

The main problem identified is that international assistance does not appear to have translated into significant improvement for the African countries (Lancaster, 1999).

1.3 Significance of the Study

This study seeks to evaluate the implications of the two sources of external funding on the socio-economic outcomes in SSA countries. As alluded to already, SSA continues to be challenged by growth and developmental issues which have a negative impact on the populous. Enhancing growth, reducing poverty, developing infrastructure (physical and human) are all means to improving the standard of living of many on the sub-continent. FDI and foreign aid reduce the financial constraints that hamper these goals and therefore understanding not only the funding sources, but their impact is crucial. The empirical literature regarding the effectiveness of the two funding types spotlights significant ambiguities in the findings and therefore, this study is important in understanding the factors that attract and impede SSA's ability to benefit successfully from foreign aid and FDI. It is also important to determine if there are any similarities or differences in the experiences between SSA and other developing regions such as Asia and Latin America to better understand how SSA can better utilise the funding to attain reduced dependence on external funding in the long-term.

This study thus provides a comprehensive assessment, through the collation of previous literature by highlighting the key findings from empirical examinations, relating to: (i) the determinants of FDI and foreign aid; and (ii) the effectiveness of FDI and foreign aid in relation to SSA.

Objectives of the Study

The main objective of the study is to ascertain the factors that determine FDI and foreign aid inflows into SSA and whether FDI and foreign aid have translated into improved socio-economic outcomes for SSA countries between 1960 and 2020. This study aims to meet this objective through a comprehensive review of the literature relating to the determinants of FDI and foreign aid, and the subsequent effectiveness of both funding modalities. The secondary objectives are:

- i. to explore the trends of FDI and foreign aid inflows to SSA from 1960 to 2020;
- ii. to explore the key drivers of FDI and foreign aid inflow to SSA countries; and
- iii. to explore the literature on the socio-economic effectiveness of FDI and foreign aid in SSA countries.

1.4 Outline of the Study

Chapter one introduces the study. Chapter two provides insight into the history, motives, and types of FDI and foreign aid inflows to SSA countries. Chapter three defines the research methodology and Chapter four outlines the key FDI and foreign aid theories. Chapter five provides a critical appraisal of empirical literature in relation to the key determinants of the aforementioned funding types, while Chapter six provides a critical appraisal of the empirical literature in relation to the effectiveness of the aforementioned funding types within the SSA region and the visible differences to other developing regions presented in the literature. In Chapter seven the key findings from the reviewed literature in Chapters five and six are discussed and concludes the study with attempts to make relevant policy recommendations.

Chapter 2: Overview of Foreign Direct Investment (FDI) and Foreign Aid in Sub-Saharan Africa

2.1 Introduction

FDI and foreign aid have played a crucial role in enabling growth and development initiatives in SSA. There is a competitive financial market attempting to capture market share, for both FDI and foreign aid, and secure funding. However, the host needs to consider several aspects of the recipient economy before investment or assistance is extended. This chapter discusses the motives, types and trends of FDI and foreign aid flows in the global context and with specific focus on SSA.

2.2 Motives for and types of FDI

2.2.1 Motives of FDI

FDI is the net inflow of investment from international entities to acquire an interest in the host country. FDI consists of joint ventures, capital stocks, technology and knowledge sharing; all of which are expected to have a positive impact on growth, the impact of which depends on the state of development, the opportunity for efficiency spillovers to domestic entities and stakeholders of the receiving country, and the enabling or hindering nature of the policy regime (Ramesh and Packialakshmi, 2014).

FDI is considered to be one of the most important cross-border investments to developing countries. To this end, SSA countries have liberalised policies in favour of inward FDI (World Bank, 2014). The majority of flows are aimed towards sectors where SSA has a comparative advantage (i.e. natural resources and agriculture) and where investment may yield high returns (i.e. construction) (World Bank, 2014). Ajayi (2006) indicated that the allocation of FDI was skewed towards Nigeria, Angola, the Republic of Congo and Equatorial Guinea between the late 1980s and 1990s due to their oil productive capacities. While donors have mainly been motivated to invest in the region, due to the availability of natural resources, SSA remains one of the lowest recipients of FDI (de Mello, 1997; Ajayi, 2006; Ramesh and Packialakshmi, 2014).

Prior to the action of FDI, the pre-motive phase of the respective donor(s) involves identifying a beneficial opportunity internationally and determining whether there is capacity to operate on an international level (Franco et al, 2009). From an investor standpoint, the motivation for FDI is dependent on factors at both micro- and macroeconomic level; taking into account the policy and governance development in the recipient nation (Sarbu and Gavrea, 2014). Furthermore, FDI occurs through; investment in recently established firms (greenfield), or investment in existing firms (brownfield) with the objective of merging, acquiring or expanding its market presence (Bonciu, 2012).

The motivation behind FDI is extensively explained through Dunning's eclectic paradigm model, where ownership, location and internationalisation advantages country determine the strength of FDI inflows (Dunning, 1980; Sarbu and Gavrea, 2014). The specific motives behind FDI inflows are regarded as; market, non-market seeking, resource seeking and efficiency seeking (Dunning, 1980). Market-seeking FDI seeks to cater for domestic demand, where the host country produces the goods. Non-market seeking FDI relates to the production of goods being done in the host country and sold abroad, placing importance on the ease with which firms may be able to export products (Dunning, 1980; Sarbu and Gavrea, 2014).

Further distinction may be made in terms of efficiency and strategic asset-seeking FDI. Efficiency-seeking FDI seeks to benefit from economies of scale, scope and common ownership; this follows either resource or market-seeking investments to create further profitability for the firm (Dunning, 1980; Sarbu and Gavrea, 2014). Strategic asset seeking FDI seeks either to protect and/or expand those inherent advantages experienced by the firm or reducing those experienced by the firm (Dunning, 1993; Asiedu, 2002; Sarbu and Gavrea, 2014). Resource-seeking FDI looks to obtain resources at lower costs than if it had to be obtained within the home country; this usually involves natural resources and human capital (Asiedu, 2002; Sarbu and Gavrea, 2014). According to Ajayi (2006) and Bonciu (2012), in the case of natural resource-oriented FDI, the source country pursues FDI in order to achieve easy access to the recipient country's stock of assets. This often leads to reduced competition within the recipient country's own economy and the exploitation of resources. Labour resource-orientated FDI is mostly pursued by Multi-National Corporations (MNCs), as their local wage bill is substantially higher than that of those in developing nations, where the skills

level may not be as developed. MNCs would pursue labour intensive operations within the foreign economy (Ajayi, 2006; Bonciu, 2012).

2.2.2 Types of FDI

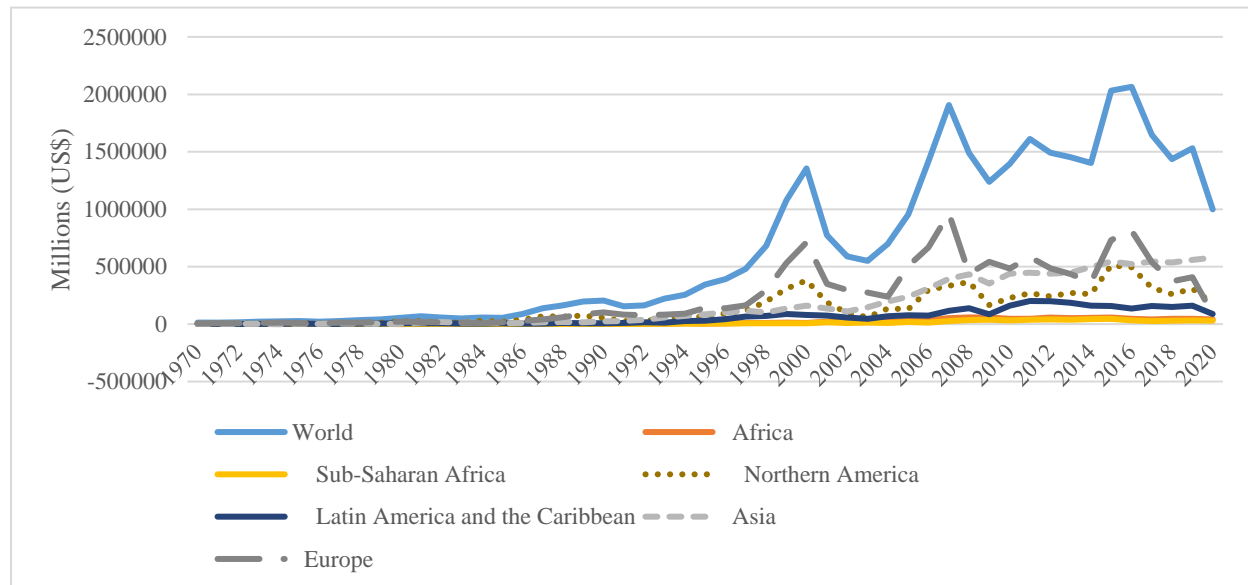
FDI is classified as either “vertical, horizontal or conglomerate”. Vertical FDI occurs when different stages of activities are incorporated into the foreign location; this may be further subdivided into forward and backward FDI (Caves, 1971). Forward Vertical FDI is said to take place when the investment leads to the progressive presence of the firm in the host country. By expanding production and market presence in the relevant sector, the company develops a foreign presence and earns more market share in foreign borders. Backward Vertical FDI occurs when international integration leads to the regressive move towards raw materials; thereby allowing surrounding inefficiencies in the recipient state to erode previous process advantages (Caves, 1971; Herger and McCorrison, 2014). Horizontal FDI occurs when the company pursues domestic activities abroad. One of the more controversial forms of FDI is in the form of a Conglomerate, where a business venture is pursued abroad, which does not fall within the same industry as present in its country of origin, nor does it attempt to perform value-adding activities. This is viewed as controversial, as it involves a higher level of risk; furthermore, it may seek to overpower the foreign nation’s existing market (Caves, 1971). In pursuing this form of FDI, it simultaneously overcomes the exercise of entering a foreign country and a new industry; this may be to exploit a perceived gap in the recipient market (Caves, 1971; Herger and McCorrison, 2014).

2.3 Trends in FDI inflows to SSA

The role of FDI in SSA has become a crucial consideration in the last three decades. FDI allocations to developing countries increased substantially between 1980 and 2000; however, the proportional FDI allocations to African countries were significantly lower than those received by other developing countries (Tang and Bundhoo, 2017). Throughout the 1990s, SSA countries undertook economic policy reforms in order to improve the investment environment; yet, this has not resulted in substantial increases in FDI allocations (Sichel and Kinyondo, 2012). These interventions included the establishment of agencies and facilities (i.e. export processing zones

(EPZs) and signing international investment agreements (IIAs) (Sichei and Kinyondo, 2012). FDI Inflows to SSA have been substantially less than other regions (see Figure 1 below).

Figure 1: Global FDI Inflows (1970-2020) at current prices



Source: UCTAD Database (2021).

Despite the substantial increase in global FDI allocations to developing countries between 1980 and 2000, these allocations were lower than the increases experienced in Europe; Latin America; and Asia. From Figure 1 above, FDI allocations on a global level remained relatively flat from 1970 up to the early 1990s, but from the mid-1990s to 2001 FDI flows increased.

As per Figure 1 above, FDI allocations to SSA from 1970 to the early 2000s were relatively flat when compared to figures following 2005. From the 1970s to 1990s, SSA proportionate allocation of FDI (as compared to Asia, Latin America and the Caribbean) experienced a downward trend; recovering only from the mid-2000s (Loots and Kabundi, 2012). According to Loots and Kabundi (2012) the decline in FDI allocations to the SSA continent pre-2000 may be attributed to lower returns on investment (when compared to other developing countries and substantial inherent civil/political instability). Following the Independence of several SSA countries, improvements in governance structures/ institutions in the late 1990s, and the push to empower and develop the African continent in general saw allocations to SSA improve from the early 2000s (Loots and Kabundi, 2012). According to Abdulai (2007), improved economic conditions in SSA during this period contributed to the rise in FDI. However, the region’s comparatively low levels of FDI have

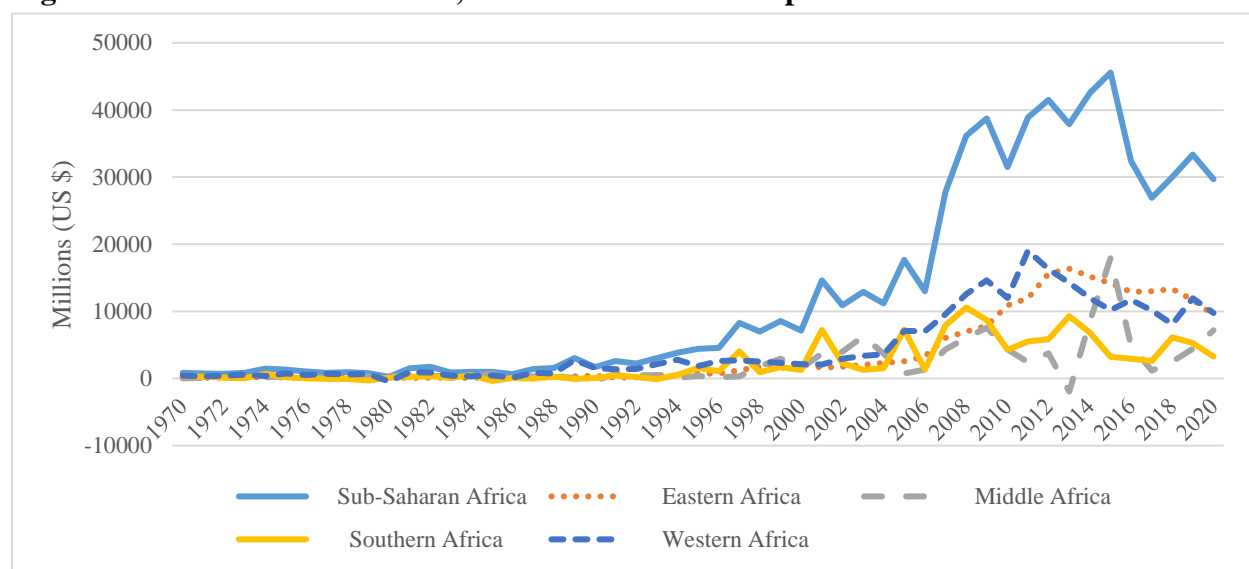
been attributed to the inherent negative conditions including corruption, civil unrest, poor health conditions and poor economic governance that are endemic to the region (Abdulai, 2007). The limited corrective actions taken to improve conditions negatively impact investors' decisions when it comes to investment in SSA; and is reflected in the low business confidence indicator (Maredza and Nyamazunzu, 2016).

To overcome these aversions to investment flows to SSA, improvements have been pursued by governments while structural reforms have also been aimed at improving domestic attractiveness to the global market (Chen et al., 2015). Two significant global downturns in FDI allocations were due to the 9/11 terror attacks of 2001 and the global financial crisis of 2008/09 respectively. As is visible from Figure 1 above, the two shocks to the global economy impacted other developing countries to a higher degree; based on the extent to which the allocations dropped (World Bank, 2018). Other external shocks to global FDI allocations included the 2011/12 European debt crisis and the 2014 oil price shock; where investment derived from Europe declined (World Bank, 2018). Most recently, the COVID-19 global pandemic has also created an external shock to allocations and has adversely affected all regions.

2.3.1 Sources and recipients of FDI inflows to SSA, 1970 - 2019

Figure 2 below presents the distribution of FDI allocations to SSA between 1970 and 2016. It shows that Southern and Western Africa dominated FDI allocations in the period. The majority of FDI funds to West Africa were allocated to Nigeria and Ghana, totaling \$99 billion and \$31 billion respectively between 1970 to 2016 (World Bank, 2018). The majority of FDI funds allocated to Southern Africa in the same period were allocated to Angola, Mozambique, South Africa and Zambia, totaling \$14 billion, \$33 billion, \$82 billion and \$19 billion (World Bank, 2018). Allocations to the South and Western region of SSA have grown from 2005 to 2016; nevertheless, commodity price fluctuations have also negatively impacted the fluency of allocations to the overall region (World Bank, 2018).

Figure 2: FDI allocations to SSA, 1970 – 2020 at current prices



Source: UCTAD Database (2021).

Since the late 1990s, China’s relationship with SSA has gained significance, with China becoming a dominant development partner in the region and in the last decade, overtaking European presence in SSA’s market (Chen et al., 2015). Key investment sources to SSA include the United States of America (USA), United Kingdom (UK), and Asian countries; with focus shifting from extractive sectors (i.e. mining and maritime) to consumer-orientated industries (i.e. telecommunications) (Carson, 2003; World Bank, 2018). Additionally, investors have also expanded focus from more established economies such as Nigeria and South Africa to less developed economies like Ghana and Mozambique (World Bank, 2018).

Between 2011 and 2016, FDI to SSA from China more than doubled, with allocations increasing from \$16 billion to approximately \$40 billion (UNCTAD, 2018). According to the World Investment Report (2018), the top five investor economies for SSA continent were the United States, United Kingdom, France, China and South Africa respectively (UNCTAD, 2018). Investment from the United States, United Kingdom and France originated from Multinational enterprises (MNEs). The investment from the United States, France and the United Kingdom between 2011 and 2016 remained steady at approximately \$50 - \$57 billion annually. The recent increase in Chinese interest is mainly aimed at resource-rich economies, with investment targeting large infrastructure projects within the recipient nation (UNCTAD, 2018). The majority of FDI

considerations in SSA are often linked to resource availability, geographical location and civil stability affecting the region.

2.3 Motive for and types of foreign aid

2.3.1 Motives for foreign aid

Foreign aid is comprised of all resources transferred by donors to recipients. It is a tool to address developmental backlogs to stimulate economic growth and to address the developmental gap between developed and developing nations (Riddell, 2007; Andrews, 2009). The main outcomes for the recipient nation from the provision of aid include: economic equality, the realization and strengthening of human rights and dignity, improved participation in the economy and reduced dependence, the formation of policies which are contextually appropriate for the recipient nation, sustainable development and improved capacity (Pankaj, 2005; Abuzeid, 2009). The outcomes are synonymous with the big push argument, where aid is viewed as a catalyst for investment and fosters improved growth and development for the recipient country (Abuzeid, 2009).

In the post-colonial period, economic development in poorer nations was predominantly facilitated by former colonial nations with the use of foreign aid (Moyo, 2009). Over the years, the expected outcomes of foreign aid have evolved, in terms of its ability to overcome various problems and the desired outcomes of aid. In the 1950s, following the damage as a result of World War II (WWII), physical infrastructure and technical skills development were sought. At the same time, theories in the field of development economics began to promote the notion that donations would improve the development gap (Loxley and Sackey, 2008). The late 1950s heralded the inception of the dependency theory, which referenced the interaction between developed and less-developed nations, where less developed nations were unable to benefit from trade interactions with advanced, industrialised nations (Lowley and Sackey, 2008). Effectively, this led to the interventions by the United Nations (UN) in the 1960s, where donors pledged to distribute a portion of their income (Radelet, 2006; Collier and Gunning, 1999). Since the 1970s, the DAC has rapidly increased aid allocations to the SSA due to developmental needs, shocks to oil prices, agricultural shortfalls, global recessions and overall development shortfalls within the African

continent (Loxley and Sackey, 2008; Moyo, 2009). Foreign aid has contributed to improved development outcomes in less developed countries and was key in international relations' considerations until the 1980s (Pankaj, 2005; Riddell, 2007).

2.3.2 Types of aid

Within the realm of foreign aid, three theories postulated to explain donor motives include: idealist, realist and neo-realist theories. The idealist theory indicates that aid is utilised by governments for humanitarian promotion, thereby attempting to overcome poverty and the lack of development within the recipient nation (Fuller, 2002). In contrast, the realist theory postulates that foreign aid policies are developed strategically, the primary concern being for long-term benefits being realised by the donor country for national security (Fuller, 2002). The development of the realist theory into the neo-realist theory is to say that the focus shifts towards economic interests, thereby strengthening export and investment opportunities abroad, creating a slight symmetry with FDI (Fuller, 2002). The development of the literature within the last 50 years has supported the amalgamation of all three theories, with donor countries prioritising their motives and aligning their intent to a specific cause (Schraeder et al., 2000; Fuller, 2002).

Foreign aid sources are categorised as either bilateral or multilateral, which take the form of; gifted funds, low-cost loan, technical assistance or the provision of supplies for those facing extenuating circumstances of poverty or displacement (Ijaiya and Ijaiya, 2004). Bilateral aid is determined among two countries, usually involving conditions and objectives from either side. Multilateral aid involves the donation of much needed assistance by international organisations. This type of aid usually takes the form of humanitarian aid (Ijaiya and Ijaiya, 2004). Foreign aid is further classified into five distinct categories, namely: project aid, programme aid, budget aid, technical assistance and humanitarian aid. Project aid is aid provided for specific activities to accomplish a defined set of objectives, mainly aimed at enabling higher output and improved social development projects. Project aid is noted to distort spending patterns in aid recipient nations, due to the donor country taking over the domestic governments' funding responsibility. Thus, the mandate may lie with the state to provide the necessary services associated with the government, but the responsibility of funding lies elsewhere (Kabele, 2008).

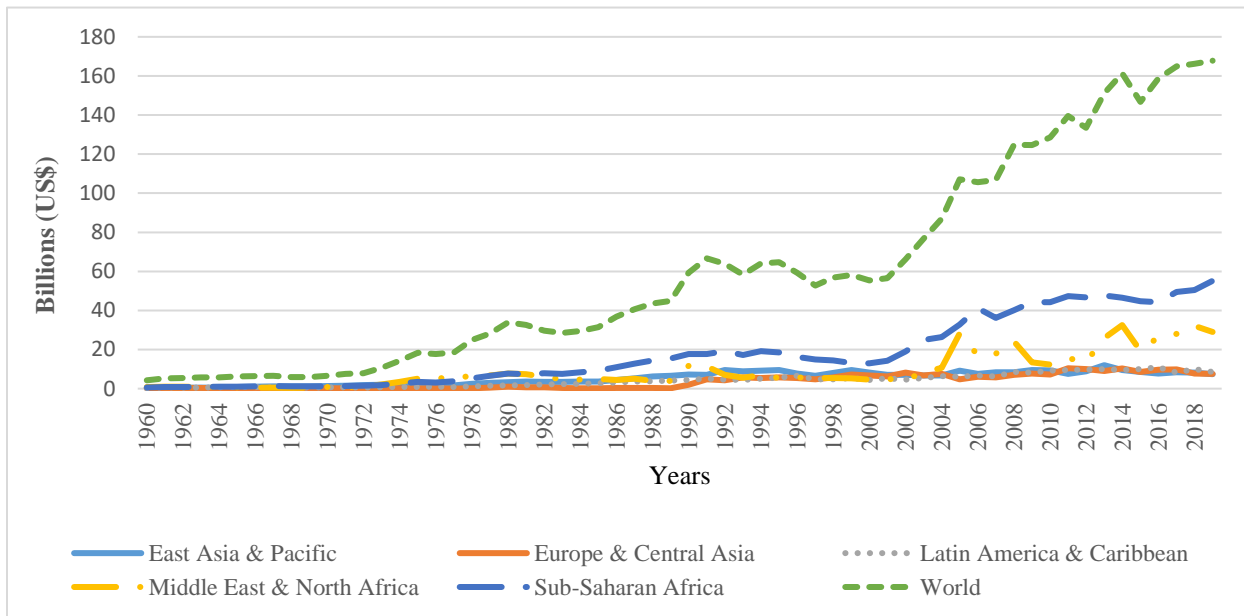
Programme Aid means the financial contributions which are not linked to specific activities. This form of funding is targeted specifically at imports and is inclusive of budget support, the balance of payments and debt relief. Programme Aid (i.e. import support) is made in order to improve/increase capacity and increase goods availability. Budget Aid assists in augmenting government investment in social and economic endeavors - specifically in terms of infrastructure investment. Furthermore, debt relief and counterpart funds relax budgetary constraints and allow the government to focus on priority sectors (White, 1998; Riddell, 2007; Kabete, 2008).

Technical assistance, and humanitarian or emergency aid (including food aid) are not of a (direct) monetary nature. Technical assistance is aimed specifically at improving human capital formation, in this way working towards closing the developmental gap. Technical assistance improves development through the enhancement of knowledge and skills in the recipient nation, thus improving the quality of the labour force and narrowing the skills gap. Humanitarian or emergency aid is extended in order to relieve communities in abject poverty and ensure lives are maintained in times of natural disasters and domestic conflict (i.e. civil war, terror-stricken areas). Humanitarian or Emergency Aid is geared towards providing; food, medical supplies, and shelter. Relief aid is imperative in areas where the region has been affected by war, natural disasters, climate change, civil unrest, political instability or the State's incapability to support the populous (White, 1998; Riddell, 2007; Kabete, 2008).

2.4 Trends in aid inflows to SSA

It is estimated that SSA has received more than one trillion US dollars in development-related aid since 1960 (Moyo, 2009; World Bank, 2018). SSA has received approximately 30 percent of the overall donor aid commitments to developing countries (Author's calculations from World Bank, WDI Data; 2018). In terms of net official development assistance, SSA has received the highest allocation from donors, with the assistance following an upward trend – the main objective being to alleviate poverty and encourage development in the poorest of nations. (Loxley and Sackey, 2008; Moyo, 2009; Bandyopadhyay and Vermann, 2013; Alemu and Lee, 2015).

Figure 3: Net Official Development Assistance by Region (1960-2019) at current prices

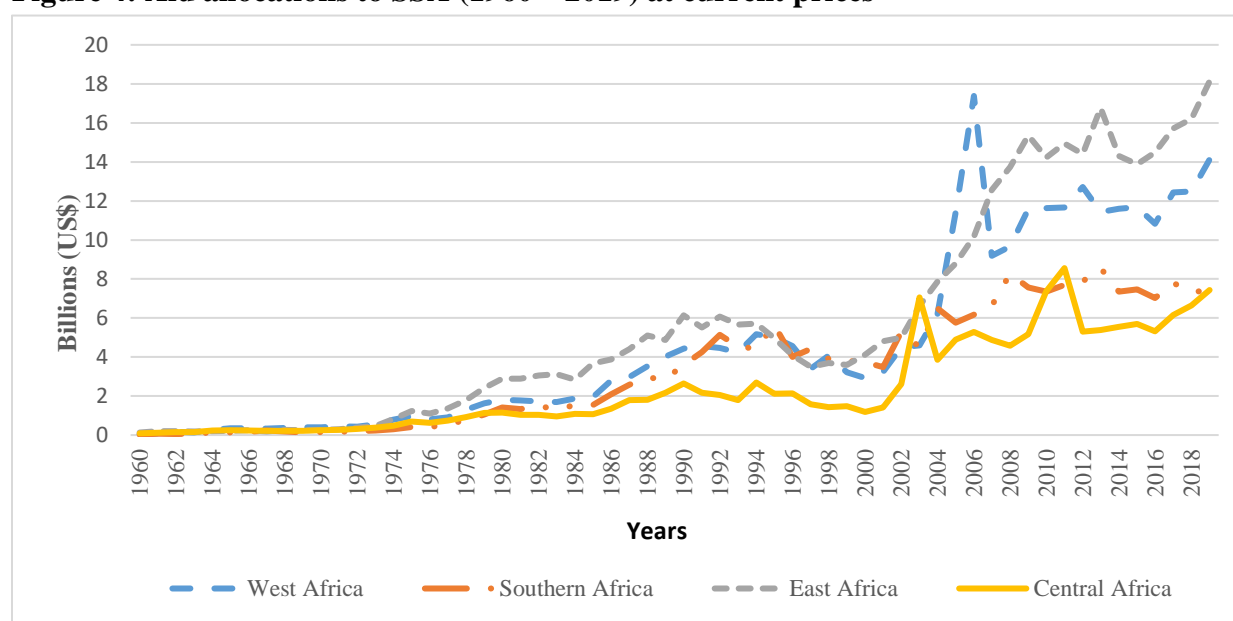


Source: World Bank, World Development Indicators (WDI) Database (2021).

Figure 3 above presents the allocation of official development assistance to developing regions globally. This inherently excludes all high income countries. There is a linear relation between allocations directed towards East and Central Asia, the Pacific, Latin America, the Caribbean and Europe. Visually, the allocations extended to the Middle East and African region are substantially more and they dominate the net ODA allocations especially following the year 2000. Figure 3 above shows global and regional aid allocations from 1960 to 2019. From Figure 3 above, foreign aid received by SSA exceeds allocations made to other developing regions. Fuller (2002) points out that SSA has been the highest recipient of aid for the last four decades. In Figures 3, 4 and 5 the period preceding the 9/11 terror attacks of 2001 present a slight downturn in aid allocations globally and to SSA; with a recovery occurring almost immediately. This pattern is also observed during the 2008/9 global financial crisis, with allocations recovering almost immediately.

From Figure 4, allocations to SSA were dominated by the Eastern and Western region’s of SSA between 1970 and 2016. Allocations to the Western region of SSA were predominantly directed towards Nigeria and Ghana; totaling \$54 billion and \$35 billion respectively. Allocations to the East Africa were predominantly directed towards Tanzania and Ethiopia; totaling \$74 billion and \$65 billion respectively. In Figure 4, aid flows had remained stagnant until the early 1970s and surged from the inception of the 2000s.

Figure 4: Aid allocations to SSA (1960 – 2019) at current prices



Source: World Bank, World Development Indicators (WDI) Database (2021).

Most ODA allocations are directed towards Southern SSA. The top five recipients of ODA in SSA from 1970 to 2016 are Tanzania, the Democratic Republic of Congo (DRC), Sudan, Kenya, and Senegal (OECD, 2018; UNCTAD, 2018). Substantial portions of allocations are directed towards the social sector, followed by economic, production, debt and humanitarian efforts by donors. Social considerations mainly include education, health, water supply, sanitation, and government relief programmes (OECD, 2017; UNCTAD, 2018). Economic and production considerations mainly focus on energy, transport, communications, agriculture, forestry, and fishing sectors (UNCTAD, 2018; OECD, 2017). US aid has been directed to the social sector; aid allocations experiencing an upward trend from approximately \$800 million in the 1990s to \$1.9 billion in the 2000s (OECD, 2018; UNCTAD, 2018).

Bilateral aid allocations made to SSA have exceeded multilateral aid from 1960 to 2016 (Gill, 2018), with the intensity of multilateral aid growing in comparison to bilateral aid (UNCTAD, 2018; Kharas, 2007). The top five DAC donors of bilateral aid to SSA between 1970 and 2016 are France, Japan, the United States, Germany and the United Kingdom (UNCTAD, 2018; OECD, 2017; OECD, 2018; Kharas, 2007). Based on the data, the greatest assistance has been provided consistently by the USA throughout and exponentially since the 2000s. Allocations derived from Germany, the UK, France and Japan have remained relatively flat; with growth occurring in the

mid-2000s (OECD, 2018). In terms of multilateral aid donors, the top donors of multilateral aid to SSA are the International Development Association (IDA), European Union (EU) Institutions, the Global and African Development Fund (GF and AFD), the United Nations Children’s Fund (UNICEF), Concessional Trust Funds from the International Monetary Fund (IMF), the United Nations Development Fund (UNDP), the International Fund for Agriculture Development (IFAD), and the Global Environment Facility (GEF) (OECD, 2017; OECD, 2018).

Chapter 3: Qualitative Research Methodology

3.1 Introduction

According to Nassaji (2015), qualitative research aims to create a more in-depth understanding of singular phenomena; attempting to identify themes, patterns and concepts, which are then further interpreted according to the objectives of the research. Specifically, qualitative research attempts to perceive the research problem in terms of the local population under review (Nassaji, 2015; Hammarberg et al., 2016). This is critical in this study. The discussion below explains the steps or processes in conducting qualitative research.

3.2 Data Collection

Levitt (2018) describes five data collection methods, namely: (i) ethnography, (ii) narrative, (iii) phenomenological, (iv) grounded theory, and (v) case study. In Ethnography, researchers attempt to understand foreign communities and their unique cultural practices, and thereby obtain findings from the perspective of the domestic communities (Hammersley and Atkinson, 2007). Narrative research contextualises the experiences of individuals in communities through interviews and by analysing written documents (Salkind, 2010). Both ethnography and narrative research looks at isolating the results according to the perspective of communities. The phenomenological method of conducting research looks to isolate individuals' experiences (Lester, 1999). The grounded theory is one of the most commonly employed methods in conducting research, where both qualitative and quantitative data is used to undertake a comparative analysis. The quantitative portion of the study involves overviewing the trend of foreign financing to SSA. Following this, the study will involve the collection of relevant literature from several academic search engines. Here, the data is extracted systematically and comparatively analysed (Tie et al., 2019).

3.2.1 Data Synthesis

Barnett-Page and Thomas (2009) highlight several methods of synthesising qualitative research including: meta-ethnography, grounded theory, thematic synthesis, textual narrative synthesis, meta-study, meta-narrative, critical interpretive synthesis, ecological triangulation, framework synthesis, and fledgling approaches. The meta-ethnography method involves bringing together

separate elements within the literature to form a cohesive understanding of a particular phenomenon (Strike and Posner, 1983; Kantz and Schreiber, 1997). The process involves either the extraction of key concepts within the literature to form a singular overarching conclusion, or explaining contradictions that may arise within the literature (Kantz and Schreiber, 1997). The grounded theory builds on the meta-ethnography method, by identifying theoretical conclusions from the previous literature and developing an overarching theory that emerges from the sampled literature and its respective findings (Barnett-Page and Thomas, 2009).

According to Thomas and Harden (2008), the adaption of both the meta-ethnography and grounded theory methods results in the thematic synthesis, thereby addressing the deficiency in the earlier versions of the methods to organise descriptive and analytical themes. Thematic synthesis is more software intensive than meta-ethnography and grounded theory methods, as it codes results in a way that mimics that of primary research (Lucas et al., 2007; Thomas and Harden, 2008).

In contrast, textual narrative synthesis orders the literature according to the methodology utilised, thereby reporting on the respective characteristics of the study, the context within which the research is done, and the similarities or differences present in the literature (Lucas et al., 2007). The amalgamated processes of concurrent analysis of findings, methods and theory are encompassed within a meta-study, in order to highlight respective discrepancies and similarities present within the data (Lucas et al., 2007). The meta-narrative approach looks to the specific paradigms and theoretical assumptions contained within particular research fields, which may result in contradictions or similarities within the literature (based on the study's approach and assumptions) (Greenhalgh et al., 2005).

Dixon-Woods et al., (2006) developed the theory generating nature. The ecological triangulation approach looks at multiple perspectives of a phenomenon, reviewing the literature in order to determine the necessary interventions that would result in the desired outcome(s) (Lucas et al., 2007). The framework synthesis acknowledges that qualitative research provides a rich bank of textual information, where a specific framework is used to extract findings from the literature and built on as the review is conducted to include criterion that may not have been foreseen. Linkages, discretions and exceptions are grouped (Brunton et al., 2006).

Fledgling approaches are categorised as either content analysis or meta interpretation. Content analysis involves condensing the themes highlighted in the literature into over-arching categories (Evans and Fitzgerald, 2002). Meta-interpretation maintains a congruent approach to interpreting the literature (Evans and Fitzgerald, 2002). Sandelowski and Barroso (2007) detailed the qualitative meta-summary method which accumulates and summarises the content of qualitative studies; where the validity of the findings is directly related to the frequency with which it arises within the literature under review.

3.2.2 Current study approach

Following the explanations of the different methods above, this study utilises both the phenomenological and grounded theory methods, by looking at the phenomena of external funding modalities and obtaining a holistic view of the inherent country/regional factors which determine the allocation and the effectiveness of the funding. Through the extensive review of both qualitative and quantitative (empirical) literature, this study attempts to understand the inherent factors impacting FDI and foreign aid, with specific reference to SSA countries. Therefore, this current study separates the qualitative and empirical outcomes associated with external funding to SSA and compares the motives driving the allocations and effectiveness of funding to the experiences of other regions.

Each item of literature is analysed according to the funding source (i.e. FDI and foreign aid), region, and the identified socio-economic variables. In Chapter five, the findings of the literature are isolated to the key determinants of FDI and foreign aid, while Chapter six identifies the empirical impacts of FDI and foreign aid allocations on the identified socio-economic variables.

3.3 Scope of the Study

The study considers both the qualitative and quantitative global or general literature and also provides specific focus on studies on SSA. The research design consists mainly of conducting an extensive review of relevant literature, which pertains to the role, the trends, the key drivers, and effectiveness of external funding (FDI and foreign aid) to SSA. To understand the historical background of foreign aid and FDI flows to SSA, the descriptive analysis in the background chapter (Chapter two) is undertaken focusing on the period 1960 to 2020. The literature review on

both the determinants and effectiveness of FDI and foreign aid also focuses on the period 1960 to 2020. The review of literature is limited to numerical information (statistics) and academic studies that fall in the 1960-2020 timeframe¹. Following the meta synthesis of the literature, a summative analysis on the findings pertaining to the effectiveness of the funding types in SSA is undertaken.

3.4 Chapter Content

Given the main objective of the study of, ascertaining whether foreign aid and FDI inflows have translated into improved socio-economic outcomes for SSA countries between 1960 and 2020, the key terms in the inclusion criteria therefore reflect the secondary objectives stated in Chapter 1. Chapter 2 provides contextual background to the historic trend of FDI and foreign aid allocations to SSA and globally. Thus, the chapter provides a detailed comparative discussion of FDI and foreign aid inflows to SSA and other emerging and developing regions. Following this, Chapter 4 provides background into the theoretical underpinnings of both FDI and foreign aid allocations.

Chapter 5 surveys the literature relating to both the determinants of FDI and foreign aid. Chapter 6 examines the effectiveness of both funding types. The determinants, in terms of the factors that attract or hinder the inflow of foreign aid and FDI will be investigated at regional and country level (case studies) for developing and developed countries.

The structure of Chapters 5 and 6 are according to developed and developing regions², the inherent country factors which drive funding allocations and the effectiveness of said allocations. Additionally, the study will attempt to distinguish between the results obtained for developed, developing countries and SSA. Thus, the study will examine the key findings in the literature that relate to developed and developing regions and then compare them with the findings for SSA. The objective is not to solely to draw comparisons between SSA and other developing countries, but to determine whether there are specific lessons to be learnt from SSA that may impact policy going forward. Following from Chapters 5 and 6, Chapter 7 will summarise the findings from the literature, pertaining to the determinants and effectiveness of FDI and foreign aid to SSA countries.

¹ Justification of the time period considered in the study is explain in subsequent discussions below.

² SSA, Asia, Africa and South America.

3.5 Source of data

Data pertaining to the flow of foreign aid and FDI inflows for the period 1960 – 2020 are sourced from the World Bank’s World Development Indicators (WDI) Database, the United Nations Development Programme (UNDP), the Organisation for Economic Co-Operation and Development (OECD), and the United Nations Conference on Trade and Development (UNCTAD).

The timeframe from 1960 to 2020 has been chosen to coincide with the development of FDI and foreign aid and the subsequent empirical literature on developed and developing countries. This is an ideal timeframe to observe the long – term trend of allocations. The raw data is extracted, and the data sorted according to different funding streams, categorisation according to the continent. It is useful to have a single point from which to collect the statistical data, especially one as accredited as the World Bank. The data is sorted using Excel and the visual graphics formatted to create the figures in the background section of the study.

3.5.1 Journal Articles

Considering that the study is qualitative, the databases from which the empirical studies and qualitative articles are sourced is a significant consideration. The choice to conduct a qualitative study is informed by the need to amalgamate the previous findings from the literature relating to foreign aid and FDI inflows to SSA. In this way, the study aims to summarise the previous findings in the literature and present them in a comparative way across regions and for different socio-economic variables. The peer-reviewed journal articles are sourced from several online databases.

Utilising peer-reviewed journal articles is seen as preferable when sourcing empirical articles. The search engines used to obtain the relevant journal articles include: Google Scholar, Google Books, Microsoft Academic, Research Gate, UNISA Encore, African Journals Online, citeSeerx, Connecting Repositories (CORE), Directory of Open Access Journals, EconBiz, EconLit, Journal Seek, RePEC: Research Papers in Economics, SciELO, ScienceOpen, Semantic Scholar, and SpringerLink.

Chapters 5 and 6 focus on the determinants and effectiveness of FDI and foreign aid allocations respectively, with a comparative analysis against the literature findings of developed and developing countries. The search criteria per chapter are described in Table 7 below:

Table 1: Search and Inclusion Criteria for the Study

Criteria Consideration	Inclusion Criteria
Empirical Study	Qualitative and Quantitative
Sample Area	Developed countries (Europe and North America) and developing countries, (SSA, African countries, Asia and South America)
Time Frame	1960-2020
Search terms/ phrases	
Chapter 5: Determinants of FDI and Foreign Aid	
Determinants of FDI	<ul style="list-style-type: none"> • Determinants/ Drivers of FDI • Determinants/ Drivers of FDI to Developed Countries • Determinants/ Drivers of FDI to Developing Countries • Determinants/ Drivers of FDI to Latin America • Determinants/ Drivers of FDI to Asian Countries • Determinants/ Drivers of FDI to African/ SSA Countries • Economic/ Trade/ Macroeconomic/ Institutional/ human capital/ educational/ environmental/ altruistic determinants/ drivers of FDI
Determinants of Foreign Aid	<ul style="list-style-type: none"> • Determinants/ Drivers of Foreign Aid • Determinants/ Drivers of Foreign Aid to Developed Countries • Determinants/ Drivers of Foreign Aid to Developing Countries • Determinants/ Drivers of Foreign Aid to Latin America • Determinants/ Drivers of Foreign Aid to Asian Countries

	<ul style="list-style-type: none"> • Determinants/ Drivers of Foreign Aid to African/ SSA Countries • Economic/ Trade/ Macroeconomic/ Institutional/ human capital/ educational/ environmental/ altruistic determinants/ drivers of Foreign Aid
Chapter 6: Effectiveness of FDI and Foreign Aid	
Effectiveness of FDI	<ul style="list-style-type: none"> • Effectiveness of FDI • Effectiveness of FDI to Developed Countries • Effectiveness of FDI to Developing Countries • Effectiveness of FDI to Latin American Countries • Effectiveness of FDI Asian Countries • Effectiveness of FDI to Africa/ SSA • Effectiveness of economic/ trade/ macroeconomic/ fiscal/ political/ institutional/ environmental/ altruistic/ cultural/ historical centred FDI to developed/ developing/ Latin American/ Asian and African countries
Effectiveness of Foreign Aid	<ul style="list-style-type: none"> • Effectiveness of Foreign Aid • Effectiveness of Foreign Aid to Developed Countries • Effectiveness of Foreign Aid to Developing Countries • Effectiveness of Foreign Aid to Latin American Countries • Effectiveness of Foreign Aid Asian Countries • Effectiveness of Foreign Aid to Africa/ SSA • Effectiveness of economic/ trade/ macroeconomic/ fiscal/ political/ institutional/ environmental/ altruistic/ cultural/ historical centred Foreign Aid to developed/ developing/ Latin American/ Asian and African countries

Source: Author’s compilation

The inclusion of literature between 1960 and 2020 is used to gain a sense of the historical background of financial investment for SSA. Additionally, there are slight discrepancies in data

availability for some of the SSA countries under review; specifically, those nations plagued with civil unrest and poor governance structures. In order to achieve the main objective of determining whether foreign aid and FDI result in socio-economic improvements for SSA, the inclusion terms and phrases reflect the secondary objectives and will assist in developing a conclusion. The need to compare the varying country-specific factors in both developed and developing countries informed the inclusion of the regions stated in Table 7 above.

Once the key terms are typed into the search engine, as described in Table 7 above, multiple peer reviewed journal articles are provided. The papers are then separated according to sample area (developed, developing, Latin America, Asia, African countries) and the results summarised in a table template similar to Table 8 below.

The papers are then downloaded, and the content reviewed to determine the sample area, timeframe, socio-economic variables considered. Studies are included based on whether they are peer-reviewed, have defined sample areas, similarities in the variables investigated, and empirical results. Once the papers had been filtered to determine their inclusion or exclusion, the information for each individual study is then summarised in a schedule similar to Table 8 below:

Table 2: Heading used in summative schedules in Determinants and Effectiveness Chapters

Author (Year)	Sample Area and Period	Independent Variable	Dependent Variable (s)	Findings
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Source: Author's compilation

To supplement the narrative, recognized reports, such as the World Investment Report by the World Bank and United Nations publications are used. Articles that cover developed and developing countries (Africa, SSA, Asia and South America countries) are included in the review of the literature.

3.5.2 Sample selection

The inclusion criteria of the study focus on the determinants and effectiveness of foreign aid and FDI inflows to 48 SSA countries. The SSA countries are identified in Table 9 according to their respective economic classification as determined by the World Bank.

Table 3: SSA Countries based on Economic Classification

ECONOMIC CLASSIFICATION	COUNTRIES
Low-Income	Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Somalia, South Sudan, Tanzania, Togo, Uganda and Zimbabwe.
Low-Middle Income	Cameroon, Cote D'Ivoire, Ghana, Kenya, Lesotho, Mauritania, Nigeria, Sao Tome and Principe, Swaziland and Zambia.
Upper-Middle Income	Equatorial Guinea, Gabon, Mauritius, Namibia and South Africa.

Source: World Bank (2020)

3.6 Systematic Review of the Literature

3.6.1 What is a systematic literature review?

A systematic literature review involves the identification and critical appraisal of relevant databases and literature, which intends to answer a clearly formulated question (Snyder, 2019; Xiao and Watson, 2019). The selection and inclusion criteria is to be clearly defined prior to the research being conducted and are pursued in a way that can be replicated by other researchers (Snyder, 2019; Xiao and Watson, 2019). The exact search terms, strategies, sources of data and information, and exclusions need to be pre-specified and defined. In this way, the findings of various studies are compared to identify linkages between findings in the literature (Grant and Booth, 2009; Liberati et al., 2009).

3.6.2 Procedures followed when conducting a systematic literature review

The process of a literature review involves three steps, mainly the planning, conducting and reporting of results (Xiao and Watson, 2019). The planning stage of the review involves

identifying and formulating the problem, developing and validating the review protocol. The next stage of the review involves narrowing the body of work to the specific niche area of interest (Liberati, et al., 2009; Xiao and Watson, 2019). Once the search has been done, the literature is screened according to the specific inclusion protocol, assess the quality of the literature, extract the necessary information and synthesise the information accordingly. Following this, the findings are analysed and reported on (Synder, 2019; Xiao and Watson, 2019)

3.6.3 Interpreting the Findings of the Literature

The main objective of the study was to ascertain whether foreign aid and FDI have resulted in positive socio-economic outcomes in SSA. After evaluating the literature for all regions and comparing the results between regions, it is clear that a more in-depth analysis of the exact impact of both FDI and foreign aid is required. After conducting a systematic review of the literature for all regions, it became necessary to isolate the findings associated with SSA.

To note: a single paper could contain several socio-economic variables in the empirical study and provide conclusive findings. These findings would be categorised as either positive, negative or nil. Based on the above rationale, the following tables are constructed during the meta-analysis of the literature:

Table 4: Summary of Literature Findings

Author(s) (Year)	Socio-Economic Variable (1)	Socio-Economic Variable (2)	Socio-Economic Variable (3)
Author (1) (Year)	Positive, Negative, or Nil	Positive, Negative, or Nil	Positive, Negative, or Nil
Author (2) (Year)	Positive, Negative, or Nil	Positive, Negative, or Nil	Positive, Negative, or Nil
Author (3) (Year)	Positive, Negative, or Nil	Positive, Negative, or Nil	Positive, Negative, or Nil

Source: Author's own compilation

3.6.4 Reporting on the Findings of the Literature Review

Chapters 5 and 6 provide an extensive systematic literature review of the literature on the determinants of FDI and foreign aid allocations and the effectiveness of FDI and foreign aid respectively, according to geographical region, and selected socio-economic variables. Each of the individual socio-economic variables which is impacted by FDI and foreign aid is examined, and the findings discussed according to region. This information is then used to discuss the findings pertaining to the determinants and effectiveness of FDI and foreign aid allocations to SSA, and whether the outcomes match the initial purpose of the funds.

Following this review, summative graphs and histograms on the findings from the literature on the determinants and effectiveness of FDI and foreign aid in SSA are discussed in Chapter 7

Chapter 4: Theoretical Underpinnings of FDI and Foreign aid

4.1 Introduction

This chapter highlights the predominate theories of both FDI and foreign aid. The relevance of this section is to conceptualise the extension of foreign capital and donor funding across national borders. The theories relating to FDI have been developed to address the movement of capital and production beyond domestic borders, with the intention to invest resources and generate a positive return on capital. Similarly, the theories relating to international foreign aid explains the considerations of either developmental concerns of the recipient (recipient- need model) or the strategic interests of the donor (donor motives model). The theories below will also inform the key outcome variables used when reviewing the literature.

4.2 Theoretical Underpinnings of FDI

The focus on FDI has expanded since the development of globalisation and cross regional trade. The creation of FDI theories was undertaken to explain the movement of capital and extension of production beyond national borders. The three FDI theories which are explored are; the product cycle theory, the internationalisation theory and the eclectic paradigm theory.

4.2.1 Vernon's Product Life Cycle Theory

Vernon (1966) used the production cycle theory to explain specific types of FDI made after WWII by North American companies to Western Europe in the manufacturing industry between 1950 and 1970 (Antras, 2005; Denisia, 2010). The theory was developed in response to the inability of the Heckscher-Ohlin model to explain the pattern of international trade. Based on the product life cycle theory, large production firms will undertake FDI by producing similar products for international consumption. The product life cycle was conceptualised and manufactured by MNCs within the more developed nations, whereas the standardisation of production would enable the less-developed nation to take over the manufacturing of the product at lower wages (Vernon, 1966).

The theory considers four stages namely: (i) innovation, (ii) growth, (iii) maturity and (iv) decline. Manufacturers hold an advantage in the initial stage, due to the possession of unique technologies not common in the host nation. Vernon (1966) noted that in the initial stage of a product's life-cycle, all the inputs to production stem from the country of origin and as the product is introduced within the global market, production moves into the foreign markets and may even be imported into the country of origin. This demonstrates comparative advantage, where developing countries have a comparative advantage in producing a product which was originally conceptualised by a developed country. This may be due to labour and material costs being lower in the developing country. Technological spillovers and knowledge-sharing occur, during this time the manufacturer will standardise the product and the product patent may be copied cheaply by local/ foreign competitors (Antras, 2005; Denisia, 2010; Kurtishi-Kastrati, 2013).

Wint and Williams (2002) find that companies which enter markets first are able to tap into opportunities faster, where the standardisation process occurs in a shorter amount of time and requires fewer resources. Pilinkiene (2008) and Vengrauskas et al., (2003) note that, while the product life cycle theory may have been popular during the 1950s to 1960s, its use has declined. This is because product innovations occurring in fast succession the cycle was not able to be produced in foreign countries, and so less developed nations are not able to effectively complete the sale of products (i.e. transport, sale and distribution challenges). Pilinkiene (2008) also finds that the theory is not able to forecast survival within the foreign market, nor could it account for the influence of marketing.

4.2.2 The Internationalisation Theory

The Internationalisation Theory provides motivations for FDI and provides explanations for the growth of multinational enterprises (MNE). The internalisation theory established by Buckley and Casson (1976) outlines the opportunity for firms to internalise transactions within a firm due to the presence of market failures. This would lead to firms conducting business within national boundaries, thereby maximising profits. Hymer (1976) indicates that FDI will only occur if the benefits of pursuing firm-specific advantages surpass operation costs in the foreign nation. Hymer (1976) states that rather than making the investment decision at a capital-market level, it is rather a firm-level strategy. Hymer (1976) established the microeconomic theory of international

production, thereby indicating that the internationalisation of firms depends on those factors associated with the company's dimension, ownership of specific assets and the existence of market failure.

Aliber (1970; 1971) postulated that foreign investment arose due to the presence of market imperfections, in particular the differences in host and source country currencies. Specifically, weaker currencies were able to attract more FDI and post better opportunities to take advantage of differences in market capitalisation; thereby enabling source countries to have access to cheaper sources of capital (Aliber, 1970, 1971; Makoni, 2015). Hymer (1970) propounded the market imperfections theory, which indicates that the firm's decision to pursue international investments is due to foreign competitors not holding similar capabilities and offering ways to broaden investment. As per the International Production Theory, the firm will weigh out the benefits and costs of foreign production in relation to the domestic economy (Dunning, 1980).

While the location of FDI depends on whether the investment is resource-, market efficiency or strategic-asset seeking, the decision takes into account country-specific characteristics (Makoni, 2015). Some shortcomings of the internalisation theory have been noted. For instance, Pilinkiene (2008) argues that while the internationalisation theory explains the reasoning behind firms using FDI to enter foreign markets, it does not explain why production and sales must occur in the foreign market.

4.2.3 Eclectic Paradigm Theory

The importance of Internationalisation theory is reinforced by Dunning (1973, 1980, 1988) in the development of the eclectic theory, which is a combination of three factors of FDI, namely; ownership advantage, location and internationalisation. According to Dunning (1988), the eclectic theory is a robust framework that may be used to explain and analyse the economic rationale of economic production, organisational and impact issues in relation to MNE activity. The Eclectic theory links monopolistic and internationalisation advantages, while assisting in deciding on the pursuit of FDI based on market size, risk and location; not solely on prices and factors of demand (Brouthe et al., 1999).

Ownership advantages relates to firm-specific advantages which are possessed exclusively by the more developed nation. Brouthe, et al., (1999) state that ownership advantages include patents, trade models, brands, human capital, management methods and brand reputation. The sharing of knowledge within transnational the environment at a low cost, may lead to improved income rates or lower costs to production for the foreign market (Dunning, 1973, 1980, 1988; Kurtishi-Kastrati, 2013). Those costs faced by transnational companies are impacted by the inherent characteristics of foreign countries and would require the company to possess certain advantages to ensure that the prospective benefits outweigh the operating costs faced in a foreign nation (Dunning, 1973, 1980, 1988; Kurtishi-Kastrati, 2013). Those specific advantages may be categorised as: monopoly advantages that ensure dominant access to foreign markets, technological and knowledge advantages, thereby prompting innovative practices, and economies of scale. In terms of location advantages, the inherent characteristics of foreign countries are important determinants when transnational firms are deciding on a host nation to conduct activities. Location-specific considerations include that of the economic, political and social landscape (Dunning, 1973, 1980, 1988; Denisia, 2010; Kurtishi-Kastrati, 2013). Should the ownership and location advantages be fulfilled, the firm has to ensure that activities pursued outside the country of origin are profitable. Feath (2009) finds that internationalisation advantages are important, as domestic firms do not face as many restrictions.

4.3 Theoretical Underpinnings for Foreign Aid Allocations

The early literature relating to the motivation behind aid allocations was based on the considerations of either developmental concerns of the recipient (recipient- need model) or the strategic interests of the donor (donor motives model). The recipient- need model indicates that the economic, social and political needs of the recipient nation drive aid allocations; where needs are directly correlated to the level of assistance. The donor interests' model, places emphasis on the strategic and economic interests of the donor, indicating that considerations are not altruistic. The amalgamation of recipient needs and donor interest considerations resulted in the inception of the Hybrid Model of foreign aid.

4.3.1 Recipient Need

The recipient- need model is established from altruistic considerations, where attempts are made to bridge the poverty gap and the redistribution of income from the rich to poor may lead to an overall increase in total welfare (Harrigan and Wang, 2011). This places a moral imperative on developed nations to allocate aid in order to overcome the unequal distribution and/or historical exploitation of less-developed nation resources (Harrigan and Wang, 2011). Addressing development shortfalls in less developed countries is believed to be achievable through aid allocations (Fuller, 2002). Recipient-need reasons for allocating aid include poverty, health, education and environmental considerations.

4.3.2 Donor Interest model

From the late 1960s, the literature argued that foreign aid interventions were made to further the economic, policy and political interests of the donor. The donor -interest model is considered to be more effective than the recipient-need model, in terms of meeting its main objective of enforcing donor values and ideas (Harrigan and Wang, 2011). Fuller (2002) related the donor interest model to both the realist and neo-realist theory, in order to explain donor motivations for aid allocations. The realist theory relates specifically to the notion that aid allocations are made in line with source nation interests; attaching minimal significance to recipient needs. Thus, attention is paid to those recipient nations which are of strategic importance to donors, as they have a vested interest in that nation (Bermeo, 2007). Apart from economic and policy objectives that may drive donors' interest in a recipient nation, media coverage of a potential recipient nation may also impact interest. The research of Olson and Van Belle (2005) indicated that media coverage has a positive relationship with the amount of foreign aid that is allocated. Thus, while the media coverage may highlight a specific need of a recipient nation, the aid allocation may be made for political or policy objectives (of the source nation) and not necessarily humanitarian considerations.

4.3.3 Hybrid model of Foreign Aid

Considering the donor interest and recipient need approach, the hybrid model of foreign aid allocation emerged in the late 1970s (McGillivray, 2003). The hybrid model sought to address this

bias by estimating an aid allocation equation which took account of variables that relate to both recipients' needs and donors' interests. Since the development of the hybrid model of aid allocation, many empirical studies (see McKinglay and Little. 1979; and Maizels and Nissanke, 1984) have utilized the approach in aid allocation analysis.

Chapter 5: Determinants of FDI Inflows and Foreign Aid Allocations

5.1 Introduction

This chapter discusses the determinants of FDI and foreign aid allocations beginning from the global context (developed and developing countries) and then the SSA context. With respect to section 5.2, the specific development variables analysed in the study includes: economic growth, governance, productivity, political stability, trade openness, human capital development, financial development, infrastructure development, and natural resource variables. Further, Section 5.3 examines the donor motives, recipient need, governance and environmental determinants of foreign aid allocations following the same general-to-specific approach as section 5.2.

5.2 Determinants of FDI Inflows

5.2.1 Economic considerations

(a) Economic growth

The recipient country's level of economic growth is a factor that determines whether it receives FDI and how much FDI it receives (Wijeweera and Mounter, 2008; Mottaleb and Kalirajan, 2010; Vijayakumar et al., 2010; Kim and Yang, 2014; Iamsiraroj and Doucouliagos, 2015; Popovici, 2016; Saini and Singhania, 2018; and Mosikari et al., 2019). Potential investors use growth as a signal of market demand, profit, and a potential market which may be expanded (Carstensen and Toubal, 2004; Greenaway et al., 2007; Demirhan and Masca, 2008; Iamsiraroj and Doucouliagos, 2015).

Investors are mainly drawn to economies with high levels of growth and development, as there exists the assumption of better levels of infrastructure development and higher levels of return on investment (Mottaleb and Kalirajan, 2010; Pirlogeanu, 2017; Tsaurai, 2017). On the other hand, in instances where growth levels are low, investors will look at the specific factors hindering growth and attempt to determine whether it is a temporary occurrence within the market or whether

they are long- run hindrances to growth (Elfakhani and Mulama, 2011; Kalyoncu et al., 2015). Investors may see low levels of growth as being a condition of a potentially untapped economy, which, with the right levels and types of investment, could flourish into development (Vijayakumar et al., 2010; Elfakhani and Mulama, 2011; Florence et al., 2017; Vasileva, 2018). Authors such as Jensen, (2003) and Akinlo, (2004) posit that investors may see countries that experience low growth as an opportunity to gain market share by taking advantage of industries and businesses on the brink of bankruptcy. Further, should an economy experience a downturn, this may attract FDI (in the form of mergers and acquisitions) (Jensen, 2003; Akinlo, 2004). This result is further echoed by Wint and Williams (2002) and Buchanan et al., (2012), who suggest that an economic downturn could lower productions costs (i.e. labour, materials, and capital) and result in more profitable activities by the potential investor.

A common indicator for economic growth in the empirical literature is the real gross domestic product (RGDP). The empirical literature on the determinants of FDI inflows in developed economies generally provides support that the level of economic growth positively impacts FDI inflows (Zang et al., 2012; Saini and Singhania, 2018). One of the reasons for this relationship is provided by Zang et al., (2012); Kalyoncu et al., (2015) and Saini and Singhania (2019) who contend that, even though a developed nation may experience a downturn in the economy, investors assume that it is a temporary occurrence which will recover over the medium to long term. Sharp fluctuations in growth, are analysed to determine if it would have positive knock-on effects to further growth in the economy (Zang et al., 2012; Antonakakis and Tondi, 2015; Iamsiraroj and Doucouliagos, 2015; Kalyoncu et al., 2015; Naanwaab and Diarrssouba, 2016; and Saini and Singhania, 2018). Supporting the above finding, Demirhan and Masca (2008), Al Nasser (2010), Jimenez (2011), Kandil (2011), and Iamsiraroj and Doucouliagos (2015) all found that growth acts as an incentive for FDI allocations, mainly due to its implications for production efficiency and economies of scale.

The literature on the impact of economic growth on Asian economies highlights the ambiguity in the nexus. For most Asian economies, economic growth is a positive determinant of FDI inflows. Asian and South-East Asian (ASEAN) countries have progressed over the years from developing country status to emerging market status due to the rapid growth experienced since the late 1990s (Yamazawa, 2004; Singh et al., 2008; Kalyoncu et al., 2015; Aziz and Mishra, 2016; Mamunur et

al., 2017; Mohanty and Behera, 2017; Cieslik and Giang, 2019). In the East-Asian economies, the increasing economic growth since the 1990s has coincided with high levels of FDI inflows to the region. Akhmetzaki and Mukhamediyev (2017) found that growth in Eurasian economies from 2010 to 2015 positively impacted FDI allocations to the region. The general consensus in the literature examining the nexus for the ASEAN countries is that of positive growth being consistently associated with inter-regional and foreign investment (see Vogiatzoglou, 2016; Ali, 2017; Nejad et al., 2018; Goplan et al., 2019). This is reiterated by Abotsi (2018), who suggests that FDI allocations to Southeast Asian countries have been robust and positively attributed to the significant growth trends in the region. Ghani and Kharas (2010) found that given the sustainable nature of services-led growth, the progress being made by Asian economies to move from production to services-based growth is set to fast track the economy to a positive growth trajectory in the future. Blinder (2006) and Ghani and Kharas (2010) further found that this specific strategy for growth is favoured by potential investors and is significant in the decision to extend FDI.

The empirical literature for individual Asian countries such as China, Vietnam, India, Cambodia, Mongolia shows that growth has had a positive impact on FDI allocations (Singh et al., 2008; Vijayakumar et al., 2010; Kalyoncu et al., 2015; Aziz and Mishra, 2016; Pattayat, 2016; Mohanty and Behera, 2017). Chinese FDI inflows are attributed in part to its increasing economic growth since the 1990s (Mohanty and Behera, 2017; Nejad et al., 2018). Belkhodja et al., (2017); Prasuna and Srivastava, (2018) and Saleem et al., (2018) found that the Chinese economy, which experienced high levels of growth in the 1990s also experienced high allocations of FDI. Similarly, Elfakhani and Mulama (2011) attributed the large FDI allocations made to China over the past three decades to the move away from production-led growth to services-led growth.

Aside from the studies that have found a positive impact of growth on FDI in Asian countries, there exists a separate group of empirical studies who found GDP to have no impact on FDI inflows to Asian economies. These include: Mah and Yoon (2010) for Indonesia and Singapore, Ullah et al., (2012) for Pakistan between 1980 and 2010, Ali et al., (2013) for Pakistan between 1975 and 2007, Govil (2013) for Asian developing countries, Kar (2013) for India between 1990 and 2009, Bilawal et al., (2014) for Pakistan between 1982 and 2013, Lily et al., (2014) for ASEAN countries between 1971 and 2011, Vogiatzoglou (2016) for ASEAN countries between 2003 and 2013,

Awad and Yussof (2018) for ASEAN countries between 2001 and 2012, Prasuna and Srivastava (2018) for China between 2008 and 2016), Gong et al., (2019) for China between 2004 and 2015, and Goplan et al., (2019) for China and ASEAN countries between 1995 and 2016. Within the above studies, it is concluded that institutional quality and governance systems to protect the investment from foreign countries and corporations outweigh the significance of growth as a driver for FDI inflows.

The impact of economic growth on FDI inflows in South American countries such as Brazil, Columbia and Chile echoes the experience of the Asian countries discussed above. Laaksonen-Craig (2008) found that economic performance in Brazil and Chile was a significant determinant of FDI, specifically for market-seeking FDI. Forte and Santos (2015) conducted a cluster analysis of 19 Latin American countries from 2007 to 2011 and found that growth was a significant determinant of FDI allocations to the region. However, resource seeking FDI mainly derives from the endowment of natural resources (specifically the foresting sector) for both Chile and Brazil, where GDP is not a significant determinant for this form of FDI. Nunnenkamp and Spatz, (2002); Bengoa and Sanchez-Robles, (2003); Laaksonen-Craig, (2004); Santana and Viera, (2005); Amal et al., (2010); Forte and Santos, 2015; Williams, 2015; Chan et al., 2019 all found that the endowment of natural resources supersedes GDP performance in the considerations of FDI inflows to Latin America. Hecock and Jepsen (2014) made a distinction between developed and less developed sectors in Latin America and found that agrarian sectors were more likely to attract FDI if there were lower levels of growth, whereas the opposite is found for manufacturing sectors.

Brazil is one of the most favourable Latin American destinations for FDI, with allocations rising exponentially from the mid-1960s driven mainly by market seeking FDI provided for industrial development of the region (Al Nasser and Soydemir, 2011; Eguren, 2014; de Silveira et al., 2017; Santos et al., 2017). Santos, et al., (2019) found that after 1990, FDI directed towards Brazil was positively impacted by economic growth. This result is supported in the findings by Vijayakumar et al., (2010) for the BRICS countries; Al Nasser and Soydemir, (2011) for Latin America; Kishor and Singh, (2015) for the BRICS countries; Sankaran, (2015) for the Dominican Republic; Pirlogeanu, (2017) for the BRICS countries; and Asongu et al., (2018) for the BRICS countries and Elfakhani and Mulama, (2011) for Brazil, China and India.

The examination of economic growth as a driver of FDI in SSA provides similar ambiguous results to that of the other regions. Jaiblai and Shenai (2019) sampled 10 SSA countries between 1990 and 2017 to examine the determinants of FDI inflows. The results indicated that GDP was a key driver of investment into the ten countries. Using a sample of 23 SSA countries between 1975 and 2017, Boga (2019) examined the determinants of FDI inflows and found that GDP was significant in the short- and long-term. Boga (2019) asserts that allocations made to SSA, reasoned on the growth levels, occur on a short to long term basis; depending on the credibility and sustainability of growth. Therefore, in order to experience improved results in FDI allocations, macroeconomic policy that stimulates economic growth, would enhance FDI allocations (Boga, 2019). Conversely, Rodriguez-Pose and Cols (2017) examined the nexus for 22 SSA countries from 1996 to 2015 and found that growth had an insignificant impact on FDI inflows.

Similar empirical findings of a positive impact of economic growth on FDI inflows are also observed for many individual African countries. For instance, Anarfo et al., (2017) and Asiamah et al., (2019) tested the short- and long-term significance of GDP on the investors' decision to invest in Ghana and found that growth enhanced FDI flows into the country. In the Nigerian case, the role of growth as a determinant of FDI inflows is mixed. Olantunji and Shahid (2014), Gabriel (2016) and Florence et al., (2017) found that economic growth does not enhance FDI inflows in Nigeria and argued that stable macroeconomic and political factors were more productive in attracting FDI. Conversely, Dinda (2016), Gabriel (2016) and Rjoub et al., (2017) conducted studies on Nigeria spanning from 1970 to 2015 to determine whether growth enhanced FDI inflows and found that FDI allocations were positively determined by the level of growth.

(b) Market Size

Numerous proxies have been used to measure market size. Elkomy et al., (2016) proxied market size by the ratio of the labour force to the population (a demographic indicator of the economic progress or decline within the country) and argued that, the higher the labour force participation rate, the more incentivised investors were to extend FDI to the market. Other proxies used to measure the market size include the number of major metros within the nation (Ozkan-Gunay, 2011; Sarkaran, 2015; Vi Dung et al., 2018). These proxies provides a measure of the level of

urbanisation present within the economy and potentially the capacity available for investors to expand and develop within the economy.

The literature highlights market size as one of the determinants of FDI inflows (see Laaksonen-Craig, 2008, for Brazil and Chile; Wijeweera and Mounter, 2008, for Sri Lanka; Anyanwu, 2012, for Africa; Dauti, 2015, for East European countries; Iamsiraroj and Doucouliagos, 2015, for developing countries; Pattayat, 2016, for India; Tsauroi, 2018 for SSA; Cieslik and Tran, 2019 for emerging and developing countries). Economies with a large market base present an opportunity for potential foreign businesses to expand their presence internationally (Akin, 2009; Ozkan-Gunay, 2011; Anyanwu, 2012; Ezeoha and Cattaneo, 2012; Salike, 2016; De Simone and D’Uva, 2017; Cieslik and Tran, 2019). The significance of market size as a driver of FDI inflows has been examined in the literature for both developed and developing countries. Piteli (2010) conducted a study on 17 developed countries from 1972 to 2000 and found that market size is a significant determinant of FDI inflows. This result is supported by Zang (2012) who conducted a study on 20 developed countries from 1981 to 2008 and found that market size is a positive determinant of FDI. Zang (2012) concluded that potential investors in developed countries are mainly market-seeking, and aim to create a significant return on their investment in the host economy. In a 2017 study examining the determinants of FDI inflows to Southern European countries for the period 2007 to 2015, Petrovic-Randelovic et al., (2017) found that market size is one of the key determinants of market-oriented FDI. This is echoed by the work of De Simone and D’Uva (2017) who found that allocations made to Hungary between 2001 and 2011 were positively influenced by the market size.

The above concession on market size is also echoed for developing regions. For instance, Akin (2009) indicated that market size is one of the most important determinants of FDI to developing countries. Hussain and Kimuli, (2012); Shukurov et al., (2016); Elkomy et al., (2016); Vi Dung et al., (2018); Cieslik and Tran, (2019), substantiate this finding, and suggest that the result is mainly due to likely investors determining whether there is potential growth for their investment, which could translate into increased profit and integration into the foreign market. Asongu et al., (2018) examined the determinants of FDI inflows to the BRICS (Brazil, Russia, India, China and South African) and MINT (Mexico, Indonesia, Nigeria and Turkey) countries and found that market size positively and significantly determined FDI inflows. Other studies spanning from 1995 to 2015

that found a positive impact of market size on FDI inflows include those of Morisset, 2000 and Onyiewu and Shresthra, 2004 for Africa; Laaksonen-Craig, 2008 for Brazil and Chile; Anyanwu, 2012 for Africa; Ezeoha and Cattaneo, 2012 for SSA; Loots and Kabundi, 2012 and Sichel and Kinyondo, 2012 for Africa; Sarkaran, 2015 for the Dominican Republic; Pattayat, 2016 for India; Pirlogeanu, 2017 for BRICS countries and Rjoub et al., 2017 for SSA.

Contrary to the findings of a positive impact of market size on FDI inflows, Chakrabarti (2001), Asiedu (2002) and Read (2008) found that market size is not a significant determinant of FDI to developing countries, as per capita income within developing countries are usually lower. This result is echoed by Ali et al., (2013), who found that lower per capita income levels enhanced FDI allocations to Pakistan between 1975 and 2003. Similarly, Jaiblai and Shenai (2019) conducted a study on 10 SSA countries for the period 1990 to 2017 and found that smaller markets attracted higher levels of FDI. In this instance, it is noted that the type of FDI allocated was more developmental (Greenfield investment) and was made with the intention to increase the capacity of the recipient nation. The literature on market size as a determinant of FDI into Asian economies highlights varying findings. For instance, Singh et al., (2008) found market size to be an insignificant determinant of FDI in 29 developing East Asian and Latin American countries between 1997 and 2001. However, Singh et al., (2008) did not include political stability variables in their model, and thus did not consider the potential of the interaction between market capacity and institutional governance for positively influencing FDI allocations. This suggests that inherent regional factors impact the influence of market size in attracting FDI inflows. Leading from this, Quazi (2007) conducted a study on seven East Asian emerging economies in a similar period to that of Singh et al., (2008) and found that large markets with a stable political system attract FDI. Similar findings of a positive impact of market size on FDI inflows was observed by Mah and Toon (2010) who conducted a comparative study on the determinants of FDI into Indonesia and Singapore and found that market size had a positive impact on allocations to Singapore but was not a determinant of FDI inflows to Indonesia.

5.2.2 Macroeconomic stability

A nation that is macroeconomically stable is usually less susceptible to external shocks, and more likely to maintain sustained and inclusive growth (Omanwa, 2013; Jiang and Packer, 2017; Pirlogeanu, 2017 and Rjoub et al., 2017). Further, the argument has been made that a stable economy leads to higher levels of FDI inflows (see Wijeweera and Mounter, 2008; Govil, 2013; Omanwa, 2013; Shukurov, et al., 2016; Florence et al., 2017; Pirlogeanu, 2017 and Vi Dung et al., 2018). Macroeconomic stability also ensures that potential investors can make sound decisions within the market environment (Saleem et al., 2018; Vasileva, 2018).

Common factors utilised by potential investors to gain a sense of the macroeconomic health of the economy include the inflation rate, exchange rate, foreign debt and interest rates (see Vijayakumar et al., 2010; Shukurov et al., 2016; Florence et al., 2017; Pirlogeanu, 2017; Tsauroi, 2017; Kafait, 2018, and Asiamah et al., 2019). These variables provide insight into the country's macroeconomic strategy (Cevis and Camurdan, 2007; Vi Dung et al., 2018). Other proxies for macroeconomic stability include: imports as a ratio of GDP; energy production capacity; gross fixed capital formation; net official development assistance; labour force; and telecommunication connectivity (Govil, 2013; Pirlogeanu, 2017; Ambaw and Sim, 2018). The above proxies assist investors in determining the level of institutional and economic stability (Shukurov et al., 2016; Kafait, 2018; Asiamah et al., 2019).

(a) Inflation Rate

The inflation rate is a commonly included in studies that examine the determinant of FDI allocations to both developed and developing economies (Vijayajumar et al., 2010; Elfakhani and Mulama, 2011; Tsauroi, 2017; Dung et al., 2018; Vasileva, 2018). The medium-term trend of inflation provides investors with an indication of deteriorating currency and economic productivity (Govil, 2013; Omanwa, 2013; Elkomy et al., 2016; Florence et al., (2017); Kumari and Sharma, 2017 and Tsauroi, 2017).

Volatile inflation rates are linked to rising prices, increased economic uncertainty, and they discourage potential investors from extending capital to the recipient economy (Omankhanlen, 2011; Tsauroi, 2018). The significance of inflation in the investor's decision to extend FDI has

yielded mixed results in the literature. Akinboade, et al., (2001), Macpherson, (2013), Khan and Mitra (2014), and Jacob and Katookaran (2018) found that low inflation signals stability in the economy, avoids the distortion of market activities, and attracts increased FDI. Similar findings are provided by Braun (2006) and Cevis and Camurdan (2007), who examined the determinants of FDI to developing countries from 2001 to 2004 and found that stable and low levels of inflation attract FDI. Conversely, other findings on the role of inflation as a determinant of FDI have found that inflation has no influence over investors' decision in developed and developing countries, (see Obiamaka et al., 2011, Valli and Masih, 2014, and Amoah et al., 2015).

The findings on the impact of inflation on FDI inflows for individual countries points to differing conclusions. For example, No et al., (2008) did not find a significant impact of inflation on FDI inflows to Rwanda between 1971 and 2003. Obiamaka et al., (2011) conducted a study on Nigeria from 1981 to 2007 and found no statistically significant impact of inflation on FDI allocations. Similarly, Valli and Masih (2014) undertook a similar study on South Africa from 1970 to 2012 and discovered that inflation rates do not impact FDI allocations. Amoah et al., (2015) conducted a regressive study on Ghana for the period 1975 to 2012 on the various determinants of FDI into the country and concluded that inflation had no impact on FDI allocations. Contrary to the above findings, studies conducted by Omankhanlen (2011) for Nigeria and Tsaurai (2018) for Southern Africa found that allocations of FDI are positively influenced by stable and low inflation.

The literature also notes inflation strategy as being a determinant of FDI, where inflows of FDI are more substantial to countries (especially developing countries) that adopt inflation targeting strategies (Ambaw and Sim, 2018; Vasileva, 2018). The main reason inflation targeting is used as a measure of macroeconomic stability is that it is a credible reflection of monetary policy stability (Elfakhani and Mulama, 2011; Tsaurai, 2017; Vasileva, 2018 Vasileva (2018). Vasileva (2018) conducted a study on 71 countries between 1985 and 2013 and found that potential investors have regarded inflation targeting efforts from the 1990s as a signal of stability in developing countries; particularly during or following times of economic, political or civil instability. This is important, as FDI is used in order to bridge the gap in funding during economic downturns; where investors seek assurance that funds will be relatively secure (Gurtner, 2010). Countries that practise inflation targeting are found to attract greater levels of FDI when compared to non-inflation targeting countries; as it improves the predictability of monetary policy decisions (Gurtner, 2010; Bernanke,

2011; Azangue, 2012; Williams, 2014). Contrary to the above findings, Srinivasan (2011), Chingarande et al., (2012), Ullah et al., (2012) and Faroh and Shen (2015) found that inflation targeting is insignificant in enhancing FDI allocations.

(b) Exchange rate

Exchange rate and its stability have also been used to proxy macroeconomic stability. Generally, in the literature, a depreciation in the domestic currency is found to enhance FDI allocations (see Montero, 2008 for Latin America; No et al., 2008 for Rwanda; Vijayakumar et al., 2010 for BRICS; Elkomy et al., 2016 for developing countries; Pirlogeanu, 2017 for BRICS; Vincent et al., 2017 for Nigeria; Kafait et al., 2018 for Asian countries; Saleem et al., 2018 for China; Vasileva, 2018 for developing countries). This is attributed to the fact that investors find it more affordable to invest in the recipient economy which has undergone an exchange rate depreciation (against their own currency). This is supported by Ali et al., (2017) who conducted a study on Somalia for the period 1960 to 2010 and found an inverse relationship between the exchange rate and FDI. Vincent et al., (2017) conducted a study on Nigeria for the period 1980 to 2014 and determined that the exchange rate was a positive driver of FDI allocations. Kafait, (2018) found that FDI directed towards Asian economies from external regions is negatively impacted by appreciations in the domestic exchange rate. Yapraklt (2006) and Erunlu (2018) noted that the relationship between FDI and the exchange rate is dependent on whether they are complementary or substitutes. Should they be substitutes, an appreciation of the exchange rate increases the purchasing power of the economy and FDI will tend to increase. However, if they are complementary, an appreciation of the exchange rate will increase production costs and lower profitability of the firm, thus causing a decrease in FDI inflow (Yaprakly, 2006; 2017; Erunlu, 2018).

Contrary to the above, Awad and Yussof (2018) found that an appreciation in the domestic currency enhanced FDI inflows to ASEAN economies between 2001 and 2012 and attributed the finding to inter-regional investment flows. Lily, et al., (2014) observed that the appreciation of Malaysian, the Philippines, Thailand and Singapore currencies enhanced inter-regional investment allocations. In the case of Turkey, Erunlu (2018) noted that an appreciation in the exchange rate prompted increased FDI allocations because it sent a positive signal to investors.

Besides the examination of the impact of exchange rate on FDI, other studies have focused on the stability of the exchange rate. For instance, Ellahi (2011) and Ullah et al., (2012) conducted a study on the impact of exchange rate volatility on FDI allocations to Pakistan and found that exchange rate stability is positively significant in the FDI allocations to Pakistan. Similarly, Bilawal (2014) recorded that exchange rate stability positively enhanced FDI allocations in Pakistan between 1982 and 2013. Tsaurai's (2017) study to determine overlaps in consensus within the literature on the significant determinants of FDI to the BRICS countries found that exchange rate stability positively impacted FDI allocations. Conversely, Balaban et al., (2019) saw that exchange rate volatility negatively impacted FDI in the manufacturing sector of transitioning countries. Srinivasan (2011), Uwubanmwan and Ajao (2012) and Verikios (2018) observed that emerging and transitioning countries rely heavily on stable exchange rate policies for the attraction of FDI. Thus, unexplained volatility tends to negatively impact production and market-seeking FDI (Uwubanmwan and Ajao, 2012; Vincent et al., 2017; Balaban et al., 2019). However, other studies have found no relationship between exchange rate stability and FDI inflows. For instance, Balaban et al., (2019) concluded that exchange rate stability did not impact FDI allocations made to the transport and telecommunications sectors in transitioning countries. Montero (2008) undertook a study on the determinants of Latin American countries from 1985 to 2003 and found that FDI allocations are not determined by exchange rate.

(c) Interest rates

In this context, interest rates are used as a proxy for investors to determine the return to capital. The interest rate is highlighted as being a determinant of FDI inflows. Investors compare the potential returns of investing funds or assets between regions, seeking to maximise long-term returns on their investment. Fornah and Yuehua (2017) examined the determinants of FDI to Sierra Leone for the period 1990 to 2016 and found that interest rates are a significant driver of FDI. Lee (2019) confirmed this assertion and concluded that that high interest rates attracts foreign investment as investors seek to maximise returns. Asiedu (2002) also found that returns to capital is a significant driver of FDI to both SSA and non-SSA countries. This finding is supported throughout the literature; see Ceviz and Camurdan (2007) for developing and developed countries, Wijeweera and Mounter (2008) for Sri Lanka, Phung (2016) for developing countries, Anarfo et al., (2017) for Ghana, Florence et al., (2017) for Nigeria, Fornah and Yuehua (2017) for Sierra

Leone, Kumari and Sharma (2017) for South-East Asia, Makoni (2018) for Egypt, and Gong et al., (2019) for China.

However, contrary to the aforementioned literature, other studies have found the relationship between interest rate and FDI inflows to be negative or insignificant (see Mah and Yoon, 2010 for Indonesia and Singapore; Chingarande et al., 2012 for Zimbabwe; Rodriguez and Pallas 2013 for Spain; Siddiqui and Aumeboonsuke, 2014 for ASEAN countries; Faroh and Shen 2015 for Sierra Leone; and Asiamah et al., 2019 for Ghana).

(d) Fiscal Debt and balance of payment

The findings on fiscal debt (proxy for macroeconomic stability) as a determinant of FDI inflows is mixed. Using fiscal debt as a proxy for macroeconomic stability, Mohanty and Behera (2017) conducted a study on FDI inflows to India and concluded that fiscal deficit negatively impacted FDI inflows. Anwar, et al., (2013) noted that fiscal debt has a negative impact on FDI allocations to Pakistan. No et al., (2008) found that fiscal debt did not have any significant impact on FDI inflows to Rwanda between 1971 and 2003.

The balance of payment (BOP) account is a measure of the sustainability and stability of an economy (see Montero, 2008 for South American countries; Recep and Bernur, 2009 for developing countries; Elfakhani and Mulama, 2011 for Brazil, China and India; Mohanty and Behera, 2017 for India; Pirlogeanu, 2017 for BRICS; and Vincent et al., 2017; Balan, 2019). The ratio between the balance of payments deficit and real gross domestic product (RGDP) is an indication of how sustainable foreign trade is for a recipient country. Further, if the ratio is high, this may reflect an unfavourable exchange rate and a reliance on the foreign market to produce more advanced products (which tend to have a higher value than the primary products traded by developing countries), or a domestic economy's inability to be self-sufficient (Montero, 2008; Elkomy et al., 2016; Pirlogeanu, 2017; Adegoke, 2019). Montero (2008) considered whether historical stability in the current account of Latin American countries between 1985 and 2003 was a determinant of FDI allocations and found that it was one of the most significant indicators considered amongst investors. Vincent et al., (2017) examined the macroeconomic determinants of FDI allocations to Nigeria between 1980 and 2014 and found that a favourable balance of payments account positively influenced FDI allocations.

According to the literature, the management of the capital account (transparency of processes and controls) is of substantive importance in attracting and maintaining investment (Ma and McCauley, 2007; Jeanne, 2012; Verikios, 2018). This is confirmed by Verikios (2018) who found that the controls implemented in China's capital account resulted in attracting and maintaining foreign investment. As opposed to this, the empirical literature has also suggested that a deficit on the capital account enhances the inflow of investment. For instance, Ghosh and Ramakrishan (2012) found that a deficit due to capital investment and growth in the economy attracted FDI, as it was a positive signal to potential investors.

5.2.3 Human capital development and productivity

The host nations' human capital plays a key role in determining its FDI allocation and on the impact of the investment on growth outcomes (Borensztein, 1998; Ceviz and Camurdan, 2007; Akhmetzaki and Mukhamediyev, 2017; Kheng et al., 2017). When considering human capital development, health and education are two key considerations that influence investors' allocation decisions. The importance of human capital development as a driver of FDI inflows is echoed by authors such as Driffield and Taylor, (2000); Hosein and Tewarie, (2005); Akhmetzaki and Mukhamediyev (2017); Kheng et al., (2017); Tiexeria et al., (2017) and Awad and Yussof, (2018) who posit that potential investors are attracted to countries that invest in the enhancement of their human capital.

Considering the education aspect of human capital, the impact of education on FDI inflows has been examined in numerous studies with the conclusion that investment in education and its impact on human capital development are key when creating an enabling environment for investment (See Driffield and Taylor, 2000 for developing countries; Yeaple, 2003 for developing countries; Hosein and Tewarie, 2005 for developing countries; Rodriguez and Pallas, 2008 for Spain; Vijayakumar et al., 2010 for BRICS countries; Akin and Vlad, 2011 for developing countries; Dorozynska and Dorozynski, 2014 for the Lodz region; Kalyoncu et al., 2015 for Turkey; Okafor, 2015 for SSA; Akhmetzaki and Mukhamediyev, 2017 for Eurasia countries; Chanegriha et al., 2017 for developed and developing countries; Rodriguez-Pose and Cols, 2017 for SSA). Investors are incentivised to invest the more educated the host nation workforce is, especially because capital intensive sectors require highly a skilled workforce and have higher returns (Driffield and Taylor,

2000; Yeaple, 2003; Hosein and Tewarie, 2005; Akin and Vlad, 2011; Popovici, 2012; Kar, 2013; Dorozynska and Dorozynski, 2014; Aziz and Mishra, 2016; Chanegriha et al., 2017; Cieslik and Tran, 2019). The listed literature suggests that FDI drives up the demand for skilled labour.

The finding in the literature that a highly skilled population enhances FDI inflows is countered by the arguments of some authors such as Hussain and Kimuli, 2012; Kim and Yang, 2014; Rodriguez-Pose and Cols, 2017, who suggest, for instance, that SSA is dominated by a significant low skilled workforce and therefore, the low levels of human capital development in SSA has presented an opportunity for foreign conglomerates to set up low-cost production and lower-wage establishments. They argue that foreign investors are drawn to SSA's lower comparative labour costs. The low labour cost is found to be a positive determinant of FDI (Vijayakumar et al., 2010; Wadhwa et al., 2011; Hussain and Kimuli, 2012). The negative impact of high labour cost on FDI inflows is the other side of the coin. Although educational attainment is generally found to be a significant and positive determinant of FDI allocations to both developed and developing countries, a more advanced skillset typically drives up labour costs and deters potential FDI allocations (as this drives up production costs). Popvici (2016) and Economou (2019) conducted studies on Europe over the period 1996 to 2017 and found that high labour costs deterred FDI inflows. Similar results are observed by Alsan et al., (2004) for 74 developed and developing countries between 1980 and 2000, Cleeve (2008) for 16 SSA countries between 1990 and 2000, Piteli (2010) for 17 developing countries between 1972 and 2000, Sehleanu (2016) for Romania between 1991 and 2014, Saleem et al., (2018) for China between 1980 and 2015.

Using the total labour force Vijayakumar et al., 2010 for BRICS countries; Kim and Yang, 2014 for Korea; Kalyoncu et al., 2015 for Turkey; Naanwaab, 2016 for developed and developing countries; Pirlogeanu, 2017 for BRICS found that the education level of the recipient country is a positive determinant of FDI inflows. This result is supported by Ali et al., (2013) who found that FDI inflows to Pakistan from 1975 to 2007 were positively attributed to improvements in human capital and development indicators (including the Human Development Index, education attainment and health). Braun, (2006) examined the determinants of FDI in developing countries for the period 2001 to 2004 and found education attainment attracts FDI. Similar findings are reported by Okafor (2015), Chanegriha et al., (2017) for SSA and developed and developing countries respectively and by Akmetzaki and Mukhamediyey (2017) for Eurasian countries. The

study of Aziz and Mishra (2016) study on 16 Arab countries between 1984 and 2012 found that education has a positive impact on the investment decision.

In the consideration of the health aspect of human capital, investors look at the physical health of the populous. The healthier the workforce, the better (perceived) productivity and ability to learn (Majeed and Ahmad, 2008; Okafor, 2015; Aziz and Mishra, 2016; Akhmetzaki and Mukhamediyev, 2017; Awad and Yussuf, 2018, and Cieslik and Tran, 2019). The literature has found that the more positive the health indicators, the more likely investors are to extend FDI; as this signals a more productive labour force (Asiedu et al., 2013; Kim and Yang, 2014; Omoleke et al., 2017). Alsan et al., (2004) found that a healthy population in developed and developing countries attracts more FDI inflows, as it signals human capital capacity and better productivity. Bloom et al., (2004) and Majeed and Ahmad (2008) echo this finding and conclude that poor health limits foreign interest in investing in developing countries' economies. In developed economies, the state of the population's health (as proxied by life expectancy, fertility and mortality rates) and the investment in health infrastructure are significant determinants of FDI allocations (See Ingram and Silverman, 2002; Alsan et al., 2006; Blomstrom, 2006; Ogundari and Awokuse, 2018; Giammanco and Gitto, 2019). Salike (2016) found that FDI inflows to China were influenced by the health of the economy, as it is one of the proxies to predict the labour force's productivity.

In the literature, health (utilising proxies of life expectancy, mortality and fertility rates, cases of major epidemics or diseases such as tuberculosis, HIV/ AIDS, Ebola, number of citizens with private health care, number of citizens that have access to public health facilities, public health expenditure and the number of days annually citizens take sick leave) has been found to positively impact on FDI allocations as it is deemed to signal a productive and effective workforce (See Majeed and Ahmad, 2008 for 23 developing countries between 1970 and 2004; Rodriguez and Pallas, 2013 for Spain between 1993 and 2002; Shukorov et al., 2016 for Commonwealth independent countries between 1995 and 2010; Kim and Yang, 2014 for Korea between 1995 and 2012; Phung, 2016 for 30 developing countries between 1980 and 2014; Ogundari and Awokuse, 2018 for 35 SSA countries between 1980 to 2008; Giammanco and Gitto, 2019 for 28 developed countries between 2000 and 2013). The presence of these diseases in the population, the trend of new infections and availability of health services gives the investor an indication of the capacity of health institutions and shortcomings in institutional capacity (Phung, 2016; Giammanco and

Gitto, 2019). If there is a shortcoming, then this deters investors, as this creates a negative signal relating to the productivity of the workforce.

5.2.4 Financial development

Financial development refers to the maturity level of financial institutions, policy implementation, financial services and the economic state of the market (Varnamkhasti and Mehregan, 2014; Aziz and Mishra, 2016; Tsaurai, 2018, Economou, 2019). Key aspects taken into consideration when making the investment decision include the size, accessibility, efficiency and stability of the banking sector and the capital and stock markets (Asongu, 2014; Dhiman, 2018).

Financial development considers major capital institutions (commercial banks, the national reserve bank, insurance institutions and foreign exchange markets) and the implementation of the relevant legislation under which they operate (Aziz and Mishra, 2016; Kumari and Sharma, 2017). Legislation which is conducive to businesses, both domestic and foreign, to establish themselves within the market, attracts investors. The financial climate, competent financial management, functioning stock market, refocus towards production and financial services, and diversified retail sector presents positive draws to the economy (Thomas and Leape, 2005; Anyanwu, 2012; Samuel, 2013).

Headline indicators used to gage financial development in the empirical literature include stock market capitalisation, banking spreads, ease of accessibility to the market (for both households and firms), the credit rating agencies' evaluation of the recipient country, ratio of money supply to per capita income, private credit to GDP, bank assets, liquid liabilities as a percentage of GDP, Capital Adequacy ratio, foreign currency loans as a percentage of total loans, and the ratio money supply to GDP (Asongu, 2014; Dhiman, 2018). All the above indicators provide potential investors information on the competitiveness of the domestic market.

Varnamkhasti and Mehregan (2014) and Tsaurai (2018) conducted a study on the impact of financial development on the allocation of FDI in developing countries between 1994 and 2014. Both found that financial development is a positive and significant determinant of FDI flows. Makoni (2018), found that FDI directed towards Egypt is heavily dependent on financial market development, due to the recent unrest nationally. This creates a positive signal to investors as to

the financial stability. As opposed to these studies that observed a positive impact of financial development on FDI inflows, Anyanwu (2012) found that African countries which have a high level of financial development received lower allocations of FDI, suggesting that FDI is used as a substitute for domestic financial market development in African economies. This supports the argument by Tembe and Xu (2012) that FDI is utilised to offset financial deficiencies in the domestic economy.

5.2.5 Trade openness

The more open a nation is in trade, the more likely is it to attract FDI inflows (see Demirhan and Masca, 2008 for developing countries; No et al., 2008 for Rwanda; Wijeweera and Mounter, 2008 for Sri Lanka; Athukorala and Wagle, 2011 for developed countries; Anyanwu, 2012 for Africa; Ali et al., 2013 for Pakistan; Sarkaran, 2015 for the Dominican Republic; Ho and Booth, 2017 for Malaysia and the USA; Teixeira et al., 2017 for developed countries; Tsaurai, 2017 for SSA; Asongu et al., 2018 for BRICS and MINT; Makoni, 2018 for Egypt; Saini and Singhania, 2018 for developed and developing countries; Tsaurai, 2018 for SSA; and Gong et al., 2019 for China). Linkages on a global level between the host nation and potential investor (which may be aided through trade agreements that reduce trade costs) prompt increased FDI allocations. This assertion is confirmed by the findings of Omanwa, 2013 for Kenya; Kalyoncu et al., 2015 for Turkey; Kishor and Singh, 2015 for BRICS; Sarkaran, 2015 for the Dominican Republic; Teixeira et al., 2017 for developed countries; and Tsaurai, 2018 for SSA. The reduction in the costs relating to trade is a crucial consideration for investor (Demirhan and Masca, 2008; No et al., 2008; Athukorala and Wagle, 2011; Anyanwu, 2012; Omanwa, 2013; Kalyoncu et al., 2015; Ho and Booth, 2017; Mamunur et al., 2017; Mohanty and Behera, 2017; and Saini and Singhania, 2018).

According to Asongu et al., (2018) open trade practices attract further investment from foreign investors, as this allows for more traction and reduced implementation costs. Akhmetzaki and Mukhamediyev (2017) conducted a study on the Eurasian region to identify the key determinants of FDI between 2010 and 2015 and found that trade openness was a positive determinant of FDI inflows. The positive impact of trade openness on FDI inflows is further underscored by Morisset, 2000; Akhmetzaki and Mukhamediyev, 2017; Rjoub et al., 2017; Booth, 2017; Gong et al., 2019 who posit that extensive tariff or extensive bureaucratic processes may dissuade investors.

For developing countries, the integration of the economy with international markets is of importance when investors consider making the investment (Demirhan and Masca, 2008; Athukorala and Wagle, 2011; Kalyoncu et al., 2015; Sarkaran, 2015; Chanegriha et al., 2017; Ho and Booth, 2017; Asongu et al., 2018; Kafait, 2018; Saini and Sanghania, 2018; and Tran, 2019). Antonakakis and Tondl (2015) found that in terms of OECD investors into SSA, established trade relations are among the most important consideration for FDI investment. In the examination of the determinants of FDI inflows, Asiedu (2002), Owanwa (2013) and Kumari and Sharma (2017) found that trade openness promotes FDI inflows to both SSA and non-SSA countries; however, the marginal benefit in non-SSA countries is higher. Boga (2019) also examined the determinants of FDI inflows into 23 SSA countries between 1975 and 2017 and found trade openness to be a significant driver of FDI inflows in both the short and long term. Saleem et al., (2018) undertook a study to determine whether inflows directed towards China between 1980 and 2015 were positively impacted by trade openness and found that it was, in fact, significant in enhancing both the short- and long-term allocations of FDI. Tsaurai (2017) conducted a further study on the determinants of FDI in BRICS countries and indicated that trade openness positively impacted on FDI allocations, as it eases the bureaucratic burden placed on foreign enterprises when engaging in the domestic economy.

Contrary to the findings of a positive impact of trade openness on FDI inflows, Petrovic-Randelovic et al., (2017) found that trade openness had a negative impact on FDI allocations to Southeastern European countries while Vijayakumar et al., (2010) and Rodriguez-Pose and Cols (2017) observed the impact of trade openness on FDI inflows in developing countries to be negligible. Vijayakumar et al., (2010) and Rodriguez-Pose and Cols (2017) attributed the results to poor macroeconomic and political instability in the economy, which offsets the positive impact of the reduced costs of trade.

Several SSA countries undertook an extensive process of trade liberalisation³ to improve their attractiveness to foreign investors. This process included the establishment of trade treaties with potential and existing trading partners, both internal and external to the African continent (Rjoub et al., 2017; Wand and Li, 2018). Kopperschmidt and Matues (1997) and Sally (2007), found that,

³ One example of a specific internal trade openness initiative within the African continent included the agricultural market liberalisation process of the 1980 (Asiedu, 2002; Govereh and Jayne, 2002; Sally, 2007)

following the trade liberalisation process of the 1980s, progressive reductions in tariffs resulted in increased volumes of FDI and trade in developing countries globally. Kopperschmidt and Matutes (1997) sampled eight SSA countries' trade liberalisation processes to determine whether these resulted in improved trade and FDI activity and found that the interaction between trade liberalisation processes and supplementary supportive policies (i.e. export-promoting policies) enhance FDI allocations to SSA. Conversely, Sundaram and von Arnim (2008) noted that the process of trade liberalisation left SSA susceptible to practices of exploitation of capital flight while Jaiblai and Shenai (2019) found that trade openness was not a significant determinant of FDI allocations to SSA.

5.2.6 Infrastructure development

The quality of existing infrastructure is a significant determinant of FDI allocations to both developed and developing countries (Awad and Yussof, 2018; Jaiblai and Shenai, 2019). One reason for this is that, the infrastructure base within the economy has knock-on effects on a country's production capacity and will impact potential investors' set-up costs (Awad and Yussof, 2018). Potential investors look to minimise overall production costs, taking into consideration the inherent factors which either hinder or promote foreign participation in the recipient nations' economy (Demirhan and Masca, 2008; Ozkan-Gunay, 2011). Depending on the cost of setting up production in the recipient country and the subsequent costs of maintaining production, investors will weigh up the different options available. The more opportunities for innovation, research and development (R&D) and communication infrastructure, the more likely a nation is to attract FDI (Ozkan-Gunay, 2011).

The number of major metros within an economy, the density of key economic and social institutions, the level of technological development and innovation, telecommunication competition and capacity, and internet connectivity signal the level of infrastructure development have all been used to proxy infrastructure development (Pradhan et al., 2017; Asiamah et al., 2019). Further proxies for telecommunications related infrastructure include, the density of telephone main lines, mobile telephones, internet and broadband connectivity (Pradhan et al., 2017). Linking to human capital development, the density and condition of social infrastructure, specifically the density of educational and medical facilities, all provide important proxies for determining both

the level of infrastructure development and human capital (Asiedu, 2002; Ezeoha and Cattaneo, 2012; Sichel and Kinyondo, 2012; Aregbeshola, 2017). Aregbeshola (2017) found that technological capacity and its implications on productive capacity is a significant determinant of FDI allocations to Africa. Anarfo et al., (2017) stated that infrastructure development enhanced FDI allocations to Ghana from 1975 to 2014, due to its signaling production capacity to potential investors.

Improvements in infrastructure and service support systems are of paramount importance to investors. For instance, the degree of telecommunication access was found by Demirhan and Masca (2008) to be a significant determinant in enhancing the level of FDI inflows to developing countries. This result was also noted in Pradhan et al., (2017) who in conducting a study on 21 Asian countries between 1965 and 2012 to determine if the degree of telecommunications infrastructure was a determinant of FDI allocations and this observed a positive impact of infrastructure on FDI inflows. Goplan et al., (2019) conducted a study on China and the Association of South East Asian Nations (ASEAN) between 1995 and 2016 to determine if infrastructure development was a significant determinant of Greenfield FDI and which sector was the most robust determinant. Infrastructure, specifically roads, was found to be the most significant determinant of Greenfield FDI to both China and ASEAN countries (Goplan et al., 2019). Asiedu (2002) examined the role of infrastructure development in FDI inflows in developing countries and found infrastructure development to be a positive and significant driver of FDI inflows. This may be specific to market seeking FDI, as SSA has low levels of urban development when compared to other developing countries.

Both private and public sector investment in the expansion and maintenance of infrastructure is used by potential investors to determine the state and level of infrastructure development. Additionally, according to Sichel and Kinyondo (2012) and Aregbeshola (2017), in considering the quality of infrastructure, investors would tend to look at public and private capital expenditure on fixed capital assets, land, non-financial and non-military assets. Chanegriha et al., (2017) examined the determinant of FDI inflows in 168 developed and developing countries between 1970 and 2006 using government spending on infrastructure as a proxy for infrastructure development. The results showed that it is a positively significant determinant of FDI and assists in enhancing allocations.

5.2.7 Natural resource endowment

Natural resource endowments are a key determinant of FDI allocations (Dunning, 1993; Morisset, 2000; Onyiewu and Shrestha, 2004; Loots and Kabundi, 2012; Sichel and Kinyondo, 2012; Rashid et al., 2016; Chanegriha et al., 2017; Rjoub et al., 2017; Awad and Yussof, 2018). One of the motives for FDI in the African continent remains the significant endowment of natural resources (Albuquerque et al., 2005; Asiedu, 2002; Reece and Sam, 2012; Iamsiraroj and Doucouliagos, 2015; Rashid et al., 2016; Shukurov et al., 2016; Rjoub et al., 2017; Awad and Yussof, 2018).

Dinda (2016) and Rjoub et al., (2017) found that the abundance of crude oil resources in Nigeria positively impacts its FDI allocations. This result is mirrored by the work of Anarfo et al., (2017) and Kombui and Kotey (2019), where FDI directed towards Ghana between 1985 and 2015 was channelled towards the natural resource sector. In the examination of the determinants of FDI inflows in 53 African countries for the period 1996 to 2008, Anyanwu (2012) found that the presence of natural resources attracted large allocations of FDI. Okafor (2015) found that US FDI specifically targeted resource rich SSA countries; this result is heightened when trade policies and institutional quality are present. Shukurov et al., (2016) examined the significance of resource endowment for FDI inflows to Commonwealth countries using the natural resource exports-GDP ratio and found that the higher the ratio, the more FDI was allocated. Skovoroda et al., (2019) found that the presence of oil and gas resources is a key determinant of FDI to developing countries.

Contrary to the above findings, Nandialath and Rogmans (2019) found that resource endowment is not a significant determinant of FDI allocations to Middle East and North African (MENA) countries. Makoni (2019) conducted a study on the determinants of FDI in Egypt and found that although there was an abundance of gas, oil and alternative energy; there was no link to FDI inflows into the country. The author attributed this finding to the fact that investors are more concerned with the political climate of the economy, prior to making the investment decision.

The dynamics between economic growth and FDI is further complicated when the type or modality of the FDI is taken into account. Findings revealing a positive impact of economic growth on FDI inflows in resource rich economies are put forward by Laaksonen-Craig (2004) who found that the

impact of growth on FDI inflows in developed economies with an endowment of resources was not significant, while there was evidence of a causal relationship between the two variables in developing countries which are resource endowed. Although the assumption may be that growth is a determinant of FDI in resource abundant economies, some of the literature finds growth to be insignificant in the decision to invest within these specific economies. For instance, Akinlo (2004) found that growth as a determinant of FDI allocations is insignificant when considering resource rich economies. Zhang (2001), Akinlo, (2004); Buchanan et al., (2012) suggest that should the potential FDI be more export-orientated, determinants of the allocation would be more reliant on exchange rate and trade efficiency conditions. Thus, depending on the nature of the FDI being allocated (i.e. market or resource seeking); economic growth may or may not be a key determinant in the investment decision.

Carril-Caccia, et al., (2019) found that the effect of home country and host country economic sizes, measured by their respective GDPs, is not a significant determinant of FDI inflows for oil rich countries. This finding is supported by Skovoroda et al., (2019) who found that, while resource endowment is significant in the investment decision in resource rich countries, economic growth is not a significant driver of FDI. Conversely, the argument for the conditional relationship between resource endowment and FDI is made by Isham et al., (2005); Mavrotas et al., (2011); Coulibaly et al., (2018); Carril-Caccia et al., (2019) and Skovoroda et al., (2019), who contend that the presence of oil and mineral resources in a country positively impacts the extension of FDI, especially when there is stable growth in the host economy. In the examination of the nexus for SSA and Egypt between the period 1980 and 2016, Ezeoha and Cattaneo (2012) and Makoni (2018) counter this finding by concluding that natural resource endowment in well performing economies was not a significant determinant of FDI allocations; but rather the reliance on institutional quality.

5.2.8 Political Stability and Governance

Political instability and the presence of civil unrest hinder risk averse investors from pursuing business ventures (Quazi, 2007; Sundaram and von Arnim, 2008; Omanwa, 2013; Chanegriha et al., 2017). Additionally, the stability of political structures is of paramount importance to investors (Mbaku, 1992; Cleeve, 2008; Omanwa, 2013; Hussain and Kimuli, 2014; Olatunji and Shahid,

2015; Chanegriha et al., 2017; Hidayat et. al., 2017; Kumari and Sharma, 2017; Rjoub et al., 2017; Carril-Caccia et al., 2019).

A key aspect of investment lies in certainty and ensuring that potential losses are limited. Due to the historical instability from a political and overall institutional standpoint, investors are more cautionary when making their investments to developing countries (Quazi, 2007; Omanwa, 2013, Chanegriha et al., 2017). The importance of political stability for increased FDI inflows is underscored by authors including Anyanwu, (2012) and Teixeira et al., (2017) who argue that, with the susceptibility of developing nations to political and social instability, assurance of governance and credible legislature and institutions is imperative to ensuring FDI. Thus, the onus lies in the credibility of rule of law and effectiveness of institutions to uphold the integrity of the economy (Carril-Caccia et al., 2019; Skovoroda et al., 2019). This holds true for developing countries in South America (i.e. Colombia and Brazil), Asia (i.e. within the Eastern region) and Africa (Singh et al., 2008; Sundaram and von Arnim, 2008; Omanwa, 2013; Sankaran, 2015).

Transparency of government information was found to positively influence FDI allocations (Azubuike, 2006; Rjoub et al., 2017; Carril-Caccia et al., 2019; Le and Sakchutchawan, 2018). This is of interest, as the distortion of potential investors' perception of the recipient market and institutions (both financial and political) can be averted by improving communication channels. Le and Sakchutchawan (2018) found that FDI allocations made to Vietnam were highly dependent on political stability. Abotsi (2015), (2016) and (2017) found that allocations made to Southeast Asia have been positively attributed to sound institutional quality and low levels of corruption. The author observed that specifically, corruption levels above a certain threshold negatively impacted FDI allocations. Further, Abotsi (2018) found that investors' tolerance level for corruption in Asian countries is higher than for Europe and Africa, despite the high levels of corruption in the Asian countries.

A persistent challenge for the African continent as a whole in attracting FDI lies in the investors' perception that the region is extremely risky. The literature highlights the high sensitivity of FDI to economic and political risks (Naude and Krugell, 2007; Cleeve, 2008; Sundaram and con Arnin, 2008; Anyanwu, 2012; Sichel and Kinyondo, 2012; Omanwa, 2013; Okafor, 2015; Hidayat et. al., 2017; Husam et al., 2017). Naude and Krugell (2007) found that political institutional quality is

an important determinant of FDI allocations to Africa. Utilising corruption as proxy for governance in African countries, Coetzee et al., (2016), Rjoub et al., (2017), Rodriguez-Pose and Cols (2017), and Mosikari et al., (2019) found that corruption inhibits FDI flows to Africa. Thomas and Leape (2005) and Samuel (2013) observed that FDI allocations to South Africa increased substantially after 1994 and attributed this to the inception of a democratic political regime. Conversely, Ali et al., (2017) conducted a study on Somalia, and found that political stability is not a significant determinant of FDI allocations. This is due to other factors, since military and civil unrest, are a more significant consideration when making the decision to allocate FDI. For instance,

According to Quazi, (2007) and Rjoub et al., (2017), the military influence of political parties in power is of particular importance when considering investment in nations which had previously experienced military coups or dictatorships in their history. The presence of terrorism has been found to be a deterrent to investment (Polyxeni and Theodore, 2019). Bano et al., (2019) undertook a study to determine how the presence of terrorism would impact on FDI allocations to Pakistan and found that terrorism is a significant deterrent for potential investors of FDI. However, Skovoroda et al., (2019) found that the presence of conflict (both civil and terrorist risks) does not deter US FDI in the Oil and Gas sector; as these conflicts prompt an earlier extraction of resources and limits state intervention in seizing assets from multi-national enterprises (MNE). This finding is supported in the literature, where the endowment of natural resources offsets the negative effects of conflict in the recipient economy; specifically, in Oil and Gas resources (Biglaiser and DeRouen, 2007; Ahsan and Musteen, 2011; Carril-Caccia et al., 2019).

Dauti (2015) and Carril-Caccia et. al., (2019) found that institutional quality is key when developed nations make the investment decision. This is supported by the literature with the studies by Biglaiser and DeRouen (2007) and Ahsan and Musteen (2011) which indicate that economies which have well developed institutions that uphold high standards of governance attract foreign investment. Support for good governance as a determinant of FDI inflows is provided by Quazi, 2007; Anyanwu, 2012; Phung, 2016; Chanegriha et al., 2017; Teixeira et al., 2017 who found that all other things being constant, nations with good government and business governance attract more FDI. Economou (2019) conducted a study on four European economies between 2004 and 2017; and found that institutional quality, the protection of property rights and government

stability positively impact the attraction of FDI. (Anyanwu, (2012); Shahadan et al., (2014) and Carril-Caccia et al., (2019) argue that the presence of sound institutional and regulatory frameworks is critical, specifically the functionality of the judicial system, stable political governance and tax reforms. Santos et al., (2017) discovered that in researching the likelihood of investors to extend FDI to Brazil following 1990, a more politically stable economy is more attractive. Contrary to these findings, Nandialath and Rogmans (2019) found that institutional quality is not a significant determinant of FDI allocations to MENA countries.

5.2.9 Conclusion

Several factors are significant in determining the inflow of FDI to a country. These include macroeconomic stability, the level of economic growth, growth potential, institutional effectiveness, openness to trade and resource endowments. Developed economies are found to have similar, if not mostly the same determinants of FDI, as developing economies. However, developed nations have higher growth levels, more developed infrastructure, better performing socio-economic indicators and more developed financial institutions which results in a higher global share of FDI inflows (Zang, 2012; Aditya and Acharyya, 2013; Rodriguez and Pallas, 2013; Naanwaab and Diarrassouba, 2016; Ho and Booth, 2017; Saini and Singhania, 2018; Wang and Li, 2018).

Developing countries have comparatively lower growth levels (with the exception of some emerging South-East Asian economies), less developed and complex infrastructure, poor performing socio-economic indicators, and (in some instances) instability on both an economic and political level (Kim and Yang et al., 2014; Arlogeanu, 2017; Ho and Booth, 2017; Rjoun et al., 2017). This is mainly due to the substantial historical presence of political dictatorship, military oppression (i.e. civil instability and military intervention in enforcing political leadership within both South America and parts of Africa), and macroeconomic instability (i.e. runaway inflation within the Zimbabwean economy) (Mbaku, 1992). The presence of past military dictatorships, civil unrest and economic market failures impact investors' confidence in decisions to invest in developing countries and impose higher onus on the recipient country to protect potential investments made to the region (Mbaku, 1999, Dauti, 2015; Rjoub et al., 2017).

Efforts have been made in recent decades to offset the negative perceptions of developing economies' by pursuing initiatives that reduce trade costs, enable improved democratisation and political freedom, and create a conducive environment for business growth and investment (Rodriguez-Pose and Cols, 2017; Teixeira et al., 2017; Ambaw and Sim, 2018; Munir and Javed, 2018; Boga, 2019). Elements unique to SSA and which have been found to be significant determinants to FDI allocations in the literature include the abundance of natural resources, substantial market size and improved levels of trade and economic liberalisation (Rodriguez-Pose and Cols, 2017; Teixeira et al., 2017; Ambaw and Sim, 2018; Munir and Javed, 2018; Boga, 2019).

Consistent findings within the literature for developing regions in Asia, Latin America and Africa is that growth is mostly found to be a significant determinant of FDI, specifically when the inherent conditions within the economy are stable (Bengoa and Sanchez-Robles, 2003; Lily et al., 2014; Ajide and Eregha, 2015; Pattayat, 2016; Hidayat et al., 2017). This is also the case for market size; where, the larger the economy, the more likely investors are to extend FDI (Akin, 2009; Ozkan-Gunay, 2011; Anyanwu, 2012; Ezeoha and Cattaneo, 2012; Salike, 2016; De Simone and D'Uva, 2017; Cieslik and Tran, 2019). Growth and market size are interlinked within the literature, as there is a co-dependence on the potential growth which may be realised, based on the market size and capacity of the internal economy (Salike, 2016; Cieslik and Tran, 2019).

In the case of stability, proxies to ascertain the overall health of the economic environment are captured and assessed on the internal inflation, interest, exchange rate and the level of fiscal debt. These factors provide potential investors with a base to determine the potential return and purchasing power they may be subject to in the economy (Florence et al., 2017; Pirlogeanu, 2017; Tsauroi, 2017; Kafait, 2018; Saleem et al., 2018; Vasileva, 2018 and Asiamah et al., 2019). According to the literature, investors prefer a low inflation rate (sometimes achieved through a targeting strategy). Conversely, a high interest rate is a direct reflection of the potential returns on the investment and is positively attributed to FDI inflows. The international investment environment is also dependent on the interrelated state of exchange rates, which reflects the affordability and competitiveness of markets which an investor may be entering. In terms of competitiveness, fiscal debt (both domestic and via the trade balance) can deter investors from extending FDI. The findings for macroeconomic variables are found to be significant determinants of FDI allocations, specifically for investors who require a stable economic environment.

Based on the internal conditions of the economy, human capital development is another key determinant of FDI allocations (Akhmetzaki and Mukhamedivev, 2017; Kheng et al., 2017; Tiexeria et al., 2017 and Awad and Yussof, 2018). In some instances, investors tend to require higher skilled labour, (Chanegriha et al., 2017; Cro and Martins, 2020; Mina, 2020). However, this conflicts with other instances where investors are partial to low cost labour (which is usually linked to low skilled labour). Thus, there is this ambiguity in the literature between whether investors prefer high or low skilled labour. While investors provide recipient nations with an influx of capital, technological advancement and high skilled labour; this requires a productive and capacitated work force. Within more developed countries, both variables are of a particularly high standard; whereas conditions are more compromised in developing regions which seek to offset this with lower labour costs.

Essential factors, such as financial and infrastructure development have been found to provide investors with insight as to the protection available for their investment and the additional business set-up costs which may be required should they decide to provide FDI (Awad and Yussof, 2018; Dhiman, 2018; Tsurai, 2018; Economou, 2019; Jaiblai and Shenai, 2019). Linked to these aforementioned factors is the stability of the political and institutional (governance) landscape; which has been found in the literature to be significant for potential investors. The stability of governance institutions has been found throughout the literature to be a caveat requirement for investment (Ahsan and Musteen, 2011; Carril-Caccia et al., 2019; Polyxeni and Theodore, 2019). Table 3 provides a summary of the literature on the determinants of FDI.

Table 5: Empirical Findings on the Determinants of FDI

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
African country studies				
Kopperschmidt and Matutes (1997)	SSA Countries (1980-1990)	FDI Inflows	Exchange rate, GDP, population, export, import duties, import quotas, export taxes.	Trade liberalisation improves FDI inflows to SSA.
Morrisset (2000)	29 African Countries (1996-1997)	Business Climate for FDI	FDI inflows, GDP, presence of natural resources	Large markets and/ or natural resource reserves attract foreign investors.
Asiedu (2002)	32 SSA 39 non-SSA countries (1970-1999)	Net FDI inflows as a percentage of GDP	GDP growth, trade openness, infrastructure quality, inflation, political stability, interactions, interest rate.	Drivers of FDI for developing countries do not always hold for SSA countries. Infrastructure development and return of capital are significant drivers of FDI to non-SSA countries. Trade openness is a significant driver of FDI.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Onyeiwu and Shresthra (2004)	29 African countries (1975-1999)	FDI inflows as percent of GDP	GDP growth, trade openness, international reserves, natural resources	GDP growth, trade openness, the existence of international reserves and natural resources are determinants of FDI.
Naude and Krugell (2007)	Africa	FDI inflow	Government consumption, inflation, investment, governance, literacy rate, political stability, institutional quality.	Institutional quality, specifically political stability, positively impacts FDI inflows.
Cleeve (2008)	16 SSA countries (1990-2000)	Inflow of FDI into SSA	Fiscal policy incentives, market size, growth, physical infrastructure, human development, institutional and policy.	Market size, infrastructure development, human capital, per capita income, trade openness, fiscal policy (i.e. institutional considerations) and labour costs are significant determinants of

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				FDI inflows to SSA.
No, Muhammad, Tamwesigire and Mugisha (2008)	Rwanda (1971-2003)	FDI Inflow	GDP, trade openness, real exchange rate, inflation, dent.	Growth, trade openness and the real exchange rate positively impact the allocation of FDI to Rwanda. However, inflation is not found to be a significant determinant of FDI.
Sundaram and von Arnim (2008)	SSA (1970-2006)	FDI inflow	GDP, government expenditure, export and imports, liberalisation.	Trade liberalisation is not enough to prompt significant progress in growth rates for developing countries.
Sulliman and Mollick (2009)	29 SSA countries (1980-2003)	FDI inflow to SSA	Literacy rates, economic freedom, incidence of war.	Literacy rates and economic freedom positively correlate with

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				FDI inflows, while the incidence of war exerts strong negative effects on FDI allocations.
Anyanwu (2012)	53 African countries (1996-2008)	FDI inflow	Population, GDP, trade openness, financial development, inflation rate, exchange rate, infrastructure, human capital, foreign aid, corruption, regulation quality, rule of law, oil exports.	Market size, trade openness, rule of law, foreign aid and natural resource endowment attracts FDI to African countries. However, financial development deters FDI.
Chingarande, Karambakuwa, Webster, Felex, Zivanai, Lovemore and Mudavantu (2012)	Zimbabwe (2009-2011)	FDI inflow	GDP, trade volume, research and development, current account balance, exchange rate.	Inflation, interest rate and exchange rate are insignificant in determining FDI allocations to Zimbabwe. However, low labour costs and

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				GDP attracts FDI.
Ezeoha and Cattaneo (2012)	38 Sub-Saharan African countries (1995-2009)	FDI inflow	GDP, interest rate, exchange rate, inflation, natural resource endowment, infrastructure, trade openness, population, legislation.	Allocations of FDI directed towards Africa, due to natural resource endowments, are substantial and rely on the quality institutions.
Loots and Kabundi (2012)	46 African countries (2000-2007)	Average nominal FDI inflows to Africa	Trade as a percentage of GDP, real GDP, inflation rate, gross domestic investment as a percentage of GDP, Road km, presence of petroleum	Market size and resource endowments attract FDI.
Sichei and Kinyondo (2012)	45 African countries (1980-2009)	Log of FDI stocks as a percentage of GDP	Real GDP growth rate, natural resources, trade openness, trade inducing policies, presidential term, election period, military officer.	Agglomeration economies, the existence of natural resources, real GDP growth and FDI policy are significant

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				determinants of FDI.
Omanwa (2013)	Kenya (1996-2009)	FDI inflow	Market size, trade openness, inflation, labour, infrastructure development, corruption, political stability.	Market size and trade openness enhance FDI inflows.
Olantunji and Shahid (2014)	Niger (1970-2010)	GDP per capita	Domestic investment, trade openness, labour cost and quality, inflation, exchange rate, government consumption as a ratio to GDP and external debt.	While there is a short-term relationship between FDI inflow and economic growth, this does not translate over the long-term. In order to enable the long-run relationship, the business environment, infrastructure quality and political stability within the country would have to improve.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Ajide and Eregba (2015)	19 SSA Countries (1995-2010)	Sector Performance	Domestic investment, gross fixed capital formation, GDP, FDI, economic freedom, trade openness, broad money supply.	FDI has a significant positive impact on economic-wide performance but is negligible in sectors that have extractive sectors (i.e. agriculture and manufacturing).
Faroh and Shen	Sierra Leone (1985-2012)	FDI Inflow	GDP, trade openness, exchange rate, inflation, interest rate.	Trade openness and the exchange rate are significant determinants for attracting FDI. However, GDP, inflation and the interest rate are insignificant when making the investment decision.
Mijiyawa (2015)	53 African countries (1970-2009)	FDI inflows as a percentage of GDP	Trade openness, infrastructure quality, macroeconomic stability, political	Larger economies, political stability and those

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			stability, return on investment, market size.	countries which offer high returns to investment attract FDI.
Okafor (2015)	SSA (1996-2010)	FDI inflow	Natural resource endowment, infrastructure development, market size, educational attainment, political stability, corruption, exchange rate, labour force costs.	Educational attainment, inflation targeting, political stability, and trade openness (specifically in the resource sectors) positively impact FDI allocations.
Coetzee, Claasesen, Bezuidenhout and Kleynhans (2016)	42 African countries (2000-2015)	FDI inflow	Natural resources, infrastructure development, governance, legal institutions, GDP, political stability, transparency.	Government stability is the most important determinant of FDI allocations to African economies.
Dinda (2016)	Nigeria (1995-2006)	FDI inflow	GDP, trade openness, macroeconomic stability, exchange rate, inflation rate.	Natural resources, macroeconomic stability, and trade openness substantially

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				impact the inflows of FDI to Nigeria.
Gabriel (2016)	Nigeria (1970-2011)	FDI	Market size, population, GDP, exchange rate.	Population and market size positively impact FDI allocations.
Ali, Ibrahim and Mohamed (2017)	Somalia (1960-2010)	FDI Inflow	GDP, exchange rate, fiscal stability, monetary stability, trade openness.	There is a significant relationship between the exchange rate, inflation rate and FDI.
Anarfo, Agoba and Abebreseh (2017)	Ghana (1975-2014)	FDI inflow	Infrastructure development, natural resources, GDP, inflation, exchange rate, market size, trade openness, interest rate.	Infrastructure development, natural resources, GDP, interest rate, and market size are key determinants of FDI to Ghana.
Florence, David and Daniel (2017)	Nigeria (1984-2015)	FDI inflow	GDP growth, export, inflation, interest rate, trade openness, tariff reductions.	FDI allocations are negatively impacted by economic growth, export composition,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				inflation rate, interest rate and tariffs.
Fornah and Yuehua (2017)	Sierra Leone (1990-2016)	FDI inflow	Interest rate, trade openness, GDP, inflation, exchange rate.	The interest rate, trade openness and GDP growth facilitate higher levels of FDI.
Rjoub, Aga, Alrub and Bein (2017)	Landlocked SSA Countries (1995-2013)	FDI inflows	Domestic investment, human capital, trade openness, exchange rate, political constraints, corporate tax, market size, natural resource endowments.	Domestic investment, trade openness, human capital, political constraint, natural resource endowment, market size and liberal tax policies attract FDI.
Rodriguez-Pose and Cols (2017)	22 SSA Countries (1996-2015)	FDI inflows	Accountability, political stability, government effectiveness, regulatory accountability, legal institutions, corruption, natural resources, population, macroeconomic stability, human capital,	Natural resources, macroeconomic stability and human capital are important factors required to attract FDI to SSA. However, market size, per

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			trade openness, income per capita.	capita income, and trade openness are not significant determinants (and may be negative in some instances) in attracting FDI.
Rjoub, Aga, Alrub and Bein (2017)	Nigeria (1993-2015)	FDI inflow	GDP, population, trade openness, human capital, political stability, natural resource endowment, market size, taxation.	Trade openness, human capital, political stability and natural resource endowment have positive implications on FDI.
Vincent, Salubi and Timothy (2017)	Nigeria (1980-2014)	FDI inflow	Exchange rate, trade openness, balance of payments.	The exchange rate, trade openness and balance of payments of a nation positively impact on FDI allocations to Nigeria.
Abidi, Habibniya, Dzenopoljac (2018)	MENA Countries	FDI inflows	Firm active years, size of internal firms,	Firm size and performance

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(2008-2016)		financial performance, leverage against firms.	attract FDI, while state involvement and ownership deter investment.
Makoni (2018)	Egypt (1980-2016)	FDI Inflow	GDP, inflation, interest rate, infrastructure, trade openness, institutional quality, natural resources, stock market, liquid liabilities.	Natural resource endowments are not a determinant of FDI allocations to Egypt; however, financial market development is key to attracting FDI.
Ogundari and Awokuse (2018)	35 SSA countries (1980-2008)	FDI inflow	GDP, health, education attainment.	Health and Education positively impact FDI inflows.
Tsaurai (2018b)	Southern Africa (1995-2014)	FDI inflow	Inflation, financial development, trade openness, GDP, population, unemployment.	Low and stable inflation drives FDI allocations.
Asiamah, Ofori, Afful (2019)	Ghana 1990-2015	FDI inflow	Inflation rate, exchange rate, interest rate, GDP, electricity production,	Inflation, the exchange rate and interest rate are found to have

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			telephone usage, policy maturity.	negative effects on allocations of FDI. GDP, electricity production and telephone usage are positive determinants of the quantum of FDI.
Boga (2019)	23 SSA countries (1975-2015)	FDI inflows	Real GDP, trade openness, domestic credit, natural resources, telecommunications infrastructure.	Real GDP, trade openness, domestic credit, natural resources, and telecommunications infrastructure are all found to have a positive impact on FDI allocations to SSA.
Jaiblai and Shenai (2019)	10 SSA Countries (1990-2017)	FDI inflow	GDP, inflation, exchange rate, trade openness, GNI, infrastructure development.	Well-developed infrastructure, smaller markets, low income levels, substantially open trading,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				depreciated exchange rate are synonymous with high allocations of FDI.
Kombui and Kotey (2019)	Ghana (1985-2015)	FDI inflow	GDP, inflation, taxation, national debt, infrastructure, natural resources, government expenditure.	Low levels of national debt, infrastructure and natural resource endowment impacts positively on the inflow of FDI.
Mosikari, Nthebe and Eita (2019)	16 African Countries (2001-2012)	FDI	GDP per capita, geographical distance, consumer price index, productivity, corruption, government efficiency.	GDP, the consumer price index, productivity and government efficiency have a positive impact on FDI attraction. However, corruption and the distance between the recipient and investor

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				negatively impact on the allocation of FDI.
Latin American country studies				
Laaksonen-Craig (2008)	Brazil and Chile (1980-2003)	FDI inflow	Market size, natural resources, exports.	Exports and the endowment of natural resources impacts positively on FDI allocations.
Montero (2008)	15 Latin American countries (1985-2003)	FDI inflows	Corruption, legislation, trade openness, terrorism, taxation, governance, labour force, GDP, population, exchange rate, current account, inflation, financial system.	Performance on the current account balance is a positive determinant of FDI allocations, while political; governance and reform variables are not consistent determinants of aid.
Amal, Tomio and Raboch (2010)	Latin American Countries (1996-2008)	FDI inflow	Economic stability, GDP, trade openness, institutional quality, political stability.	All variables were found to be significant to FDI allocations

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				to Latin America.
Al Nasser and Soydemir (2011)	14 Latin American countries (1978-200)	FDI inflow	GDP per capita, market size, inflation, current account balance, trade openness, school enrollment, fiscal debt, market transparency, infrastructure.	Trade openness, skilled labour, infrastructure development, low inflation, small market size and well performing GDP attract FDI.
Elfakhani and Mulama (2011)	Brazil, China and India (1980-2008)	FDI inflow	Market size, GDP growth, inflation rate, population, investment climate, human capital development, energy consumption, life expectancy, democracy, trade openness.	Countries with substantial GDP growth, favourable traded balance, good credit rating, has sound energy connections and protection of foreign investments receive high FDI allocations.
Hecock and Jepsen (2014)	15 Latin America countries (1986-2006)	FDI inflow	Governance, democratisation, legal system, corruption, capital market	Less developed sectors see investors preferring higher

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			liberalization, taxation, fiscal balance, trade openness, GDP, inflation.	levels of democratisation and lower levels of growth, in contrast to more developed sectors. Additionally, lower taxation and limited fiscal deficits improve FDI allocations.
Sankaran (2015)	Dominican Republic (1993-2012)	FDI inflows	GDP, trade openness, credit and debt of domestic economy, government policy, infrastructure, business environment, natural resources, economic freedom, economy wages, education levels.	Market size, infrastructure, trade openness, natural resources, education levels and labour force participation rate attracts FDI.
Santos, da Silva, de Souza and de Araujo (2017)	Brazil (1995-2015)	FDI inflow	GDP, political risk, interest rates.	The stability of GDP and country risk impact potential investors' decision to allocate FDI to Brazil.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Asian country studies				
Quazi (2007)	7 East Asia emerging economies	FDI inflow	Economic freedom, return on investment, market size, political instability, human capital, infrastructure quality.	A favourable investment climate, large market size, high returns on investment and political stability enable FDI inflows.
Wijeweera and Mounter (2008)	Sri Lanka (1950-2004)	FDI Inflow	Market size, GDP, inflation, trade openness, trade levels, wage rate, exchange rate and interest rate.	GDP, exchange rates, interest rates and trade openness enhance FDI allocations.
Mah and Yoon (2010)	Indonesia and Singapore	FDI inflow	Market size, production factor costs, interest rate, GDP.	Market size is a positive and significant determinant of FDI allocations to Indonesia and Singapore; while it is not significant to allocations made to Indonesia.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Srinivasan (2011)	SAARC Countries (1970-2007)	FDI inflow	GDP, population, trade openness, years of schooling, infrastructure, inflation, industrialization, real exchange rate, domestic investment, terms of trade.	Market size, GDP per capita, trade openness, infrastructure development, inflation, and economic stability are the most important factors for attracting FDI.
Ullah, Haider and Azim (2012)	Pakistan (1980-2010)	FDI	GDP, exchange rate, trade openness, inflation rate, population.	Trade openness and exchange rate stability has a positive effect on FDI, while inflation targeting is insignificant.
Ali, Chaudhary, Ali, Tasneem and Ali (2013)	Pakistan (1975-2007)	FDI Inflow	GDP, population, savings, HDI, education, per capita income, trade openness.	Human capital and trade openness positively promote FDI to Pakistan, while per capita income negatively

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				impacts FDI allocations.
Anwar, Saeed, Khan and Ahmad (2013)	Pakistan (2000-2010)	FDI Inflow	GDP, inflation, trade openness, fiscal debt, exchange rate.	GDP and trade openness have a positive impact on FDI, whereas government debt has a negative impact on FDI allocations. However, both inflation and exchange rate performance (whether positive or negative) is insignificant in FDI allocations.
Govil (2013)	Asian developing countries	FDI inflow	Economic growth, employment rate, technology development, human capital, governance, governance.	A stable economy, human capital development, trade openness and stable governance leads to higher levels of FDI inflows.
Kar (2013)	India	FDI inflows	Government expenditure on	Human capital development and

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(1990-2009)		education, government consumption, enrollment ratio, population, real GDP, inflation, export, trade openness.	inflation positively impacts significantly on FDI inflow.
Bilawal, Ibrahim, Abbas, Shuaib, Ahmed, Hussain and Fatima (2014)	Pakistan (1982-2013)	FDI inflow	Exchange rate, inflation rate, GDP.	The exchange rate positively impacts FDI allocations to Pakistan.
Kim and Yang (2014)	Korea (1995-2012)	FDI inflow	GDP, employment rate, human resource development, corruption, state of the environment.	GDP growth, employment rates, human resource development, anti-corruption policies, anti-pollution investment increases the allocation of FDI.
Lily, Kogid, Mulok, Sang, and Asid (2014)	ASEAN Countries (1971-2011)	FSI inflow	Exchange rate, GDP, inflation rate, population, trade openness.	Exchange rate is a positive and significant determinant of FDI allocations to Malaysia, the

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				Philippines, Singapore and Thailand.
Saad, Noor and Nor (2014)	Malaysia (1981-2011)	FDI inflow	Trade, GDP, oil endowments, natural gas endowments, patent legislation, labour costs, technology.	Trade volume, GDP, low labour costs and effective patent legislation are positive drivers of FDI to Malaysia.
Siddiqui and Aumeboonsuke (2014)	ASEAN countries (1986-2012)	FDI inflow	GDP growth, inflation rate, real interest rate, international reserves, external debt, taxes, political rights, infrastructure, natural resource availability, market size, labour cost, trade barrier, trade deficit, exchange rate, money supply, trade openness.	For Thailand, the Philippines, Malaysia and Singapore; inflation, GDP, the exchange rate and interest rate have a negative impact on FDI allocations. However, for Indonesia, the interest rate and inflation rate negatively impact FDI allocations; while GDP and exchange rates

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				present mixed results.
Nasir (2016)	Malaysia (1980-2010)	FDI inflow	Market size, exchange rate, trade openness.	Market size and trade are positively correlated with FDI inflows; however, the exchange rate is negatively correlated with FDI inflows.
Pattayat (2016)	India (1980-2013)	FDI inflow	GDP, trade openness, exchange rate.	GDP, trade openness and the exchange rate are crucial determinants of inward FDI to India.
Salike (2016)	31 Regions within China (2003-2013)	FDI Inflow	Market size, infrastructure, natural resource, education, health of the population.	Productivity of labour force and market size is a key determinant of FDI allocations.
Vogiatzoglou (2016)	ASEAN countries (2003-2013)	FDI inflow	Internal debt, tax reforms, employment,	A conducive environment for

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			trade openness, starting a business cost, construction.	entrepreneurship and foreign capital, based on the reforms of restrictive regulations, improve FDI allocations.
Akhmetzaki and Mukhamediyev (2017)	Eurasia Countries (2010-2015)	FDI Inflow	GDP, trade openness, telecommunications, education attainment, population.	GDP, infrastructure development, trade openness and education attainment have a positive impact on FDI allocations.
Ali (2017)	70 South Asian Association for Regional Cooperation (SAARC) and ASEAN Countries (2009-2014)	FDI inflow	GDP, population, savings, fiscal balance, trade, regulatory quality, government effectiveness, corruption, political stability, property rights, democracy.	Countries with high per capita income and domestic savings receive more FDI.
Belkhodja, Mohiuddin, and Karuranga (2017)	China 2009	FDI	Donor location, consumer price index, labour cost, land price,	Protection of intellectual property,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			education costs, higher education enrolment, GDP, infrastructure development.	educational investment, and GDP impact on the size of FDI allocated.
Mamunur, Xuan and Shao (2017)	15 Asia Pacific countries (2000-2013)	FDI inflow	GDP, trade openness, political stability, inflation rate.	GDP, trade openness, political stability has positive implications on FDI allocations; while inflation negatively impacts the attraction of FDI.
Mohanty and Behera (2017)	India	FDI	GDP, gross fixed capital formation, trade openness, debt, foreign exchange reserve.	Fiscal deficit has a negative impact on FDI allocations to India, however, short term debt is not a significant deterrent of FDI. GDP and trade openness is a significant determinant of FDI to India.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Hidayat, Ullah and Ghazala (2017)	South Asia countries (2000-2013)	FDI inflows to recipient countries	Foreign aid, GDP growth, political risk, law and order.	Foreign aid, GDP growth and governance are key determinants of FDI inflows to the South Asian region. Political instability is a deterrent to FDI inflows.
Kumari and Sharma (2017)	20 South-East Asia developing countries (1990-2012)	FDI inflows	Market size, trade openness, infrastructure development, inflation, interest rate, research and development, human capital.	Market size, trade openness, interest rate and human capital attracts FDI.
Pradhan, Arvin, Nair, Mittal, and Norman (2017)	21 Asian countries (1965-2012)	FDI inflows	Economic growth, Telecommunication Infrastructure, population connectivity	There is co-integration between economic growth, FDI and telecommunications.
Awad and Yussof (2018)	ASEAN countries (2001-2012)	FDI Inflow	Human capital, natural resources, trade openness, exchange rate, labour cost, institutional quality.	Low cost labour, natural resources, incentives to investment,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				institutional quality and the appreciation of the exchange rate positively affect FDI inflows. However, free trade agreements (FTA) only enhance bilateral trade, not bilateral investment.
Coulibaly, Gakpa and Soumare (2018)	SSA (1996-2015)	FDI inflow	GDP, property rights, trade openness, income levels.	Strong relations between property rights and natural resource endowments positively influence the allocation of FDI.
Delawari (2018)	Afghanistan 2002-2016	FDI inflows	GDP, inflation, policy and institutional quality.	Growth and security of investment are positive determinants of FDI inflows.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Le and Sakchutchawan (2018)	Vietnam	FDI inflow	GDP, inflation, taxation, land accessibility, institutional transparency, corruption.	The presence of bribes, corruption, transparency and revenue collection are significant determinants of FDI allocations to Vietnam.
Munir and Javed (2018)	Asian countries (1990-2013)	FDI inflows	GDP, export composition, population.	Increased diversification of export composition leads to improved growth, which in turn promotes FDI allocations.
Nejad, Ahmad, Salleh and Rahim (2018)	ASEAN countries (2001-2016)	FDI Inflow	International Financial Reporting Standard (IFRS), GDP, population, inflation, exchange rate, education, ODA, governance, regulatory quality, rule of law, corruption, labour cost.	The presence of IFRS, GDP and education positively influence FDI.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Prasuna and Srivastava (2018)	China (2008-2016)	FDI inflow	GDP, inflation, export and imports, corruption, terrorism, political stability, governance, government effectiveness.	Economic development, policy implementation and government effectiveness impact on the volume of FDI allocations.
Saleem, Jiandong, Khan, Khilji (2018)	China (1980-2015)	FDI inflow	Labour cost, market size, GDP, trade openness, economic policy uncertainty, real exchange rate.	Trade openness is a significant determinant of FDI directed towards China.
Vi Dung, BichThuy, NgocThang (2018)	Vietnam (2003-2008)	FDI inflows	Market size, human resources, infrastructure, institutional quality, policy development, trade openness.	Market size, infrastructure, labour quality, institutional quality and policy development are key factors when making the decision to invest in Vietnam.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Bano, Zhao, Ahmad, Wang and Liu (2019)	Pakistan (1971-2015)	FDI inflow	Energy shortages, market size, terrorism, financial stability, political instability, inflation, exchange rate.	Terrorism and energy shortages deter FDI, while inflation, exchange rate and market size are positive attractors of FDI.
Gong, Liu, Atif and Jiang (2019)	China (2004-2015)	FDI inflow	GDP, population, inflation, human capital, trade openness, capital accumulation research and development.	Human capital, trade openness, capital accumulation and research development positively influence the attraction of FDI.
Goplan, Rajan and Duong (2019)	China and ASEAN countries (1995-2016)	FDI inflow	GDP, market size, education level, infrastructure.	Road infrastructure is the most robust determinant of FDI for China and ASEAN countries.
Leong and Lee (2019)	Singapore and China (1994-2014)	FDI inflow	GDP, market size, trade openness, trade openness, inflation,	GDP, high interest rate, trade openness, large markets

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			interest rate, labour costs.	and cheaper labour attract FDI; especially from MNCs.
Developed country studies				
Zang (2012)	20 developed countries (1981-2008)	FDI inflow	GDP, trade openness, employment protection, labour costs, exchange rate.	Economic growth, trade openness and legislation which protect employment attract FDI to developed economies.
Rodriguez and Pallas (2013)	Spain (1993-2002)	FDI inflow	Market size, real GDP, domestic market, factor cost, wages, labour productivity, fiscal pressure, EU growth, interest rate, consumer price index, human capital, infrastructure, technology, balance of payments, gross value added.	Human capital impacts positively on FDI inflows.
Dorozynska and Dorozynski (2014)	Lodz region 2011	FDI inflow	Workforce qualifications, labour related costs,	Human capital development and educational

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			competition, infrastructure, trade openness, construction industry, taxation, legal institutions.	qualifications of the economy has a positive impact of FDI inflows.
Dauti (2015)	10 South East European Countries (1994-2010)	FDI inflows	Market size, geographical location, corruption, regulation quality, education, exports.	The following were all found to be significant determinants of FDI from OECD countries (especially bilateral aid); market size, geographical location, corruption, regulation quality, education, and exports.
Popovici (2016)	Central and Eastern European countries (2003-2011)	FDI Inflow	GDP, labour cost, infrastructure development, macroeconomic stability.	The market size and low labour costs attract investors.
Petrovic-Randelovic, Jankovic-Milie and Kostadinovic (2017)	Southeastern Europe	FDI inflow	GDP, market size, population, trade openness.	Market size and growth positively impact

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(2007-2015)			FDI allocations, while trade openness deters allocations.
Dellis (2018)	Greece	FDI inflow	GDP, geographical location, macroeconomic stability, institutional quality, technological development, financial development, education attainment.	Macroeconomic, geographical and institutional variables which improve a country's absorptive capacity determine FDI allocations to Greece.
Economou (2019)	Southern European countries (1996-2017)	FDI inflow	GDP, market size, gross capital formation, labour costs, economic freedom, institutional quality.	Protections of property rights, government stability, monetary and financial freedom and institutional quality have positive implications on attracting FDI.
Giammanco and Gitto (2019)	28 Developed Countries	FDI inflow	Health infrastructure, mortality rate, life	Both health infrastructure

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(2000 – 2013)		expectancy, governance, markets size, labour productivity, education attainment.	and governance stability in the economy attract FDI.
Developing country studies				
Alsan, Bloom and Canning (2004)	74 developed and developing countries (1980-2000)	FDI	Population, GDP, health, education, labour costs, governance, trade openness, infrastructure development.	Health indicators have a positive influence on attracting FDI.
Nonnenberg and Mendonca (2004)	33 developing countries	FDI inflows	GDP growth, market size, human capital, trade policies, inherent risk within the recipient country, stock market performance.	Economic growth is a key determinant of FDI.
Hosein and Tewarie (2005)	Trinidad and Tobago (1975-2001)	FDI inflow	Natural resource endowment, human capital, wage costs.	Human capital and natural resource endowments positively impact on FDI allocations to Trinidad and Tobago.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Braun (2006)	56 Developing countries (2001-2004)	FDI inflow	Labour force participation rate (both adult and children), school enrollment, education attainment, literacy rate, GDP, physical capital per capita, inflation rate, political stability, and wage costs.	Child labour deters FDI allocations, while GDP and stability (both macroeconomic and political) are found to attract FDI.
Cevis and Camurdan (2007)	17 developing and transitioning countries	FDI inflows	GDP growth, domestic wages, trade openness, real interest rates, inflation rate, domestic investment.	Inflation and interest rates, the rate of growth, and trade openness are crucial determinants of the size of FDI allocations.
Demirhan and Masca (2008)	38 developing countries (2000-2004)	FDI inflow to developing countries.	Per capita GDP, inflation rate, telephonic connection density, labour cost, trade openness, risk, corporate tax rate.	Per capita GDP, trade openness and telephonic connectivity was found to be significant determinants of FDI allocations to developing countries.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				Inflation and tax were found to have a negative impact on FDI allocations.
Majeed and Ahmad (2008)	23 developing countries (1970-2004)	FDI inflow.	GDP, health sector, literacy rate of the population, defense force sector, government wage expenditure, foreign aid, lending interest rate, urban population, taxation, rail infrastructure, population with access to vehicles, tarred pavement annual investment, remittances.	The healthier the workforce, the more FDI which is allocated; as this creates a positive perception of their productivity and capacity to learn.
Read (2008)	53 Small Island Developing Countries (1999-2003)	FDI Inflow	Market Size, trade openness, GDP.	Market size has no significance in the FDI decision.
Singh, McDavid, Birch and Wright (2008)	29 developing countries within East Asia and Latin America	FDI inflow	Market size, tourism industry, infrastructure, GDP, trade openness.	Tourism, infrastructure, GDP and trade openness are key

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(1997-2001)			determinants of FDI allocations.
Akin (2009)	Developing Countries (1980-2000)	FDI inflow	Infrastructure, import density, manufacturing, human capital, GDP, population, telecommunications, life expectancy.	Population size, GDP and purchasing power, a young and educated labour force are key determinants of FDI to developing countries.
Recep and Bernur (2009)	24 developing countries	FDI inflow	Electrification access, external debt, technological development, inflation, domestic gross fixed capital formation, telecommunication, market size and trade openness.	A favourable business environment, with effective governance structures will attract more FDI.
Ghani and Kharas (2010)	OECD Countries (2000-2005)	FDI inflow	GDP, population, inflation, market size, financial services.	Services led growth in Asian economies are key determinants in the allocation of FDI.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Majeed and Ahmad (2010)	75 developing countries	FDI inflow to developing countries.	GDP, trade openness, domestic absorptive capacity, BOP deficit, debt.	Favourable GDP, economic growth, trade openness, and domestic absorptive capacity attract FDI. However, BOP deficit and external debt negatively impact FDI.
Mottaleb and Kalirajan (2010)	68 low and low-middle income developing countries (2005-2007)	FDI inflow	GDP, GDP growth rate, trade openness, foreign aid, business establishment timeframe, telephone and internet use, labour force	Large markets, trade openness, providing a business friendly environment, being a recipient of foreign aid and holding trade ties with donors are significant factors in driving FDI inflow to developing countries.
Piteli (2010)	17 Developed Countries	FDI Inflow	GDP, population, labour cost, total factor	Total factor productivity is a significant

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(1972-2000)		productivity, corporate tax rate.	determinant of FDI to developed countries.
Vijayakumar, Sridharan and Rao (2010)	BRICS Countries (1975-2007)	FDI Inflow	Market size, labour cost, infrastructure, exchange rate, gross fixed capital formation, inflation rate, industrial productivity, trade openness.	The market size, labour cost, infrastructure development, exchange rate and gross fixed capital formation impact on the size of FDI allocations to BRICS countries.
Hussain and Kimuli (2012)	57 low and low-middle income countries (2000-2009)	FDI as a percentage of GDP in recipient country	GDP per capita, inflation rate, import tariffs, secondary enrollment rate, broad money supply, as a percentage of GDP.	Developing countries may attract FDI through increasing market size, liberalizing trade policies, developing labour force and developing financial institutions

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Aditya and Acharyya (2013)	65 Countries (1965-2005)	FDI inflow	Economic growth, export composition, income per capita, infrastructure capital investment, technology.	Growth in the composition of technology exports contributes to growth and FDI.
Blanco and Rogers (2014)	142 Developed and Developing Countries (1990-2008)	FDI inflow	Initial GDP, level of development, population growth, exchange rate, trade openness, land accessibility, presence of corruption, legal system, fiscal freedom	The closer the proximity to donors, the more FDI developing nations are expected to receive.
Varnamkhasti and Mehregan (2014)	Developing Countries (1995-2010)	FDI inflow	GDP, financial development, human capital, population, trade openness.	Financial development has a positive and significant impact on FDI in developing countries.
Antonakakis and Tondi (2015)	129 recipient developing countries from: Eastern Europe; East, Central and South Asia; Latin America, Middle	FDI inflow	Market size, GDP growth, labour productivity, wage growth, natural resources, trade openness and interaction with donor,	Investors prefer advanced markets, with a qualified labour force. Additionally, the existence of

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	East and North Africa; and SSA.		presence of FDI promoting policy, exchange rate index, inflation, debt rate, infrastructure quality, internet access, political stability, level of democracy, government efficiency, regulatory quality, corruption, governance institutions, language, colonial ties, trade proximity.	previous trade relations is also considered to be a positive driver of FDI. While investment is mainly resource-seeking, cost-efficiencies (in terms of wages and tax rates) are significant promoters of FDI investment.
Iamsiraroj and Doucouliagos (2015)	140 Empirical Studies	FDI inflows	Long-term capital movements, trade openness, real economic growth, aggregate productivity	There is a positive correlation between growth and FDI allocations.
Kalyoncu, Tuluca and Yaprak (2015)	Turkey (1975-2012)	FDI inflow	Market size, GDP, trade openness, inflation rate, energy production, labour productivity.	Market size, GDP, energy production and labour productivity has a positive impact on attracting FDI.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Kishor and Singh (2015)	BRICS countries (1994-2014)	FDI inflow	Index of Industrial Production, GDP, foreign exchange rate, stock market capitalization, infrastructure index, stock market turnover ratio.	Integration of the local industries in the global market is a key consideration when investors make the decision of the quantum and recipient of their investment.
Williams (2015)	68 Developing Countries (1975-2005)	FDI inflow	Trade openness, fiscal debt, GDP, infrastructure, inflation, civil unrest, institutional quality.	Infrastructure attracts FDI to Latin America, high debt and institutional insecurity discourages FDI to Africa and Asia.
Aziz and Mishra (2016)	16 Arab Countries (1984-2012)	FDI inflows	Market size, trade openness, trade agreements, financial development, labour force.	The majority of FDI appears to be resource seeking. Institutional quality and education level of the labour force positively

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				impacts the attraction of FDI.
Elkomy, Ingham, Read (2016)	61 Transition and Developing countries	Growth rate of GDP	Growth rate of labour force, market size, gross fixed capital formation, human capital, government consumption, inflation rate.	Human capital and political development drives economic development.
Iamsiraroj (2016)	124 developing countries (1971-2010)	FDI inflow	GDP, population, labour costs, labour force skillset, economic freedom, trade openness.	Growth, labour force skillset, trade openness and economic freedom enhance FDI allocations.
Naanwaab and Diarrassouba (2016)	137 developed and developing countries (1995-2010)	FDI inflow	GDP, economic freedom index, human capital.	Economic freedom and human capital, both being non-traditional determinants of FDI, jointly attract FDI.
Phung (2016)	30 developing countries (1980-2014)	FDI inflows	Domestic credit, inflation, trade openness, fuel exports, infrastructure, labour force, human capital.	Earlier allocations of FDI were more dependent on the presence of

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				<p>primary resources. Later allocations of FDI human capital and macroeconomic stability has been proven to be a more significant consideration when making the investment decision.</p> <p>However, regardless of the timeframe; infrastructure and the ease of doing domestic and international business have remained significant factors when considering FDI investment.</p>
Sehleanu (2016)	Romania (1991-2014)	FDI Inflow	Gross fixed capital formation, GDP, exchange rate, inflation, trade openness, labour cost.	Gross fixed capital formation and GDP promote investment to

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				Romania, while inflation and high labour costs reduce allocations.
Shukurov, Maitah and Smutka (2016)	Commonwealth of Independent Countries (1995-2010)	FDI inflow	Market size, natural resources, GDP, inflation, fiscal stability.	The interactive effects of market size and natural resources (attractive features of an economy) must be compared to the negative features (i.e. fiscal instability and inflation) before deciding on the FDI allocation.
Aregbeshola (2017)	Africa, Asia, Eastern Europe and South America (1975-2015)	FDI inflows	GDP, technology development, infrastructure, political stability, gross fixed capital formation, inflation.	Technological capacity, political stability and productivity attract FDI allocations to Africa.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Chanegriha, Stewart, Tsoukis (2017)	168 developed and developing countries (1970-2006)	FDI inflow	Trade openness, educational attainment, government spending, corporate tax rate, infrastructure, civil conflict, democratic governance, natural resource endowment, geographical location, border protection, coastal location, language.	All variables were found to have an impact on FDI allocations. Positive implications were present for the following variables; trade openness, education level, infrastructure development, governance, and resource endowment.
De Simone and D'Uva (2017)	Hungary (2001-2011)	FDI Inflow	GDP, market size, educational attainment, governance, financial stability, legislative quality.	Market size, government intervention, stability and educational attainment of the population positively impacts on FDI inflows to Hungarian countries.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Ho and Booth (2017)	USA and Malaysia (1981-2013)	FDI inflows.	GDP, trade openness, interest rates, stock market, exchange rate, inflation rate, domestic credit, domestic credit.	Economic growth and debt levels are important considerations when making the investment decision to the USA. However, FDI investment to Malaysia is more dependent on trade openness and interest rates.
Kheng, Sun and Anwar (2017)	55 Developing Countries (1980-2011)	FDI inflow	GDP, school enrollment, trade volume, energy imports, public expenditure on education, life expectancy.	Growth and human capital attracts FDI.
Pirlogeanu (2017)	BRICS countries (2000-2015)	FDI inflow	Infrastructure development, market size, trade openness, natural resources, human resources, political stability, exchange rate, external	FDI is impacted by infrastructure development, market size, trade openness, human resources, political stability,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			debt, inflation rate, domestic wages, taxation, GDP.	exchange rate, external debt, inflation rate, domestic wages, taxation, GDP.
Teixeira, Forte, Assuncao (2017)	125 developing countries (1995-2012)	FDI inflow	GDP, non-renewable energy resources, export diversification, trade openness, human capital, corruption, taxation.	Restriction of corruption and taxation, enhancing trade openness and human capital improves FDI allocations.
Tsaurai (2017)	BRICS	FDI inflow	GDP, financial development, trade openness, human capital, inflation, exchange rate.	Economic growth, trade openness and exchange rate stability positively impact on the allocation of FDI to BRICS countries.
Abotsi (2018)	Asia, Europe and Africa (1996-2013)	FDI	Corruption, GDP, trade, inflation, exchange rate, natural resources.	FDI allocations to Asia are less sensitive to the presence of corruption than Europe and Africa.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Ambaw and Sim (2018)	46 developing countries (1990-2006)	FDI inflows	Inflation, trade openness, money supply, real GDP, population size, fiscal balance, trade openness.	Both inflation targeting and the adoption of a fixed exchange rate encourage the inflow of FDI; however, it is not clear which is more effective.
Asongu, Akpan and Isihak (2018)	BRICS and MINT countries (2001-2011)	FDI inflows	GDP, market size, infrastructure availability, trade openness, natural resources, institutional quality, human capital, technology, inflation.	Market size, infrastructure availability and trade openness supersede natural resource and institutional quality when investors make the FDI allocation decision.
Saini and Singhanian (2018)	20 Developed and Developing countries (2004-2013)	FDI inflows	GDP growth, trade openness, freedom index, gross fixed capital formation, efficiency.	Developed countries attract FDI through economic growth, trade openness and freedom index.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				Developing economies attract FDI through gross fixed capital formation, trade openness and efficiency.
Tsaurai (2018a)	21 Developing Countries (1996-2014)	FDI inflows	GDP per capita, domestic credit, export and imports, power consumption, financial development, trade openness and infrastructure development.	Economic growth, financial development, trade openness and infrastructure development positively correlate with inflows of FDI.
Vasileva (2018)	71 developing countries (1985-2013)	FDI flows	Exchange rate regime, GDP, inflation, trade openness.	Inflation targeting positively impacts FDI inflows to developing countries, especially when the economy was under strain.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Wang and Li (2018)	28 developed and 17 emerging economies (2002-2012)	FDI inflow	GDP growth, trade openness, capital market development, governance institutions, policy maturity, stock market.	The governance structure is a key consideration when investors make the investment decision for emerging economies; whereas the level of financial development and trade openness are of more importance and interest to allocations directed towards developed economies.
Azemar and Dharmapala (2019)	23 OECD countries (2002-2012)	FDI inflows	GDP, population, bilateral trade costs, tax reform policies, democratic indices, business confidence.	Reforms made to reduce the burden of tax on corporates results in improved allocations of FDI.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Balan (2019)	Middle East, North Africa and Turkey (MENAT) countries (1984-2014)	FDI inflow	Military, religion, governance, current account balance, fiscal debt.	Religious tensions lower FDI allocations, while a favourable current account balance positively impacts on inward FDI.
Carril-Caccia, Milgram-Baleix and Panlagua (2019)	182 Countries (2003-2012)	FDI inflows	GDP, geographical location, colonial history, trade openness, trade treat or agreements between recipient and investor, institutional quality, natural resources, rule of law, corruption, political stability, democracy.	Rule of law, low presence of corruption, political stability and democracy have a positive impact on FDI allocations, specifically in the context of countries with an endowment of natural resources.
Chan, Sotomayor and Lien (2019)	21 Latin America and Asian countries	FDI inflow	GDP, population, labour force participation rate, gross	GDP per capita and remittances positively impact

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(1980-2014)		fixed capital formation, remittances, inflation.	on FDI inflows to both Latin America and Asian economies.
Cieslik and Tran (2019)	172 Emerging and Developing Countries (2001-2012)	FDI flow	GDP, market size, labour force skills development, investment cost, trade cost, geographical location.	Market size, labour force skillset, cost to invest and trade and geographical location play a significant role in the decision to extend FDI.
Kim and Rhee (2019)	120 developing countries (2000-2014)	FDI inflow	GDP, human capital, infrastructure, trade openness, environmental regulations, corruption, governance, political stability, legislation.	Environmental regulations attract the interest of multinational corporations and do not deter investment.
Nandialath and Rogmans (2019)	16 MENA countries	FDI	Natural resources, institutional quality, GDP, population, resource prices, exchange rate, inflation.	Per capita GDP and resource prices determine FDI allocations to MENA countries. However,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				resource endowments and institutional quality is not a significant determinant of FDI.
Polyxeni and Theodore (2019)	18 Developing Countries (1970-2016)	FDI inflow	GDP, terrorism, political stability, geographical location.	Terrorism is a deterrent of FDI allocations.
Sabir, Rafique and Abbas (2019)	Developed and Developing countries (1996-2016)	FDI inflow	Corruption, government effectiveness, regulation quality, rule of law, governance, GDP per capita, infrastructure	Institutional quality is more effective as a determinant of FDI in developed countries than in developing countries. Political stability, regulatory effectiveness and institutional quality positively attract FDI to developed countries. GDP per capita and trade openness

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				are significant determinants of FDI allocations to developing countries.
Skovoroda, Goldfinch, DeRouen, and Buck (2019)	44 Developing Countries (2007-2013)	FDI inflow	Rule of law, civil war, interstate war, labour strike risks, terrorism, democracy, GDP, population, technological exports, oil and gas endowments, inflation, OPEC, geographical location.	Endowments in oil and gas attract high levels of US FDI. The protection of asset ownership and rule of law is an important consideration for potential investors; with conflict not deterring investment.

Source: Author’s compilation

5.3 Determinants of Foreign Aid Allocations

Generally, low income and underdeveloped countries are the main recipients of foreign aid; where donors from more wealthy and developed regions provide capital, goods or services (Lis, 2018; Balli et al., 2019). The aid literature focuses mainly on aid directed towards developing and impoverished regions. The instances where developed countries receive aid are mainly when natural disasters and/or immense destruction during war and conflict have taken place (Bandyopadhyay and Vermann, 2013; Becerra et al., 2014; Donglin and Zhen'er, 2017; Lis, 2018).

The main drivers of foreign aid can be demarcated into donor interest, recipient need, governance, environment and altruistic motives. Aid which derives from donor interest takes into consideration the economic, political and cultural factors of the recipient economy (Bandyopadhyay and Vermann, 2013). Economic and political variables include; trade agreements between donor and recipient, donor exports, recipient resource (oil) endowments, political alliances and military capacity (Berthelemy and Tichit, 2004; Faye and Niehaus, 2012). Cultural motives (factors) considered in the decision of whether to allocate aid and, how much to allocate, include former colonial ties, language and religious preferences (Head et al., 2010; Wamboye et al., 2014; Lavalee and Lochard, 2018).

On the other hand, foreign aid allocated based on, or driven by, recipient needs take into account the socio-economic conditions of the recipient. These factors include: recipient economic growth, macroeconomic stability of and human capital development in the recipient nation. Low growth and high income inequality attract foreign (development) aid from donors to developing countries in particular. (Cheng and Smyth, 2016; Kaufmann et al., 2019). Macroeconomic stability indicators are divided into fiscal and monetary policy variables. Fiscal stability for the recipient country is measured according to the sustainability of government spending and the transparency of its government consumption and governance policies (Feeny and Clarke, 2007; Kuhlitz and Abdulai, 2012). Monetary policy refers to the policies and decisions taken as to the supply of money, the level of interest rates, the inflation rate and the exchange rate of the national currency (Tuman et al., 2009; Wang and Balasubramanyam, 2011). Both Fiscal and Monetary policy stability are prerequisites for donors to consider investing in the recipient country.

As mentioned above, other determinants of aid allocation include governance, environmental and altruistic motives. Donors value effective governance policies measured according to civil and political stability, effective legislative enforcement and democratisation (Cepparulo and Giuriato, 2016). This is highlighted by Mishra et al., (2011); Joly, (2014) and Cepparulo and Giuriato, (2016) who contend in part that aid programmes pursue the protection of civil freedom, especially if the aid source is a democrat regime.

Environmental motives for foreign aid allocations are mainly aimed at alleviating the pressures of climate change and they rest on the donors selecting recipients that have policies in place to minimise their carbon footprint. Additionally, environmental aid donors may assign allocations to countries that experience extensive levels of pollution in order for measures to be put in place to reduce the pollution levels (i.e. green technology) (Degnbol-Martinussen and Engberg-Pedersen, 2003; Blanco et al, 2014; Kono and Montinola, 2019).

Altruistic driven aid focuses on natural disaster occurrences, conflict-stricken regions, health pandemics and food deficiency (Ali et al., 2015; DelaCruz, 2018; Zhao et al., 2018). Such aid allocations are mainly made in order to offset socio-economic deficiencies in the recipient country; which may be due to a short term shock (i.e. natural disaster, terrorist activity) or medium to long term phenomenon (i.e. civil unrest, medical epidemic, war stricken regions, high or growing levels of poverty) (Beccera et al., 2014; Donglin and Zhen'er, 2017; Lis, 2018).

The next sections provide an in-depth discussion of the empirical literature on the determinants of foreign aid alluded to above.

5.3.1 Donor Motives

(a) Economic Interests

Numerous studies provide evidence to support the donor interest motive, positing that donors extend aid to recipient nations with some degree of self-interest (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004; Ali et al., 2015; Feeny and Gillivray, 2015). This is echoed for example by Furuoka (2017) who found that donor self-interest featured heavily in Chinese and Japanese aid allocations. Donor economic interest relates to the promotion of donor businesses and increased donor trade flows (exports), enhancing investment linkages between the donor and recipient nations as well as accessing recipient nation resource endowments (Mishra et al., 2011; Kim and Oh, 2012; Heinrich, 2013). Strategically, aid may be used by the donor to prompt trade with the recipient country and to maximise the positive externalities which are associated with trade⁴. In this way, the donor benefits from the gains associated with trade, while providing capital under the classification of a donation. According to Berthelemy and Tichit (2004), Ali and Isse, (2006) and Chong and Gradstein (2008), in branding the capital in this manner, the donor may experience less ‘push back’ and reluctance from the recipient nation.

Lewis-Workman (2018) found that Japan’s approach to aid allocation after 2001, to highly indebted poor countries was to extend debt relief through trade concessions, which had positive commercial benefits between Japan and recipient nations. Thus, the aid programme was used as a bargaining tool to promote a trade agreement between the recipient and donor country. While allocations of aid may have been altruistic in the early periods of aid programmes, later allocations may have become more self-serving (MacDonald and Hoddinott, 2004; Heinrich, 2013; Lewis-Workman, 2018). Similarly, Chinese aid often in the form of long-term concessional loans and commodity backed loans⁵ (Changbing, 2008; Yimin, 2011; Sun, 2014; Mlambo, 2018) is mostly directed towards recipient nations that have low credit ratings and which struggle to obtain alternative forms of finance. In this way, Chinese aid has expanded China’s business economy into

⁴ These externalities include gaining market share, increasing production capacity, diversifying their consumer base and gaining access to resources.

⁵ African countries in the last 15 years especially, have been recipient of commodity backed loans from China (Olander, 2020).

the African continent; particularly in the construction industry (Lonnqvist, 2008; Yimin, 2011; Brautigam and Gallagher, 2014; Sun, 2014).

This self – interest motive is confirmed by Lonnqvist (2008) who found that aid derived from China strategically looks to maximise trade and economic agreements in the energy, construction and diplomatic interests. Chinese aid has not escaped criticism, however. For instance, it has been observed in the literature to bring about rent-seeking, exploitation of resources⁶ and promotion of undemocratic and uncompetitive practices (i.e. exploiting the underdeveloped labour market with low wages, extracting resources at an unsustainable rate) which are counterproductive and detrimental to the sustainability of African economies (Stephanie, 2004; Young and Abbott, 2008; Halper, 2010). Olander (2020) found that African countries which are capital deficient secure debt by leveraging their commodities. However, the volatile nature of commodity prices on the global market also influences the ability of debtors to repay their loans. Brautigam and Gallagher (2014) conducted a study on Chinese aid directed to both African and Latin American countries between 2003 and 2011 and found that the rates attached to commodity backed loans to both regions are globally competitive. However, the lack of transparency in commodity backed loans from China has caused recipients to be apprehensive on committing to the finance (Brautigam and Gallagher, 2014).

Donglin and Zhen'er (2017) found that while Chinese aid is extensive and mostly economic in nature, the needs of African recipients are socio-economic in nature, and this misalignment in provision versus reality is what distinguishes the donor self-interest, as the aid is not provided directly in accordance with the recipients' needs. This is echoed in Jianbo and Hongwu (2007) who found that better alignment and research from China is required when making the allocation of aid. Similar donor self-interest motives have been observed in American aid. According to Harrigan and Wang, (2011); Sogan (2017); Lis (2018) and Lee (2019), aid extended from the USA have bilateral and multilateral trade conditions attached. These first seek to ensure the economic interest of the donor country rather than building developmental sustainability within the recipient

⁶ The exploitation of resources by China has been particularly noted in Angola, Ghana, the Democratic Republic of Congo and Nigeria (Lonnqvist, 2008; Corkin, 2011; Yimin, 2011).

country. Both the US and China attempt to gain market share in recipient countries; particularly in resource rich African nations (Li and Jin, 2009; Donglin and Zhen'er, 2017; Sogan, 2017; Lis, 2018; Lee, 2019). The next section discusses donor motive variables considered in the empirical literature.

(i) Trade

Policies which promote trade openness and interaction among multinational industries drive further aid allocations (Harrigan and Wang, 2011; Sogan, 2017; Dreher, et al., 2018; Ma, 2019). This has some linkages to the literature which finds that donors (in part) are driven to make aid allocations based on self-interest, mainly because donors look at trade opportunities with the recipient economy (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004; Harrigan and Wang, 2011; Ali et al., 2015; Feeny and Gillivray, 2015).

In the context of aid and trade linkages, common features of building the interconnectedness between trading economies are trade agreements (Braun and Zagler, 2018; Amuhaya and Degtarev, 2019). Baccini and Urpelainen (2012) found that the presence of trade agreements increases the allocation of foreign aid in the short term, since these reduce costs and delays associated with cross-border trade. Further, Ma (2019) found that aid allocations to small-developing countries rely on trade openness and strategic alliances between donors and the recipient economy. These strategic alliances may refer to highly valuable resource endowments within the recipient nation (i.e. oil) which the donor relies on, or to political alliances (Ma, 2019; Zengin and Korkman, 2019). Similarly, in examining the determinants of foreign aid allocations to 189 developing countries from 1980 to 2002, Lundsgaarde et al., (2010), concluded that the disbursement of foreign aid is reinforced by trade ties with the recipient. Swiss (2017) conducted a study on 117 developing countries from 1975 to 2006 to determine whether global ties by the recipient country were determinants of aid. The study found that interconnections within the global network were advantageous for increased allocations of aid. Specifically, wealthy donors have sought the benefits associated with being linked to international institutions and organisations, as this improved accountability on a global scale (Swiss, 2017). Zengin and Korkmaz (2019) found that trade openness has been a significant determinant on the volume of aid extended to Turkey between 2005 and 2016.

In Asian countries, there are mixed results regarding the effect which trade openness and volume has on aid allocations. For instance, Gang and Khan (1990) conducted a study on India from 1960 to 1985 and found that trade is a significant determinant of aid allocations to India. Shadan et al., (2014) found that trade openness and volume has no impact on the allocation of aid extended to Asian countries. This finding was attributed to the allocation of aid depending on the economic and political stability of the recipient economy. This is echoed in Zhang (2014) who conducted a study on China and found that political interests were of more importance than trade openness when making the decision to extend aid. However, Koussar and Masood (2017) found that substantial trade volumes in South East Asian economies drives up aid allocations. A key element in South East Asia is the presence of interregional aid, extended on the basis of trade, is present between Japan, Korea, Taiwan and the DAC countries (Atkinson, 2017).

Ambiguous results on the role of trade as a determinant of foreign aid allocation to African countries are observed in the literature. For example, Wamboye et al., (2014) found that trade openness is significant in the allocation of aid to African countries. This is echoed by Jena and Sethi (2019) who conducted a study on 45 SSA countries between 1993 and 2017 and noted that aid is positively influenced by trade volumes. However, not all findings within the African continent literature point towards trade being a determinant of aid allocations. For example, Tekin's (2012) examination of the determinants of foreign aid allocation to 24 African countries between 1970 and 2010 found that there is no relationship between aid allocations and trade openness. Similarly, Furuoka (2017), Cai et al., (2018) and Dreher et al., (2018) concluded that, trade agreements and trade volume are not significant determinants of aid allocations to Africa. Both Lee et al., (2015) and Gnagnon (2016) found that the trade volume positively influences the allocation of aid to developing recipient economies. This positive relationship between trade openness and foreign aid allocations is attributed to the ease of engagements and financial transfers between donor and recipient economies.

Empirical findings on trade as a determinant of aid allocations are mixed for Europe. Focusing on trade volumes, Ozkan-Gunay (2011) found that between 1998 and 2008, trade volume did not impact the decision to extend aid to Europe. Similarly, Joly (2014) examined the determinants of aid to Belgium between 1995 and 2008 and found that there was no relationship between trade volume and aid allocations. However, some authors (see for example Ali and Isse, 2006) have

found that trade volume drives down the allocation of foreign aid. This finding is attributed to the idea that capital generated from trade represents an alternative source of capital to the recipient country and deters possible donors from extending their resource. Focusing on trade agreements, Braun and Zagler (2018) found that trade agreements positively impact the donors' decision to extend aid to regions (including those situated in Europe). An earlier study conducted by Alesina and Dollar (2010) found that trade liberalisation agreements incentivise donors to allocate foreign aid to their counterparts. Baccini and Urpelainen (2012) also discovered that the prescription of developing countries to form trade agreements with donor countries increased the probability of the donor allocating aid.

(b) Political Interests

Historically, the motivation(s) behind the allocation of aid have involved some consideration for the recipients' political stability and allegiances. International relations are an ever-present driver of foreign aid and have the ability either to assist or hinder the attraction of aid (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004; Mandler and Lutmar, 2005; Faye and Niehaus, 2012). Apart from the international relations aspect of aid, donors also consider the political stability of the recipient country, where a more stable political system attracts more aid (Berthelemy and Tichit, 2004).

Following the end of WWII, foreign aid increased substantially; specifically following the establishment of the Marshal Plan by the United States to assist Europe's recovery. Political motivations behind early USA aid included; assisting the recovery of Europe following WWII, mitigating the expansion of Communism and assisting displaced refugees and migrants (Kim and Oh, 2012). Later allocations of USA aid had also been made to broker a peace deal to put an end to the Iraq War and instances where terrorism is present (Bandyopadhyay and Vermann, 2013; Baker, 2014; Joly, 2014; Arel-Bundock et al., 2015; Lis, 2018; Boutton, 2019). Thus, political factors relating to the recipient government's performance are key considerations from the donor's perspective (Chong and Gradstein, 2008; Bandyopadhyay and Vermann, 2013; Baker, 2014; Joly, 2014; Ali et al., 2015; Arel-Bundock et al., 2015; Cheng and Smyth, 2016; Bodenstein and Faust, 2017; Boutton, 2019).

The bulk of donors are derived from the United States and developed countries in Europe which are considered to have more secure political governance institutions and policies (Mandler and Lutmar, 2005; Bauhr et al., 2013; Engberg-Pedersen, 2016; Bodenstein and Faust, 2017). Additionally, if there is a perceived presence of political instability and corruption in the recipient country, this will reduce aid allocations (Bauhr et al., 2013; Engberg-Pedersen, 2016). After reviewing 27 European countries, respectively, both Bauhr, et al., (2013) and Bodenstein and Faust (2017) found that political stability is a prerequisite for aid allocations being extended from developed countries. Another developed region which provides assistance is Australia, which Davis (2011) found required a stable political environment when providing aid to regions in need.

Alesina and Dollar (2000) and Tingley (2010) recorded that geo-politics is a crucial determinant of foreign aid to developing OECD and DAC countries. An example of this is the early allocations of Japanese aid which were directed at building the geopolitical relationship with the USA (Lewis-Workman, 2018). In developed countries, the perceived stability and credibility of institutions also impact the size of aid allocated (Prather, 2011; Joly, 2014; Ali et al., 2015; Arel-Bundock et al., 2015; Cheng and Smyth, 2016; Bodenstein and Faust, 2017; Lis, 2018; Lee, 2019). In this regard, Harrigan and Wang (2011) found, when studying developing countries from 1969 to 2000, that poorer countries with stable policies and governance structures were allocated more aid. The domestic institutional credibility of a recipient nation is of paramount importance when it comes to the aid allocation decision (Joly, 2014; Ali et al., 2015; Arel-Bundock et al., 2015; Ma, 2019; Mark, 2019).

Aid may be used as a means of building and promoting ties between nations, thereby showing the donor's superiority and gaining further power (by creating dependence) (Alesina and Dollar, 2000). This was examined in Mandler and Lutmar (2020) who found that aid directed from Israel was interlinked to voting positions in the United Nations General Assembly (UNGA) and the United Nations Security Council (UNSC), with preference being given to recipient nations that voted in line with US resolutions. Furthermore, Mandler and Lutmar (2020) found that the USA, Japan and China link their foreign aid allocations to recipients which have political concessions in line with their own. More recent motives for political centric aid arise due through international social-centric organisations between the respective members. Aid is directed to non-members who share the donor organisation's mandate and values in their national policies (Faye and Niehaus,

2012; In'airat, 2014; Gupta et al., 2018; Mandler and Lutmar, 2020). Similarly, both Bodenstein and Faust (2017) and Woo and Chung (2018) support the finding that donors are more inclined to extend aid to recipient countries that share their political concessions and ideals.

The connection between the reigning political party and military forces in SSA countries is also of interest to donors; as this may be an indication of an unstable political climate (Berthelemy and Tichit, 2004; Chong and Gradstein, 2008; Mishra et al., 2011; In'airat, 2014; Gupta et al., 2018; Mark, 2019). Specifically, in SSA countries, where substantial levels of corruption and political instability are experienced, it is important for donors to be assured that the allocation will be used for the intended purpose (In'airat, 2014; Qian, 2015). Mark (2019) found that political and civil instability in Zimbabwe has negatively influenced the allocation of food aid. The importance of political and civil stability is further supported by Orji et al., (2019) who conducted a study on Nigeria from 2000 to 2015 and found that political instability negatively impacts the allocation of aid. Similarly, Tshukudu (2020) found that aid allocations made to Uganda are positively influenced by a stable political environment.

(c) Historical and Cultural ties

Africa has received substantial allocations of aid since the 1960s, particularly from the developed countries which had colonised several countries on the continent (Ma, 2019; Oprsal and Harmacek, 2019). With respect to cultural motives; former colonial ties, language and religious preferences form the key historical variables used to determine whether aid is allocated. According to the literature, former colonies and nations which have strategic resources may significantly impact the donors' decision to extend foreign aid (Alesina and Dollar, 2000; Neumayer, 2003; Bandyopadhyay and Vermann, 2013; Ma, 2019; Oprsal and Harmacek, 2019). Following the cessation of the colonial era, former colonies faced challenges related to lack of human capital, poor infrastructure, and funding. To compensate these former colonies, developmental assistance was pursued to overcome capacity deficiencies (Leisinger, 2000; Wamboye et al., 2014). Based on the perceived dependence created by the colonial nations, assistance would be extended to former colonies in the early stages when they were transitioning into independence (Krozewski, 2014; Wamboye et al., 2014; Oprsal and Harmacek, 2019). This was the case for example, of the international aid extended to Indonesia by the Netherlands, their former colonial power (Wagner,

2018). Van der Eng (1998) found that, following the independence of Indonesia from the Netherlands, there was a definite reliance on Dutch aid in the Indonesian economy. However, the aid extended to their colonies has been developmental in nature and has attempted to alleviate capital pressures which had resulted from former colonial regimes (Van der Eng, 1998; Wagner, 2018). When examining British aid allocation to its former colonies, Roes (2009) and Krozewski (2014) found that aid policies following the imperial statehood, focused on reparations to former colonies in India and East Africa; particularly to improve economic and political functionality. This has been the case with former European colonies, particularly the French and British ones, where the former linkages of colonisation have prompted foreign aid negotiations (Zanger, 2000; Broberg, 2011).

In Africa, the current influence of colonisation persists mainly in the form of the national language and physical infrastructure; however, there remains a high dependence on aid to offset capital and capacitation deficiencies (Van der Eng, 1998; Alesina and Dollar, 2000; Nunn, 2009). Lavalee and Lochard (2018) specifically investigated whether being a former French colony impacted the allocation of French foreign aid to SSA countries. It was found that although the short to medium term following independence has resulted in a gradual reduction in aid allocations, foreign aid allocated to the former colonies remains relatively high when compared to non-former colonies (Head, et al., 2010; Wamboye et al., 2014; Lavalee and Lochard, 2018). Mesquita and Smith (2009) and Chiba and Heinrich (2019) who found that the economic and political institutions in Africa are still experiencing the negative repercussions of colonisation and this has prompted former colonial powers to offset the negative impact of colonisation through the provision of aid.

A spillover of the past colonial ties is the sharing of a common language. Gaibullov and Sandler (2012) found that the sharing of a common language between donors and their respective recipients positively influences the allocation of aid. Maiden and Brockway (2018) conducted a study on the likelihood of Mali being extended aid from a French organisation if negotiations were conducted in French and found that language homogeneity between donor and recipient nations a heuristic variable in the aid allocation process. This result supports the previous literature on Mali, where agrarian and highly rural regions in Mali are able to attract aid (specifically agricultural aid) from French donors on the basis of negotiations being conducted in the French language (Ginsburg et al., 2000; Alidou, 2003; Kone, 2010). Koch et al., (2009) conducted a study on 61 Non-

Government Organisations (NGOs) in 13 donor countries, it was found that NGOs prefer to work with communities and donors that share a common language. This is because common language eases the process of engagement between the donor and recipient.

Contrary to the finding that a common language enhances aid allocation, a number of studies have found that the sharing of a common language between the donor and recipient does not influence the allocation of aid. For instance, Mahmood et al., (2017) examined the influence of sharing a common language in developing countries from 2014 to 2016 and found no impact on allocations. By differentiating the determinants of foreign aid allocations made to OECD and non-OECD countries between 2000 and 2007, Rachky and Schwindt (2012) found the sharing of a common language between the donor and recipient country did not aid allocations. Similarly, Lew (2015) examined the impact of shared language on aid allocation and found that common language is not a significant determinant of foreign aid.

Another driver of foreign aid is the religious preferences of source nations (Nelson, 1988). Baumgartner et al., (2008), Bellin, (2008) and Blackman (2018) have all found that the allocation of US aid has largely favoured Christian majority countries against Islamic and Buddhist majority countries. These preferential biases against these religious factions have been attributed to the public perception of Islam being linked to terrorism and negative historical experiences of the East being linked to Buddhism (Blackman, 2018). The Islamophobia bias when it comes to the allocation of US foreign aid is echoed in Tremlay-Boire and Prakash (2019) who found that there is reluctance to extend aid to Islamic majority countries. Findings contrary to the above have been provided by several authors (see Mishra et al., 2011; Cheng and Smyth, 2016 and Zengin and Korkmaz, 2019) who found that religious affiliation is not significant in the donor's decision to extend foreign aid. Rather, they suggest that economic factors are more important determinants of aid allocations. Therien and Noel (2000) and Lundsgaarde et al., (2007) echo the findings of an insignificant impact of religion on aid allocations by asserting that allocations of aid are not determined by the religious affiliations of the political parties governing an economy, nor by the majority religious affiliation of the population.

5.3.2 Recipient Need

Foreign aid allocated on the basis of recipient need is made with the intention of promoting development in the recipient nation (Alesina and Dollar, 2000; Hirata, 2002; Neumayer, 2003a; Cooray and Shahiduzzaman, 2004; Tuman and Ayoub, 2004; Tuman et al., 2009; Mishra et al., 2011). Development aid is provided to less developed economies which experience challenges with respect to economic growth, human capital development, infrastructure development, high levels of poverty and income disparities (Cooray and Shahiduzzaman, 2004; Lis, 2018; Balli et al., 2019). Countries that experience low economic growth require foreign aid to offset their funding shortfall, and to provide some stimulation and growth (Balli et al., 2019).

(a) Economic Growth

Development aid is usually provided to economies with lower levels of growth (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004; Furuoka and Munir, 2011; Prather, 2011; Becerra et al., 2014; Shadon et al., 2014; Zhang, 2014; Cheng and Smyth, 2016; Kaufmann et al., 2019). Specifically, growing socioeconomic disparities in the recipient country, would prompt the decision of donors to allocate assistive funds (Baker, 2014; Ali et al., 2015; Bodenstein and Faust, 2017; Lee, 2019). A developing or emerging economy that seeks to improve developmental outcomes through capital investment may be able to attract aid (Ali and Isse, 2006; Sogan, 2017; Kaufmann et al., 2019). Further, according to Guillaumont et al., (2017) and Sogan, (2017), economies looking to improve their long-term performance, and who are able to signal to donors that they are able to utilise the allocations effectively enhancing economic performance will receive high aid allocations (Guillaumont et al., 2017; Sogan, 2017).

The literature has yielded mixed results concerning the influence of the level of economic growth on aid allocations to recipients (developed and developing countries). One view in the literature is that lower levels of GDP per capita prompt allocations of aid (Ali and Isse, 2006; Kuhlitz and Abdulai, 2012). This follows from the assumption that an underdeveloped country would require more capital assistance to improve conditions within the domestic economy (Chong and Gradstein, 2008; Young and Abbott, 2008; Harrigan and Wang, 2011; Bandyopadhyay et al., 2012). To this end, Kim and Oh (2012) found that developing countries with low growth and low per capita income are more likely to receive increased allocations of aid. The above notion is contradicted by

other findings that suggest that, rather than poor countries receiving aid or receiving more aid, aid allocations are attracted to countries that experience positive economic growth (Cai et al., 2018, Jena and Sethi, 2019; Orji et al., 2019).

Another view from the literature is that provided by studies that find that economic growth has no impact on aid allocations to either developed or developing countries (Stromberg, 2007; Tuman et al., 2009; Tingley, 2010). For developed European countries, Bodenstein and Faust (2017) found that the policies governing political and economic institutions, rather than growth itself, drive aid allocations upwards. Bird and Rowlands (2007) found that aid made for developing countries from 1999 to 2004 is not determined by GDP growth. Similarly, Tuman et al., (2009) and Selvaretnam et al., (2014) found that aid allocations made to both developed and developing countries are not impacted by GDP. Fuchs et al., (2014) conducted a quantitative study on DAC countries to ascertain what drives allocations to less developed countries, and noted that there is no significance between growth and foreign aid allocations. Similarly, Joly (2014) conducted a similar study to ascertain what drove aid from Belgium (which forms a part of the DAC) and also found that there is no linkage between growth and aid. Similarly, Selaya and Sunesen (2012), found that aid allocations made to developing countries from 1970 to 2001 were not impacted by economic performance.

From a regional perspective, the literature pertaining to the Asian, Latin American and African continents has been extensive and yields different outcomes as to the effect of growth on the allocation of aid. For instance, Wamboye et al., (2014), Bezerra and Braithwaite (2016), Furuoka (2017), Dreher, et al., (2018), Gellers and Jeffords (2019) and Mark (2019) found that allocations made to African countries are not dependent on economic growth, but that donors mainly concentrate on political and civil stability of the recipient country. This finding is corroborated by Bezerra and Braithwaite (2016), who conducted a study on 22 SSA countries between 1990 and 2007 and found that, while political and economic stability was driving foreign aid allocations, economic growth was not a significant determinant of aid allocations to the 22 countries. This view suggests that donors place more importance on macroeconomic stability and governance factors when making the decision to allocate aid to Africa.

Contrary to the above studies, Jena and Sethi (2019) found that aid allocations made to SSA between 1993 and 2017 are positively attributed to growth. Additionally, Younis et al., (2019) conducted a study on 16 African countries from 1990 to 2011 and found that growth was driving allocations of foreign aid. Another finding in the literature pertaining to Africa has been to associate increased income inequality and low growth with increased allocations of foreign aid. Dreher et al., (2018) argue that, while aid may be driven by policy and governance, economic conditions (within a stable economy) impact positively on aid allocations in Africa. Weiler and Sanubi (2019) conducted a study on 53 African countries between 1996 and 2016 and found that low growth can be positively attributed to increased aid allocations. This is confirmed by Guillon and Mathonnat (2020) who examined the determinants of Chinese aid to Africa between 2000 and 2014 and noted that a substantial amount of Chinese aid went to fund projects in low growth African economies. Ali and Isse (2006) further noted that high growth decreases foreign aid allocations to developing countries, particularly those economies based in Africa. Ali and Isse (2006) and Younis et al., (2019) found that aid directed to Africa is dependent on low growth, as high levels of growth may present alternative sources of capital and investment opportunities.

In comparison, aid allocated to Asia has had an upward trajectory (in line with the growth trends experienced in the region) (Wang and Balasubramanyam, 2011; Lewis-Workman, 2018). Allocations have been made, targeting socio-economic infrastructure, human capital development, policy and institutional support, natural resources and emergency relief, in order to improve growth prospects in less-advanced Asian countries (Wang and Balasubramanyam, 2011; Lewis-Workman, 2018; Amuhaya and Degterev, 2019). Cheng and Smyth (2016) found that, the larger the income disparities and low growth outcomes present in Asian economies, the more likely aid is to be extended by inter-regional donors. Japan has specifically focused on directing aid towards low-growth South East Asian economies, particularly in: Myanmar, Laos, Cambodia and Vietnam (Soesastro, 2004; Cheng and Smyth, 2016).

However, there are instances in the literature where growth does not influence the allocation of foreign aid to Asian economies. Atkinson (2017) undertook a study on South- East Asian countries between 2004 and 2013 to determine whether growth impacts the allocation of aid. The result showed that growth is not a determinant of aid allocations. Rather, the presence of sound governance and trade policies attract aid to South- East Asian economies. As with Atkinson

(2017), Kousar and Masood (2017) examined the drivers of aid allocation to South Asian countries from 1966 to 2014 and also found that growth does not drive aid allocations. Braun and Zagler (2018) examined the allocation of foreign aid between 23 DAC member countries from 1991 to 2012 and found that growth does not have any influence over the allocation of foreign aid. Both Kousar and Masood (2017) and Braun and Zagler (2018) found that donors place more importance on trade conditions and agreements which exist between the regions when making the allocation of foreign aid.

(b) Macroeconomic Stability

Donors require assurance that financial interventions will be effectively utilised to promote socio-economic progression in the recipient nation. One way in which this is signalled is through stable macroeconomic policies in the recipient (Durbarry et al., 1998; Ali and Isse, 2006; Ma, 2019 Kaya and Kaya, 2019). Sustainable macroeconomic policies are crucial to ensure the attraction and optimal implementation of aid allocations (Ali and Isse, 2006; Omotola and Saliu, 2009; Kaya and Kaya, 2019). According to Zanger (2000), fiscal and monetary policy stability provides potential donors with grounds for extending foreign aid. Specifically, stable economies which are able to utilise domestic finances optimally and limit fiscal indebtedness attract donations beyond the short term. In this regard, Sarwar et al., (2015) employed a quantitative study to determine the drivers of aid and found that the transparency and effective implementation of macroeconomic policies are a significant driver of aid allocations to Pakistan.

(i) Fiscal Stability

Fiscal stability of the recipient country is measured according to the sustainability of government spending and the transparency of its government consumption and governance policies (Feeny and Clarke, 2007; Kuhlitz and Abdulai, 2012). The severity of the fiscal deficit will influence the need for the recipient government to apply for external funding and influence whether donors would be willing to offset the deficit or extend concessions for the debt (Cahill and Isely, 2000; Stromberg, 2007; Gaibulbey and Sandler, 2012; Bwire et al., 2017). The sustainability of fiscal policies and the governance thereof are both crucial elements for consideration, since the effective management of foreign aid needs to be ensured by the recipient economy (Bwire et al., 2017). Kousar and Masood (2017) conducted a study on South Asian countries from 1966 to 2014 to

identify the long- and short- run determinants of foreign aid allocations. The results indicated that a favourable fiscal balance positively impacts the short- and long-term allocation of foreign aid, while gross domestic capital formation has solely a long-term positive impact on aid.

Sustainable fiscal policy is often a challenge for SSA countries, who are often plagued with high levels of fiscal debt (Omotola and Saliu, 2009). This creates a challenge, as high interest loans are taken out to cover development programmes and this places long- term financial strain on the economy (Fosu, 2007; Omotola and Saliu, 2009). Cahill and Isely (2000) found that developing countries with substantial fiscal debt experienced increased allocation of foreign aid in the short term. In this instance, donors respond to the financial need of the recipient country and aim to offset short-term shortfalls in the domestic fiscus (Cahill and Isely, 2000). Berthelemy and Tichit (2004) also examined the determinants of foreign aid to developing countries between 1980 and 1999 and found that aid allocations are heightened when the recipient country has high fiscal debt. Additionally, Dreher et al., (2018) found that the maintenance of manageable fiscal indebtedness ensures sizable aid allocations. An example of this was examined in Amuhaya and Degterev (2019) who conducted a study on Kenya between 2005 and 2018 and found that the maintenance of manageable debt levels has ensured favourable concessional loan agreements and aid assistance from both China and Japan.

(ii) Monetary Policy Stability

Monetary policy refers to the policies and decisions taken as to the supply of money, the level of interest rates, the inflation rate and the exchange rate of the national currency (Tuman et al., 2009; Wang and Balasubramanyam, 2011). The interest, inflation and exchange rates signal the inherent stability of the economy. Predictable interest, inflation and exchange rates are pursued in LDCs through the implementation of effective monetary policy initiatives (Gang and Khan, 1990; Cahill and Isely, 2000). Donors mainly monitor the transparency and predictability of an economy's monetary policy, as this indicates the stability of economic conditions in the recipient economy (Ozkan-Gunay, 2011; Bandyopadhyay et al., 2012; Bezerra and Braithwaite, 2016). Dreher et al., (2018) examined the determinants of foreign aid to Africa between 2000 and 2013 and found that the regularity of aid is dependent on monetary policy stability and agility of the economy to recovery following economic fluctuations. A common monetary policy initiative is the

management of the inflation and exchange rate to signal monetary policy stability to potential donors and investors. Following the monetary controls, aid allocations increased substantially as donors were more willing and confident in extending finances (Fosu and Aryeetey, 2008).

Stability in interest, inflation and exchange rates are crucial when donors extend aid to LDCs, particularly those which have experienced unstable civil conditions in their history (Bouton, 2019). Jena and Sethi (2019) conducted a study on SSA countries from 1993 to 2017 and found that aid allocations are positively associated with price and exchange stability. Bezerra and Braithwaite (2016) examined the influences of inflation on foreign aid allocations to SSA from 1990 to 2007 and found that it is a positive driver of aid. A later study compiled by Juselius et al., (2017) on 36 SSA countries between 1968 and 2008 focused exclusively on the influence of monetary policy stability. Results from the study indicated that stable and predictable exchange, interest and inflationary rates positively influence aid to the region. Both studies attribute results to the importance placed on the effective management of funds by the recipient country, where these previously mentioned variables are positive signals for donors to extend funding (Bezerra and Braithwaite, 2016; Juselius et al., 2017).

Aside from the conclusion that donors allocate aid to economies with stable and optimally functioning monetary policies, there have been findings to the contrary. Bird and Rowlands (2007) examined the determinants of foreign aid to 40 developing countries from 1999 to 2004 and found that interest, inflation and exchange rates do not impact the allocation of foreign aid. Additionally, Tuman et al., (2009), Tingley (2010) and Becerra, et al., (2014) found that donors place more importance on humanitarian and trade indicators than macroeconomic driven variables when deciding to allocate aid to developing regions. Ozkan-Gunay (2011) also applied regressive methods to developing European countries to determine what influenced the allocation of foreign aid. Results indicated that macroeconomic stability does not impact foreign aid allocations; where donors are more likely to extend aid to regions with innovative and competitive infrastructure capacity (Ozkan-Gunay, 2011).

(c) Human Capital Development

Human capital development encompasses multiple developmental and social conditions in the recipient country; such as the population, urbanisation, and education attainment (Fuchs et al., 2014; Joly, 2014; Stepping, 2016). In the context of population characteristics, aid is more likely to be extended to highly dense regions with a less educated workforce who reside in a rural community (Arel-Bundock et al., 2015; Ji and Lim, 2018).

(i) Population and Population Density

The literature has delved extensively into the relationship between population and foreign aid; where authors have attempted to determine whether economies with a larger populous attract more foreign aid (Asiedu et al., 2013; Ji and Lim, 2018). Underdeveloped countries have experienced high rates of population growth, which have placed substantial strain on financial resources (Cahill and Isely, 2000). From both the data and the literature, highly populated developing countries have generally been the main recipients of foreign aid. An early study by Simon (1987) on 25 developing countries between 1960 and 1982 found that aid allocations extended based on family planning targeted largely populated regions. However, this is a specific form of aid with a particular outcome; mainly to limit fertility. More recently, Furuoka (2017) found that more populous countries attract significant Chinese and Japanese aid than less populous countries. This result is associated with the intention of donors intent on relieving inherent financial pressures in the recipient country, rather than being driven by donor self-interest. However, the literature also highlights contrary findings where highly populated economies deter allocations. For example, Martinsen et al., (2017) examined the determinants of foreign aid allocations to 143 developing countries between 1990 and 2014 and concluded that countries with large populations received less aid.

With respect to population density, the level of urbanisation and social living conditions of the population are factored into the donors' decision to extend aid. There are interlinkages between population density, urbanisation, fertility and mortality variables in the literature; all used by the donor to ascertain population demographics and determine the necessity to allocate aid (Asiedu et al., 2013; Becerra et al., 2014; Fuchs et al., 2014; Ji and Lim, 2018). Donors associate poorer socio-

economic conditions being experienced in highly built-up rural regions (Capellan and Gomez, 2007; Ji and Lim, 2018).

The literature provides support for findings that population density increases the allocation of foreign aid to Africa. Both Tekin (2012) and Wamboye et al., (2014) undertook studies on various African countries between 1975 and 2010 and found that population density is synonymous with increased allocations of aid. The authors attributed this to poorer living conditions prevailing in highly populated areas in Africa. Furuoka (2017) and Cai et al., (2018) conducted quantitative studies on the determinants of foreign aid allocations to Africa. The results mimicked those in Tekin (2012) and Wamboye et al., (2014), as they found that population density is positively linked to aid allocations. Mark (2019) examined the determinants of foreign aid to Zimbabwe and found that population density increases the allocation of aid, particularly in rural regions. However, the result which links population density to higher allocations of aid for the African continent and SSA has been contradicted by Bezerra and Braithwaite (2016) and Dreher et al., (2018) who found that there is no relationship between population numbers and the allocation of aid. Both studies found that economic and political variables were significant in the decision to allocate aid, while population density was not a determinant of aid made to the African continent.

(ii) Educational Attainment

The provision of quality education has been a priority for many developing countries which historically lack the necessary resources to improve literacy (physical infrastructure, learning materials, and teacher capacity) and capacitate the labour force with advanced skills (Fosu, 2007; Prather, 2011; Kousar and Masood, 2017). Recipient countries which start with a low base of educational attainment have been found to attract high allocation of aid as this reflects recipient need for assistance in the education sector (Fosu, 2007; Prather, 2011). Donors make aid allocations with the intention of improving literacy rates and skills development in the recipient economy (Prather, 2011). In the examination of the determinant of foreign aid allocations to 200 developing countries between 1970 and 1994, Alesina and Dollar (2000) found that aid allocations were being directed towards countries with low education attainment, enrolment and literacy rates. Ali and Isse (2006) and Prather (2011) conducted studies on developed and developing countries respectively to ascertain whether education attainment impacted on the allocation of aid. Both

studies found that low educational attainment, literacy and enrolment all increase the allocation of foreign aid. A possible explanation for this finding is that donors target potential recipient economies according to poor educational outcomes and provide aid in order to improve human capital development. Thus, the basis upon which aid is extended arises because a recipient country lacks sufficient educational resources and capacity.

Similar findings on the impact of education on foreign aid allocations have been observed for African and Asian countries. For example, Asongu and Tchamyou (2019) conducted a study on 53 African countries from 1996 to 2010 and found that aid directed towards the improvement of educational attainment is increased when there are low levels of enrolment and literacy. Kousar and Masood (2017) conducted a study on South Asia from 1966 to 2014 and found that low education attainment increases the allocation of foreign aid. However, Cheng and Smyth (2016) contradict this finding by finding that education attainment has no impact on the allocation of aid to Asian economies.

5.3.3 Governance

Another important consideration for donors has been the existence and level of governance in the recipient nation (Zanger, 2000; Berthelemy and Tichit, 2004; Bird and Rowlands, 2007; Chong and Gradstein, 2008). Donors place high importance on governance (political stability, civil liberty, democracy), as they are interested in ensuring the improvement of living conditions for the populous and protection of civil freedom (Mishra et al., 2011; Joly, 2014; Cepparulo and Giuriato, 2016). In Africa the pursuit of democratisation has been well received from donors and resulted in increased aid allocations from the EU and US (van de Walle, 2016). Governance factors such as the protection of civil rights is mostly prevalent in donors who themselves are democratically governed and afforded civil liberties to their people (Mishra, et al., 2011; Joly, 2014; Cepparulo and Giuriato, 2016). The quality of political governance institutions is highly valued by donors, especially since it signals aid effectiveness (Zanger, 2000; Younas, 2008; van de Walle, 2016; Weiler and Sanubi, 2019).

Although policy measures have been pursued to improve the poor social and governance conditions in the continent, there still exists a hostile regulatory environment, high corruption, unsecured property rights and an unstable legislative network (Easterly, 2005). The literature on

Africa has determined that donors place large importance on the need to build and promote the credibility of political governance and the respective institutions in the recipient economy (Easterly, 2005; Jellal and Bouzahzah, 2012; Asongu and Jellal, 2013; Asongu, 2015). Another aspect of governance risk plaguing the African continent is the presence of civil instability. Bezerra and Braithwaite (2016) examined the allocation of foreign aid from 1990 to 2007 and found that civil stability drives aid allocations upwards. This echoes the literature, where donors are more motivated to extend aid to countries to promote political and civil stability (Balla and Reinhart, Ohler and Nunnenkamp, 2014). Eubank (2012) found that aid allocations to Africa are heavily reliant on stable governance structures. Both In'airat (2014) and Dipendra (2020) have found that governance and institutional quality are key determinants of both bilateral and multilateral aid allocations. In'airat (2014) examined the determinants of foreign aid to developing countries between 2001 and 2010 and found that controls imposed for corruption and management of sound governance structures increases the likelihood of receiving aid.

Contrary to the conclusion that governance stability increases foreign aid allocations, Anaxagorou et al., (2019) found that allocations are made to economies which lack stringent governance structures and aid allocations are not influenced by internal governance conditions. Anaxagorou et al., (2019) examined aid allocations made to 14 SSA countries from 2000 to 2012 and found that political corruption was associated with increased allocations of foreign aid. This is particularly the case of Chinese non-conditional aid allocations, where democratisation and governance variables are not taken into consideration when making the allocation of aid (Brautigam, 2011; Dreher and Fuchs, 2015). This approach of allocating aid to Africa, which does not place any onus on the recipient nation to effectively manage finances, often exacerbates already existent corrupt practices (Manning, 2006; Brautigam, 2011; Dreher and Fuchs, 2015).

The linkage between political governance and aid allocations was examined by Scott and Carter (2016) who conducted a study on US aid directed to Latin America between 1975 and 2010, where specific focus was placed on democratic variables. Since the early 1970s, there had been multiple 'waves' of aid assistance which were intended to promote Independence throughout the region, specifically those ruled under a communist government. Scott and Carter (2016) found that aid policies were focused on building democratic outcomes in Latin America and these were increasingly pursued following the 9/11 terrorist attacks. However, both Dollar and Levin (2006)

and Figaj (2010) found limited evidence to support the fact that functioning governance and civil stability promotes allocations of foreign aid to developing regions. Capellan and Gomez (2007) examined the determinants of aid directed to South America between 1983 and 2002 and found that the intention of promoting human rights was not a key determinant of aid directed from Europe, however results were positive for aid directed from the USA.

5.3.4 Environmental motives

Environmental motives are mainly aimed at alleviating the pressures of climate change and selecting recipients which have policies in place to reduce their carbon footprint (Arvin and Lew, 2009). Environmental aid donors may also align allocations to countries which experience extensive levels of pollution in order for measures to be put in place to reduce the pollution levels (i.e. green technology). Following the Brundtland Commission's Report in 1987, the protection of the environment to ensure sustainable growth has grown in importance. The South Commission's Report in 1990 stated that poverty correlates with the degradation of the environment, due to the large population growth that is associated with poverty (Degnbol-Martinussen and Engberg-Pedersen, 2003). Since sustainable development through green technologies is more expensive, developing countries rely on developed donor countries to assist them (Leisinger, 2000). Thus, in SSA where poverty levels are on the rise and funding prospects are low, environmental development aid is important (Opsal and Harmacek, 2019). Gellers and Jeffords (2019) found lower levels of environmental performance, with China in particular targeting countries and with poor environmental performance, more aid is allocated to the affected region.

From a pollution perspective, the contribution of emissions by developing countries is significant and has prompted aid in support of green initiatives from more developed economies (Blanco et al, 2014; Kono and Montinola, 2019). The substantial pollution levels have been attributed to pressures on the environment arising from developing countries attempting to improve economic activity. Following the Rio de Janeiro Earth Summit in 1992, developed countries pledged to provide assistance to developing countries which experienced degraded environmental conditions; the topic of climate resilience and sustainability was reinforced during the UN Intergovernmental Panel on Climate Change (IPCC) Assessment Report (Blanco et al., 2014). However, Kono and Montinola (2019) found that the existence of climate policy (specifically the Paris Climate

agreement) had no impact on climate related aid. They indicate that the availability of data may have qualified the result.

5.3.5 Altruistic motives

A specific humanitarian crisis involving health, food security and natural or climate disasters could result from an immediate outbreak of viruses (affecting health or crops) or natural occurrence (i.e. drought, floods, earth quake) (Ali et al., 2015; DelaCruz, 2018; Zhao et al., 2018). Thus, donors look at the immediate need and either respond over a long period of time to assist in building the recipients' capacity (i.e. Doctors Without Borders, IMF), or provide once off assistance over the short term (i.e. food parcels for a specific shortage, medical supplies and services) (Tuman et al., 2009; Harrigan and Wang, 2011; Henson and Lindstrom, 2013; Becerra et al., 2014; Ali et al., 2015; DelaCruz, 2018; Kaufmann et al., 2019). Zhang (2014) noted that, while altruistic motives may have been observed in previous literature to determine the allocation of aid, it is not the sole or key driver. This finding is supported by Swiss (2017), who found that altruistic motives do not explain all aid allocation trends occurring globally.

Humanitarian and emergency motives for the allocation of aid have persisted globally since 1960 (Nelson, 2012; Becerra et al., 2014). These allocations arise in part to alleviate health epidemics, food deficiencies, and to mitigate the destruction caused by internal conflict or natural disasters (Feeny and Clarke, 2007; Young and Abbot, 2008; Fink and Redaelli, 2012; Nelson, 2012; Baker, 2014; Becerra et al., 2014; Geethanjali et al., 2014). While natural disaster affects both developed and developing countries globally, the severity and quantification of damage is often substantially higher in less developed regions and places more financial pressure on resources (Stromberg, 2007; Robinson et al., 2017). Kuhlitz and Abdulai (2012) and Nelson (2012) noted that altruistic motives are key drivers of aid to both developed and developing countries, specifically because it relates to alleviating socio-economic disparities of society's most vulnerable. This is echoed in Tuman et al., (2009) who conducted a study on 86 African, Asian, Latin American and Middle Eastern countries from 1979 to 2002 to ascertain the key determinants of foreign aid allocations, and found that humanitarian concerns (including poverty and human rights concerns) were significant.

(a) Natural Disaster and Conflict Relief

Natural disasters occur on a global scale. These phenomena affect both developed and developing countries, causing extensive damage to the affected regions, placing pressure on financials and food security and creating a need for immediate funding and assistance. For instance, a recent natural disaster which has required aid assistance has been the catastrophic wild fires in 2019/20 in Australia which have displaced communities, and have destroyed acres of biodiversity and infrastructure. Therefore, Humanitarian and emergency aid is thus usually provided in the form of food, water and medical supplies or services (Harvey et al., 2010; Baker, 2014; Beccera et al., 2014, Geethanjali et al., 2014; Ali et al., 2015; Giraud et al., 2018; Ji and Lim, 2018).

According to the literature, South Asia is one of the more susceptible regions to natural disaster; (Feeny and Clarke, 2007; Stromberg, 2007; Gunawardena and Baland, 2016; Bettin and Zazzaro, 2018; De Juan et al., 2020). An example of such natural disaster was the 2004 tsunami in Sri Lanka which severely damaged infrastructure, negatively impacted food security, displaced families and increased dependence on foreign donors to alleviate dire conditions (Selvaretnam et al., 2014; Gunawardena and Baland, 2016; Bettin and Zazzaro, 2018). Other recent examples include the 2011 tsunami in Japan, and the 2015 earthquake in Nepal that required substantial aid to rebuild the damaged infrastructure and provide social assistance (De Juan et al., 2020).

The nature and severity of the damage caused by the natural disaster is a key determinant of altruistic ODA allocations (Feeny and Clarke, 2007; Becerra et al., 2014; Selvaretnam et al., 2014; Gunawardena and Baland, 2016; Bettin and Zazzaro, 2018). Ma (2019) conducted a study on Micronesia, from 2000 to 2016 and found that the country relies heavily on aid due to the frequency and severity of environmental and climate shocks. Giraud et al., (2018) also undertook a study on the 2012 flooding along the Niger Delta and found an increase in the foreign social capital allocations which had been allocated to the affected region. Following a twenty-year study on developed and developing countries between 1990 and 2010, Bettin and Zazzaro (2018) found that aid allocations are enhanced, following a natural disaster, in order to repair and reconstruct the damage caused. However, Fink and Redaelli (2012) noted that aid provided to natural disaster-stricken areas depends on the inherent condition of the recipient country; including resource

endowment, political stability and former colonial ties. Thus, there may be an element of donor interest which arises in the aid allocation process.

For developing regions, Feeny and Clarke (2007), Stromberg (2007), Prather (2011), Kuhlitz and Abdulai (2012) and Nelson (2012) found that natural disasters drive up allocations of aid. Feeny and Clarke (2007) conducted a study on both developed and developing countries which experienced a natural disaster between 1998 and 2006 and discovered that natural disasters drive up allocations of aid in line with the amount of media coverage provided. Stromberg (2007), Prather (2011) observed that while developing countries are more dependent on aid allocations, aid is extended to both developed and developing regions following a natural disaster due to altruistic motives. The social burden in developed countries tends to be lower than in those in developing countries; however, this is dependent on the severity of the disaster being researched (Feeny and Clarke, 2007; Giraud et al., 2018). Becerra et al., (2015) found specifically that humanitarian aid spikes after a natural disaster has taken place, yet other forms of aid decrease.

(b) Food Security

Food security is a key concern within the aid literature surrounding developing regions, particularly those in African and East Asia (Mishra et al., 2011; Mark, 2019). Almost half of the global malnourished population resides in South Asia (Yu et al., 2010; Pain et al., 2015; Pandey and Bardsley, 2019). A particular poor case of food insecurity is that of Nepal, which was once self-sufficient in food production; but capacity has declined steadily since the 1990s (Yu et al., 2010; Pain et al., 2015). Pandey and Bardsley (2019) found that the extreme levels of food insufficiency in Nepal have warranted the need for assistance in enabling access to food. In Africa, food aid is of particular importance in arid regions that experience severe drought conditions and high levels of malnutrition (Bageant et al., 2010; Heady et al., 2010; Broussard, 2012). The main global donor of food aid has been the USA; the bulk of which has been directed to Egypt, Ethiopia, Somalia and Sudan (Kirwan and McMillan, 2007; Black et al., 2008; Bageant et al. 2010; Heady et al., 2010). Since the 1950s, the USA has consistently been the largest global contributor of foreign aid (approximately 50 percent of global aid), with the United Kingdom being the second largest contributor (Tew, 2013; Graber and Twilley, 2018). The annual allocation of food aid

deriving from the USA amounts to approximately \$2.5 billion annually, with the UK contribution amounting to approximately 15 percent of the US contribution (Graber and Twilley, 2018).

Kuhlgatz and Abdulai (2012) performed a study on Africa between 1993 and 2007 and found that food aid is directed to poorer regions which face food insecurity and severe malnutrition. It was also found that food aid derived from the USA was targeted towards rural regions and in politically stable regimes. Ji and Lim (2018) conducted a study on 141 countries between 2002 and 2012 and found that agricultural aid was extended to countries that lacked food security and experienced high levels of malnourishment. Kuhlgatz and Abdulai (2012) found that nutritional needs and food security are key considerations when making food aid; especially when directed towards poorer countries. Additionally, low levels of food production have been noted by Hammond (2004) and Young and Abbott (2008) to enhance food aid allocations.

It is worth noting however, that Nunnenkamp et al. (2017) found that, while donors are assumed to target poor countries, the measures used to determine eligibility may not always be fully effective in identifying all the characteristics which define 'poorness' or poverty. This is supported within the literature, where factors other than deficiencies are the main determinants of aid allocations. For instance, determinants of food aid allocations have been found to include: internal conflict within the recipient nation, political motivations and at times may not even be provided at the direst time (Barrett, 2001; Barrett and Heisley, 2002; Young and Abbott, 2008; Tuman et al., 2009; Harrigan and Wang, 2011; Henson and Lindstrom, 2013; Ali et al., 2015).

(c) Health Pandemic

The occurrence of infectious disease outbreaks is an ongoing cause for concern globally and especially in highly populated developed and developing countries (Stepping, 2016; Toseef et al., 2019). However, greater care and consideration is provided for developing countries, as they usually lack the necessary asset, capital and human resources to handle large scale outbreaks (Liang and Mirelman, 2014). Common aspects in determining population health includes: infant mortality, life expectancy, the annual death rate and immunisations (Odokonyero et al., 2016; Stepping, 2016; Toseef et al., 2019). In low income developing countries, inoculation and administering of vaccines is of the utmost importance as this minimises the contraction of diseases (Chinzorig et al., 2019; Toseef et al., 2019). Additionally, hygiene practices in low income

developing countries tend to be of a poorer standard, as access to running water and decent shelter is limited. In highly populated and densely urbanised regions, this increases the risk and speed at which infectious disease contraction occurs (Liang and Mirelman, 2014).

For developed countries, the superior healthcare facilities and capacitation create less need for aid assistance (Arvin and Lew, 2009). Both health epidemics and pandemics require an immediate financial response, in more severe cases international assistance is required. Should a contagion spread transnationally or internationally, this is more likely to attract aid in the form of capital, medical supplies and medical services (i.e. Doctors Without Borders, World Health Organisation) (Delivorias and Scholz, 2020). For instance, the presence of HIV/ AIDS (human immunodeficiency virus, acquired immunodeficiency syndrome) in Africa has driven foreign aid allocations upwards since the late 1980s (Neumayer, 2005; Boussalis and Peiffer, 2011; Stepping, 2016).

Stepping (2016) conducted a study on 160 recipients of foreign health aid between 1990 and 2007 and found that the occurrence of HIV/ AIDS, also poor conditions of maternal and child health drives up aid allocations. Donor decisions on the size and nature of the aid to be allocated take into account the inherent capacity of the potential recipients of health aid to manage large volumes of infections and diseases (Neumayer, 2005; Stepping, 2016). This capacity includes the health infrastructure present in the recipient country, the skillset of the health practitioners and the stock of medical resources. The analysis, on 48 African countries from 2000 to 2007 by Gaiblliev and Sandler (2012) found that HIV/ AIDS centric aid was made in order to alleviate the epidemic and reduce the strain (both financial and social) in the recipient population.

In the recent Coronavirus (COVID-19) pandemic, the reliance on assistance to contain the spread and mortality rates associated with the disease has seen several multinational organisations and nations extend aid to high risk regions (Piepoli and Emdin, 2020). A global example of this is the UNICEF Corona-virus disease (COVID-19) appeal, which reportedly requires \$651.6 million and has received a total of \$110.3 million in order to support families impacted by the pandemic. Contributors include the USA, Japan, the UN Central Emergency Response Fund (CERF), the Asian Development Bank, Sweden, Korea, Denmark, and the World Health Organisation (WHO) (UNICEF, 2020). Locally, the South African Solidarity Fund was created to accelerate critical

interventions in the health and social sector (Jele, 2020). The disease has had significant and severe effects on both developed and developing countries, due to the nature of the disease targeting the older and more susceptible demographic. Aid in the form of capital, medical supplies and health technology (infrastructure) has been extended to both developed and developing countries due to the severe global impact of the pandemic (Clift and Court, 2020).

5.3.6 Conclusion

The main drivers of foreign aid can be divided into donor interest, recipient need, governance, environment and altruistic motives. Aid which derives from donor interest takes into consideration the economic, political and cultural factors of the recipient economy (Bandyopadhyay and Vermann, 2013). Economic and political variables include; trade agreements between donor and recipient, donor exports, recipient resource (oil) endowments, political alliances and military capacity (Berthelemy and Tichit, 2004; Faye and Niehaus, 2012). Cultural motives (factors) considered in the decision of whether to allocate aid and how much to allocate include former colonial ties, language and religious preferences (Head et al., 2010; Wamboye et al., 2014; Lavalee and Lochard, 2018). However, there is a branch in the literature which finds that donors extend aid with the intention of gaining popularity with the recipient country when it comes to trade opportunities in the long terms; this is specific to Donor Interest aid (see Stephanie, 2004; Young and Abbott, 2008; Halper, 2010; Donglin and Zhen'er, 2017).

Economic interest involves pursuing international business opportunities, exploiting resource endowments, and improving trade and investment linkages between the donor and recipient nation (Mishra et al., 2011; Kim and Oh, 2012; Heinrich, 2013). Strategically, aid is used by the donor to prompt trade with the recipient country and maximise the positive externalities which are associated with trade. In this way, the donor benefits from the gains associated with trade, while providing capital under the classification of a donation; particularly increasing their market share and production capacity, diversifying their consumer base and gaining access to resources externally sourced from their economy (Harrigan and Wang, 2011; Sogan, 2017). Both American and Chinese self-interest in their aid allocations are present in their promoting their own trade and economic agendas in Africa (Jianbo and Hongwu, 2007; Donglin and Zhen'er, 2017; Mlambo, 2018). These donors have been identified within the literature as attempting to gain market share

within the countries with whom they have extended aid, particularly within the resource rich nations of Africa (Li and Jin, 2009; Donglin and Zhen'er, 2017; Sogan, 2017; Lis, 2018; Lee, 2019).

Foreign aid driven by trade involves consideration of trade openness policies and the existence of foreign trade agreements between the donor and recipient economy (Ali and Isse, 2006; Lundsgaarde et al., 2010). Trade openness involves the limitation of bureaucratic processes which delay movement between donor and recipient nations (Lundsgaarde et al., 2010; Nelson, 2012). Donors are more likely to extend aid to more open economies (Wamboye et al., 2014; Atkinson, 2017). The existence of trade agreements between donor and recipient countries eases the process of extending aid and reduces possible delays and underlying costs (Kuhlgatz and Abdulai, 2012; Nelson, 2012). This conclusion is supported throughout the literature for aid directed from Asia, the US and Europe to developing regions in Africa (Harrigan and Wang, 2011; Sogan, 2017).

Within the literature, it is clear the onus is on developing regions which have faced civil conflict in the past to provide assurance to donors that there is sufficient and effective governance structures from both an economic and political perspective (Mandler and Lutmar, 2005; Faye and Niehaus, 2012). This is due to there being a significant presence of political corruption and slow economic progression regions that experience power-linkages between political leadership and military forces (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004). With the poor state of development, growth and the overall lack of infrastructure development within developing regions, altruistic and environmental aid allocations aim to offset the deficiencies of the region. The historical colonial ties that developing countries within Africa have had with European economies have been linked to specific aid, particularly those former colonies of France. However, these historical ties have also been linked to poor development and the chronic dependency on foreign interventions by SSA countries.

In the instance of cultural motives, former colonial ties, language and religious preferences form the key variables used to determine whether aid is allocated and the exact size of the allocation. This is particularly the case between former European colonial powers extending aid to former African and Asian economies (van der Eng, 1998; Krozewski, 2014; Wamboye et al., 2014; Wagner, 2018). One of the main donors discussed in the literature is France which gives preference to former colonies which maintain French as the National language for negotiations and

engagement (Kone, 2010; Gaibulloey and Sandler, 2012; Maiden and Brockway, 2018). Additionally, religious affiliation is has also received consideration in the literature, particularly between Christianity and Islamic majority recipient economies (Bellin, 2008; Blackman, 2018; Prakash, 2019; Tremly-Boire, 2019). There are mixed findings pertaining to the influence of language and religious affiliation in the recipient country. However, there are findings which both support and counter the assumption that these variables positively influence the allocation of aid.

Recipient needs are driven by the underdeveloped economic and social landscape. Variables under consideration for Recipient Need driven aid include low economic growth, macroeconomic stability and human capital constraints. Economies which want to improve their long-term performance, and which are able to signal to donors that they are able effectively to utilise the allocations in enhancing economic performance will receive high allocations of aid (Guillaumont et al., 2017; Sogan, 2017). There is also a branch of the literature which has highlighted the existence of interregional aid, particularly in South East Asia, where fast growing economies provide developmental aid to more impoverished and rural locations (Selvaretnam et al., 2014; Gunawardena and Baland, 2016). Recipient Need aid is extended with the intention of building internal capacity, and is attracted based on low growth, an unhealthy and uneducated population and stable economic and political institutions (Cheng and Smyth, 2016; Sogan, 2017; Dreher et al., 2018; Kaufmann et al., 2019; Ma, 2019).

Another element of recipient need-driven donor aid allocations is the existence of sustainable macroeconomic policies which ensures the optimal implementation of aid allocations (Ali and Isse, 2006; Omotola and Saliu, 2009; Kaya and Kaya, 2019). The interactive stability of fiscal and monetary policy variables provides potential donors with grounds to extend foreign aid. Stable economies which optimally and effectively utilise domestic finances and limit fiscal indebtedness attract donations beyond the short term (Zanger, 2000). Human capital development is another driver of foreign aid allocations. This involves consideration of a recipient country's population, the density of the populous and educational attainment at both a primary and tertiary level (Joly, 2014; Stepping, 2016; Ji and Lim, 2018). In the literature, it is found that underdeveloped countries have experienced high rates of population growth, which places substantial strain on financial resources (Cahill and Isely, 2000). From the literature, largely populated and dense developing countries are most reliant on foreign aid allocations (Tekin, 2012; Wamboye et al., (2014).

The literature has indicated that governance stability drives aid upwards (Cheng and Smyth, 2016; Bodenstein and Faust, 2017; Lis, 2018; Lee, 2019). Throughout the literature, there is evidence that underlying consideration is provided to political and economic institutions' governance stability (Cheng and Smyth, 2016). For instance, while growth and trade openness may increase the likelihood of extending aid; reliable governance structures are also important (Lis, 2018; Lee, 2019).

Other determinants of aid include environmental and altruistic motives. Environmental motives are mainly aimed at alleviating the pressures of climate change and selecting recipients which have policies in place to minimise their carbon footprint. Additionally, environmental aid donors may assign allocations to countries which experience extensive levels of pollution in order for measures to be put in place to reduce the pollution levels (i.e. green technology). Altruistic driven aid looks at natural disaster occurrence, conflict-stricken regions, health pandemics and food deficiency. Those funds, resources and services which are extended to areas involved in civil conflict are particularly targeted towards socially impoverished communities. All of the aforementioned altruistic motives drive aid allocations upwards (Nelson, 2012; Baker, 2014; Becerra et al., 2014; Geethanjali et al., 2014). Natural disasters usually lead to immense damage to infrastructure and require immediate financial injections to restore economic and social conditions. This intervention depends on the severity of damage created and the level of social disparity which existed prior to and after the disaster (Fink and Redaelli, 2012). Food deficiencies and health pandemics drive global aid interventions upwards and require short term allocations to capacitate the recipient economy to sustain positive outcomes in the future (Liang and Mirelman, 2014; Giraud et al., 2018; Graber and Twilley, 2018; Ji and Lim, 2018).

Developing regions, particularly those in African and South- East Asia account for the majority of food aid reliance (Mishra et al., 2011; Kuhlitz and Abdulai, 2012; Mark, 2019). This conclusion is attributed to the regions' population being highly malnourished and experiencing extreme levels of food insecurity. In the instance of health pandemics, donors focus more of their attention upon developing countries as they tend to lack the necessary asset, capital and human resources to handle large scale outbreaks (Liang and Mirelman, 2014). Additionally, donors allocate higher levels of foreign aid to low income developing countries as their populations are densely urbanised and poor access to running water and shelter increases the risk of high-speed infections (Neumayer, 2005;

Boussalis and Peiffer, 2011; Liang and Mirelman, 2014; Stepping, 2016; Delivorias and Scholz, 2020).

Prior to this study, the assumption was that aid allocations made to developed economies are inconsequential (when compared to developing), as these usually have a higher level of GDP and development when compared to developing nations. However, there are a few instances within the literature where aid allocations made to developed and emerging nations are discussed, specifically for short-term interventions following a natural disaster or civil conflict (Becerra et al., 2014; Cheng and Smyth, 2016; Donglin and Zhen'er, 2017). Altruistic motives for foreign aid allocations are directed based on natural disasters, food insecurity and health pandemics. These previously mentioned crises are sometimes interlinked with one another, in which case a natural disaster could cause food and health pandemics.

Table 4 summarises the empirical findings in the literature, in terms of the key determinants of foreign aid allocations.

Table 6: Empirical Findings on the Determinants of Foreign Aid

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
African Country studies				
Fosu (2007)	SSA (1975-1994)	Foreign Aid	Literacy, GDP. Population, fiscal debt.	Aid is directed to SSA to offset poor education attainment and literacy rates.
Pacquement (2010)	Africa (1960-2008)	UK and French ODA	Previous colony, GDP, poverty, mortality, environmental sustainability, human rights, governance stability.	Previous British and French colonies are most likely to receive aid; especially those with poor socio-economic conditions in their economy.
Tekin (2012)	24 African countries (1970-2010)	Foreign aid	GDP, trade openness, population.	Neither trade openness, nor growth impact foreign aid allocations.
Wamboye, Adekola, Sergi (2014)	32 African Countries (1975-2010)	Foreign aid	Colonialisation, GDP, trade openness, population, fiscal stability.	The specific colony which previously ruled has an impact on the effectiveness of aid.
Bezerra and Braithwaite (2016)	22 SSA Countries (1990-2007)	Foreign Aid	Terrorism, population, inflation, GDP.	Political and economic unrest are key

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
				considerations to the aid allocation.
Furuoka (2017)	Africa 2016	Foreign aid	GDP, population, life expectancy, mortality rate, enrolment rate (primary, secondary and tertiary), political stability, trade volume, military stability, and institutional quality.	Growth, governance, and market size promotes foreign aid allocations.
Juselius, Reshid and Tarp (2017)	36 SSA countries (1968-2008)	Foreign Aid	GDP, exchange rate, interest rate, inflation	Growth and stable monetary variables increase the allocation of foreign aid.
Cai, Zheng, Hu, Pray and Shao (2018)	47 African Countries (1980-2013)	Foreign Aid	GDP, political stability, civil stability.	Growth and political stability positively impact on aid allocations.
Dreher, Fuchs, Parks, Strange and Tierney (2018)	50 African Countries (2000-2013)	Foreign Aid	GDP, political effectiveness, economic performance and sustainability, institutional development,	Regular aid is mainly driven by policy considerations, while economic fluctuations determine the size and frequency of allocations.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
			indebtedness, population.	
Amuhaya and Degterev (2019)	Kenya (2005-2018)	Foreign aid	GDP, fiscal and trade debt, trade linkages.	Both China and Japan compete with each other to gain favourable trade linkages with Kenya; this is done through concessional loan agreements.
Gellers and Jeffords (2019)	African Countries (2002-2012)	Foreign Aid	Environmental quality, population, infrastructure development, GDP.	Chinese foreign aid directed towards Africa is mainly aimed to those economies with poor environmental performance.
Jena and Sethi (2019)	45 SSA countries (1993-2017)	Foreign Aid	Economic growth, FDI, financial development, price stability, trade openness.	Growth, FDI, stability and trade openness positively drives foreign aid.
Mark (2019)	Zimbabwe (2008-2009)	Food aid	GDP, population, political stability, civil unrest.	Food aid is not solely based on food insecurity, but may also be driven by political alliances and civil stability.
Orji, Ogbuabor, Anthony-Orji, Mbonu (2019)	Nigeria (2000-2015)	Foreign aid	Growth, governance, political stability.	There is a bi-directional relationship between aid

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
				and gross fixed capital formation.
Weiler and Sanubi (2019)	53 African countries (1996-2016)	Foreign Aid	GDP, population, trade volume and openness, former colony, pollution.	Low growth, high levels of pollution and former colonial status increases the allocation of foreign aid.
Anaxagorou, Efthyvoulou and Sarantides (2020)	14 SSA countries (2000-2012)	Foreign Aid	GDP, Infrastructure development, natural resources, governance.	Governance quality positively influences the allocation of foreign aid.
Asian country studies				
Gang and Khan (1990)	India (1960-1985)	ODA inflow	GDP, trade balance, population, political stability.	The trade balance is a significant determinant of aid to India, while GDP does not impact the allocation.
Wang and Balasubramanyam (2011)	Vietnam (1985-2008)	ODA	Poverty, GDP, interest rate, human capital, telecommunications	Growth and poverty drives foreign aid and FDI allocations upwards.
Cheng and Smyth (2014)	23 Chinese provinces (2006-2007)	ODA from China	Education of population, health, income per capita, financial stability, political stability.	As both a donor and recipient of aid, there is not much support for policies which promote the provision of aid to

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
				other developing countries; specifically, from the section of the populous which faces higher levels of poverty.
Fuchs, Dreher and Nunnenkamp (2014)	22 DAC countries (1976-2011)	Aid	GDP, population, colonial history, military capacity, terrorism.	Neither colonial history nor GDP has an impact on aid allocations. However, fiscal debt increases aid allocations.
Shadan, Sarmidi and Faizi (2014)	Asian countries (2004-2013)	FDI inflow	Construction permits, registering properties, obtaining credit, protecting investors, paying taxes, new business, trade openness, enforcing contracts, closing businesses.	The better rated the business environment is, the more likely the economy is to attract investment.
Zhang (2014)	China	Foreign Aid	GDP, humanitarian conditions, commercial conditions, political stability.	Political interests are found to be key determinants of foreign aid.
Lew (2015)	Asia	Foreign aid	GDP, language, population.	Sharing a common language does not

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
				influence the allocation of foreign aid.
Cheng and Smyth (2016)	China 2007	Foreign Aid	GDP, education attainment, religion, political stability, health, urbanization.	Growth and income disparities positively influence the allocation of aid.
Gunawardena and Baland (2016)	13 Sri-Lanka coastal districts (2005)	Foreign Aid	HDI prior and post tsunami, infrastructure, per capita income, GDP.	The severity of a natural disaster correlates with the allocation of aid.
Atkinson (2017)	South East Asia (2004-2013)	ODA	Natural disasters, trade openness, GDP, population, governance.	The presence of natural disasters, governance stability and trade openness positively influences the allocation of interregional trade between South East Asian countries.
Kousar and Masood (2017)	South Asian Countries (1966-2014)	ODA	Domestic saving, gross domestic capital formation, educational attainment, government expenditure, military	A favourable trade and government budget balance, military expenditure and capital formation have a positive impact on aid allocations.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
			expenditure, trade volume.	
Zengin and Korkmaz (2019)	Turkey (2005-2016)	Foreign aid	GDP, population, trade openness, colonial status, religion.	Low income countries, trade openness and colonial status positively influence the volume of aid allocations.
Guillon and Mathonnat (2020)	138 Chinese projects in Africa (2000-2014)	Foreign aid	GDP, social and economic infrastructure, natural resources.	Aid is allocated to low growth African countries, however, the endowment of natural resources also positively influences the allocation of aid.
Latin American country studies				
Capellan and Gomez (2007)	21 Latin American countries (1983-2002)	Foreign aid	Human rights and democracy, trade openness, GDP.	Human rights, growth and population density positively influences the allocation of foreign aid to Latin America.
Scott and Carter (2016)	16 Latin American countries (1975-2010)	Foreign Aid	GDP, population, monetary policy, democracy.	Democracy is a key determinant in US derived aid.
DelaCruz (2018)	27 Latin American and	Foreign Aid	Presence of serious diseases (i.e. HIV), GDP, dependency	The presence of serious diseases and poverty leads

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
	Caribbean Countries (1995-2013)		ratio, sanitation, life expectancy, income per capita.	to increased allocations of aid.
Developed Country studies				
Chong and Gradstein (2008)	22 Donor Countries (1973-2002)	Total ODA inflow	Foreign aid per capita, real GDP per capita, Gini Coefficient, tax revenues, corruption and political views	Donors' satisfaction for internal government efficiencies and relative income determinants of foreign aid allocations.
Ozkan-Gunay (2011)	27 EU Countries (1998-2008)	Foreign aid inflow	Market size, GDP, export and import volume, inflation rate, unemployment rate, gross fixed capital formation, energy intensity and consumption, energy prices, telecommunications, tax burden, (research and development) R&D investment, political risk, governance risk and economic risk.	Macroeconomic stability does not significantly impact the FDI allocation decision to developed economies. However, the domestic market size, opportunities for innovation, R&D and communication infrastructure positively affects the foreign aid decision.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
Prather (2011)	United States of America (2010)	ODA	GDP, population, class membership, education, political stability, trade openness.	Altruistic motives and political stability of the recipient nation drive aid allocations, while economic interest has no impact.
Bauhr, Charron and Nasiritousi (2013)	27 European countries (2009)	Foreign aid	Education attainment, urbanisation, economic growth, former colonies, political stability.	Corruption and governance instability result in lower allocations of foreign aid.
Joly (2014)	Belgium (1995-2008)	ODA	Media, GDP per capita, trade openness, democracy, conflict, and natural disasters.	Media releases impact the size and direction of aid allocations.
Bodenstein and Faust (2017)	27 European Countries (2011)	ODA	Political stability, education attainment, governance credibility, GDP.	Politics plays a key role in the size and trend of aid allocations.
Mahboob, Jacobsen, Kemble and Xu (2017)	Australia (2014-2016)	Foreign aid	Government spending, language preferences, GDP.	Sharing a common language does not secure funding.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
Oprsal and Harmacek (2019)	Czech Republic (2000-2015)	Net inflow of environmental aid	GDP per capita, mortality rate, population, historical relations, bilateral trade openness.	Historical ties between the recipient and source nations were significant indicators to the receipt of aid. Environmental aid related to the advancement of technology and biodiversity conservation were significant drivers of aid allocations.
Developing Country studies				
Alesina and Dollar (2000)	200 Developing Recipient Countries (1970-1994)	Total ODA inflow	Trade openness, democracy, civil liberties, colonial status, FDI, real per capita income, population.	Historical ties, the extent of a recipient's democratisation and political alliances are key determinants of foreign aid. However, school attainment, trade volume and GDP limits aid.
Cahill and Isely (2000)	Developing Countries (1970-1995)	Foreign Aid	GDP, population, fiscal debt, trade balance.	Fiscal debt increases the allocation of aid.
Zanger (2000)	European former colonies (1980-1995)	Foreign aid	Governance, political stability, human rights, military expenditure,	All the aforementioned determinants are significant in attracting foreign aid.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
			democracy, former colonies.	
Berthelemy and Tichit (2004)	137 Recipient Countries and 22 Donors from the OECD (1980-1999)	Per capita ODA Commitments	Total real ODA of the donor, GDP per capita, population, sum of bilateral trade as a percentage of donor's GDP, GDP growth, civil and political rights, debt as a percentage of exports.	The state of economic policies and political governance within recipient countries are drivers of aid.
Mandler and Lutmar (2005)	Developed and Developing regions (1996-2016)	Foreign Aid	Military ties, GDP, agriculture, UN voting.	Aid derived from the US, Japan and China is linked to political concessions from recipient countries.
Ali and Isse (2006)	151 Developing Countries (1975-1998)	Total ODA inflow	Taxation on international trade, government involvement, ethnicity, private credit and education.	Trade, private credit, FDI, GDP per capita and government consumption are important determinants of foreign aid allocations.
Bird and Rowlands (2007)	40 Developing Countries	ODA	IMF, private capital, GNP, GDP, population, imports,	Being a beneficiary of IMF assistance improves allocations of foreign aid.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
	(1999-2004)		interest rates, reserves, debt service ratio, inflation rate, exchange rate, civil freedom.	
Feeny and Clarke (2007)	43 emergencies and natural disasters (1998-2006)	ODA	Media coverage, population, per capita income, conflict, natural disaster and severity, political and civil freedom.	Media coverage on the severity of the natural disaster correlates with the allocation of aid provided.
Lundsgaarde, Breunig and Prakash (2007)	OECD (1980-2000)	Foreign aid	ODA, GDP, trade balance, FDI, religious affiliation, unemployment, population.	Trade balance, international trade linkages and religious affiliation are not significant determinants of foreign aid. Social conditions significantly determine aid allocations.
Stromberg (2007)	3200 Natural Disasters (1980-2004)	Foreign Aid	GDP, population, government stability, democracy, Gini coefficient.	The severity of the aftermath of natural disasters is higher in developing countries.
Young and Abbott (2008)	130 developing	Foreign Aid	GDP, population, civil conflict,	Food aid is dependent on potential recipients'

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
	recipient countries of aid (1990-2003)		nutrition, production capacity.	production capacity (specifically within the agricultural sector).
Tuman, Strand, Emmert (2009)	86 Developing Countries (1979-2002)	Total ODA	GDP, inflation, military presence, communism, terrorism, IMF structural adjustment program, trade, oil-export, population, human rights.	Humanitarian concerns, based on poverty and human rights, are significant determinants of foreign aid.
Tingley (2010)	All OECD/DAC Countries (1971-2002)	Total aid to recipient countries	Government ideology, welfare state institutions, trade openness, real GDP growth rate.	Trade opportunities and geopolitics may be underlying drivers for aid allocations. Further, the health of the political environment within the donor countries also is positively correlated to aid allocations.
Harrigan and Wang (2011)	138 Developing Countries (1969-2000)	ODA	GDP per capita, population, institutional and policy stability.	Poorer countries and those with a good policy environment are allocated more aid; while there is an aspect of donor self-interest included in the

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
				quantum and recipient of aid.
Mishra, Ouattara and Parhi (2011)	14 Developing Recipient Countries (1990-2007)	Bilateral and Multilateral aid allocations	Real GDP per capita, population, trade openness as a percentage of GDP, civil liberty index, political rights index, rule of law, total public health, percentage instances where recipient voted in the UN as one of the donors, diplomatic relationship with Israel, export value from donor to recipient, number of years as a colony, political stability and terror risk, life expectancy, corruption, religion	Recipient need and donor interest motives are significant determinants of aid allocations.
Bandyopadhyay, Lahiri and Younas (2012)	114 Developing Countries	ODA per capita	GDP, population, infant mortality, trade openness, inflation, political	If a country has access to foreign capital (i.e. international loans) then

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
	(1997-2008)		rights, civil liberties, transparency.	this reduces the likelihood of receiving aid.
Fink and Redaelli (2012)	400 Natural Disasters (2000-2010)	Foreign Aid	GDP, population, natural resource endowment, former colony, political alliances.	Smaller, oil producing economies, politically neutral and former colonies receive higher allocations of alleviating aid.
Gaibulloev and Sandler (2012)	48 Recipient Countries (2000-2007)	Foreign aid	Institutional governance stability, political stability, economic growth, environmental motives, colonial ties, trade openness.	The presence of HIV/AIDS, trade openness, rule of law, past colonial ties and sharing a common language increases the allocation of foreign aid.
Kim and Oh (2012)	154 Recipient Countries (1987-2009)	ODA per capita	Per capita GDP, population, bilateral trade flows, real GDP.	Per capita income of middle- and lower-income developing economies are negatively correlated to ODA allocations.
Kuhlgatz and Abdulai (2012)	US Aid recipients (1993-2007)	Foreign Aid	GDP, population, political stability, urbanization, HDI, food security,	Food aid is directed towards poorer countries, which have political stability and face food deficiencies.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
			colonial history, natural disasters.	
Nelson (2012)	22 Donor Countries (1997-2008)	Foreign Aid	Natural disaster, population, colonial history, military allies, trade openness.	Humanitarian considerations are significant determinants of aid allocations.
Raschky and Schwindt (2012)	OECD and non-OECD countries (2000-2012)	Foreign aid	Natural disaster, GDP, language, governance, population.	Sharing a common language does not influence the allocation of foreign aid.
Selaya and Sunesen (2012)	99 Developing Countries (1970-2001)	Net flow of aid per capita to the recipient country	Real GDP, population growth, domestic savings per capita, physical capital investment of aid, complementary factors of aid investment.	Investment of aid in complementary inputs promotes FDI, while physical capital investment crowds out FDI.
Asiedu, Nanivazo and Nkusu (2013)	151 Developing Countries (1988-2010)	Family planning aid	Fertility rate, total population, total aid, Mexico City Policy.	Family planning aid allocations to SSA are higher than those allocated to non-SSA countries. High fertility rate and highly populated countries receive higher allocations of aid.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
Becerra, Cavallo and Noy (2014)	165 Developed and Developing Countries (1970-2008)	Foreign Aid	Quantum of damage caused by the disaster, media coverage, population, GDP, foreign exchange reserves.	Aid surges following a disaster, depending on the size of the damage caused.
Brautigam and Gallager (2014)	Africa and Latin America countries (2003-2011)	Foreign Aid	GDP, natural resource endowment, population.	Chinese aid directed to both Africa and Latin America has an element of commodity-backed finance.
In'airat (2014)	126 Developing Countries (2001-2010)	Aid per capita	GDP, population, governance, political stability, corruption.	The quality of governance structures and controls to mitigate corruption are critical in the decision to allocate aid.
Selvaretnam, Thampanishvong and Ulph (2014)	186 Countries (1995-2008)	Foreign Aid	Population, GDP, natural disaster, political stability.	The severity of the damage caused to both infrastructure and the population increase the allocation of aid. However, GDP does not impact the allocations made.
Varnamkhasti and Mehregan (2014)	33 Developing countries	FDI inflow	Market size, financial development,	The level of financial development has a

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
	(1995-2010)		policy, institutional effectiveness.	significant impact on the FDI allocation.
Arel-Bundock, Atkinson and Potter (2015)	US Aid Agencies (1999-2010)	ODA	Agency independence, military alliances, trade flows, infant mortality, GDP, population size, democratic regime.	Aid flows are more likely in a democratically run economy, as this is seen to promote developmental objectives.
Cepparulo and Giuriato (2016)	Developing countries (1973-2013)	Foreign Aid	Macroeconomic conditions, GDP, government expenditure, social conditions, political stability.	Political stability and poor social conditions (i.e. healthcare) increase the allocation of foreign aid.
Stepping (2016)	160 Recipient countries	Foreign aid	Mortality rate, HIV/AIDS infections, public sector health expenditure.	Mortality rates and HIV/AIDS infections increases the allocation of foreign aid.
Robinson, Oliveira and Kayden (2017)	4346 Natural Disasters (2007-2013)	Foreign Aid	Population, natural disaster, GDP, infrastructure.	Emergency aid is directed mostly to North African and Middle Eastern countries who have faced sever natural disasters
Swiss (2017)	117 Developing Countries	Foreign Aid	GDP, trade openness, transparency, institutional quality.	Aid is determined by a nation's association with the global network and allocations are not solely

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
	(1975-2006)			based on altruistic motives.
Bettin and Zazzaro (2018)	98 Developed and Developing Countries (1990-2010)	Foreign Aid	GDP per capita, private credit, natural disaster, infrastructure.	Aid allocations heighten after a natural disaster.
Braun and Zagler (2018)	23 DAC Member Countries (1991-2012)	Foreign Aid	Population, GDP, trade openness, democracy, trade agreements, taxation.	Trade agreements between nations improve aid allocations.
Gupta, Tsai, Mason-Sharma, Goosby, Jha and Kerry (2018)	194 members of the WHO (2009-2016)	Foreign aid	Institutional quality, transparency, corruption, burden of disease, life expectancy, GDP, governance.	Threats to the US result in low levels of health aid.
Ji and Lim (2018)	141 Countries (2002-2012)	Foreign aid	Population, food security, calorie intake, colonial ties, urbanization, GDI, geographical location.	The allocation of agricultural aid is driven by undernourishment, food deficiencies and political factors.
Martinsen, Ottersen, Dieleman, Hessel,	143 Developing countries	Foreign Aid	GDP per capita, health conditions (mortality,	Large populations deter foreign aid allocations.

Author (s)	Sample	Variable		Findings
		Dependent	Independent	
Kinge and Skirbekk (2018)	(1990-2014)		vaccination, fertility)	
Boutton (2019)	603 Countries facing terrorist attacks (1968-2006)	Foreign Aid	Democracy, military regime, GDP per capita, population.	While aid may be directed towards reducing the presence of terrorism in the recipient country, aid actually increases the presence of terrorism.
Ma (2019)	Micronesia (2000-2016)	Foreign Aid	GDP, trade openness, colonial history, stability, strategic alliances.	Aid allocations depends on trade openness, former colony status, stability, strategic alliances.

Source: Author's compilation

Chapter 6: Effectiveness of FDI and Foreign Aid allocations

6.1 Introduction

FDI is made with the intention of maximising investment opportunities, expanding operations internationally, and building trade linkages (Chughtai, 2014). This then is hypothesised to build growth in the recipient nation, institute positive trade opportunities and linkages, to enable job creation, and promote globalisation (Balasubramanyam, 2001; Reyes, 2018; Ross, 2019). Positive results are also experienced with the human capital development and technological spillovers from an investor company that has the controlling interest in local firms. Additionally, the inherent capacity of the recipient nation; in terms of its institutional quality and governance structures (both economic and political) enhances positive externalities for the recipient nation (Balasubramanyam, 2001; Chughtai, 2014; Ross, 2019). The idea that only positive outcomes arise from FDI has been challenged within the literature, where Goccer et al., 2014; Reyes, 2018; Fatmawati et al., 2019 found that more developed economies with extensive access to capital, dominate firms in less advanced economies.

Foreign aid on the other hand is characterised by offsetting social and economic disparities in poverty-stricken regions (Arndt et al., 2010; Clemens et al., 2012; Frot and Perrotta, 2012; Juselius et al., 2013; Mekasha and Tarp, 2013). Since the 1960s, aid regimes have generally been extended from developed countries and social development orientated organisations (i.e. the World Health Organisation) and taken the form of capital, goods and assistive services (Gulrajani, 2011; Afridi and Ventelou, 2013). In terms of the literature relating to the effectiveness of aid allocations, this has come under contestation. This is mainly due to the substantial allocations which have been made to regions, such as the African continent, with socio-economic disparities remaining high and seemingly increased reliance on aid allocations (Dutta et al., 2015; Kumi et al., 2017; Tang and Bundhoo, 2017; Kaya and Kaya, 2019; Maruta et al., 2019).

It is noted that the effectiveness of FDI and foreign aid can be assessed in a few ways, for the purposes of this study however, effectiveness is understood to be whether the variables of interest such as growth, trade and human capital development were enhanced with the funding received or not. Therefore, foreign aid and FDI are considered effective if they have a positive or negative

and statistically significant impact on the variables of interest. This chapter discusses the effectiveness of FDI and foreign aid allocations to SSA. Sections 6.2 and 6.3 examine the outcomes experienced when external finances (FDI and foreign aid respectively) are extended to SSA and whether these align to the initial intention of the funding.

6.2 Effectiveness of FDI allocations

In developing countries, FDI is seen as an important element in building growth, bridging funding gaps, expanding trade opportunities, enabling job creation, and promoting globalisation (Balasubramanyam, 2001; Ayanwale, 2007; Chughtai, 2014; Reyes, 2018; Ross, 2019). Consistent motives for recipient nations seeking to attract FDI have been the perceived positive effects of FDI on sustained economic growth, knowledge spillovers, technological advancement, infrastructure development, employment creation, skills development, gains in productivity and working towards local self-sufficiency (Buracom, 2014; Ehandi et al., 2015; Gonzalez et al., 2018; Ross, 2019).

There is another branch of the literature, which argues that although the intention of FDI is to have a positive economic and developmental impact in recipient nations, the positive impact is either limited or non-existent (Govereh and Jayne, 2002). For instance, in some cases, the takeover of local firms by MNCs has been characterised by increased unemployment and increased inequality in the local economy (Rhagavan, 2000; Alfaro et al., 2004; Ajayi, 2006). FDI has also been noted to have a negative impact on the environment in recipient nations. The rapid rate of resource extraction and climatic damage caused by MNCs have negatively influenced ecological conditions in the recipient country (Aust et al., 2020). Li and Liu (2005) argue that, while the short-term allocation of FDI has been necessitated by the lack of domestic resources (both financial and skills), there has been a long-term dependency on foreign capital to assist in the funding of economic projects. According to Li and Liu (2005), this is mainly due to the inability of foreign capital to fully capacitate the recipient economy in the short-to-medium term to effect long-term sufficiency (Li and Liu, 2005; Adams, 2009).

The subsequent sections provide an insight into the effectiveness of FDI at regional and country levels in both developed and developing countries. The analysis examines the literature by discussing the positive and negative impacts of FDI, as well the cases where FDI is found to have

no impact on any of the outcomes. The objective of the section is to present the literature associated with the effectiveness of FDI and ascertain whether the original intentions of extending the foreign investment capital have been achieved.

6.2.1 Economic Impact of FDI

FDI is of paramount importance in improving globalisation outcomes, while also enabling growth and self-sufficiency for less developed economies (Majeed and Ahmad, 2008; Talpur and Soomro, 2019). FDI augments capital in recipient countries, enabling the pursuit and expansion of projects that would improve productive efficiencies, enable technological spillovers, and advance the skills of the local labour force (Chughtai, 2014; Reyes, 2018). FDI impacts economic growth by serving as an injection of capital for investment initiatives, and it enables the recipient nation to build up its capital stock and undergo sustainable growth (Moss et al., 2004; Adams, 2009; Ajide, 2015). The impact on growth and developmental initiatives, both the direct and indirect impact on skills development, includes access to international markets, research and development, and technology transfers in developing countries are supported in the literature (Abdulai, 2007; Govil, 2013; Adesina, 2019).

FDI influences economic growth in several ways (Denisia, 2010). Recipient nations can improve their ability to access the global market (Jacimovic, 2012; Kurtishi-Kastrati, 2013; Ramesh and Packialakshmi, 2014). This access to the global market yields subsequent effects. First, along with the improved linkages to global markets, nations may also tap into advanced technological resources and knowledge or skills transfers, thereby improving domestic production and procedures (Blomstrom and Kokko, 2003; Ramesh and Packialakshmi, 2014). Second, the increased access to global markets forces domestic firms to be competitive on a global scale, thus promoting improved efficiency and innovative practices (Blomstrom and Kokko, 2003; Ramesh and Packialakshmi, 2014; Teplova and Sokolova, 2019). FDI enhances recipient nation development through augmenting domestic funds, improving efficiency, providing new and innovative technologies, developing human capital, enabling innovation, and instilling foreign best practices (Kurtishi-Kastrati, 2013; Hussen, 2014; Talpur and Soomro, 2019). Through FDI, foreign firms are able to improve productivity, impart managerial skills, accelerate investment in

infrastructure, training and healthcare for their employees and improve connectivity to global markets.

While FDI is considered to have positive spillover effects on the recipient economy, local firms and developmental outcomes may not benefit from FDI, where the outcome may be dependent on the nature of the sector being invested in (Denisia, 2010; Ajide, 2015). Other authors have argued that the impact of FDI is conditional on the existence of a number of factors. For instance, according to Borensztein (1998), Hanson (2001), Greenwood (2002), Lipsey (2002), Azam-Saini (2010), Denisia (2010), Ramesh and Packialakshmi (2014), Jia et al., (2019), the impact on the recipient nation is dependent on the economy's absorption capacity and type of FDI which is extended. Azman-Saini et al., (2010) indicate that, unless the recipient has the necessary absorption capacity that stems directly and indirectly from FDI, this may limit the growth capabilities of the country. Discussing the conditionality in the effectiveness of FDI, some authors have highlighted the role of financial institutions and political institutions. For example, Agosin and Machado (2005) posit that the impact of FDI on economic growth is heavily dependent on the effectiveness of those financial institutions and institutional policies that govern the protection of the investment. These next sections review in greater detail, the economic effectiveness of FDI.

(a) Growth Enabler

FDI is seen as an important mechanism to promote or facilitate economic growth and development in recipient countries, especially in developing nations (Jacimovic, 2012; Awolusi and Adeyeye, 2016; Asamoah et al., 2019; Talpur and Soomro, 2019). The literature largely supports the conclusion that FDI positively influences growth in the recipient country (Mody et al., 2003; Jacimovic, 2012; Susic et al., 2017; Li and Tanna, 2019). Bijsterbosch and Kolasa (2009), Arnold et al., (2011), and Gonzalez et al., (2015) found that FDI has significant potential in transforming the economic landscape by enhancing productive capacity, innovation externalities, improving employment opportunities; all of which have been found to positively influence sustained growth into the medium and long term. MNCs have the ability, through FDI, to extend their advanced knowledge of international markets, thereby achieving positive long-term growth effects in the recipient country. (Hailu, 2010; Gamariel and Hove, 2019). Dimelis and Papaioannou (2010)

found that Information and Communication Technology (ICT) investment from MNCs positively influence growth in the recipient economy.

FDI has a positive impact on growth in developing countries, yet this is amplified with FDI derived from MNCs which initiates operations in the recipient country (horizontal FDI) rather than FDI derived from MNCs, which takes over existing domestic firms (vertical FDI) initiatives (Beugelsdijk et al., 2008). Globally, horizontal FDI is more prevalent as multinational firms undertake production activities in multiple countries, thereby seeking locations which are more cost effective than their host country (Beugelsdijk, et al., 2008). This assists the spread of efficient processes and innovative technology, thereby improving long-term growth prospects (Beugelsdijk et al., 2008; Asamoah et al., 2019; Samina et al., 2019). Similarly, in looking at either manufacturing or services FDI, Doytch and Uctum (2019) found that economic growth is impacted more positively by services FDI than by manufacturing FDI.

An earlier study conducted by Zhang (2001) consisted of 11 Asian and Latin American countries from 1996 to 1997, where growth outcomes were positively influenced by FDI allocations. Buracom (2014) conducted a study on 13 ASEAN countries between 1984 and 2005 and found that FDI positively influenced growth in the respective nations. However, institutional quality is a necessity in ensuring positive and sustained growth results. This result is echoed in Vogiatzoglou (2016) who conducted a similar study on 10 ASEAN countries, and found that FDI had positive and sustained influence overgrowth and productivity there. Atala et al., (2016) examined the influence of Chinese FDI on Lebanese economic growth following the war between 1990 and 2000 and found that FDI had been crucial in the growth of the economy in Lebanon in the long term. Awdeh et al., (2019) conducted a study on the impact of FDI on economic growth in Lebanon between 2002 and 2017 and found that there existed a threshold FDI inflow amount beyond which FDI crowds out the positive attributes of FDI in the long run.

Considering individual Asian country studies, Barthelemy and Demurger (2000) conducted a study consisting of 24 provinces in China between 1985 and 1996 and found that FDI positively influences growth outcomes in the medium to long term. Cai et al., (2011) examined the impact of FDI in economic development in China between 1965 and 2001 and found that FDI had been a significant driver of long-term economic growth, especially when directed towards a more

industrialised industry. Chan et al., (2019) isolated the linkage between FDI and the strength of economic policies and governing institutions in Asia and Latin America from 1980 to 2014 and found that it is imperative for a recipient nation to have policies that enables better absorption of FDI into the economy, especially if long-term growth is to be fostered. Positive long-term results are enhanced in regions with liberal trade regimes. Both regions experienced positive growth outcomes following FDI interventions (Chan et al., 2019).

The literature pertaining to the African continent's experience with FDI has yielded mixed results. Sukar et al., (2007) conducted an econometric study on 12 SSA countries and found that FDI has had no no impact on growth in the region. This study was later expanded by Adams (2009) who examined the effectiveness of FDI in 42 SSA countries, using econometric data from 1990 to 2003 and found that growth was not influenced by the allocation of FDI. Gui-Diby (2014) conducted an extensive econometric analysis of 50 African countries from 1980 to 2009 to ascertain whether FDI has had a lasting influence on economic growth in the recipient economy. Prior to the mid-1990s, FDI was found to negatively influence growth, while positive results were experienced subsequent to this period. Contrary to Sukar et al., (2007) and Adams (2009), Ndambendia and Njoupouognini (2010) found a strong positive relationship between FDI and growth in 36 SSA countries from 1980 to 2007. A similar study by Seetanah and Khadaroo (2007) for 39 SSA countries from 1980 to 2000 found that FDI positively impacted the growth experiences in the region.

When conducting a study on 27 SSA countries, Ajide et al., (2014) found that the stability of the economic and political institutions managing FDI is key to growth outcomes. Additionally, Awolusi et al., (2017) conducted a study on five African countries from 1980 to 2014 and found that FDI positively influenced growth in South Africa, but was yielding negligible results for Nigeria, Egypt, Kenya and the Central African Republic. These results were attributed to the lack of transparency in the political and economic institutions for the four subsequent economies; whereas South Africa was found to be superior in this regard. Doku et al., (2017) conducted a study on 20 African countries from 2003 to 2012 and found that FDI has had a positive influence on economic growth in Africa. The authors further found that less bureaucratic processes and promotion of free trade agreements was also assisting African economies in capitalising on the full economic benefits associated with FDI (Doku et al., 2017). Malikane and Chitambara (2017)

examined the impact of FDI on economic growth in eight democratic Southern African countries from 1980 to 2014 and confirmed that economies in which institutional governance is promoted experience positive growth outcomes due to FDI inflows. However, Khobai et al., (2017) evaluated the growth effects of FDI in South Africa from 1970 to 2016 and found that poverty-stricken regions are negatively influenced by FDI.

There are many studies that have examined the nexus between FDI and economic growth at country level. Osinubi and Amaghionyeodiwe (2010) examined the influence of FDI on economic growth in Nigeria from 1970 to 2005 and found a strong positive relationship. Ugochukwu et al., (2013) examined the relationship between FDI and economic growth in Nigeria from 1981 to 2009 and found that it yielded a significantly positive effect on growth in the medium to long term. This result was attributed to the supporting investment and regulatory frameworks in the Nigerian economy which encourage investment, while also reducing the deterring effects associated with bureaucracy (Adegbite and Ayadi, 2010; Osinubi and Amaghionyeodiwe, 2010; Ugochukwu et al., 2013). Adegbite and Ayadi (2010) and Olofin et al., (2019) have also found that FDI has enhanced the growth outcomes experienced in Nigeria; especially when operating in a stable macroeconomic environment. Masipa (2018) conducted a study on the relationship between FDI and economic growth in South Africa between 1980 and 2014. The results indicate that FDI positively impacted growth in the economy. Similarly, Makhoba and Kaseeram (2019) evaluated the impact of FDI on South Africa's economy between 1980 and 2015 and found that it positively influenced growth.

Arcand et al., (2012) and Cecchetti and Kharroubi (2012), conducted studies to determine whether there were any circumstances which would result in FDI crowding out positive growth outcomes in the recipient economy. The scope of the studies looked at instances where an oversupply of FDI potentially could crowd out economic growth, especially in countries with poor financial regulations. Both studies found that the long-term economic growth stemming from FDI is hindered, especially if there are insufficient policies governing the usage and credible use of funds. Also, internal capacity may also not be sufficient to sustain growth into the medium to long term (Asamoah et al., 2019). The main crowding out effect of FDI noted by the literature is the monopoly power over the domestic market gained by MNEs. The imbalance between foreign firm dominance and domestic firm developmental challenges lies at the core of the power struggle to

retain market share. Market-seeking FDI is the usual cause of the crowding-out of positive effects, since the domestic market becomes more competitive and the existing market is unable to compete with foreign practices (Ramesh and Packialakshmi, 2014; Denisia, 2010; Bhalla and Ramu, 2005).

Miteski and Stefanova (2016) evaluated the impact of FDI directed to the industrial, construction and services sectors in 16 Central, Eastern and Southeastern European countries from 1998 to 2013. The results of the study indicated that FDI directed to the industrial and services sectors positively influences growth in the host country, whereas FDI directed to the construction industry has had no impact on growth. These findings were associated with the innovative advancements made in each sector. Teplova and Sokolova (2019) conducted a multivariate regression study on both developed and developing countries on the effectiveness of FDI on economic growth and found that there are positive implications of FDI on growth. Furthermore, FDI enables the economy to build productive capacity and enhance sustainable growth opportunities into the medium and long term (Ajide et al., 2014; Susic et al., 2017). Susic et al., (2017) attribute the positive influence of FDI on growth to Greenfield FDI, where local industries are developed and capacitated to capitalise on FDI. Asamoah et al., 2019; Samina, et al., 2019 found that stimulating the supply side of the economy, enhancing investment regimes and infrastructure, and the reduction in red tape, all improve the long-term growth effect of FDI on the economy (Asamoah et al., 2019; Samina et al., 2019). Ross, 2019; Samina et al., 2019 argued that the building of confidence within the economy is of utmost importance, specifically if there is an intention to sustain the positive effects of FDI into the medium to long term.

The positive impact of FDI on economic growth has been attributed by some studies, to supportive inherent factors in the recipient country. For instance, the literature on the nexus between FDI and growth in developing countries has found that sound governance structures amplify the positive outcomes associated between FDI and growth. For example, Agosin and Machado (2005); Driffield and Jones (2013); Sakyi and Egyir (2017); Samina et al., (2019) suggest that competitive and transparent governance policies and effective governance of investment has the ability to either hinder or promote the growth efficacy of FDI in the recipient nation. Adams and Opoku (2015) found that there is a positive interactive relationship between FDI and regulative policies within the credit, business and labour realm, where the positive impact of FDI on economic growth is amplified with sound, transparent and enforceable regulations.

The conditionality of the positive growth effect of FDI was also examined by Gohou and Soumarie (2012) and Hussen (2014) who found that the positive influence of FDI on growth is reliant on the political and economic landscape in the recipient country, particularly in developing countries (Gohou and Soumarie, 2012; Hussen, 2014). A similar conclusion was reached by Jacimovic (2012) who conducted a study on the Balkan countries (Eastern Europe) between 2004 and 2009 and found that the effectiveness of FDI is improved under stable economic and political conditions in the host economy. Moudatsou (2003) examined the influence of FDI on economic growth in the European Union from 1980 to 1996. The authors found that there had been a significantly positive impact on growth. Bijsterbosch and Kolasa (2009) found in their examination of the impact of FDI on economic growth in central and eastern European countries that the positive externalities including productivity growth are enhanced with the level of the absorption capacity of the recipient country. Susic et al., (2017) conducted a study on Bosnia and Herzegovina between 2003 and 2016 and found that FDI directed towards capacitating the local economy through skills and technology transfer positively influences growth and productivity in the long term.

Other inherent factors that promote the positive effects of FDI and ensure long-term growth and productivity gains include: liberalised trade policies, infrastructure development, efficient financial sector development, and human capital development (Boateng et al., 2017; Sghaier, 2018; Samina et al., 2019). Each of these factors complement the absorption capacity of the recipient economy to capitalise on FDI in the medium to long term. Haveman et al., (2001) conducted a study on both developed and developing countries between 1970 and 1989 and found that the positive attributes of FDI are amplified in countries with trade policies that promote free trade and reduce bureaucratic practices. This conclusion is echoed by Campos and Kinoshita (2002) for 25 developing European countries from 1990 to 1998, Ram and Zhang (2002) for developing countries between 1990 and 2000, and Hansen and Rand (2006) for 31 developing countries from 1970 to 1990. They conducted studies on both developed and developing countries to examine the effectiveness of FDI on the recipient economy. The adoption of more liberal trade policies was found to be an integral factor that enabled positive long-term effects on growth and productivity in the recipient nation.

There are institutional and capacitation differences between the African and Asian continent; particularly between South -East Asia and North Africa when comparing the growth performance

associated with FDI allocations made to both regions. The literature has associated the superior results in Asia with the more advanced absorption capacity in the region (Barthelemy and Demurger, 2000; Buracom, 2004; Kamara, 2013). Kamara (2013) examined the relationship between the effectiveness of FDI and growth on SSA between 1981 and 2010 and found that inherent hindrances exist in the region, which limit the positive growth spillovers associated with FDI. These hindrances in political and economic institutional quality, human capital development and infrastructure development have limited the absorptive capacity of the region to capitalise on growth associated with FDI (Kamara, 2013). Adams and Opoku (2015) echo Kamara (2013) in that the enforcement capacity of institutions positively influence the growth effects of FDI in SSA. Donaubaauer et al., (2018) found that FDI has the tendency to increase competition and corrupt practices in SSA.

The literature notes that there may be instances in which the negative effects of FDI exceed the positive effects on the economy (Ramesh and Packialakshmi, 2014; Denisia, 2010; Greenwood, 2002, Lipsey, 2002; Hanson, 2001). An example of the positive growth factors attributed to FDI allocation to Lebanon was explored in Bitar et al., (2019). Bitar et al., (2019) examined the allocation of FDI to Lebanon between 2008 and 2018 and found that FDI had positively influenced growth, however, FDI has also increased the presence of corruption in the region. The literature has attributed the poor economic performance in the region to the ongoing civil and political instability in the region; which has deterred the full capitalisation and absorption of economic benefits from FDI (Khan and Akbar, 2013; Bitar et al., 2019).

Contrary to the above studies, a group of studies have found that FDI has no effect on economic growth in either developed or developing countries. Herzer et al., (2008) contradict the literature, as they found FDI in no way impacts growth outcomes in recipient countries, nor do the positive growth outcomes rely on per capita income, level of education, degree of openness, or financial institutional development for effectiveness. Furthermore, Lipsey (2002), Mencinger (2003), and Busse and Groizard (2006) found that FDI has minimal short-term effect on growth, while having no long-run influence on growth in the recipient country. The authors have associated this finding with ineffective economic policies governing the investment which limit the medium to long run absorption capacity of the recipient country to fully benefit from the allocation of FDI. Dimelis and Papaioannou (2010) conducted a study on 42 developed and developing countries from 1993

to 2001 and found that FDI has had a positive long-term effect on developed economies. However, this is not the case for developing economies. This has been attributed to the lack of absorption capacity in developing economies to use FDI optimally and capitalise on long-term growth outcomes; particularly when referring to infrastructure investment and the human capital of the recipient economy.

(b) Impact of FDI on Trade

FDI has several influences on a recipient economy's trade, particularly since it can develop the internal trade sector and improve efficiencies (Gamariel and Hove, 2019). In addition, foreign investment enables competitiveness in the export sector and improves integration into foreign markets (Desire and Emmanuel, 2013; Gamariel and Hove, 2019). However, there is a trade-off. Policy makers have to balance not deterring FDI with stringent processes, while also attempting to protect the domestic economy from domination by advanced and highly capitalised MNEs (Chen et al., 2015; Adesina, 2019). The enablement of FDI related spillovers to the recipient country's economy should be fostered by trade-related policy, particularly in more advanced sectors (Vadlamannati and Tamazian, 2009; Buracom, 2014; Chen et al., 2015; Adesina, 2019). This is echoed by Gossel (2018) who found maximising the ability of FDI to promote sustainability with the international markets requires improved integration to foreign markets and the building of both institutional and legislative capacity to streamline economic activity and limit bureaucratic processes.

Policies that promote trade and investment were put in place in developing countries following the 1990s to attract and maintain foreign interests and optimise the trade benefits associated with FDI. By loosening structural fiscal and monetary policy reforms, this eased the process of forming trade linkages (Abdulai, 2007; Gossel, 2018). The reforms of policies and institutions were achieved through Investment Policy Reviews (IPRs), aiming to improve investment climates and the ease of forming trade linkages between developed and developing countries (Abdulai 2007; Gossel, 2018). Ngundu and Ngepah (2019) further examined the influence of FDI on enhancing trade, specifically through 'export upgrading' which involves improving the quality of commodities being exported. The authors found that FDI improves this process (Ngundu and Ngepah, 2019).

The management and effective utilisation of FDI by the recipient country is also critical, where the presence of international trading treaties or agreements eases the process of allocating funds and streamlining trade linkages (Chen et al., 2015; Sgrignoli et al., 2017; Beebeejaun, 2018). This finding is shared by Chughtai (2014) who conducted a study on Pakistan from 1971 to 2013 and found that policy liberalisation is important in enhancing the positive effects of FDI on trade. These positive effects of FDI on trade includes the; diversification of the domestic economy, increasing the market base and exposing vendors to international best practice. The development of policies to integrate foreign markets domestically achieves positive results from FDI to the recipient economy (Borensztein et al., 1998; Blomstrom and Kokko, 2003). This conclusion is shared in Sgrignoli et al., (2017) whose study also attributed trade agreements to enhanced positive effects on trade in Asia.

FDI can influence a country's growth through its impact on specific aspects. The next subsection examines the impact of FDI on a country's Balance of Payments (BOP) and Terms of Trade (TOT).

(i) Balance of Payments and Terms of Trade

FDI has several knock-on effects on the BOP and the TOT in the host country (Greenwood, 2002). Focusing on the latter, Wacker (2016) found that FDI may have a positive impact on developing countries' terms of trade. FDI's positive impact on trade is influenced by the absorption capacity of the recipient economy, where the impacts of FDI on trade are maximised in a nation that has substantial capacity to develop its export market (Borensztein et al., 1998; Hailu, 2010; Wacker, 2016). Developing countries are most likely to benefit from FDI, due to the productivity and trade balance gains in the host economy (Stoneman, 2007; Jaffri et al., 2012).

There is a duality in FDI's impact on the host country's BOP, where it can improve conditions through the development of the export industry and by increasing its competitiveness in the global market. However, it also improves the domestic economy's capacity to demand imported goods and services (Greenwood, 2002; Stoneman, 2007). This in turn influences the net change between export and import prices, with changing domestic demand patterns influencing import prices, and foreign demand preferences influencing export prices (Han and Zhang, 2012; Jaffri et al., 2012).

Amir and Mehmood (2012) found that FDI increases the capacity of the host country to improve its BOP through the positive net effect on real imports and exports. Dakhil et al., (2019) examined the impact of FDI on both the BOP and current account balance (CAB) for Iraq between 2005 and 2017. The results indicated that FDI has positively influenced both the BOP and CAB. This implies that the export value exceeded that of the import value, which is a positive reflection on the progression of the export industries' competitive standing in the global market. Yousaf, et al., (2008) and also Amir and Mehmood (2012) found that FDI positively influences Pakistan's BOP. However, Yousaf et al., (2008) made the distinction between the short and long run impact; where the former is negative, and the latter is positive. This positive progression over time is credited to the need of the host economy to transform its export industry to compete internationally. Iavorschi (2014) examined the influence of FDI on Romania's CAB and BOP between 2007 and 2013. The study revealed that due to the improved interaction of the domestic market with the global market, FDI has positively influenced Romania's BOP.

However, the impact of FDI on the BOP is not consistently revealed to be positive throughout the literature. FDI has been found, in some instances, to negatively influence trade dynamics and expound existing trade deficits (Zaman et al., 2011). Yang and Zou (2007) examined the impact of FDI on China's BOP between 1983 and 2005. The results indicated that the current account balance is negatively influenced by FDI, due to the import value exceeding the export value. Therefore, in the presence of a negative trade balance, FDI worsens the position of the CAB. This has the effect of the export industry not being able to compete internationally, and the domestic populous growing their demand for imported goods. Marinela (2015) examined the impact of FDI on trade outcomes in Romania between 2008 and 2013. The author found that FDI has negatively influences the trade balance and maintained the trade deficit of the host country.

(c) Impact of FDI on Production Capacity and Technological Transfers

With respect to technology and productivity, the rationale behind the attraction of FDI by developing countries has been to close the technological and productivity gap with advanced economies. In extending FDI, the intention has been to promote economic convergence between developed and developing economies, with the former having a comparative advantage in

production methods and access to more advanced technology (Barro and Sala-i-Martin, 2004; Fedderke and Romm, 2006; Baltabaev, 2013).

Technological transfers associated with FDI mainly refer to the adoption of advanced and efficient infrastructure and production processes of MNEs by domestic firms (Belderbos et al., 2012). In doing so, the local firms intend to improve competitiveness in the economy and become more cost efficient. Throughout the literature, results echo the efficiency and capacity improvement afforded from FDI, specifically through the transfer of superior technology and more innovative and efficient production methods (Fedderke and Romm, 2006; Adams, 2009). Generally, the literature points to a positive impact of FDI on production capacity, as it builds efficiencies, from both a time and cost perspective (Jia et al., 2019; Li and Tanna, 2019).

The literature has largely found that the impact of FDI on technological advancement is particularly important for developing countries (Megbowon et al., 2016; Alvarado et al., 2017; Anwar and Nguyen, 2010). Damijan et al., (2003) conducted a study on 10 developing countries between 1994 and 1999 to ascertain the direct and indirect influence of FDI on technological advancement in the host country. The authors found that FDI enhances both the technological advancement of local industries, and intra-industry knowledge spillovers. Baltabaev (2013) sought to identify the influence of FDI on total factor productivity (TFP) for 49 developing countries between 1974 and 2008 and found that FDI had resulted in improved productivity and technological advancement. Jia et al., (2019) examined the influence of FDI on technological capacity and productivity in both developed and developing countries and found a positive influence on the advancement of technologies and production methods in the host country's economy. Li and Tanna (2019) conducted a study on 51 developing countries between 1984 and 2010 and found that FDI was positively influencing productivity in the recipient country. This is echoed by Peres et al., (2014) who posited that the positive incremental impact of FDI on production capacity is more significant in developing economies, than developed countries. Dimelis and Papaioannou (2010) found that Information and Communication Technology (ICT) investment from MNCs positively influences productivity in developing recipient economy. Specifically, the ICT advancements significantly improved efficiencies in production processes. According to Osabuley and Jin (2016), optimal technological and knowledge transfers derived from FDI require the recipients' internal institutions to operate efficiently and effectively. The

authors found that if these conditions are being met, FDI enhances both production capacity and technological advancement in the recipient economy.

In developed economies, the impact of FDI on production and technological advancement is generally found to be positive, due to the high capacitation of the labour market and its agility in adopting more efficient methods in their production processes (Moudatsou, 2003; Beugelsdijk, Smeets, and Zwinkels, 2008; Bruno and Cipollina, 2014). Smarzynska and Spartareanu (2007) examined the influence of FDI on technological transfers in the Eastern-European region and found that positive inter- and intra- industry technology spillovers from FDI are present. Belderbos et al., (2012) examined the influence of FDI on firm productivity in 448 Belgium firms from 2003 to 2006. The authors found that positive FDI spillovers in the form of technology transfers and research and development (R&D) initiatives in domestic firms are enhanced by FDI. Bruno and Cipollina (2014) examined the effectiveness of FDI allocations made to 20 European countries between 2000 and 2012, where they had distinguished between old and new members of the EU. The authors found that there was an overall positive impact of FDI on productivity.

Contrary to the literature which associates FDI with positive spillover effects in technology and knowledge transfers, there is a branch of the literature which has found that these transfers do not always take place. Djankov and Hoekman (2000) examined the transferability of technological advancement derived from FDI in the Czech Republic between 1992 and 1998 and found no evidence of technological advancement. Konings (2001) examined the influence of FDI in enhancing the transfer of technology to local firms in Bulgaria, Poland and Romania between 1993 and 1997, and found that there was no evidence of transmission during this period. Girma (2005) examined the relationship between FDI and productivity in the United Kingdom (UK), where positive results are present in manufacturing sectors at lower levels of capacity, while becoming negligible or negative once manufacturing processes reach a higher level of capacitation. Additionally, Girma (2005) found that FDI has no impact on productivity gains in technological sectors in the UK.

The impact of FDI on technological capacity and productivity has been widely examined for Asian countries. Vogiatzoglou (2016) conducted a study on 10 ASEAN countries in 2015 and found that there is a positive relationship between FDI allocations and productivity. Buracom (2014)

conducted a similar study on 13 ASEAN countries from 1985 to 2005 and found that institutional quality positively impacted productivity in the recipient economy. Country-specific Asian studies provide support for the positive effect of FDI on technological capacity and productivity. For example, according to Sinani and Meyer (2004) and Crespo et al., (2009), the positive spillovers associated with FDI are evident through the imitation of foreign firms' operations (i.e. efficient production processes) and adoption of new technologies. In the case of China, one of Asia's largest recipient of FDI (Wen, 2019), the empirical literature has mainly found positive spillover effects on the productivity of domestic firms and workforce. For instance, both Cheung and Lin (2004) and Huang (2004) examined the impact of FDI on Chinese patent application processes and factor productivity between 1995 and 2000 and each found improvements in productivity. Similarly, Liu et al., (2001) examined the impact of FDI on labour productivity in China between 1996 and 1997 and found there to be positive spillovers. Chuang and Hsu (2004) concluded that Chinese firms that are more technologically advanced are more likely to capitalise from FDI and improve their productivity methods. Wen (2014) examined the spillover effects of FDI on urban productivity in the Yangtze and Pearl River Delta regions of China from 1990 to 2012. These spillover effects were defined according to the technology transfers and managerial skills advancement experienced by domestic firms in either region. The results associated with productivity were positive in the Yangtze River region of China, while being negative in the Pearl River region. Wen (2014) found that negative productivity results were observed in the Yangtze region due to destructive competition between domestic firms.

The impact of FDI on technological capacity and productivity in SSA has been mixed. Amighini and Sanfilippo (2014) conducted a study on FDI allocated to Africa between 1999 and 2011 and found that it positively influences production capacity in the region. This result was attributed to positive technological spillovers being incorporated in less efficient industries. This finding is supported by Prasad et al., (2005) and Farole and Winkler, (2014) who indicated that FDI has the ability to increase the productive and value-added activities in Africa; this is amplified with technological advancement and spillovers. Senbeta (2009) examined the effectiveness of technological transfers associated with FDI in improving total factor productivity in SSA from 1970 to 2000. Senbeta (2007) found that in the short term, this form of FDI may cause MNEs to absorb less efficient firms, and lead to long-run total factor productivity to improve, and firms may become more competitive on a global scale. This is echoed by Pfeiffer et al., (2014) who examined

the effectiveness of FDI in improving productivity for a sample of ten SSA countries and found that productivity is enhanced by FDI. Additionally, the impact is more pronounced for lower-income recipient economies, as the industrial-infrastructure base requires more attention from MNEs. Similarly, Hojjati (2015) examined the effectiveness of FDI in transmitting technology to 41 SSA countries from 2005 to 2013; where FDI was found to be an efficient channel to facilitate the process of transferring technology and building productive capacity. Malikane and Chitambara (2017) conducted a study on the impact of FDI on total factor productivity in 45 African countries from 1980 to 2012 and found a weak, but positive gain in productivity.

However, not all cases of FDI receipt in Africa have resulted in positive efficiency gains in production or technology. Kargbo (2017) found that productivity outcomes of FDI in Africa have not resulted in a progression of efficiency, due to a lack of human capital development. Thus, economies with higher levels of human capital are more likely to experience efficiency gains in production processes, as they are more agile in adapting their processes. Osabutey and Jackson (2019) found that the cultural barriers and the lack of effective cross-border policies between Chinese MNEs and local Ghanaian firms, limited the transfer of technology to local firms. A common feature in both of these studies is that the effectiveness of FDI in promoting productivity and technological transfers is hindered by policy and capacitation barriers in the host country.

Although FDI is extended with the intention of improving existing production inefficiencies; inherent factors that exist in many African countries limit these positive spillovers. Mansour et al., (2017) found that FDI extended to Africa between 2001 and 2014 was insignificant in improving TFP for the region. Asongu et al., (2020) examined the dynamics between FDI and TFP in SSA between 1980 and 2014 and found that FDI has had positive net effects on TFP. However, this effect is conditioned on a favourable trade balance in the recipient economy. Meniago and Lartley (2020) found that FDI extended to 25 SSA countries between 1980 and 2014 had negatively influenced TFP. Several country-specific studies that examine the nexus between FDI and TFP have also found varying results. For instance, Masyandima (2015) examined the influence of FDI on productivity in South Africa from 1980 to 2011 and found that FDI had positively influenced production capacity. Bonga-Bonga and Phume (2018) reviewed the relationship between FDI, TFP and human capital accumulation in South Africa between 1970 and 2015. The authors distinguish between low and high levels of human capital accumulation; and how this condition impacts on

the effectiveness of FDI through the influence on TFP. Bonga-Bonga and Phume (2018) found that at low levels of human capital accumulation, FDI negatively influences TFP, while higher human capital accumulation enhances TFP.

6.2.2 Impact of FDI on Human Capital Development (Education and Health)

6.2.3.1 FDI and Education

The findings on the nexus between FDI and education have differed depending on the measure of education under investigation. The literature shows different results with the use of educational attainment, enrolment and wage progression in the examination of the nexus between FDI and human capital accumulation.

According to Reyes (2018), the aim of FDI in the education sector is to increase access to quality learning materials and improve both learner enrolment and completion rates. Education attainment is posited to improve the productivity and efficiency of the labour force (Miyamoto, 2003; Damijan et al., 2013; Fons-Rosen et al., 2017). In addition, according to Damijan et al., (2013) and Reyes (2018), FDI improves the provision of superior education resources and infrastructure. This ultimately improves accessibility to superior education (Damijan et al., 2013; Reyes, 2018). Overall, the findings from the literature provide support for the positive impact of FDI on input and output measures of education, specifically in terms of increased enrolment, completion and literacy rates (Azam et al., 2015; Reyes, 2018).

The findings in the literature have largely supported the conclusion that human capital development, as measured by educational attainment, is enhanced with FDI; particularly in developing countries (Adenutsi, 2010; Matano and Ramos, 2013; Gitten and Pilgrim, 2013; Kroeger and Anderson, 2014). Sharma and Gani (2004) examined the effect of FDI on human capital development for middle and low-income countries from 1975 to 1999. Their results yielded evidence of socio-economic progression, where FDI positively influenced educational outcomes for both income groups. Checci et al., (2007) conducted a study on 147 developing countries from 1990 to 2000 to determine whether FDI encourages enrolment in secondary and tertiary education. Checcie et al., (2007) found that FDI promotes tertiary enrolment, while discouraging secondary enrolment. Azam, et al., (2015) examined 34 developing countries from 1981 to 2013 and found

that FDI was encouraging enrolment in secondary education. Strat (2015) evaluated the impact of FDI on secondary and tertiary enrolment for five Eastern-European countries between 1990 and 2012, the results indicated that FDI leads to improved enrolment rates. This result is based on the increase in living conditions associated with FDI inflows which encourages the population to pursue higher education.

In Asia, the literature on FDI and education has centred on education enrolment. Zhuang (2008) evaluated the impact of FDI on education enrolment in China from 1978 to 1999. The study provided evidence that FDI enhanced general enrolment rates. Zhuang (2016) later examined the effect of FDI on human capital development in 16 East Asian economies from 1985 to 2010. The results reflect that FDI enhanced secondary education completion, while negatively influencing tertiary education enrolment. Dey and Mishra (2018) evaluated the impact of FDI on the education sector in India between 2004 and 2016 and found that, due to the availability of resources for students, FDI was increasing enrolment rates in higher education.

A number of studies have also examined the impact of FDI on human capital development in SSA. For instance, Ndeffo (2010) examined the impact of FDI on human capital development in 32 SSA countries from 1980 to 2005. The results reflect that FDI has had a positive impact on primary and secondary school attendance rate. However, Ngundu and Ngepah (2020) conducted a study on FDI from China, the US and EU to SSA from 2003 to 2012 and concluded that, although FDI is positively related to the human capital stock in the early stages of education, the opposite is true for a nation with a more advanced labour force (Ngundu and Ngepah, 2020).

6.2.3.2 Impact of FDI on skills development and employment

The literature provides extensive evidence that FDI creates employment opportunities and enhances skills development (see Demena and Murshed, 2018; Ngundu and Ngepah, 2020). According to Adams (2009); Herzer et al., (2014) and Gandolfo (2015), FDI inflows allow for increased opportunities for employment, where the investor could absorb and upskill the local labour force to be fully effective in its operations.

Michie (2001) examined the effectiveness of FDI for skills development in developing countries. The results indicated that, while MNEs that absorb the local labour force create positive knock-on

effects in both the employment and up-skilling the local labour force, the impact on education is negligible. This result has been associated with the fact that FDI not promote expenditure in education programmes. According to Taylor and Driffield (2005), FDI has the potential to integrate advanced procedures into the local labour force and increase the long-term need to upskill existing and potential employees. Firms which integrate their business model into the domestic economy impart international best practice, skills and efficient technological methods to the recipient economy which improves the development of the skillset of the domestic labour force (Taylor and Driffield, 2005; Adams, 2009; Herzer et al., 2014).

Hossain (2005) examined the linkage between job creation and FDI in Bangladesh and concluded that FDI increases employment opportunities through capital formation. Karlsson et al., (2007), found that FDI positively influences job creation in China. Estrin (2017) examined the impact of FDI on employment in transition countries in Central and Eastern Asia between 1990 and 2015. Estrin (2017) found that positive employment outcomes were present in Central Asia, and insignificant in Russia. Jia, et al., (2019) conducted a study on FDI sourced from 552 Chinese firms and found that Chinese employment opportunities were being positively influenced by the allocation of FDI. Amir and Mehmood (2012) examined the influence of FDI on Pakistan from 1999 to 2008 and found that allocations were creating more employment opportunities and increase employment rates in the economy. This result stems from the capital formation and growth in host capacitation.

The literature has attempted to isolate the relationship between FDI and the transmission of knowledge and advanced skills from foreign firms to local businesses and the respective labour force (see Koomson-Abekah and Nwaba, 2018; Reyes, 2018). FDI is crucial in developing countries, particularly for its ability to assist the development of the labour force's skillset, organisational skills absorption, and educational attainment (Blomstrom and Kokko, 2002; Kumar and Pradhan, 2002). The importance of FDI for labour force skills development is further underscored by Ngundu and Ngepah (2020) who assert that the human capital stock in Africa is lacking and has required substantial attention internationally. Further, according to Fowowe and Shuaibu, (2014) and Kaulihowa and Adjasi, (2019), MNEs have the capacity to impart their more advanced and efficient skills to the recipient economy by employing the local labour force and establishing offices and production factories in the host economy. To this end, Azam et al., (2015)

found that FDI has positively influenced human capital development in developing countries, particularly in transferring the more innovative practices present in the source country to local firms and the labour force. Fowowe and Shuaibu (2014) examined the effectiveness of FDI in reducing poverty and its subsequent implication for human capital development in 30 African countries from 1981 to 2011. The authors found that human capital development was positively influenced by the allocation of FDI and has the effect of enhancing the skills of the labour force and reducing poverty. Gelb and Black (2004) evaluated the impact of FDI on skills development in South Africa during the 1990s and found that the low skilled labour force was benefiting from FDI.

A major challenge for SSA has been the inability of the domestic workforce to adapt to the more advanced requirements of the incoming MNEs (Yesufu, 2000; Bloomstrom and Kokko, 2002; Checcie et al., 2013; Koomson-Abekah and Nwaba, 2018). Investment in education, training and health promotion represents all social sector initiatives, which are lacking in the African continent. This lack of capacity includes those existing initiatives, which are unable to handle the demand for interventions by impoverished communities. While a small portion of the labour force may possess the skills and qualifications necessary to function optimally in the MNE's, the majority of participants in the labour force remain unskilled (Checcie et al., 2013; Koomson-Abekah and Nwaba, 2018). According to Bloomstrom and Kokko (2002), the influence of MNEs on incentivising tertiary education and promoting advanced skills development in Africa is an ongoing area for debate.

Continued debate persists in the literature regarding the effectiveness of Chinese FDI to the African continent (Baah and Jauch, 2009; Chellaney, 2010). There is scepticism in the literature as to the effectiveness of Chinese FDI in Africa, as some authors have initially assumed that FDI is extended with the intention of exhausting resources and exploiting the local economy (Awolusi et al., 2017; Doku, et al., 2017). However, there are instances noted in the literature where positive outcomes have been experienced, which refute the negative outcomes associated with Asian derived FDI. Tang (2010) studied the effectiveness of Chinese MNEs on the local labour force for both Angola and Congo and results showed growing integration of the local workforce into the Chinese conglomerates. Sautmann and Yan (2015) also found that integration of the African workforce into Chinese MNEs has been significant and has resulted in substantial skills transfers

and career development. Agbebi (2018) later conducted a case study on the contribution of Chinese investments in Nigeria's telecommunication sector in 2016 and found that there has been a lasting effect on skills development and capacity building of the labour force. Agbebi (2018) attributed the lasting positive effect on human capital development in Nigeria to supportive government policies which protected the interests of the local labour force. Nkechi and Okezie (2013) examined the influence of FDI on human capital development in Nigeria between 1975 and 2008. The results indicated that FDI has improved human capital and has built the productivity of the workforce in the long term (Nkechi and Okezie, 2013).

The findings on the impact of FDI on skills development in Asia unearths general findings of a positive nature. Li (2013) conducted a study on the effectiveness of FDI on human capital development in China from 1995 to 2009 and found that the labour quality improves following the allocation of FDI. Hong (2014) examined the influence of FDI on human capital for China between 1994 and 2010 and found that FDI was promoting human capital accumulation in the form of skills development. Similarly, Park (2018) examined the linkage between FDI and job creation in China from 1991 to 2015 and found that skills development outcomes were being enhanced by FDI allocations. Fatmawati et al., (2018) examined the linkage between FDI and human capital accumulation for eight Asian economies from 2003 to 2015 and found there to be a positive influence on human capital and skills development.

In terms of the retention of the labour force and overall improvements in job creation, this is an area of contention in the literature, especially when examining FDI derived from MNCs which either take-over existing firms or integrate international business model into the recipient economy. The former has often been found to at times lead to job losses (Taylor and Driffield, 2005; Herzer et al., 2014) while the latter leads to improved domestic capacity to sustain growth beyond the short term. Although FDI may promote skills development, it can also have the secondary effect of widening wage inequality. This is a significant consideration in the literature, as the disparity in earnings between low and high skilled labour force may be further accelerated by FDI inflows. Ravinthirakumaran and Ravinthirakumaran (2018) examined the influence of FDI on Asian Pacific countries from 1990 to 2015 and found that FDI has narrowed income inequality. However, when FDI has the added effect of increasing human capital development, in the form of skills development, this promulgates income inequality. The literature has attributed this effect to

higher wages being afforded to a more skilled labour force (Ravinthirakumaran and Ravinthirakumaran, 2018). A study by Baranwal (2019) on the effectiveness of FDI on human capital development in India from 2001 to 2015 found that while FDI promotes skills development, it also enhances wage inequality.

For developed regions, skills development is found to be of a superior quality to less capitalised economies (Herzer et al., 2008; Driffield and Jones, 2013). This often leads to MNEs mainly being derived from developed economies, with a superior skillset being able to match and optimally utilise the more advanced technology (Stijns, 2006; Driffield and Jones, 2013). For developing countries, FDI has the effect of enabling skilled labour force migration, once tertiary qualifications had been attained, which the authors linked to sub-par job opportunities present in the host country. This is referred to as a 'brain drain effect, where the skilled labour force is unable to match their advanced skillset with the domestic job market (Koomson-Abekah and Nwaba, 2014; Azam et al., 2015; Reyes, 2018).

FDI is noted to also have negative effects on employment. FDI can create negative competition locally and lead to less efficient firms being absorbed by fast growing and more productive firms in the short term. Although this positively influences long-run sectoral productivity, it also results in increased unemployment (Damijan, et al., 2013; Fons-Rosen et al., 2017; Koomson-Abekah and Nwaba, 2014; Azam et al., 2015; Reyes, 2018). Hong, 2014; Self and Connerley, 2019 suggest that the positive and negative spillover to the domestic labour force differs across regions and depends on the domestic capacity, measured both according to the labour force skillset and the efficiency of domestic firms. Developed regions are more likely to experience an increase in employment, while developing regions are not influenced by the allocation of FDI in the long run. The latter finding has been attributed to the lack of absorption capacity on the part of developing countries (Matano and Ramos, 2013; Gitten and Pilgrim, 2013).

Damijan et al., (2013) and Rosen et al., (2017) found that, following the investment of foreign capital, most jobs created usually derive from highly productive and fast-growing local firms. Vacaflores et al., (2017) indicated that, while economic activity may increase as a result of FDI inflows, it may reduce employment levels (specifically low skilled labour). This is mainly due to increased competition, technological improvements and more efficient economic practices

requiring a more technically skilled workforce. Jude and Silaghi (2016) examined the influence of FDI on employment levels in Central and Eastern Europe between 1995 and 2012. The results indicated that the immediate effect on employment has been negative, due to labour cost saving techniques being introduced. According to Hanson (2001); Lipsey (2002); Lipsey and Sjöholm (2004) and Jia et al., (2019), further negative spillovers from FDI may include; lower-wage jobs being transferred to the host country, while source nation participants are afforded higher-wage jobs due the gap in skills level.

Self and Connerley (2019) conducted a study on the linkages between job creation and FDI for projects in Asia, Latin America, Africa and the Middle East. The findings differed, depending on the region. Job creation was positively impacted by FDI in East and Southern Asia, and parts of Latin America. However, the impact on job creation was negative in SSA, the Middle East and Northern Africa. This was attributed to a lack of effective governance and institutions (both political and economic).

In other Asian studies, more mixed results as to the effectiveness of FDI in improving human capital attainment have arisen in the literature. Hung (2005) evaluated 12 Vietnamese provinces from 1992 to 2002 and found that FDI negatively influences employment rates. This is caused by the entering MNEs creating efficiencies that exclude less skilled workers and increase demand for skilled labour. Rizvi and Nishat (2009) examined the impact of FDI on employment in India, China and Pakistan between 1985 and 2008. The results indicated FDI had had no impact on employment in the three economies. Liu Yang (2019) evaluated the influence of Japanese FDI to other Asian economies, on employment between 1984 and 2015. The author found that low skilled labour was being outsourced to the recipient economies, while the more skilled labour was reserved for Japanese firms. Thus, Japanese FDI does not enhance skilled employment creation and opportunities in recipient countries.

The African continent is rife with low skilled labour and a substantive informal sector (Szirmai, 2013). This has led to a reliance on FDI to develop the domestic labour market and increase employment opportunities. Tshepho (2014) reviewed the influence of FDI on South African employment between 1990 and 2013 and found it to increase employment opportunities and reduce unemployment in the long run. Abekah and Nwaba (2018) conducted a study on Chinese and US

FDI to Africa and found that the investment was resulting in long term reduction in unemployment. The results indicate that FDI increases employment opportunities in Africa in the long-run, as the MNEs settle into the domestic economy.

Chen (2012) and Benjamin et al., (2015) found that, although FDI may positively influence innovation in the employment sector, there is a shortcoming in absorbing the low skilled labour force. Asiedu (2015) examined the influence of FDI on employment in the African agriculture sector and found that the innovation and technological advances was leading to an increase in unemployment, due to technical efficiencies. Wall et al., (2018) evaluated the effectiveness of FDI on creating employment opportunities in African from 2003 to 2014. The authors found that FDI does not absorb low skilled labour force, which leads to the growth of the informal sector to absorb the rural labour force. Makhoba and Kaseeram (2019) examined the influence of FDI on employment in South Africa between 1980 and 2015, and the results revealed that employment decreases with FDI.

China is a major FDI source country in Africa, however, the literature is rife with rebuttals on the effectiveness of Chinese FDI to Africa (Baah and Jauch, 2009; Chellaney, 2010). Specifically, the Chinese labour practices of importing Asian labour, instead of employing people from the local labour force, offering lower wages to domestic labour force, subjecting workings to poor working conditions, and being unwilling to provide opportunities for training are the main negative outcomes associated with Asian derived FDI (Kamwanga and Koyi, 2009; Flynn, 2013; Gandolfo, 2015). Brautigan and Tang (2011) tackled the matter of differing levels of working conditions amongst local and foreign firm workers and indicated that the regulatory bodies in charge of managing sectoral differences in standard operating environments need to work on mitigating the risk of disputes. Each sector's regulatory bodies are responsible for managing the misalignment between work culture and expectations of stakeholders on the MNE (Brautigan and Tang, 2011). Osabutey and Jackson (2019) found that the cultural differences and language barrier between Chinese MNEs and the local Ghanaian workforce limited the possibility of effective skills transfers.

6.2.3.3 Impact of FDI on Health

Health conditions in the recipient country has been posited to be an important determinant of FDI inflows, as improved health promotes the productivity and protects the longevity of the labour force (Ndeffo, 2010; Kheng et al., 2016). The literature on the impact of FDI inflows on health or health outcomes shows a largely positive relationship (Herzer et al., 2014; Samina et al., 2019). This mainly pertains to the improved access to health services which translate into an improvement in the population's health outcomes (Herzer et al., 2014; Samina et al., 2019). Health proxies utilised in the literature include life expectancy, mortality rates, immunization rates, infant mortality, the quality of health infrastructure and accessibility to medical supplies (Farole and Winkler, 2014; Kheng et al., 2016; Jude and Levieuge, 2017; Samina et al., 2019). Stiglitz (2000) found that FDI has positive spillover effects in improving recipient country access to health facilities, sanitation and medical care. Additionally, FDI improves the affordability of medical goods and services for the general populous, while also integrating international best-practice procedures, and providing extensive training, supplies and equipment (Stiglitz, 2000; Herzer et al., 2014).

For developed and emerging regions, FDI directed towards the health sector is usually intended for research and development in the pharmaceutical industry and health technology (Mercurio and Kim, 2015). This is intended to develop highly technical research and adopt more innovative and efficient technology and processes (Mercurio and Kim, 2015). Mercurio and Kim (2015) evaluated the effectiveness of FDI on the pharmaceutical industry in 110 emerging and developing countries, with a specific focus on Hong Kong and Singapore, from 1960 to 2005. The authors scrutinised the differences between those emerging countries and other developing countries and found that FDI improves the development of the medical sector. Specific improvements in the pharmaceutical industry include the increased capacity for research and development.

The health sector in low-income countries has largely benefited from FDI, specifically with interventions in building health infrastructure and investing in specialised skills development and medical technology innovation (Outrevile, 2007; Zimmy, 2013; Nagel et al., 2015; Immurana, 2020). Zimmy (2013) noted that in both low- and high-income economies, FDI is instrumental in sustaining the provision of health services and improving accessibility for the general population.

Nagel et al., (2015) examined the impact of FDI on healthcare accessibility in 179 developed and developing countries between 1980 and 2011. The results of the study indicated that lower income countries were benefitting marginally more than higher income economies, as they initially had a smaller base of healthcare infrastructure and limited accessibility to medical supplies. Burns et al., (2017) conducted a study on 85 developing countries from 1974 to 2012 and found that health conditions improved following the allocation of FDI. Similarly, Nagel et al., (2015) contend that the advancement of healthcare infrastructure and increased accessibility to medical supplies are some of the advantages of FDI. Golkhandan (2017) evaluated the impact of FDI on health variables in 25 developing countries between 1995 and 2014 and observed FDI to contribute to the improvement of domestic health conditions in the long - run.

However, there have been studies (see Hawkes, 2005; Labonte et al., 2011) that link FDI inflows to the adoption of a less nutritious diet, including over-processed food, which is detrimental to health in the long term. Additionally, Gilmore (2005) and Alam et al., (2015) argue that while the primary impact of FDI may not directly impact health in the domestic economy, the increase in production and pollution can have negative long-term effects on population health, especially those with respiratory challenges. Thus, the secondary impact of FDI on health may be negative, due to the increased presence of pollution and its negative influence on life expectancy (Burns et al., 2017).

The literature points to studies on the nexus between FDI and health in Asia. For example, Alam et al., (2016) examined the impact of FDI on health outcomes in Pakistan between 1972 and 2013, and the results confirmed the positive impact of FDI on health outcomes in the short and long run. These improved outcomes were specific to accessibility to quality healthcare services, health infrastructure, medicine and services. Shahid et al., (2019) examined the impact of FDI on health welfare in South Asia between 1990 and 2016. The authors found that FDI had improved the region's progression of health practices and had positive impacts life expectancy in the long - run. Similarly, Ahmad et al., (2019) focused their study to the South- East region of Asia, with focus on the welfare qualities of FDI. The authors examined the impact of FDI on both ASEAN and South Asian Association for Regional Cooperation (SAARC) economies from 1990 to 2014. The results showed that FDI has had positive long-term implications on health in both SAARC and ASEAN economies.

In Africa, the effect of FDI on sustaining social development in the health sector is of critical importance. Kaur et al., (2018) studied the effectiveness of FDI in Africa from 2006 to 2016 and found that it had positive health outcomes for the population. The authors argued that foreign investment is critical in overcoming the deficiencies that exist due to the high incidence of poverty and inequality on the continent. Immurana (2020) examined the impact of FDI on 43 African countries from 1980 to 2018 and found that health outcomes were improved with FDI allocations. Salahuddin et al., (2020) reviewed the impact of FDI on child health outcomes in South Africa from 1985 to 2016. The study revealed that child health outcomes in both the short and long term have been positively influenced by FDI allocations, due to advancements in health technology and increased access to quality health resources. Moss et al., (2004) examined the FDI impact on health conditions for Kenya, Uganda and Tanzania, specifically how MNEs improve the domestic labour force's access to medical treatment through health benefits provided. The authors found that the improved access to medical treatment improves productivity and efficiency of the labour force.

(d) Impact of FDI on Domestic Investment

A common assumption when FDI is made is that it would improve domestic capacity (Adams, 2009; Wang, 2010; Amighini et al., 2017). The crowding in of domestic investment signals a growth in population purchasing power, resulting from FDI being optimally absorbed into the economy (Wang, 2010; Megbowon et al., 2019; Samina et al., 2019). This assumes that in building production capacity, FDI has positive spillover effects to increase domestic investment capacity. Ghazalian (2017) evaluated the impact of FDI on domestic investment in SSA from 1980 to 2014, where a crowding-in of domestic investment was observed to occur in the long-run. Amghini et al., (2017) examined the impact of FDI on domestic investment in 53 developing countries from 1964 to 2011. The authors found that FDI had increased the incidence of domestic investment and stressed the importance of MNC involvement in the domestic market to crowd in long-run domestic investment. Ndikumana and Verick (2008) evaluated the impact of FDI on domestic investment in SSA and found that FDI positively influences the domestic investment climate and has a crowd in effect. Ullah et al., (2014) considered the impact of FDI on domestic investment in Pakistan from 1976 to 2010 and found that there was and is a positive long - run relationship between FDI and domestic investment. Adams (2009) examined the impact of FDI on domestic investment in SSA between 1990 and 2003 to ascertain if it is effective in improving the capacity

of the domestic economy. The results indicate that FDI crowds out domestic investment in the short term, while subsequently improving domestic investment in the long - run. This is due to the adjustment of the domestic economy to align to the more efficient and effective practices of foreign firms taking place in the short-run, thereafter gaining traction in the medium to long term. Ali and Mna (2019) reviewed the impact of FDI on domestic investment in Tunisia, Algeria and Morocco between 1980 and 2014 and found that FDI is critical in improving domestic investment capacity.

Contrary to the literature that yielded positive outcomes between FDI and domestic investment, Agosin and Machado (2005) found, when examining the influence of FDI on 12 developing countries in Africa, Asia and Latin America between 1971 and 2000, that FDI may actually crowd out domestic investment. Specifically, there is a crowding in of domestic investment in Africa and Asian countries, while Latin America experiences a crowding out of domestic investment. The authors attribute this finding to more stringent policies being present in both African and Asian economies, which protect local firms, while Latin America has adopted more liberal screening policies (Agosin and Machado, 2005). Adams (2009) examined the impact of FDI on domestic investment in SSA between 1990 and 2003, where FDI led to a crowding out of domestic investment in the short term and a crowding in over time.

6.2.4 Impact of FDI on Governance

The examination, in the literature, of the effectiveness of FDI on economic and social variables has relied on the integrity of legislative governance structures in the recipient economy (Driffield and Jones, 2013; Ajide, 2015; Sakyi and Egyir, 2017; Samina et al., 2019). However, the influence of FDI on political and economic governance structures is reflected in the subsequent legislative responses that limit bureaucracy (Sakyi and Egyir, 2017; Samina et al., 2019).

There are mixed results when attempting to determine whether FDI limits or enhances the corruption in the recipient country. In the literature, there are findings that support the argument that FDI reduces corruption (Larrain and Tavares, 2004). In the wake of globalisation and the high levels of capital mobility, recipients of FDI are incentivised to limit corrupt practices, as this may lead to funds exiting the domestic economy (Wei, 2000; Larrain and Tavares, 2004). Thus, the threat of investors potentially retracting investment prompts less corrupt and more transparent behaviour (Wei, 2000; Kwok and Tadesse, 2006). Lee and Lio (2016) reported on the impact of

FDI on governance and corruption in China from 2000 to 2009 and found that FDI has reduced the presence of corruption and has improved governance quality in China.

However, Donaubaauer et al., 2018; Talpur and Soomro, 2019 found that although FDI stimulates economic activity, it also increases competition among local firms to capture the investment; which may induce corrupt practices. Melo and Quinn (2015) examined the effect of FDI on corruption in 112 developing countries from 1999 to 2010 and found that FDI may induce and increase the presence of corruption in the recipient country, especially if the host country is an oil producer. The literature on the relationship between FDI and corruption has found that countries with a precondition of corruption are more likely to experience a growth in corrupt practices with an influx of FDI (Hakkala et al., 2008).

From a confidence standpoint, investors are sometimes reluctant to extend FDI, specifically with the substantial presence of corruption in SSA. Bezuidenhout et al., (2014) found that government stability and rule of law in Africa directly influences the ability of FDI to have positive spillovers to the domestic economy. In SSA, corrupt practices and limited foreign trade policies hinder the absorption capacity and impact of FDI investment (Kamara, 2013). There is also a perceived high risk (both economic and political) which has deterred consistent investment to Africa and has tainted positive outcomes associated with FDI (Baliamoune-Lutz, 2004). Donaubaauer et al., (2019) examined the linkages between FDI and corruption in 19 SSA countries and found that foreign investment induces bribery and corruption among local firms

Another area which has been examined in the literature is the relationship between FDI, civil freedom and democracy. This branch of the literature has sought to track the trend between globalisation and democratisation, which had grown since the 1980s (de Soysa, 2003; Rudra, 2005; Sun, 2014). Sun (2014) examined the dual relationship between FDI and democratisation in 124 developing countries from 1970 to 2005 and found that FDI derived from developed democracies has positive spillover effects on the recipient economy. This effect was attributed to the democratic policies practised in the investor country influencing the adoption and practice of more civil liberties in the host economy. De Soysa (2003) established the important role that FDI has in supporting the enhancement of democracy in developing countries. Rudra (2005) later echoed the importance of exposing developing countries to foreign investment, particularly if seeking to

improve democracy in the recipient country. Rudra (2005) examined 59 developing countries from 1972 to 1997 and found that the positive spillover effects on democracy are enhanced when operating with political support and managed with effective governance regimes.

6.2.5 Impact of FDI on the Environment

Recipient countries seek to capitalise on the positive efficiency gains which arise from FDI. However, the efficiency gains associated with FDI may result in negative spillovers in the resource sector and the ecology of the region (Sasana et al., 2018; Aust et al., 2020). This is mainly due to a failure to effectively enforce economic reforms, particularly reforms which mitigate over-exploitation of resources (Abdouli and Hammami, 2017; Frutos-Bencze et al., 2017; Ning and Wang, 2018; Li et al., 2019). Since developing regions are the main suppliers of natural resources globally, ungoverned FDI extraction programs tend to exploit resources at a fast pace without replenishment (Li et al., 2019). This is corroborated by Abdouli and Hammami (2017) and Aust, et al., (2020) who found that FDI negatively influences environmental conditions and the long-run sustainability of resource extraction. Frutos-Bencze et al., (2017) conducted a study on member countries of the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR) between 1979 and 2010 to determine whether FDI influences the volume of industrial emissions. The findings support the conclusion that FDI has a negative and long-run impact on the volume of emissions.

Another argument against the effectiveness of FDI is the negative influence CO₂ emissions have on recipient countries, due to increased production and lax policies governing the volume of emissions by MNCs., the action of industrialising firms relocating and extending FDI to less developed regions that lack environmental regulations to mitigate exhaustive practices is defined as the Pollution Haven Hypothesis (PHH) (Frutos-Bencze et al., 2017; Li, 2019; To et al., 2019). This hypothesis postulates the notion that pollution activities are concentrated in developing countries which have insufficient environmental policies governing MNCs entering the economy and potentially exploiting the domestic ecology (Yoon and Heshmati, 2017; Li, 2019; To et al., 2019). The PHH has been investigated throughout the literature and has concentrated focus on the Asian and African continent.

Examining the PHH literature, there have been mixed results that both support and negate the negative outcomes between FDI and the environment. Sun et al., (2017) examined the PHH in China and found that there is a negative relationship between FDI and CO₂ emissions. Sasana et al., (2018) conducted a study on the impact of FDI on CO₂ emissions in Indonesia from 1990 to 2015 and found that emissions are negatively influenced by FDI. This conclusion was attributed to the correlation between FDI and heightened exploitation of the domestic ecology and increased competition to attract the investment. Another study by Sasana and Putri (2018) found that fossil energy related FDI will negatively influence CO₂ emissions in Asian recipient economies. This conclusion relates to the nature of the investment not supporting “Green Technologies” or sustainable mandates. Abdouli and Hammami (2017) conducted a study on 17 MENA countries from 1990 to 2012 using regression analysis to isolate the impact of FDI on emissions. The results supported the PHH, with evidence of long-run environmental degradation resulting from FDI. To et al., (2019) found that the substantial environmental damage experienced in Asia between 1980 and 2016 has been attributed to the growth in FDI allocated to the region. Contrary to the aforementioned literature, there have been Asian related studies that reject the PHH. Zhu et al., (2016) conducted a study on five Asian countries from 1981 to 2011 and rejected the PHH. Similarly, Phuong and Tuyen, (2018); and Atici, (2012) found that there is no relationship between FDI and pollution levels in Asia.

Looking at the impact of FDI directed towards Africa, concern has been found with those industries which relocate their production capacity to Africa and subsequently produce large volumes of pollution (Cheng and Liang, 2011; Shinn, 2016). Evidence of PHH in Africa includes the oil sector investment in Sudan, Chad and Gabon; particularly with unregulated investments being detrimental to the sustainability of the domestic sector. In these specific examples, the investments derived from China were not adequately monitored and governed by local authorities and resulted in negative effects on the ecological landscape surrounding the extraction plants which were negatively influenced by harmful chemical runoffs and pollution emissions from the plant (Shinn, 2016). Grekou and Owoundi (2020) examined the relationship between FDI, urbanisation and the environment in 49 African countries between 1979 and 2016. The authors found that FDI was increasing urbanisation and damaging the domestic environment through the destruction of biodiversity and increased pollution. Aust et al., (2020) also found that the allocation of FDI and

the subsequent non-ecologically friendly production activities which took place contributed negatively to climate quality and resulted in ecological degradation.

Contrary to the above literature that has associated FDI with negatively impacting ecological conditions in the recipient country, there is an area of the literature which attributes the technological advancements associated with FDI as positively influencing climatic conditions. Kim and Adilov (2012) found that FDI has the capacity to reduce the volume of emissions in developing countries, if developed countries introduce advanced technology and more innovative production methods. The impact of FDI on domestic pollution levels relies on internal legislation governing emissions, mainly to deter unsustainable exploitation of resources and exorbitant production emissions (Lan et al., 2012; Wang Chen, 2014). FDI has the ability to improve environmental conditions if it enforces strict environmental policies to mitigate against the untenable extraction of resources (Li et al., 2019). Ning and Wang (2018) found that with the sharing of environmental knowledge and the occasional development of technology, FDI may benefit developing regions exposed to high levels of pollution or climate change. This in turn leads to reduced levels of pollution for those targeted investment economies and the surrounding regions. The literature has found that positive reductions in pollution, following ecologically linked FDI and the subsequent policies implemented, are mainly present in the form of improved air quality and reduced polluted air emissions (Ning and Wang, 2018; Demena and Afesorgbor, 2020). Demena and Afesorgbor (2020) found that if FDI is linked with green technological spillovers, this may reduce harmful emissions.

In relation to FDI and the relationship with growth and energy consumption, Latief and Lefen (2019) note the short-run positive impact that the investment has on the recipient country. This is prominent in nations which face a deficiency in energy production and rely on more developed nations to supplement energy sector investments in infrastructure (Latief and Lefen, 2019; Li et al., 2019). However, Zhou et al., (2020) examined the impact of FDI on industry environmental efficiency in China between 2007 and 2015 and found a negative relationship. This result confirms that FDI both inhibits green technology advancement and leads to increased environmental degradation.

6.2.6 Conclusion

A significant factor behind the pursuit of FDI is the perceived positive outcomes in terms of enhanced growth and development for recipient economies, especially developing countries which often struggle to self-fund capital-intensive projects (Majeed and Ahmad, 2008). FDI augments capital in recipient countries for the pursuit and expansion of projects and is necessary in many developing countries which have untapped economic growth potential, but lack capital, skills and technological know-how.

The FDI literature included in this study considers six main areas of effectiveness, namely: growth, productivity, governance, human capital development, and the environment. Empirically, each of these variables could be positively, negatively or not impacted by FDI inflows. The effectiveness of FDI depends both on the type of investment and the inherent conditions of the recipient economy (Vadlamannati and Tamazian, 2009; Buracom, 2014; Sghaier, 2018). Additionally, the literature has found that supporting macroeconomic policies and governance structures associated with the management of FDI is necessary to ensure that the maximum benefits are extracted from FDI allocations (Khan and Akbar, 2013; Doku et al., 2017; Bitar et al., 2019).

The positive effects of FDI are noted in part to include: enhanced economic growth, improved domestic productive efficiencies, employment creation, technological transfers, and advances in the skills of the local labour force and building social welfare amongst impoverished communities (Chughtai, 2014; Reyes, 2018; Sghaier, 2018; Bitar et al., 2019). The positive spillover effects of FDI are not always continued into the long term, nor is FDI always effective in building capacity of the recipient country's labour force and productive sector. For example, FDI may negatively influence the domestic economy by increasing competition between local and foreign firms and inciting corrupt practices.

The capacity of the domestic economy could be built through FDI allocations creating positive linkages between MNEs and local firms, which leads to long-term positive outcomes. However, negative outcomes could also be experienced if the local industry is not fully capacitated to compete with international markets. Linked to growth outcomes, FDI also impacts productivity of local firms, as it facilitates the transfer of innovative and more efficient production methods. However, negative outcomes in productivity and technology may be that FDI interventions render

the existing technology and production methods obsolete. Similarly, with trade capacity, while FDI can increase the market size for export products, it can also lead to adverse effects on the current account balance through increased import demand by the local population. More altruistic outcomes of FDI include health, education and environmental considerations, where MNEs focus interventions on human capital and environmental development.

A substantial part of the literature on the effectiveness of FDI in economic growth highlights the reliance on stable governance structures in the host country. The presence of transparent and effective policies governing economic and political practices would discourage malpractices (Vadlamannati and Tamazian, 2009; Buracom, 2014; Sghaier, 2018) and therefore ensure a positive effect of FDI on economic growth. In Asia, the positive growth outcomes of FDI are specifically present under stable governance structures (Cai et al., 2011; Buracom, 2014). The positive long-term influence of FDI on economic growth is related to the advanced absorption capacity of emerging Asian economies, such as China and Japan, where the investments are directed towards industrialised sectors to improve productive capacity and sustain positive growth outcomes (Cai et al., 2011; Buracom, 2014; Vogiatzoglou, 2016). In the African context, as in Asia, stable governance structure is of paramount importance in enabling positive economic growth outcomes in the long run (Awolusi et al., 2017; Doku et al., 2017).

One of the channels through which FDI affects economic growth is through its impact on trade. From the literature, generally, FDI has a positive impact on trade. The positive trade outcomes include improved productivity and competitiveness of the domestic export industry and positive net effect between export and import values (Hailu, 2010; Han and Zhang, 2012; Jaffir et al., 2012). However, there is a duality between FDI and its impact on the BOP, where it could also negatively influence the current account balance (CAB) by capacitating the domestic populous to demand imports, which exceed the value of exports (Greenwood, 2002; Stoneman, 2007).

In highly productive Asian countries, FDI has improved the export capacity in both the short and long term, evident in positive BOP and CAB figures (Amir and Mehmood, 2012; Han and Zhang, 2012). Conversely, in developing economies in Africa and Eastern Europe which are largely consumptive nations that rely on productive nations for more advanced imported goods and services, this leads to negative BOP and CAB figures (Zaman et al., 2011; Marinela, 2015).

Another motive for pursuing FDI is the need to improve recipient domestic productivity and enable technological transfers from more capitalised MNEs (Barro and Sala-i-Martin, 2004; Belderbos et al., 2012; Peres et al., 2014). Through MNEs, recipient countries seek to close the technological and production gap which exists between themselves and the developed economies (Belderbos et al., 2012). The intention has been to promote economic convergence between developed and developing economies, with the former having a comparative advantage in production methods and access to more advanced technology (Barro and Sala-i-Martin, 2004; Fedderke and Romm, 2006; Baltabaev, 2013). The literature has largely found that the impact of FDI on technological advancement is particularly important for developing and emerging countries (Megbowon et al., 2016; Alvarado et al., 2017; Anwar and Nguyen, 2010). Both African and Asian economies have benefitted from the adoption of advanced technology and more efficient production processes (Moudatsou, 2003; Beugelsdijk, Smeets, and Zwinkels, 2008; Bruno and Cipollina, 2014). However as noted by Kargbo (2017) and Osabutey and Jackson (2019), the bureaucratic and cultural barriers which exist between recipient and investor economies may hinder technological advancement, negatively affecting domestic firms which are unable to adapt to the more efficient production processes in the short-term. In developed economies, the impact of FDI on production and technological advancement is often found to be positive, due to the high capacitation of the labour market and its ability to adopt the more efficient methods in their production processes (Smarzynska and Spatareanu, 2007).

Apart from the enhancement of growth and productivity that results from FDI inflows, positive spillovers into human capital accumulation and job creation are also experienced (Balioune-Lutz, 2004; Li and Liu, 2005). In developing countries, capital is scarce and there are comparatively less efficient productive processes (Asamoah et al., 2019), therefore, there is a need for entering and existing MNEs to improve the transfers of skills to the domestic labour force. Despite the positive findings on the impact of FDI on skills development and employment generation, a number of studies have also concluded that despite the expectation that FDI generates new employment opportunities, there is the real risk that it would also place domestic jobs at risk, making them redundant. The negative impact on domestic firms is also highlighted. Domestic firms are vulnerable to being taken over by large MNEs (Boateng et al., 2017; Sghaier, 2018; Samina et al., 2019). This is especially the case, should domestic firms become redundant and absorbed by larger capital MNEs (Teplova and Sokolova, 2019).

The effect of FDI inflows on the environment is of particular importance for resource rich economies. A challenge faced by developing countries endowed with natural resources is the exploitation of resources at an unsustainable rate (Frutos-Bencze et al., 2017; Ning and Wang, 2018; Li et al., 2019). In order to build ecological resilience, FDI in the form of capital and green technology is extended to the host countries (Li et al., 2019; Aust et al., 2020). These interventions are extended with the intention of reducing harmful emissions which pollute the environment (Yoon and Heshmati, 2017; Li, 2019; To et al., 2019). However, it is noted that FDI directed to economic growth and technological transfers, and the subsequent increased production in the host country, may increase CO₂ emissions (Lan et al., 2012; Wang Chen, 2014; Demena and Afesorghor, 2020).

From the literature, the productivity, economic growth, human capital development, trade openness and governance of developed economies are positively impacted by FDI. The positive growth outcomes afforded by FDI are due to the strong, foundational investment made in their production capacity, stable and accountable governance structures in economic, political and judiciary institutions (Ramos and Gillen, 2013; Milutinovic and Stenistic, 2016). Similar to developed economies, generally, developing countries also experience positive outcomes in improved growth, productivity and human capital development, specifically where stable and transparent governance structures exist (Burns et al., 2017; Failler, 2019).

In-depth observation of developing region literature provides more context. In Asian economies, positive outcomes in human capital development, economic growth, productivity, and trade linkages are observed from FDI inflows. FDI has improved Asia's access to educational material and infrastructure, which has built the capacity of the labour force (Park, 2018; Doytch and Uctum, 2019). The use of FDI in strengthening production efficiencies has also had positive spillovers in maintaining growth over sustained periods of time (Ullah et al., 2014; Alam et al., 2016).

In Africa, the overall impact of FDI in building economic growth and capacity is positive. The positive impact of FDI in the economy is particularly prevalent in addressing capital funding deficiencies for large scale infrastructure, technological development and building production capacity. However, when there is a lack of transparency in the political and economic institutions

in the recipient economy, this hinders the effectiveness of FDI impact (Doku et al., 2017; Malikane and Chitambara, 2017).

In Africa, while there have been positive outcomes in human capital development, economic growth, trade, and productivity, the literature notes that there is still a reliance on external finance from developed and capitalised economies (Chughtai, 2014; Reyes, 2018; Adesina, 2019). External finance and collaboration in the African economy have built economic capacity in the region to grow and develop the economy, but these have not led to sustained self-sufficiency (Moss et al., 2004; Abdulai, 2007; Adams, 2009; Govil, 2013; Ajide, 2015). There is still a lack of development in the labour force, production capacity and technology. Additionally, further work is required to overcome social deficiencies and break generationally poverty (Adams, 2009; Govil, 2013; Ajide, 2015; Reyes, 2018; Adesina, 2019).

Table 7: Empirical Findings on the Effectiveness of FDI Allocations

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Groups of developed and developing country Studies				
Borensztein (1998)	69 Developing Countries in Africa, Asia and Latin America (1970-1996)	Per Capita GDP growth rate	Years of schooling, government consumption, political rights, financial capacity, inflation rate, institution maturity, civil stability, FDI	FDI is used as a means to transfer technology to developing economies thereby improving efficiency. Efficiency of FDI is impacted by the recipients' capacity to limit corrupt practices.
Agosin and Mayer (2000)	32 Developed and Developing countries in Africa, Asia and Latin America (1970-1996)	Domestic Investment	FDI	As a result of FDI, the crowding in of domestic investment is prominent in Asia and Africa, while crowding out occurs in Latin America.
Campos and Kinoshita (2002)	25 Developing East European Countries (1990-1998)	Growth	FDI, population, technology transfers.	FDI has a significant positive influence on growth.
Damijan, Knell, Majcen and Rojee (2003)	10 Developing Countries (1994-1999)	Technology	FDI, R&D, GDP, population.	FDI enhances technological transfers to local firms.
Moudatsou (2003)	European Union (1980-1996)	Growth	FDI, trade openness.	FDI positively influences growth outcomes.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Larrain and Tavares (2004)	Developed and developing countries (1980-1994)	Corruption	FDI, trade volumes. GDP per capita.	FDI limits the presence of corruption.
Sharma and Gani (2004)	Developing countries (1975-1999)	Human capital development	FDI, GDP, civil conflict.	FDI positively influences human capital development in developing countries.
Agosin and Machado (2005)	36 Developing Countries (1971-2000)	GDP	FDI, institutional quality.	The impact of FDI on developing countries depend on the inherent investment policies present within the recipient country. More transparent and reliable governance structures enhance the positive externalities derived from FDI allocations.
Rudra (2005)	59 developing countries (1972-1997)	Democracy	FDI, growth, governance.	FDI enhances democracy, especially when operating in a politically stable regime.
Johnson (2006)	90 developed and developing countries (1980-2002)	Annual growth of real GDP per capita	Per capita GDP, gross capital formation, FDI as a percentage of GDP, annual growth rate of the labour force,	Through the technological spillovers, afforded by the MNE entering the economy through FDI, local firms are able to improve productivity and economic growth for developing nations, but this is

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			years of schooling.	not the case for developed countries.
Checci, De Simone and Faini (2007)	147 Developing countries (1990-2000)	Human capital	FDI, mortality, educational attainment, population.	FDI causes migration of skilled labour force.
Outreville (2007)	41 Developing Countries (2002-2003)	Health Sector	FDI, GDP, political stability, governance, population.	FDI positively impacts sustained development in the health sector.
Majeed and Ahmad (2008)	23 Developing countries (1970-2004)	GDP	FDI, human capital development, government expenditure, interest rate.	FDI has a long-lasting effect on growth and human capital development in developing countries.
Beugelsdijk, Smeets, Zwinkels (2008)	44 developed countries (1983-2003)	GDP	FDI, population, trade openness.	The impact of horizontal FDI is more effective at creating economic growth than that of vertical FDI.
Herzer, Klasen, Nowak-Lehmann (2008)	28 developing countries (1970-2003)	GDP	FDI, population, income, education, trade openness, financial market development.	There is no correlation between FDI and growth outcomes, nor does growth rely on per capita income, level of education, degree of openness or financial institutional development.
Wacker (2008)	50 developing countries	Net barter terms of trade	FDI, real GDP, Agricultural and	FDI may have a positive impact on developing

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(1980-2008)		raw materials trade, current account balance, industry value added, inflation, labour participation rate, manufacturing exports, services value added, unemployment rate, exchange rate.	countries term of trade, specifically export prices in those nations with a more educated labour force.
Senbeta (2009)	22 SSA countries (1970-2000)	Total Factor Productivity	FDI, growth, total factor productivity, human capital	FDI improves productivity in the long-run, while having a few negative repercussions in the short term for local firms.
Vadlamannati and Tamazian (2009)	80 Developing Countries (1980-2006)	GDP	FDI, policy reforms, institutional development,	FDI, coupled with favourable policy reform and institutional quality, allows for substantial growth in developing countries.
Dimelis and Papaioannou (2010)	42 Developing and Developed countries (1993-2001)	Real GDP growth	FDI, capital stock, domestic physical capital, ICT investment, labour force, transparency index, trade openness, government stability	FDI provides positive and significant growth effects within developed countries, while not being significant within developing countries

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Wang (2010)	50 Developing Countries (1970-2004)	Domestic Investment	FDI, GDP, population.	FDI negatively influences domestic investment in developed economies and is neutral in less developed economies.
Baltabaev (2013)	49 Developing Countries (1974-2008)	Total Factor Productivity	FDI, growth, human capital, technological advancement, R&D, trade openness, population.	FDI improves total factor productivity and technological advancement.
Driffield and Jones (2013)	156 Developing Countries (1984-2008)	GDP growth per capita	GDP, gross capital formation, FDI, ODA, remittances, trade openness, human capital, population growth, inflation, geographical location.	FDI effectiveness depends on institutional quality; where positive results are more prominent in nations with legislative integrity and a well-functioning institutional environment.
Bruno and Cipollina (2014)	20 European countries (2000-2012)	Productivity	FDI, growth, population, human capital.	FDI improves productivity.
Goccer, Mercan and Peker (2014)	30 Developing Countries (1992-2010)	Employment	FDI, investment, GDP, interest rate.	FDI accelerates investment in developing countries, especially when taking into account the interactive effects

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				with low tax burden and developed labour market. However, African countries experience a long term crowding out effect of investment.
Hussen (2014)	77 Developing Countries from Africa and Latin America (1985-2011)	Human Development Index	Democracy, GDP per capita, Infrastructure, inflation, FDI, trade, human capital formation	FDI has no significant impact on growth, but has a significant positive impact on human development. Economic effectiveness depends on the economy's absorption capacity, infrastructure development and suitable institutional policies.
Pfeiffer, Gorg and Perez-Villar (2014)	10 SSA countries (2012)	Productivity	FDI, human capital, population.	FDI productivity spillovers from MNEs are positive and significant in SSA.
Sun (2014)	124 developing countries (1970-2005)	Democracy	FDI, growth, population.	FDI positively influences democracy in the recipient country.
Azam, Khan, Zainal, Karuppiah and Khan (2015)	34 Developing Countries (1981-2013)	Human Capital	FDI, GDP, trade volume.	FDI positively influences human capital development.
Melo and Quinn (2015)	112 Developing Countries	Corruption	FDI, growth, inflation,	FDI increases the presence of corruption, especially in oil abundant economies.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(1999-2010)		population, employment.	
Nagel, Herzer and Nunnenkamp (2015)	179 Developed and Developing Countries (1980-2011)	Health sector	FDI, GDP.	FDI improves health outcomes in low income countries.
Strat (2015)	5 Eastern European Countries (1990-2012)	Human Capital	FDI, population, GDP.	FDI improves secondary and tertiary enrolment rates.
Milutinovic and Stanisic (2016)	EU (2005-2015)	Growth	FDI, trade openness.	FDI improves growth.
Miteski and Stefanova (2016)	16 European Countries (1998-2013)	Growth	FDI, trade openness, government stability.	FDI improves growth in the industrial and services sector, but has no impact on the construction industry.
Amghini, McMillan and Sanfilippo (2017)	53 Developing Countries (1964-2011)	Domestic Investment	FDI, GDP.	FDI improves domestic investment in the long term, especially when MNCs are involved.
Burns, Jones, Goryakin and Suhrcke (2017)	85 Developing Countries (1974-2012)	Health	FDI, GDP, infrastructure.	FDI improves health conditions in developing countries.
Golkhandan (2017)	25 Developing Countries	Health	GDP, FDI, human capital accumulation.	FDI improves long term health conditions.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(1995-2014)			
Jude and Leveuge (2017)	93 Developing Countries (1984-2009)	GDP	FDI, population, domestic investment, trade openness, government consumption, inflation.	Institutional quality impacts significantly on the impact of FDI on economic growth.
Jacimovic (2012)	Balkans (2004-2009)	GDP growth	FDI, political stability, trade openness, financial sector.	The economic and political landscape is positively influenced by FDI allocations.
Vacaflares, Mogab, Kishan (2017)	897 MNC (2006-2008)	Employment within MNC	FDI, company expansion, GDP, trade openness, exports, domestic investment, labour force participation rate.	Developed economies face growth in employment when FDI is extended.
Bang and MacDermott (2018)	OECD countries (1996-2006)	Immigration to FDI recipient nation	FDI inflow, population, GDP, urbanization, OECD affiliation.	FDI allocations to non-OECD countries attract more immigrants than those of OECD countries. This may be a reflection of potential immigrants perceiving that non-OECD would be more effective in implementing the funding.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Samman and Jamil (2018)	Gulf Cooperation Council countries (2002-2015)	Trade volume	FDI, GDP per capita, government stability.	FDI assists recipient countries diversify their economies.
Santangelo (2018)	65 Developing Countries (2000-2011)	Food Security	FDI, economic growth and development, government consumption, political stability, population, food imports and exports.	FDI directed towards land is seen to diminish food security.
Li, Dong, Huang and Failler (2019)	40 Countries (1990-2014)	FDI	Innovation capacity, Industrial structure, energy structure.	The impact of FDI on environmental performance is insignificant in developing countries, when compared to developed countries. This result could be improved if stricter environmental policies were enforced.
Li and Tanna (2019)	51 developing countries (1984-2010)	Productivity	FDI, GDP growth, human capital, institutional quality.	FDI positively influences productivity in the recipient economy. This effect is heightened with effective human capital development in the recipient economy.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Ross (2019)	122 countries (2002-2017)	FDI absorption	Citizen freedom, political stability, governance and regulation effectiveness, corruption.	Stimulating the supply side of the economy, enhancing investment regimes and infrastructure, and the reduction in red tape draws in FDI and improves the long term effect of FDI on the economy. The building of confidence within the economy is of the utmost importance.
Samina, Anum, Kamran (2019)	148 Developed and Developing Countries (1996-2016)	GDP	FDI, population, trade openness, value addition, infrastructure, corruption, government effectiveness, political stability, regulation quality, rule of law.	GDP per capita, trade openness, value addition industries and infrastructure impact on the quality of FDI inflows to developing countries.
Self and Connerley (2019)	143 developing countries (2013)	Job Creation	FDI, education attainment, GDP growth, corruption, legislative quality, government effectiveness, political stability.	Job creation is positively influenced by FDI in East and South Asia, and some areas of Latin America. However, SSA, the Middle East and Northern Africa are negatively impacted by FDI. Additionally, if there is a lack of effective governance, then job creation will also be negatively influenced by FDI.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Teplova and Sokolova (2019)	31 Developed and Developing countries (2000-2015)	Economic development	FDI, population, exchange rate, property rights, political stability, regulation quality, corruption.	FDI has positive implications on real GDP growth, inflation rate, knowledge transfers, and technological capacity.
Groups of Africa and SSA country studies				
Moss, Ramachandran and Shah (2004)	Kenya, Tanzania and Uganda (2002-2003)	Health	FDI, GDP, infrastructure.	FDI improves access to health services and medical supplies.
Adams (2009)	SSA (1990-2003)	Domestic Investment	FDI, GDP, government stability.	FDI lowers domestic investment in the short term, but improves over time.
Hailu (2010)	African countries (1980-2007)	Trade volume	FDI, trade balance, GDP.	FDI positively influences
Ndeffo (2010)	32 SSA countries (1980-2005)	Human Capital Development	FDI, life expectancy, GDP, population.	FDI improves attendance in primary and secondary education, life expectancy and GDP.
Kamara (2013)	44 SSA countries (1981-2010)	GDP per capita	GDP per capita, FDI, trade openness, human capital quality, political stability, law and order,	The effectiveness of FDI inflows depends on the state of political and financial institutions, the level of human capital and infrastructure. These

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			corruption, institutional development, infrastructure development, inflation, government spending and trade as a percentage of GDP.	aforementioned factors are lacking in the SSA region.
Ajide, Adeniyi and Raheem (2014)	27 SSA Countries (2012)	Growth	FDI, gross fixed capital formation, governance, inflation, exchange rate, trade openness, regulation quality.	In order for FDI to positively impact growth in SSA, this would require controls for corruption, ensure political stability and effective governance.
Amighini and Sanfilippo (2014)	54 African countries (1999-2011)	Trade	FDI, GDP, exchange rate, political stability, inflation.	FDI improves trade sector advancement in African economies.
Fowowe and Shuaibu (2014)	30 African countries (1981-2011)	Poverty	FDI, human capital development, debt.	FDI positively influences human capital development and reduces poverty.
Adams and Opoku (2015)	22 SSA countries (1980-2011)	Economic Growth	FDI, regulations (credit, business, labour),	The interaction between FDI and sound regulations has a positive impact on economic growth of the recipient country.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Alemu and Lee (2015)	39 African Countries	Real per capita GDP of recipient country	Foreign aid, FDI inflow, domestic investment, GDP per capita, human capital, population growth, exchange rate, inflation, trade openness, quality of infrastructure, economic freedom, natural resources, accessibility to marine trade.	FDI positively impacts growth.
Ajide (2015)	19 SSA countries (1995-2010)	Sectoral output by SSA region	Gross fixed capital formation as a percentage of GDP subtracted from FDI as a percentage of GDP, inflow of FDI, economic freedom, trade openness, broad money supplies as a percentage of GDP.	Economic freedom plays a pivotal role the overall economic performance within the SSA region, but yields insignificant effects within the individual sectors within SSA.
Hojjati (2015)	41 SSA countries	Technology	FDI, growth, corruption, property rights,	FDI facilitates technological transfers to SSA.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
	(2005-2013)		education, life expectancy.	
Boateng, Amponsah and Baah (2017)	16 SSA countries (1980-2014)	Financial sector development	FDI, real GDP, domestic savings, trade openness, inflation, policy development.	The interactive effect between FDI, financial sector development, real GDP, domestic savings, and trade openness promote investment to the recipient country. However, the lending and inflation rate prohibit investment to the region.
Ghazalian (2017)	SSA (1980-2014)	Domestic Investment	FDI, growth, trade openness.	FDI increases the crowding-in of domestic investment.
Kargbo (2017)	25 African countries (1996-2011)	Growth	FDI, productivity, human capital, governance.	There are heterogeneous effects of FDI on productivity, depending on the human capital absorption capacity of the recipient economy.
Malikane and Chitambara (2017)	45 African countries (1980-2012)	Total factor productivity	FDI, growth. Technology	FDI improves productivity.
Mansour, Bin and Ameer (2017)	Africa (2001-2014)	TFP	GDP, FDI, trade openness.	FDI has no impact on TFP.
Sakyi and Eqyir (2017)	45 African Countries	GDP	Domestic investment, inflation,	FDI directed towards export-oriented sectors have

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			government spending, institutional quality, exports, trade openness, FDI.	positive, long-term effects on growth.
Donaubauer, Kannen and Steglich (2018)	19 SSA countries (2002-2013)	Increase or decrease in presence of Corruption	Employment, population age, urban development, FDI.	There are mixed results when attempting to see whether FDI negatively or positively impacts on the presence of corruption in the recipient country. Although FDI increases economic activity, it also increases competition among local firms to capture the investment; which may lead to corrupt practices.
Kaur, Wall and Fransen (2018)	Africa (2006-2016)	Health	FDI, wages, productivity, GDP, population.	FDI positively influences health outcomes in Africa.
Malikane and Chitambara (2018)	45 African countries (1980-2012)	Technology	FDI, growth, productivity, human capital.	FDI positively promotes technological gains and productivity.
Sghaier (2018)	4 North African Countries (1992-2018)	Economic growth	FDI, trade openness, inflation rate, government consumption, financial development,	The interactive nature between FDI and effective financial development in the recipient country have a positive effect on economic growth.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			economic freedom.	
Wall, Mehta and Kaur (2018)	Africa (2003-2014)	Employment	FDI, growth.	FDI has no influence on employment in Africa.
Ali and Mna (2019)	Tunisia, Algeria and Morocco (1980-2014)	Domestic Investment	FDI, GDP, population.	FDI positively improves domestic investment capacity.
Donaubauer, Kannen and Steglich (2019)	19 SSA countries (2010)	Corruption	FDI, growth, governance.	FDI increases the presence of bribery and corruption in SSA.
Gamariel and Hove (2019)	43 SSA countries (1995-2015)	Export effectiveness	FDI, technological progress, labour costs, trade volume, institutional quality.	FDI positively influences trade linkages and efficiency. However, labour costs and unstable institutional quality may offset positive externalities
Ngundu and Ngepah (2019)	SSA (2003-2012)	Trade	FDI, growth, terms of trade.	FDI improves the quality of commodities being exported.
Kaulihowa and Adjasi (2019)	9 African countries (2000-2017)	Growth	FDI, human capital development	FDI positively influences human capital development.
Megbowon, Mlambo and Adekunle (2019)	26 SSA countries (2003-2016)	Trade volume	GDP, industrialisation,	Chinese FDI positively influences industrialization in

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			FDI, energy, trade volume.	SSA, but this is not sustained in the medium to long term.
Asongu, Nnanna and Acha-Anyi (2020)	25 SSA Countries (1980-2014)	TFP	FDI, growth, welfare.	FDI improves TFP, provided that there is a positive trade balance.
Aust, Morais and Pinto (2020)	44 African countries	SDG scores	GDP, infrastructure, sanitation, renewable energy, environmental sustainability.	FDI negatively influences the environment, while positively impacting the development of infrastructure, sanitation and renewable energy infrastructure.
Grekou and Owoundi (2020)	49 African countries (1979-2016)	Urbanisation	FDI, pollution, population, growth.	FDI increases urbanization and the amount of CO ₂ emissions.
Immurana (2020)	43 African Countries (1980-2018)	Health outcomes	FDI, GDP.	FDI improves health outcomes in Africa.
Meniago and Lartey (2020)	25 SSA countries (1980-2014)	Productivity	FDI, financial development, growth, human capital development.	FDI negatively influences TFP and growth, while having negligible outcomes for financial development and human capital.
Ngundu and Ngepah (2020)	SSA countries (2003-2012)	Human capital	FDI, economic growth, population, governance,	FDI positively influences growth in SSA. In terms of educational attainment, FDI positively influences the early stages of education,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			inflation, trade openness.	while negatively influencing later stages.
Salahuddin, Vink, Ralph and Gow (2020)	South Africa (1985-2016)	Child Health	FDI, GDP, corruption.	FDI improves health outcomes in the short to long term.
Groups of Asian Country Studies				
Rizvi and Nishat (2009)	India, Pakistan and China (1985-2008)	Employment	FDI, GDP.	FDI has no influence on employment.
Buracom (2014)	13 ASEAN countries (1985-2005)	Production capacity	GDP, FDI, governance effectiveness, trade openness, ease of doing business.	The ability of FDI to positively impact productivity depends on the institutional quality of the recipient country.
Vogiatzoglou (2016)	10 ASEAN countries 2015	Productivity	FDI, GDP, exports, tertiary education, debt stocks, natural resources, inflation, energy consumption, urbanization.	There is a positive correlation between FDI, growth and productivity in ASEAN countries.
Zhuang (2016)	16 East Asian countries (1985-2010)	Educational Attainment	FDI, technology transfers, population.	FDI positively influences secondary educational attainment, but negatively influences tertiary education attainment.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Abdouli and Hammami (2017)	17 MENA countries (1990-2012)	CO ₂ emissions	FDI, economic growth, energy consumption, trade volume.	FDI positively influences energy consumption and trade, while negatively influencing pollution.
Estrin (2017)	Central Asia and Russia (1990-2015)	Employment	FDI, growth, natural resource endowment.	FDI improves employment in Central Asia, but is insignificant in Russia.
Frutos-Bencze, Bukkavesa and Kulvanich (2017)	Member countries of CAFTA-DR (1979-2010)	Pollution	FDI, trade, GDP per capita.	FDI negatively influences pollution emissions.
Fatmawati, Suman, Syafitri (2018)	8 Asian Countries (2003-2015)	GDP	FDI, School enrollment, corruption perception.	FDI in isolation will not impact on growth, combined with human capital development will impact positively on growth.
Masipa (2018)	South Africa (1980-2014)	Growth	FDI, political stability.	FDI improves growth outcomes.
Park (2018)	China (1991-2015)	Human Capital Development	FDI, research and development, growth.	There is a positive relationship between FDI and human capital development.
Ravinthirakumaran and Ravinthirakumaran (2018)	APEC countries (1990-2015)	Income Inequality	FDI, trade openness, population, human capital.	FDI narrows income inequality.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Doytch and Uctum (2019)	14 Asia Pacific countries (1985-2012)	GDP per capita	FDI, services (financial, trade and business), manufacturing capacity, population, infrastructure.	Services has a significantly positive effect on GDP growth.
Jia, Han, Peng and Lei (2019)	552 Chinese firms (2004-2005)	Employment	FDI, wage rate, technological development.	FDI increases both the employment opportunities and technological capacity of developed countries, while remaining insignificant in developing countries.
Group of Latin American Studies				
Chan, Sotomayor and Lien (2019)	Latin America and Asia (1980-2014)	GDP per capita	FDI, remittances, population.	There are long term positive growth effects following FDI in Asia, however, this is not the case in Latin America. This has been attributed to policies which may not be optimal for the absorption of the positive spillovers of FDI.
Individual Country Case Studies				
Liu, Parker, Vaidya and Wei (2001)	China (1996-1997)	Productivity	FDI, population, growth.	FDI positively influences growth and productivity.
Cheung and Lin (2004)	China (1995-2005)	Productivity	FDI, human capital, wages, growth.	FDI increases productivity.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Huang (2004)	China (1995-2005)	Productivity	FDI, growth, population.	FDI increases productivity
Hung (2005)	Vietnam (1992-2002)	Poverty	FDI, human capital development, government consumption.	FDI reduces poverty, while having a negative influence over employment and government consumption.
Karlsson, Lundin, Sjoholm, and He (2007)	China (1998-2004)	Job Creation	FDI, institutional quality.	Job creation is positively influenced by FDI allocations.
Yang and Zou (2007)	China (1983-2005)	BOP	FDI, GDP, population.	FDI negatively influences the BOP.
Zhuang (2008)	China (1978-1999)	Education	FDI, growth, population.	FDI increases skills development and education enrolment.
Osinubi and Amaghionyeodiwe (2010)	Nigeria (1970-2005)	GDP	FDI, trade volume.	FDI positively influences growth and export volume in Nigeria.
Cai, Cheng, Xu and Leung (2011)	China (1965-2001)	GDP	FDI, population, trade openness.	FDI positively influences economic growth in the long term.
Amir and Mehmood (2012)	Pakistan (1999-2008)	Balance of Payments	FDI, GDP, human capital, inflation, trade.	FDI positively influences the BOP and human capital accumulation in the recipient economy.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Belderbos, van Roy and Duvivier (2012)	448 Belgium firms (2003-2006)	Technology transfers	FDI, growth, R&D, human capital development.	FDI enhances R&D and technology transfers in domestic firms.
Li (2013)	China (1995-2009)	Human Capital Development	FDI, economic growth, population, research and development.	FDI enhances the quality of the labour force.
Nkechi and Okezie (2013)	Nigeria (1975-2008)	Growth	FDI, human capital development, trade openness, infrastructure development.	FDI improves growth and human capital development in Nigeria.
Ugochukwu, Amah, and Onoh (2013)	Nigeria (1981-2009)	GDP	FDI, interest rate, exchange rate, governance.	FDI positively influences growth in Nigeria.
Chughtai (2014)	Pakistan (1971-2013)	GDP	FDI, institutional quality, economic sector.	There is bi-directional causality between FDI and GDP. Thus, GDP positively influences FDI allocations and FDI leads to increased growth in the short and long-term.
Hong (2014)	China (1994-2010)	GDP	FDI, human capital development.	FDI positively influences GDP, human capital development and wage progression.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Iavorschi (2014)	Romania (2007-2013)	BOP	FDI, exchange rate, GDP.	FDI positively influences the BOP.
Ullah, Shah and Khan (2014)	Pakistan (1976-2010)	Domestic Investment	FDI, GDP.	FDI improves growth and domestic investment.
Wen (2014)	China (1990-2012)	Technology	FDI, productivity, skills development, growth.	FDI positively influences growth, technology and productivity; but differs between the Yangtze and Pearl river Delta regions of China.
Marinela (2015)	Romania (2008-2013)	BOP	FDI, GDP.	FDI negatively influences BOP.
Alam, Raza, Shahbaz and Abbas (2016)	Pakistan (1972-2013)	Health	FDI, GDP.	FDI positively influences health outcomes in both short and long term.
Atala, Dagher and Chebib (2016)	Lebanon (1990-2000)	GDP	FDI, trade openness, technological advancement, bureaucracy.	FDI improves long term economic growth in Lebanon.
Khobai, Hamman, Mkhombo, Mhaka, Mavikela and Phiri (2017)	South Africa (1970-2016)	Growth	FDI, GDP, domestic investment.	FDI has no impact on growth in poverty stricken areas.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Lee and Lio (2016)	China (2000-2009)	Governance	Corruption, growth, FDI, human capital.	FDI enhances governance and reduces corruption.
Malikane and Chitambara (2017)	8 Southern Africa countries (1980-2014)	Economic growth	FDI, democracy, institutional quality.	FDI extended to democratically sound countries has a positive effect on growth.
Susic, Stojanovic- Trivanovic and Susic (2017)	Bosnia and Herzegovina (2002-2007)	GDP	FDI, trade openness, employment.	Production, growth and trade volumes are positively influenced by FDI allocations to Bosnia and Herzegovina.
Bonga-Bonga and Phume (2018)	South Africa (1970-2015)	TFP	GDP, FDI, human capital.	FDI positively influences TFP in highly skilled economies; whereas having the opposite effect in lower skilled economies.
Dey and Mishra (2018)	India (2004-2016)	Human capital	FDI, growth, population.	FDI improves education enrolment rates.
Sasana, Sugiharti and Setyaningsih (2018)	Indonesia (1990-2015)	CO ₂ emissions	FDI, economic growth, poverty, population growth.	FDI negatively influences CO ₂ emissions.
Ahmad, Draz, Su, Ozturk, Rauf and Ali (2019)	ASEAN and SAARC economies (1990-2014)	Poverty	FDI, GDP, population.	FDI improves health outcomes in both ASEAN and SAARC economies.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Awdeh, Jomaa and Zeaiter (2019)	Lebanon (2002-2017)	Financial Sector	FDI, foreign aid, trade openness, trade volume, remittances, tax revenue, government expenditure.	Too much of a financial injection crowds out the positive impact of FDI on growth.
Baranwal (2019)	India (2001-2015)	Human capital	FDI, population, GDP.	FDI enables skills development, however, it also promotes wage inequality.
Bitar, Hamadeh and Khoueiri (2019)	Lebanon (2008-2018)	Political risk	FDI, growth, infrastructure, trade openness.	FDI positively influences growth in Lebanon, but also increases the presence of corruption.
Dakhil, Al-Shukri and Al-Shammari (2019)	Iraq (2005-2017)	Balance of Payment	FDI, GDP, current account balance.	FDI improves the BOP and CAB.
Latief and Lefen (2019)	Pakistan (1990-2017)	GDP	Energy consumption, population, energy sector development, FDI, debt.	FDI and the relationship with growth and energy consumption is short run in nature, however it is positive. The short-run impact of the investment in the recipient country is mainly due to the loan-based nature of the investment.
Makhoba and Kaseeram (2019)	South Africa (1980-2015)	Employment	FDI, GDP, inflation, trade	FDI decreases employment and increases growth.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			openness and labour costs.	
Nguyen, Phan, Lobo (2019)	62 Vietnamese provinces (2010-2016)	Adjusted net savings (sustainable development indicator)	GDP, compensation of employees, taxation, turnover of enterprises, value of fixed assets, population.	While the employment created from FDI investment positively influences the long-term sustainability of an economy, it may negatively impact the long-term effects on the value of fixed assets and the sustainability of the projects funded by FDI. Thus, the quality of projects and ensuring human capital development in the expanded or newly formed sector would have a more positive impact on the long term sustainability of an economy.
Osabutey and Jackson (2019)	Ghana	Growth	FDI, technology, human capital development.	The transfer of skills and technology, associated with FDI, are compromised due to cultural differences and language barriers.
Shahid, Muhammad, Siddique and Liaqat (2019)	South East Asia (1990-2016)	Health	FDI, GDP, urbanization.	FDI improves health outcomes in the medium to long term.
Talpur and Soomro (2019)	Pakistan (1990-2011)	GDP	FDI, population, inflation, trade openness.	FDI significantly and positively impacts GDP growth, and the rate at which it improves. The improvement of governance

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				and improving sustainability in the energy sector will also positively impact on growth effects.
Tshepo (2014)	South Africa (1990-2013)	Employment	FDI, GDP.	FDI improves long run employment.
Zhou, Sun, Yang and Chen (2020)	China (2007-2015)	Environment	FDI, technological transfers, market capitalization.	FDI negatively impacts green technology advancement.

Source: Author's compilation

6.3 Effectiveness of Foreign Aid

6.3.1 Introduction

Foreign aid has been intended to offset capital deficiencies experienced in developing regions and expand relief coverage to impoverished communities (Ogundipe et al., 2014). Donors extend aid in the form of capital, technology, goods, and services to regions reliant on relief to improve standards of living and overcome generational poverty (Bjerg et al., 2011; Ogundipe et al., 2014; Elayah, 2016).

Foreign aid takes several forms including humanitarian, economic, political, military and environmental aid. Humanitarian aid is provided to relieve hunger, mitigate the effects of health pandemics and other social deficiencies present in the recipient country (Pronk et al., 2004; Akramov, 2006; Elayah, 2016). Economic aid is provided to enhance economic conditions which support sustained development in the country, thereby creating self-sufficiency. Donors aim to capacitate the recipient country to limit medium to long-term dependency on aid funds (Gulrajani, 2011). Political and military aid is given to civilly unstable regions with the intention of reducing conflict, promoting democracy and maintaining political independence in former colonies (Burnside and Dollar, 2000; Fink and Perez-Linan, 2007; Elayah, 2016) and to achieve long-term self-sufficiency and overcome short-term financial, medical, and food deficiencies (Fink and Perez-Linan, 2007; Elayah, 2016). Finally, environmental aid is extended to reduce the progression of climate change and eradication of biodiversity; achieved through the extension of funds and green technology (Parry et al., 2007). This section examines the socio-economic, environmental and political effectiveness of foreign aid generally, and in SSA.

6.3.2 The impact of foreign aid on Economic Growth

Foreign aid stimulates economic growth through the augmentation of domestic funding sources, and improving investment capabilities (Bichaka et al., 1999). The stimulating effect of foreign aid on the economy is often measured by the real GDP of the recipient economy following the donation (Radelet, 2006; Elayah, 2016). According to Pankaj (2005), the main outcomes for the recipient nation include economic equality, the realisation and strengthening participation in the economy and reduced dependence, the formation of policies which are contextually appropriate for the recipient nation, sustainable development, and improved capacity (Pankaj, 2005). All these

outcomes build the recipient economy's capacity to sustain growth outcomes beyond the receipt of aid into the medium to long term (Pankaj, 2005). Rena (2013) suggests that, in order for foreign aid to be effective and efficient to the recipient nation, it should contribute directly to efforts to mitigate poverty, inequality, and unemployment.

The effectiveness of aid extends beyond the direct impact measurable through growth indicators but extends to externalities that stem from aid investment. For instance, aid can be a catalyst for generating alternative forms of capital into the medium to long term, such as the attraction of FDI inflows (Alemu and Lee, 2015). Selaya and Sunesan (2012) examined the interaction between two types of aid allocation, one of which helps to increase the amount of physical capital, and the other helps to increase complementary factors of total factor productivity. A key result from this analysis indicated that the effect of total aid on FDI is often found to be ambiguous, as the effects of the two types of aid flows on physical capital accumulation and total factor productivity are combined. Thus, a key theoretical finding is that aid effectiveness may be determined from its composition and its intended impact on capital output (Selaya and Sunesen, 2012). The extent to which aid may be absorbed from a macro-economic perspective is determined by the stability of the policy environment, the income level of the recipient populous and inherent geographical factors (Durberry et al., 1998; Hussien, 2014; Kumi et al., 2017; Rahnama et al., 2017). These three factors provide measurable indicators for a recipient nation's capacity to absorb the positive growth spillovers which present themselves on account of aid (Kumi et al., 2017).

However, aid does not always result in positive growth outcomes for the recipient country. Ijaiya and Ijaiya (2004) found that the growing levels of poverty are a result of the mismanagement of foreign financial assistance being a product of corruption, inadequate governance and institutional instability. In order for aid to result in growth spillovers in the recipient economy, it is imperative to establish and maintain effective governance structures to monitor the use of funds (Adedokun, 2017). Should aid be maladministered and used to fund corrupt activities, this can have dire consequences for the sustainability of the economy (Aime, 2010; Bjornskov, 2010; Sogan, 2017).

The literature clearly addresses the conditionality in the effectiveness of foreign aid. For instance, following from Riddell (2008) and Howes (2011), the effectiveness of aid may be defined in relation to its objectives. The assumption that aid ultimately leads to poverty reduction and

improved growth is often unfounded. The impact of foreign aid may be falling short of its economic and developmental objectives due to: corruption, market inefficiencies, ineffective institutionalisation of policies, lack of coordination and bureaucratic limitations within the recipient nation (Alesina and Dollar, 2002; Burnside and Dollar, 2000; Dutta et al., 2015; Kumi et al., 2017; Kaya and Kaya, 2019; Maruta, 2019). Specific mitigations which may be undertaken by the recipient country to improve the impact of aid on growth include the development of fiscal, monetary and trade policies (Burnside and Dollar, 2000). Furthermore, the allocation of aid may be distorted due to the commercial, strategic and political motives of the donor. These all detract from the growth and developmental objectives of aid (Harrigan and Wang, 2011).

This literature has alluded to the importance of institutional policies and governance attached to allocations, as they directly influence the effectiveness of aid on growth in the recipient country (Balde, 2011; Bjerg et al., 2011; Arvin and Byron, 2012; Sogan, 2017; Harb and Hall, 2019; Laniran and Olakunle, 2019). Dutta et al., (2016) found that foreign aid could enable sustainable economic effects when operating in a stable democratic regime. However, if operating under a government regime which exploits funding to further their own interests and create restrictive regimes. It could limit or deteriorate positive effects spilling over to growth (Dutta et al, 2016; Akter, 2018). Significant importance is placed on both policy and economic governance efficiencies to enhance aid effectiveness on growth programmes (Adedokun, 2017; Sogan, 2017; Akter, 2018; Harb and Hall, 2018).

In order for aid to be effective, it needs to be directed towards productive aid programmes which are effectively governed by sound policy and accountable institutions (Bjerg et al., 2011; Khomba, 2017). From a micro perspective, Durbarry, et al., (1998) found that aid is observed to be effective, while macro interventions results in more ambiguous outcomes. This suggests that concentrated efforts made to developing regions are more effective than large aid programmes. This has been attributed to a lack of effective policy drivers that can carry the intervention into the long term. Further support is found in Bearce and Tirone (2010), where aid was seen to positively influence growth on a small scale, however this effect is muted when applying to larger growth programmes. The process of strengthening the structural transformation of low- and middle-income economies has not been successful within most recipients of aid (Addison et al., 2017; Hoa and Limskul, 2017). Addison et al., (2017) found that the diversification of developing economies has been a

challenge, specifically, in creating sectors with high-value added products and services which could sustain growth beyond the term of aid programmes.

The next sections examine in more detail, the effectiveness of foreign aid on economic growth.

(a) Foreign aid and economic growth in developing countries

The impact of foreign aid on economic growth is seen as mostly ambiguous in the literature. For instance, Loxley and Sackey (2008) found that aid enhanced growth in developing countries through the positive impact on investment. This is echoed by Alemu and Lee (2015) who concluded that the positive impact of foreign aid on growth is also found in low-income developing economies. Moreira (2005) examined 48 developing countries from 1970 to 1998 and found that aid positively influences growth. Ekanayake and Chatrna (2008) examined the effectiveness of foreign aid in promoting growth in developing regions located in Asia, Latin America, the Caribbean and Asia between 1980 and 2007. The results indicated that while aid has adversely influenced growth outcomes in Asia, Latin America and the Caribbean, positive outcomes are being experienced in Africa. The authors further determined that positive outcomes in growth are reserved for middle-income economies, whereas low-income economies experience negative outcomes in growth. Rahnama, et al., (2017) echoes the distinction between difference income levels and the effectiveness of aid on growth. The authors found that low-income countries are not able to translate aid into positive outcomes in growth due to the lack of absorption capacity in the recipient economies. A way in which aid can translate positively into the recipient economy is by enhancing productivity, which has positive knock-on effects on sustained long-term growth (Akter, 2018; Sangu and Nwachukwu, 2018; Harb and Hall, 2018).

While aid provided to developing countries has been able to stimulate growth, enhance structural development, and to sustain growth in the long-run for some regions, this is not a conclusive finding (Arndt et al., 2010; Clemens et al., 2012; Arndt and Tarp, 2015). There are findings in the literature which refute the conclusion that aid has a positive effect on growth in developing regions (see Bichaka et al., 1999; Frot and Perrotta, 2012; Juselius et al., 2013; Mekasha and Tarp, 2013). Both Khomba (2017), and Laniran and Olakunle (2019) found that the effect of aid on growth in developing regions may be to stagnate growth and create more aid-dependency. Pham and Pham (2020) discovered that, while aid may promote growth in recipient countries in the short term, this

may not be sustained in the medium to long term as interactions within the global market may expose market deficiencies. Thus, growth benefits would be limited to the short term for those economies which are at a comparative disadvantage because of their production efficiency and access to capital.

(b) Foreign aid and economic growth in Asia

The literature has delved into the impact of aid on growth in Asia, especially in the South Asian region. Much of the literature has found that aid positively influences growth in Asia, especially when directed to effectively managed aid programmes. Feeny and Vuong (2017) supports this assertion, suggesting that aid projects in the Asian Pacific are more likely to be successful than programmes, due to the more focused approach taken to complete the objectives. Duc (2006) examined the influence of growth in both SSA and South Asia from 1975 to 2000 and found that aid drives growth because aid programmes build recipient economy capacity through providing more efficient and effective ICT and physical infrastructure and developing human capital. Bhavan et al., (2011) also determined the growth effect of foreign aid for Southern Asia countries from 1995 to 2008 and concluded that, while aid had no short-term impact on economic growth, there was a positive long-term effect of aid on growth. This finding was attributed to the fact of aid programmes requiring traction to facilitate growth. Similar positive results for the nexus between foreign aid and economic growth in Asian countries were reported by Basnet (2013) also examined the influence of foreign aid on growth in South Asia from 1960 to 2008 and found that growth is positively attributed to aid allocations.

Single country analysis have also been conducted on the impact of foreign aid on economic growth in Asia, with similar results. For example, Shirazi et al., (2009) examined the impact of aid on growth for Pakistan between 1975 and 2006. The results indicate that there has been a significantly positive impact on growth in the long term. According to the authors, the result highlighted the lag effect of foreign aid in affecting growth. Both Asteriou (2009) and Chowdhury and Das (2011) examined the influence of aid for Bangladesh, India, Nepal, Pakistan and Sri Lanka for the period 1975-2002 and 1976-2008 respectively. Both studies found that aid had led to positive results in growth for the sample of countries considered, as in each case aid programmes build recipient capacity. Capacity is built through providing efficient and effective infrastructure, human capital

development and ICT services to the economy. Similarly, Arshad and Zaid (2014) examined the influence of foreign aid on the economy of Pakistan from 1970 to 2010 and found that aid had positively influenced growth in the medium to long term.

Contrary to the literature which found that aid positively influences growth in Asia, there is a body of literature that showcases contrary findings. Burke and Ahmadi-Esfahani (2006) conducted a study on Thailand, Indonesia and the Philippines from 1970 to 2000 and found that aid had had no effect on growth in the South- East Asian countries. The authors found that growth in South- East Asia is enhanced by FDI allocations and is more effective than aid in targeting strategic sectors of the economy and unlocking sustained growth. The authors also noted that, should recipient countries wish to improve growth results in South- East Asia, improved linkages between FDI and foreign aid programmes would enhance the growth spillovers to the region. Ferreira and Simoes (2013) examined the influence of aid on growth outcomes in 44 SSA and 31 Asia countries from 1972 to 200 and concluded that although both regions were major recipients of aid, the results indicated that aid negatively influenced growth in both Asia and SSA.

(c) Foreign aid and economic growth in Africa

One way in which aid has been found to enhance long-term growth is through the capacitation of the domestic populous to adopt increased or better saving and investment behaviours (Celasun and Walliser, 2008; Bulir and Hamann, 2008). Hansen and Tarp (2001) and Clemens et al., (2004) both found that aid has the capacity to increase both savings and investment in SSA, which also spurs potential long-term growth. In this instance, savings and investment can spur long-term growth and limit aid dependence beyond the donation term (De Renzio, 2005; Fielding and Mavrotas, 2008; Celasun and Walliser, 2008; Bulir and Hamann, 2008).

According to Lancaster (1999), even though Africa is the highest global aid recipient, economic growth has been low. Of importance would be the management and institutional factors, when considering the failure to harbour growth and lack of sustainability. Both Tang and Bundhoo (2017) and Dutta et al., (2015) find that when operating within an effective policy and institutional environment, aid has a positive impact on growth. Alemu and Lee (2015) account for the factors of differing levels of economic growth and endogeneity, leading to the conclusion that low-income African countries experience a positive relationship between foreign aid and GDP growth. Tang

and Bundhoo (2017) note that aid used in isolation does not necessarily impact growth, whereas the use of aid in a region with effective policy and institutional quality is found to be significant. Afawubo and Mathey (2017) conducted a study on 45 SSA countries from 1990 to 2013 in order to ascertain whether foreign aid positively influences growth in the short to medium term. They found that there was a reliance on effectively governed institutions to capacitate long-term growth in SSA. Tawiah et al., (2019) found that aid directed to Ghana has positively influenced economic growth; but is dependent on effective and efficient governance conditions in the economy.

However, the effectiveness of aid to the African continent has also been scrutinised, based on the vast amount of funding which has been extended to the region and the lack of structural change from an economic perspective (Aime, 2010; Bjerg et al., 2011; Asongu and Nwachukwu, 2018; Kallon, 2018; Younsi, 2019). While parts of the literature find that African may benefit from foreign aid allocations, the empirical literature on SSA and Africa, which has found negative spillover effects of aid on growth, has mostly linked the findings to the lack of effective governance and management of aid programmes. An earlier study by Addison et al., (2005) sought to examine the influence of aid on growth in Africa from 1960 to 2002 and the authors found that aid did not impact growth or economic development in the region. Ferreira and Simoes (2013) examined the influence of aid on growth outcomes in 44 SSA and 31 Asia countries from 1972 to 2007, and the results indicated that aid was negatively influencing growth in both Asia and SSA. Specifically, both studies found that the inability of aid to facilitate growth in the region. When aid was extended to regions, recipients were found to not have grown their socio-economic capacity to become self-reliant on domestic resources, which had contributed to the dependence on foreign assistance for Africa. Dependence on foreign aid to sustain growth is a negative symptom, as this indicates a lack of domestic capacity to grow sustainably from aid assistance. When recipient economies receive funds and resources, and the monitoring and management of the assistance is not adequately monitored, mismanagement and sub-optimal usage of funds would occur. Mwakalila (2019) examined the effectiveness of foreign aid in promoting growth in African countries from 1996 to 2016 and found that economies which lack the effective governance structures and policies are negatively influenced by aid. However, if there is a strong management of governance policies and institutions, then the influence of aid on growth is positive.

Single country case studies have drawn linkages drawn between foreign aid, economic growth and the condition of the macroeconomic policy environment with differing results. For example, Tadesse (2011) examined the impact of foreign aid on economic growth in Ethiopia between 1970 and 2009, where the isolated impact of foreign aid and growth was positive, However, when interactions between policy variables were included in the cointegration model, aid was found to negatively impact growth. Tadesse (2011) associated this finding with the negative influence bad policies had on aid effectiveness. Olkeba (2013) further examined the impact of foreign aid on economic growth in Ethiopia between 1970 and 2011 and found a positive long- run impact on growth, due to aid mobilising domestic savings. Later, Abera (2017) examined the short and long-run impact of foreign aid on economic growth between 1981 and 2014 in Ethiopia. The results showed that foreign aid negatively influenced economic growth in both the short and long run.

Both Bakare (2011) and Odusanya et al., (2011) found the impact of foreign aid on economic growth in Nigeria to be positive and attributed this to the improved capacity of the economy to sustain growth into the long term. Conversely, Duru et al., (2020) examined the impact of foreign aid on economic growth in Nigeria from 1984 to 2017. The results reflected the ineffectiveness of aid in contributing to economic growth in Nigeria. Several studies on the nexus between foreign aid and economic growth in Nigeria highlight the conditionality of the effectiveness. For example, Mwakalia (2019), associated growth stemming from aid programmes with the condition of internal governance structures. Similarly, Duru et al., (2020) found that the effectiveness of foreign aid in enhancing economic growth was contingent on the quality of governance structures. Specifically, the development of sound macroeconomic policy improves the effective utilisation of aid in growth enabling endeavours and reduces the presence of corruption.

In Sierra Leone, Kargbo (2012) investigated the impact of foreign aid on economic growth between 1970 and 2007, and found that despite the civil instability, foreign aid had a positive influence on economic growth. This was associated with rigorous monitoring and management of assistive funds and interventions to the region. For Kenya, Ojiambo (2013) examined the influence of foreign aid on economic growth between 1966 and 2010 and found that economic growth had been positively impacted by foreign aid allocations, because of the capacity building initiatives implemented by aid programmes.

6.3.3 Foreign aid and Governance

(i) The impact of foreign aid on governance in developing countries

Governance in the administrative, judicial and political sphere has been extensively covered in the literature. In terms of administrative governance, this alludes to bureaucratic quality and government capacity (Bjerg et al., 2011; Stockemer et al., 2011; Dijkstra, 2018). Judicial governance relates to regulatory policies; while political governance relates to the existence of civil rights, institutional auditing results, democratisation and political stability (Hoebink, 2006; Fukuyama, 2016; Dijkstra, 2018). The extension of foreign aid to improve democratic accountability and governance institutions has been supported by aid development programmes since the 1980s (Hoebink, 2006; Fukuyama, 2016). The body of literature on the effectiveness of aid in enhancing governance capabilities focuses on the current state of civil rights, the development of institutional policies that enhance civil liberties, and alignment to international best practice (Stockemer et al., 2011; Fukuyama, 2016). There are mixed findings when it comes to the effectiveness of foreign aid in enhancing recipient economies' governance capacity.

The following section on governance accountability is an extension of the discussion in section 5.2.1. The previous section linked the effectiveness of foreign aid in terms of building economic capacity and enhancing growth to the presence of good governance. Specifically, positive economic outcomes from aid are both directly and indirectly linked to effective and efficient governance (Bjerg et al., 2011; Stockemer et al., 2011; Khomba, 2017).

Building political accountability and strengthening governance processes are key objectives of aid to the recipient economy, as this provides heightened avenues for accountability between beneficiaries of aid and those tasked with governing aid allocations (Radelet, 2006; Omotola and Saliu, 2009; Udvari and Ampah, 2018). Foreign aid may improve the long-term quality of existing governance structures by capacitating institutions with access to improved training and skills development, to be more competent against corrupt bureaucratic processes (Tavares, 2003; Sarwar et al., 2015; Dijkstra, 2018). Yoon and Kim (2015) examined 90 developing countries from 2002 to 2011 and found that foreign aid improves political governance structures. Hoebink, (2006) Moyo (2009). Stockemer et al., (2011) found that aid has the effect of improving governance

outcomes and reducing corruption in the recipient economy, which in turn improves accountability and transparency. Okada and Samreth (2012) conducted a study on 120 developing countries between 1995 and 2009 and found that aid reduced the occurrence of corruption. However, the literature has also argued that aid may strengthen and promulgate the presence of corruption (Riddell, 2007; Omotola and Saliu, 2009). Udvari and Ampah (2018) argued that aid is found to promote dependence in developing countries, while strengthening corrupt practices. According to Knack and Rahman (2007) who show that domestic governance weakens with increased aid. This is echoed by Abuzeid (2009), high allocations associated with aid are correlated with the erosion of governance and may even lead to diminishing growth outcomes in developing countries. Ezbeznik (2011) found that when isolating the influence of aid on corrupt and bureaucratic processes, outcomes were negative in the short to medium term. Furthermore, Selaya and Thiele (2012) conducted another study on foreign aid effectiveness in developing countries from 1995 to 2005 and found that aid has had a negative influence on governance quality.

The impact of reporting requirements of aid donors on the institutions of recipient countries has also been examined. According to Hoebink (2006) and Dijkstra (2018), the reporting requirements enforced by aid programmes have the indirect effect of weakening state capacities, as it places institutional pressure on an already under-capacitated system. Acharya et al., (2006) found that foreign aid reduces governance quality. This finding is associated with the fact that aid allocations often lead to increased reporting requirements to the donor institution; which compromises other reporting requirements in domestic recipient institutions. Rajan and Subramanian (2007) examined developing countries from 1980 to 2000 and found that governance processes have been compromised with foreign aid. Again, the deterioration of governance quality had been associated with increased reporting requirements which accompany aid programmes, which may not necessarily be complemented with assistance in administrative capacity (Acharya et al., 2006; Rajan and Subramanian, 2007).

Contrary to the negative influence of foreign aid on administrative governance discussed previously, both Coviello and Islam (2006) and Askarov and Doucouliagos (2016) find no influence of foreign aid on governance quality.

(ii) The impact of foreign aid on governance in Asian countries

Pertaining to the literature on the effectiveness of aid on governance structures and functions in Asia, results are not conclusive. Soeng et al., (2018) examined the influence of aid on corruption controls in ASEAN countries between 1996 and 2015 and found that aid positively influenced controls to reduce corruption. Ali et al., (2019) conducted a study on the effectiveness of foreign aid on governance in Asia from 2000 to 2014 and found that aid was reducing the presence of corruption. Quazi and Alam (2015) examined the effectiveness of foreign aid on governance in 14 South East Asian countries between 1996 and 2013 and found that there was a positive influence on governance in South East Asia. In all three of the aforementioned studies, aid positively influences governance outcomes by the donors requiring rigorous reporting standards from recipients. Since the reporting requirements are rigorous, this ensures that every effort is made to use resources for their intended purpose consistently and effectively.

Contrary to the results which found that aid positively influences governance in Asia, there are studies which associate aid with negatively influencing governance quality and at times increasing the presence of corruption among both the private and public sector. Specifically, while donors may require rigorous reporting standards, if resources to further capacitate recipients are not provided, this places pressure on the recipient's existing governance structures. A study by Qayyum (2013) on developing Asian countries between 1984 and 2010 found that recipient nations involved in conflict and which lacked political stability experienced a substantial deterioration in institutional accountability. Additionally, the receipt of aid from external sources may lead to the deterioration of institutional quality, as the injection of funds and other forms of assistance may lead to corrupt activity to misappropriate the assistance provided (Qayyum, 2013). Sarwar et al., (2015) examined the relationship between aid and governance in Pakistan between 1984 and 2012. The authors found that aid reduces the quality of governance measures by increasing the presence of corruption and moral hazard, reducing accountability and increasing the strain on bureaucratic processes.

(iii) The impact of foreign aid on governance in African countries

In the consideration of the impact of foreign aid on governance in Africa, the results are mixed. Corruption in Africa has been a persistent concern. Donors have consistently attempted to improve

governance outcomes of the recipient in the form of enhanced accountability of political and judicial leaders (Egenti et al., 2019; Kaya and Kaya, 2020). Mohamed et al., (2015) examined the effectiveness of foreign aid in improving governance outcomes in 42 SSA countries between 2000 and 2010. The results indicate that aid to the region is effective in building governance quality. Asongu and Nnanna (2019) examined the role of foreign aid in governance dynamics for 53 African countries between 1996 and 2010. The authors found that foreign aid improves governance standards, particularly accountability and policy quality. Egenti et al., (2019) examined the impact of aid on governance quality in 15 West African countries from 1990 to 2015 and found that aid increased governance standard in the 15 countries, particularly enhancing accountability.

Contrary to the literature which observed that foreign aid improved governance in Africa, there is a branch of the literature which has found aid to negatively influence the quality of governance. Generally, the literature associates many of the failures related with aid programmes to aid fostering poor domestic governance quality and lack of institutional accountability (Burnside and Dollar, 2000; Berthelemy and Tichit, 2004; Kaya and Kaya, 2020). For instance, Moss et al., (2006) found that recipients of aid in SSA are less likely to foster effective governance. This was because institutions assumed less accountability to the domestic economy. Erbezniak (2011) examined 23 SSA countries between 2000 and 2008 to determine if aid improves the rule of law and overall governance. The results indicated that aid reduces recipients' incentives to reform and improve existing governance structures. Additionally, Jaouadi and Hermassi (2013) conducted an extensive study on MENA and SSA countries from 1990 to 2004 and found that aid had led to deteriorating governance stability in political institutions. An earlier study by Mohamed and Azman-Saini (2015) examined the nexus for 52 African countries between 1996 and 2010, with specific focus on the influence of aid on corruption and found that corruption tends to increase following the extension of aid. Asongu and Nwachukwu (2016) who examined the effectiveness of aid to 52 African countries between 1996 and 2010 found that aid had a deteriorious effect on regulatory quality. Specifically, while aid may reduce corruption, improve regulation quality, and rule of law; it does not promote political stability.

6.3.4 Foreign aid and human capital development

The developmental outcomes associated with foreign aid are extensively covered in the literature and are considered to be one of the major reasons for the extension of foreign aid to developing and impoverished regions (Radelet, 2006; Sachs, 2009; Moyo, 2010; Easterly, 2014). Foreign aid is intended to close development gaps in part by alleviating poverty and improving educational and health outcomes. The empirical examination of the effectiveness of foreign aid on human capital development has yielded mixed results in the literature (See for example Sachs, 2009; Moyo, 2010; Easterly, 2014). The following section examines the literature on the effectiveness of aid allocations in improving education and health conditions in the recipient economy.

(a) The effectiveness of foreign aid on education

The impact of foreign aid on education can be examined from both an input and outcomes perspective. In terms of the former, the effectiveness of aid in education depends on the educational materials provided, the surrounding community involvement and the existing capacity of the educational programme to maximise and absorb the donation (Michaelowa and Weber, 2007; Birchler and Michaelowa, 2016). According to the literature, quality and inclusive education is necessary to promote medium- and long-term development (Yogo, 2017). Donors aim to offset developmental inefficiencies by funding education programs which both increase enrolment and completion rates; particularly in basic education (Riddell and Nino-Zarazua, 2016). In the literature, focus has been placed on measuring increased education enrolment and attainment; whereas the effect of aid on the quality of education is not as well documented (Ogundari and Abdulai, 2014; Birchler and Michaelowa, 2016). Globally, focus has been placed on improving universal primary education as it plays a key role in reducing poverty and inequality (Ogundari and Abdulai, 2014; Yogo, 2017). However, while enrolment levels increase in the short-term, overall educational outcomes are not as successful in the long-run (Riddell and Nino-Zarazua, 2016). In the literature, generally, education aid has been found to influence enrolment rates positively (Riddell and Nino-Zarazua, 2016; Yogo, 2017; Asongu and Tchamyou, 2019).

(i) Impact of foreign aid on education in developing countries

Michaelowa and Weber (2007) conducted a study on 129 developing countries from 1974 to 2000 and found that educational aid improved primary enrolment and completion rates. Similarly, Dreher et al., (2008) found that education aid allocations to both low- and middle-income countries increased primary educational attainment. However, this result is minimised for economies with ineffective governance structures. Heyneman and Lee (2013) provide support for this assertion and contend that the barrier created by ineffective and unstable governance limits the positive outcomes associated with educational aid programmes.

The literature has produced mixed results on the influence of aid on educational outcomes. Michaelowa and Weber (2007) conducted a study on the impact of foreign aid on education outcomes in 120 low and middle-income countries for the period 1970 to 2000. The results from this study indicated that educational aid programmes provided a slight improvement in educational attainment. Additionally, Asiedu and Nandwa (2007) examined the effectiveness of aid on primary education outcomes for developing countries between 1990 and 2004. The results indicated that educational aid programmes were effective in improving educational aid attainment. Dreher et al., (2008) replicated the study conducted by Asiedu and Nandwa (2007), including the same 94 low and middle-income countries from 1970 to 2004 and found a greater correlation between foreign aid and educational attainment. Maruta et al., (2020) examined 74 developing Asian, African and South American countries from 1980 to 2016 and concluded that education aid was most effective in South America whereas education aid impact on education outcomes in the other regions were negligible (Maruto et al., 2020).

(ii) The impact of foreign aid on education in Asia

Similar positive findings on the impact of education aid on education outcomes in Asian countries have been observed in individual country analysis. For example, an early study by Kampe (1997) examined the effectiveness of educational aid programmes in Laos, Thailand and Vietnam between 1991 and 1995. The results indicated that aid improved students' access to urban and industrial education, while disregarding rural and indigenous schooling outcomes. The authors found that by building this skillset in the future labour force, a disconnection was created between the local community and the domestic agrarian and rural economy. Ferreir, et al., (2009) conducted an

eighteen-month study on students from Cambodia in order to isolate the impact of education aid on both enrolment and their performance. The results indicated that attendance improved with the aid intervention, however there were no improvements in pass rates. Olken et al., (2014) examined 3000 villages in Indonesia to determine whether aid programmes improved education outcomes, for both enrolment and completion rates. The study revealed that while aid may improve enrolment rates, it in no way influenced education outcomes.

(iii) The impact of foreign aid on education in Africa/ SSA

The development of human capacity remains a concern for SSA where educational attainment and literacy rates are lower than in other regions (Asiedu, 2014). Several studies in the African continent have found that foreign aid positively influences enrolment rates, whereas the effects on completion rates are mixed. Asiedu (2016) examined the nexus for 28 SSA countries from 1990 to 2004 and found that educational aid has had a positive influence over enrolment and educational attainment, which create subsequent positive spillover effects to the development of the economy's labour force. Yogo (2017) examined the impact of foreign aid on educational attainment in 35 SSA countries from 2000 to 2010 and found that high levels of aid significantly increased primary education completion rates. This finding was attributed to the increased access to learning materials. Asongu and Tchamyou (2019) examined the nexus for 53 African countries from 1996 to 2010 and found that foreign aid was influencing primary education enrolment rates and had minimal long-term effects on completion rates. Mukkaddas (2020) examined the effect of foreign aid on education development in Nigeria and found that the quality of education institutions and resources improved with increased allocations of aid to the country. The result is attributed to the increased capacity of education institutions in Nigeria as a result of technology and human interventions afforded by the aid. This impact on education outcomes is possible through the impact of aid on education inputs such as technology. Nsanja et al., (2021) confirms this through the study n of the impact of foreign aid on the education sector and growth in 32 African countries from 2005 to 2017. The study found that the education sector benefits from external assistance, through the improved capacity in ICT and teacher training programmes.

(b) The effectiveness of foreign aid on Health Outcomes

There has been an increase in foreign health aid allocations from developed to developing regions over the years. Health aid is provided to enhance the health capital of recipient countries in order to develop the poor health infrastructure, provide health supplies, assist with conflict induced health crisis and to tackle persistent and emergence of new communicable diseases. According to Navarro et al., (2006); Toseef et al., (2019), globally, focus is placed on the improvement of health conditions in less developed and impoverished regions; with the onus being placed on more capitalised economies to aid).

Health aid is provided with the aim of mitigating high mortality, improving access to healthcare, developing healthcare facility capacity, and preventing the spread of communicable diseases (Franco et al., 2004; Raikumara and Swaroop, 2008; Peiffer and Boussalis, 2010). In the literature, different health indicators have been used to measure the effectiveness of foreign health aid including immunization coverage, life expectancy, mortality rate, infant mortality, healthcare access, access to drinking water, and public sector expenditure on health (See Lake and Baum, 2001; Franco et al., 2004; Dreger and Reimers, 2005; Navarro et al., 2006; Rajkumara and Swaroop, 2008).

(i) The impact of foreign aid on health in developing countries

There are mixed results in the literature, where the exact impact of aid on achieving positive results in the health sector may be positive, muted or not significant (Williamson, 2008). Foreign aid has been found in some of the literature to systematically lower mortality rates and increase immunisation of various communicable diseases through the institution of advanced pharmaceuticals, more efficient technologies, and better governed health care system (See Easterly, 2006; Vladescu, 2010). Peiffer and Boussalis (2010) found that the specific health interventions to improve the treatment of HIV/ AIDS has been effective in developing countries, however, the effects are more substantial in developed and highly capitalised economies. This is attributed to the increased coverage that can be extended to the population. Afridi and Ventelou (2013) also found that aid directed towards health programmes had the effect of reducing adult mortality rates in developing countries. Banchani and Swiss (2019) examined the impact of foreign aid on maternal mortality rates in 130 low- and middle-income economies from 1996 to 2015. The

results reflect that aid significantly reduced maternal mortality. Toseef et al., (2019) examined the effectiveness of foreign aid in 90 developing countries from 2001 to 2015 and found a slight improvement in life expectancy rates in the developing countries. Similarly, Bendavid and Bhattacharya (2014) examined the impact of foreign aid on the health sector in 140 aid dependent countries between 1974 and 2010 and found that aid resulted in reductions in mortality and increased life expectancy.

(ii) The impact of foreign aid on health in Asian countries

Aid efforts in Asia have focused on improving coverage to the more impoverished countries (Karkee and Jha, 2010; Saito et al., 2014). Olken et al., (2014) examined the role aid plays in improving health conditions and reducing neo-natal mortality in Indonesia. The results indicated that health conditions were not influenced by aid allocations, due to a lack of capacity in the healthcare system. Karkee and Comfort (2016) examined the effectiveness of foreign aid in improving health and overall development in Nepal between 1977 and 2014 and found that although substantial amounts of foreign aid had been extended to the country, more interventions are required to improve access to healthcare and reduce institutional strain on healthcare institutions. Specifically, Karkee and Comfort (2016) found that there remain challenges in improving maternal and child health in the country, even though there has been substantial assistance received from the United States and the United Kingdom. The ever-growing challenge on malnutrition and infectious diseases are catastrophic for poor communities in Nepal, and the lack of universal health care side-lines impoverished communities (Barker et al., 2007; Karkee and Jha, 2010; Saito et al., 2014; Karkee and Comfort, 2016). Maruta et al., (2020) found that aid allocations to Asia were more effective in improving health conditions than aid allocated to Africa and South America. Health conditions in South Asian communities remains some of the least developed globally.

(iii) The impact of foreign aid on health in African countries

The prevalence of diseases such as TB, malaria, and HIV/ AIDS has placed significant pressure on Africa's health system (Shajalal et al., 2017; Marty et al., 2018). Yogo and Mallaya (2012) examined the effectiveness of foreign aid on 28 SSA countries from 2000 to 2010. The results indicated that foreign aid improved life expectancy, decreased the prevalence of HIV and

decreased infant mortality rate. Foreign aid programmes have built capacity in domestic health facilities (through investment in educational materials, more efficient technology, improving access to pharmaceutical products) and awareness campaigns. With the improvement in health institutions' capacity, and assistance in expertise from institutions (such as Doctors without Borders, UN, WHO) this improves the quality of healthcare services to communities. Educational awareness campaigns to impoverished communities and vaccination/ immunisation rollouts all help prevent the spread of communicable diseases (Yogo and Mallaya, 2012). Negeri and Halemariam (2016) examined the effectiveness of foreign aid in improving health conditions in 43 SSA countries between 1990 and 2010 and found that, overall, aid increases accessibility and quality of health services in SSA. Shajalal et al., (2017) examined 531 health projects undertaken by Chinese health aid in Africa between 2000 and 2013. The study indicated that the focus of aid was directed towards building health infrastructure, providing equipment and medicine to combat Malaria, improve maternal, neonatal and child health.

Similar results have been observed for individual African country studies on the effectiveness of foreign aid on health outcome. Due to the high level of inequality and poverty in African, assistance to alleviate disease outbreaks have been consistent. Odokonyero et al., (2015) examined the effectiveness of foreign aid in Uganda to determine if aid efforts resulted in improvements in health outcomes. The result indicated that disease burden and occurrences had declined with the extension of aid., by providing increased capacity to the healthcare system through medical supplies, more efficient technology, and expertise. Using Malawi as a case study, Marty et al., (2017) examined the effectiveness of health aid in reducing the occurrence of malaria and building the quality of health services in the country. The authors found that the extension of aid assisted in reducing the prevalence of malaria, improving the quality of health infrastructure and improving accessibility to health services. Lu et al., (2017) used Rwanda as a case study between 2009 and 2011) to determine how effective health aid is in improving child and maternal health, alleviating the occurrence of malaria, tuberculosis (TB) and HIV. The results indicated that foreign aid reduces the occurrence and spread of malaria, TB and HIV in rural Rwanda. Similar findings were observed for Nigeria. Kotsadam et al., (2018) who examined the effectiveness of aid in the Nigerian health system from 1990 to 2013. The results indicated that aid allocations reduced infant mortality rates in rural areas.

Contrary evidence on the impact of health aid on health outcomes have been provided by numerous researchers. Moyo (2009) found that health aid extended to Africa leads to abuse of social public funds and corruption, where dependency is created into the medium to long term. Adhikari, et al., (2019) examined the effectiveness of foreign aid in the Malawian health system between 2014 and 2016. The authors found that the maladministration of allocations undermined the positive outcomes associated with aid, which had also promulgated the inadequate provision of health services to residents.

(iv) Impact of foreign aid on eradicating malnutrition

One issue which has also received much attention from global donors, and which is linked to health and education outcomes, is malnutrition. Both health and education outcomes are adversely impacted by malnutrition and food insecurity, as recipients of food aid face dire socio-economic conditions (Bain et al., 2013; Adeyeye et al., 2017). Food insecurity is a situation in which individuals are unable to access sufficient amounts of nutritious food to meet dietary preferences (Bain et al., 2013). The existence of malnutrition is catastrophic in impoverished and war-stricken regions globally (Kuhlgatz and Abdulai, 2012; Adeyeye et al., 2017). While increased focus has been placed on reducing malnutrition in impoverished areas, nutritional programme interventions remain an underfunded area. Several international organisations have dedicated funds, food supplies and agricultural assistance in an attempt to reduce long-term dependence on donors to improve food security (Kuhlgatz and Abdulai, 2012; Veiderpass, 2015). Food aid is extended with the intention of increasing domestic agriculture production, improving food security and the populations' nutritional status (Stewart, 2012; Bain et al., 2013; Fan, 2017). Researchers have found that allocations of aid to the agriculture sector yield positive spillover effects to alleviate poverty and malnutrition, which in turn limits long-term reliance on aid interventions (Veiderpass, 2015; Kaya and Kaya, 2019). The avoidance of reliance stems from the capacity building nature of agriculture aid, where aid allocations are made to build food security and develop sustainable agricultural skills (Adeyeye et al., 2017; Kaya and Kaya, 2019).

In Asia, specifically South-East Asia and the Pacific, the combined burdens of over and under nutrition have been identified in the literature. In the instance of under-nutrition, Hatlebakk (2012)

examined the influence of food aid in Nepal between 1995 and 1996, in which improved levels of nutrition were experienced.

Malnutrition has plagued many African countries, where migration was caused by a growing need to escape starvation (Fan, 2017). Foreign aid donors have fought the battle against malnutrition through the immediate response of food parcels, while attempting to promote self-sufficiency by upskilling the domestic residents with resilient agriculture technologies and various other conflict resistant technologies (Fan, 2017). Burguet and Soto (2013) examined the effectiveness of foreign aid in reducing child mortality rates caused by malnutrition for 130 developing countries between 2000 and 2008. The authors found that while the overall impact on child mortality has been negligible, the results for SSA are positive. These findings were associated with improved food security to impoverished communities, particularly building agricultural self-sufficiency in impoverished communities. Similarly, Bain et al., (2013) found that malnutrition in SSA has created the need for increased food production which is resilient to erratic climate conditions. The authors found that the introduction of genetically modified food production methods by donors is effective in solving these challenges. Khalid et al., (2019) examined the effectiveness of nutrition-sensitive interventions in 116 low- and middle-income countries between 2002 and 2016. The authors found that there has been a significant positive association between the allocation of aid and improved nutrition and reduced cases of stunted children.

6.3.5 Foreign aid and Environmental Sustainability

Environmental aid is provided with the intention of reducing harmful emissions which destroy biodiversity and develop green technologies (Parry et al., 2007; Arndt and Tarp, 2017; Oprsal and Harmacek, 2019). A key consideration by donors is the adaptive and absorptive capacity of recipient countries to maximise aid allocations towards green aid programmes. This is a challenge for developing countries which are vulnerable to climate change and lack the required capacity to pursue their own climate change mitigation programmes (Parry et al., 2007; Weitzman, 2011). Park (2016) noted that for environmental aid to be fully effective, it requires fluid market linkages between donor and recipient economies. In this way, more environmental improvements may be realised and sustained through the global connections made; where efficient green practices are shared (Parry et al., 2007; Park, 2016).

Environmental aid is also extended in order to improve green technologies and renewable energy infrastructure (Arndt and Tarp, 2017; Kim, 2018; Corson, 2020). Kim (2018) found that environmental aid is effective in improving recipients' economy technological capacity in the renewable energy sector. Oprsal and Harmacek (2019) examined the effectiveness of foreign aid on environmental sustainability in the Czech Republic from 2000 to 2015. Results indicated that aid has positive outcomes on advancing green technologies, lowering non-renewable energy consumption and ensuring the protection of biodiversity (Oprsal and Harmacek, 2019). Corson (2020) found that US environmental aid has led to improvements in biodiversity health and decreasing deforestation in developing recipient countries.

However, an interesting consideration is the negative influence that aid may have in causing pollution in aid recipient countries. This result is usually present in aid which is directed towards growth and development improvement strategies in the recipient country, which in turn lead to excessive carbon emissions, water pollution and deforestation (Margulis, 2004; Arvin and Lew, 2009). Arvin et al., (2006) found that there are mixed results when examining the impact of the higher aid allocations directed in Asia, Africa and Latin America. Oladi and Beladi (2015) noted that aid allocations increase carbon emissions in developing countries. However, this result is muted should the recipient country have a comparative advantage in trading the pollution-intensive product. Another failure of aid linked to biodiversity and environmental sustainability is the structural deficiencies in policies to govern aid intended for environmental sustainability and regeneration programmes. Larsen and Mamossa (2014) found that inadequate management of environmental aid by the recipient economy leads to funds being ineffective in promoting biodiversity health. Based on the section, not much work has been done in the literature to identify the impact between foreign aid allocations and environment sustainability. From this study, it would be suggested that further work be conducted in this area.

6.3.6 Conclusion

The inception of this section isolated four main objectives in the literature, with respect to the intention of foreign aid allocations. These objectives consisted of; stimulating economic growth, improving governance structures (political and institutional), addressing socio-economic development (human capital development) and environmental sustainability.

Economic growth has been a means by which recipient countries are able to avoid aid dependency and to develop once impoverished communities to become self-sufficient. However, since the 1960s, impoverished countries still find themselves financially dependent on international aid programmes to bridge socio-economic shortfalls. Decades of aid funding and assistance have still left several developing countries reliant on aid, specifically in Africa, and some parts of Latin America and Asia. This presents a failure in the short-term advancements in growth and development achieved by aid programmes. Even though the African continent holds significant natural resource reserves, is strategically located, and has an abundance of labour; poverty plagues the region (Udvari and Ampah, 2018).

Factors which hinder the absorption capacity and impact of foreign aid globally are the inherent corrupt practices, the lack of human capital development, infrastructure gaps and limited foreign trade policies present in the host country (Alesina and Dollar, 2000; Bjerg et al., 2011; Ogundipe et al., 2014; Hoa and Limskul, 2017; Tang and Bundhoo, 2017). One area which has caused controversy in the literature is the perceived dependence which aid creates in the recipient country. Ehrenfeld (2004) found that, in the short term, aid does not benefit the recipient citizens economically or socially. However, the indirect benefits experienced in the medium to long term from aid programmes include efficient reforms in policies and subsequent positive knock-on effects in the political and economic realm (Ehrenfeld, 2004; Aime, 2010). This ultimately leads to improved living conditions in the recipient country, by improving the efficacy of previously bureaucratic processes (Bichaka et al., 1999; Ehrenfeld, 2004; Aime, 2010). Thus, the literature has placed importance on governance institutions and the policies which monitor aid programmes to ensure that benefits are maximised to impoverished beneficiaries in the recipient economy (Aime, 2010; Wako, 2011).

While governance stability has been a significant determinant of aid effectiveness in recipient countries, the literature has also found instances in which corruption has arisen with large allocations of aid (Hoebink, 2006; Bjerg et al., 2011; Fukuyama, 2016; Khomba, 2017). Governance in the political, administrative and judicial sphere have been covered in the literature. In the case of administrative governance, which refers to bureaucratic quality and government capacity, the literature has mainly found that foreign aid reduces bureaucratic capacity and may increase the presence of corruption. This is mainly using foreign aid allocations to place

administrative pressure on the recipient country's reporting requirements. Political and judicial corruption is also an area which is found to deteriorate in with high allocations of foreign aid, as governing stakeholders attempt to misappropriate funds. The African region has experienced high levels of corruption, and the literature has connected foreign aid to deteriorated governance conditions (Asongu and Nwachukwu, 2018).

Bjornskov (2010) and Younis et al., (2019) indicate that foreign aid may lead to the promulgation of income inequality and should be offset by effective policy implementation. This is also found in Younsi, et al. (2019), where the improvement of effectiveness of aid in reducing income inequality is to improve the financial sector and policies which govern growth. It is found that the quality of policy development limits abuse and corrupt intents for aid allocations and enables positive knock-on effects on growth (Aime, 2010; Asongu and Nwachukwu, 2018). In the presence of effective fiscal, monetary and trade policies, aid is found to have a positive effect on growth in developing countries (Burnside and Dollar, 2000; Bjerg et al., 2011; Addison et al., 2017; Sogan, 2017).

Limitations in the human capital development of recipient countries and the presence of corrupt practices and the infrastructure gap hinder the absorption capacity and impact of foreign aid allocations in SSA. Although the literature on Africa has found that short-term benefits have resulted from foreign aid allocations, a reduction of aid dependence is important for long-term economic growth. These aforementioned factors limit the economic and social benefits associated with aid. However, when aid is utilised efficiently, the indirect benefits that the recipient nation may experience from aid programmes include efficient reforms to economic and political policies. This ultimately leads to improved living conditions in the recipient country, by improving the efficacy of previously bureaucratic processes.

In the case of developmental objectives of foreign aid interventions, education and health are key indicators focused on by donors. For education, most of the literature has centred around education enrolment, where aid has mostly been found to affect education outcomes positively. However, the completion of education as measured by completion primary and tertiary rates is an area which has yet to be extensively examined in the literature. This shortcoming in the literature may be due to administrative limitations in monitoring the full educational career of the study subjects. For health, global aid efforts have improved the provision of medical resources and services to destitute

regions. Additionally, health aid has also been found to improve HDI indicators such as infant mortality, life expectancy and increased immunisation rates. Environmental aid is another area of contestation in the literature, where outcomes do not necessarily align with the original intentions of interventions. For instance, while environmental aid has resulted in the transfer of greener and more efficient technologies, results have also presented instances where aid may have induced increases in environmental degradation.

The literature pertaining to developing countries on the effectiveness of aid on promoting and sustaining economic growth is mixed (Ekanayake and Chatrna, 2008; Juselius et al., 2013; Mekasha and Tarp, 2013). The positive, long-term impact of aid on growth was associated with the internal capacity of the recipient economy, specifically the development of institutions and governance structures (Mekasha and Tarp, 2013; Akter, 2018; Sangu and Nwachukwu, 2018; Harb and Hall, 2018). These are usually middle-income and emerging economies which have developed their internal capacity and are geared towards being self-sufficient. (Frot and Perrotta, 2012; Juselius et al., 2013; Mekasha and Tarp, 2013). In Asia, positive aid outcomes on growth are usually experienced in the long-term due to aid-growth programmes needing time to build traction (Asteriou, 2009; Chowdhury and Das, 2011; Basnet, 2013; Feeny and Vuong, 2017). Aid programmes aimed at building growth through improved ICT systems, infrastructure and human capital require time to effectively sustain growth (Basnet, 2013; Feeny and Vuong, 2017).

In Africa, ample donations have been made to build the infrastructure and human capital capacity in the region; which in turn improves sustained growth (De Renzio, 2005; Fielding and Mavrotas, 2008; Celasun and Walliser, 2008; Bulir and Hamann, 2008; Moyo, 2009; Bandyopadhyay and Vermann, 2013; Alemu and Lee, 2015). However, the literature has also investigated the interactive effect of aid and governance structures in Africa's ability to sustain growth, as poor policies and institutional quality have been found to hamper long-term growth (Aime, 2010; Bjerg et al., 2011; Asongu and Nwachukwu, 2018; Kallon, 2018; Younsi, 2019). In the African continent, the historical track record of governance stability has been poor, which limits growth prospects into the medium to long term (Ekanayake and Chatrna, 2008; Loxley and Sackey, 2008; Wako, 2011; Gillanders, 2016; Kallon, 2018).

The literature on the effectiveness of aid on governance quality has been mixed in both the Asian and African continent. While aid programmes have rigorous reporting requirements to ensure the

intended use of funds are adhered to, this places pressure on the recipient economy to be capacitated (Qayyum, 2013; Quazi and Alam, 2015; Soeng et al., 2018). Additionally, the prospect of receiving financial aid may also induce corrupt practices (Howes, 2011; Okada and Samreth, 2012; Egenti et al., 2019; Kaya and Kaya, 2020). In both economies, there have been instances of questionable governance, specifically in the management of aid programmes.

In the literature, much of the literature has focused on developmental based aid programmes and their intent on reducing cyclical poverty. However, these allocations have not resulted in absolute relief and impoverished recipient economies still remain in generational poverty (Sachs, 2009; Edwards, 2014). According to Asiedu (2014), SSA has received the bulk of education and health aid since 1960 and developmental indicators have not significantly improved. This has been associated with systemic organisational failures.

In terms of education, for both the Asian and African continent, results have been mixed. Specifically, access to quality education resources has improved enrolment and completion rates in Africa, building the skills of the labour force and developing ICT structures to be in line with international best practice (Michaelowa and Weber, 2007; Maruta et al., 2020). However, while there have been substantial interventions by educational aid programmes, much work is still required to improve Africa's competitiveness in the education sector. In Asia, the literature has focused on the disconnect between educational aid programmes and the local industries; where interventions have developed the technical skillset of the economy (Maruta et al., 2020).

In terms of health, aid interventions have been necessary in Africa, due to a lack of health capital, medical supplies, on-going civil conflict, limited health capital infrastructure, and their experience of high volumes of communicable diseases (Navarro et al., 2006; Toseef et al., 2019). In both Asia and Africa, malnutrition and under-nutrition are an ongoing concern for donors (Hatlebakk, 2012; Kuhlitz and Abdulai, 2012; Veiderpass, 2015; Fan, 2017; Kaya and Kaya, 2019). In both regions, agricultural assistance and food aid have sought to improve nutrition and build self-sufficiency.

Based on the literature on the effectiveness of aid in improving the condition of biodiversity, not much work has been done in the literature to identify the impact between foreign aid allocations and environment sustainability. From this study, it will be suggested that further work be conducted in this area. The literature has indicated that there are structural deficiencies in policies which govern aid intended for environmental sustainability and regeneration programmes. The

inadequate management of environmental aid by the recipient economy leads to funds being ineffective in promoting biodiversity health (Margulis, 2004; Arvin and Lew, 2009; Larsen and Mamossa, 2014; Oladi and Beladi, 2015). Additionally, aid may even induce increased emissions, because some aid programmes are inducing increased production in the manufacturing sectors (Oladi and Beladi, 2015).

Table 8: Empirical Findings on the Effectiveness of Foreign Aid Allocations

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Groups of developed and developing countries				
Alesina and Dollar (2000)	200 recipient countries (1970-1994)	Foreign aid flows	Trade openness, democracy, civil liberties, colonial status, FDI, real per capita income, population	Aid allocations are not fully effective due to the impact of; corruption, market inefficiencies, lack of coordination with strategic and political role players.
Burnside and Dollar (2000)	56 Developing Recipient Countries (1970-1993)	Average annual growth rate of real GDP	GDP growth, foreign policy, institutional quality, ethnicity, assassination, arms imports, population, foreign aid allocation	For developing countries with effective policies (fiscal, monetary and trade), foreign aid positively impacts growth.
Moreira (2005)	48 Developing countries (1970-1998)	Growth	Foreign aid, population, trade openness.	Foreign aid improves growth in developing countries.
Duc (2006)	SSA and South Asia (1975-2000)	Growth	Foreign aid.	Aid limits growth in SSA, while increasing growth in South Asia.
Finkel and Perez-Linan (2007)	165 Countries (1990-2003)	Freedom House Index	Democracy and Governance spending at country level, elections, rule of law, civil society,	Foreign assistance has a significant impact on promoting democracy.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			agriculture growth, economic growth, education, health, humanitarian assistance.	
Ekanayake and Chatra (2008)	85 Developing Countries (1980-2007)	Real GDP	Capital growth, labour growth, ODA as a percentage of real GDP, initial GDP, inflation, economic freedom.	The impact of foreign aid on developing countries is mixed. Results indicated that foreign aid has a positive impact on growth in Africa, while being negative in Asian, Latin American and Caribbean countries.
Zarzoso, Lehmann and Klasen (2008)	132 developing countries (1998 -2004)	Exports from Donor	GDP, geographical location, ease of trade, development aid.	Bilateral aid has a long-term impact on the recipient nation, specifically when looking at export information, while the impact of multilateral is short term in nature.
Arvin and Lew (2009)	Developing countries (1990-2002)	Economic growth	Foreign aid, school enrollment, inflation, infant mortality, democracy, pollution.	Environmental degradation in the recipient country increases on par with foreign aid allocations.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Omotola and Saliu (2009)	38 Developing countries (1996-1999)	Enhanced HIPC Initiative (1999)	Original HIPC Initiative (1996), debt, revenue, export, GDP	The effectiveness of debt relief is dependent on sufficient reform of policies and sound governance structures.
Peiffer and Boussalis (2010)	22 OECD countries 2006	HIV/ AIDS cases	HIV aid per capita, HIV prevalence, TB prevalence, GDP per capita, urbanization, democracy, female labour.	Greater economic prosperity leads to improved HIV/ AIDS results.
Harrigan and Wang (2011)	153 countries (1966-2008)	Total ODA as a percentage of the recipients' population	GDP growth rate, population, GDP per capita, infant mortality rate, ODA commitments.	The achievement of growth and development objectives of aid allocations are crowded out by donor motives, who seek to maximize their own commercial, strategic and political motives.
Okada and Samreth (2012)	120 Developing Countries (1995-2009)	Corruption	Foreign aid, growth, population.	Foreign aid positively influences efforts to reduce corruption.
Selaya and Sunesen (2012)	99 Developed and Developing Countries (1970-2001)	Net flow of FDI per capita	Productivity of recipient nation prior to allocation, population growth, domestic savings per capita, physical	Investment of aid in complementary inputs promotes FDI, while physical capital investment crowds out FDI. Thus, the

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			capital investment of aid, complementary factors of aid investment.	composition of aid impacts its effectiveness.
Askarov and Doucouliagos (2013)	Developing European countries	Governance	Foreign aid, trade openness, urbanization.	Foreign aid has no impact on governance.
Ferreira and Simoes (2013)	44 SSA and 31 Asian countries (1970-2007)	Growth	Foreign aid, financial development, institutional quality, governance.	Foreign aid improves growth in both SSA and Asia. The results pertaining to financial development and institutional quality are mixed and no conclusion could be drawn in this respect.
Bendavid and Bhattacharya (2014)	140 developing countries (1974-2010)	Infant mortality	Foreign aid, life expectancy, population.	Foreign aid positively influences health outcomes in developing countries.
Arndt, Jones and Tarp (2015)	Developing Countries (1970-2007)	GDP	Foreign aid, education expenditure, health expenditure, military expenditure, education levels, life expectancy, mortality rate, fertility rate, consumer price	Aid has a positive impact on growth, promotes structural change, improves social indicators and alleviates poverty within developing countries.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			inflation, real interest rate.	
Dutta, Mukherjee, Roy (2015)	120 Developing countries (1979-2008)	Gross capital formation	GDP, ODA, gross national income, political stability, democracy, population, macroeconomic policy, inflation, interest rates, trade openness, financial development.	Stability of both political regimes and institutions affects aid effectiveness and domestic investment.
Veiderpass (2015)	89 low and middle income countries (1994-2004)	GDP	Malmquist Productivity Index, foreign aid, population, labour force, capital stock, democracy, environment development, infrastructure development.	The impact of aid on productivity is negligible.
Yoon and Kim (2015)	90 Developing Countries (2002-2011)	Governance	Foreign aid, GDP, population, trade openness, government consumption.	Foreign aid improves political governance, while having no impact over judicial governance,
Bali moune-Lutz (2016)	13 MENA countries	Female participation in	Female education enrolment, adolescent fertility	There is a substantial improvement in female participation in political

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
		National parliament	rates, political institutions, ODA.	positions, especially when linked to family planning aid.
Elayah (2016)	24 Developing Countries (1980-2002)	Development	FDI, Institutional Quality	The effectiveness of aid on recipient countries depends on institutional quality and policy enforcement.
Riddell and Nino-Zarazua (2016)	Developing countries (1995-2010)	Education aid	Foreign Aid, GDP, educational attainment.	Aid increases educational enrollment, however, it does not necessarily improve education outcomes in the recipient economy.
Hoa and Limskul (2017)	CLMV countries (2001-2015)	GDP and Trade	FDI, foreign aid, terrorism, global crisis, real exchange rate, terms of trade.	Growth outcomes have been mixed for CLMV countries, where growth and trade are enhanced by aid specifically directed towards trade efficiencies.
Dijkstra (2018)	Developed and developing countries (1995-2016)	Governance	Foreign aid, political stability, population, GDP.	Foreign aid positively influences governance quality and reduces the occurrence of corruption in the long run.
An and Park (2019)	193 Countries (1990-2014)	Credit rating	Natural disasters, S&P sovereign rating scores, GDP,	The presence of natural disasters lowers the credit rating. However,

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			population, national reserve, inflation, current account balance, foreign aid.	the presence of foreign aid enables an affected country's accessibility to finances internationally.
Maruta, Banerjee, Cavoli (2019)	74 Developing Countries (1980-2016)	Human Development Index	ODA, population, GDP.	Institutional quality improves the impact of educational, health and agricultural outcomes.
Banchani and Swiss (2019)	130 Developing Countries (1996-2015)	Maternal Mortality Rate	ODA, population, fertility rate, contraceptive use.	Aid allocations improve maternal health and mortality in recipient countries.
Kaya and Kaya (2019)	Developing countries (1980-2003)	Agricultural aid	Foreign aid, GDP, population, education, health, military, social security welfare	Aid directed to the agricultural sector has a positive influence over growth in the early stages of development. Additionally, it also positively influences HDI indicators.
Khalid, Gill and Fox (2019)	116 Low and Middle Income countries (2002-2016)	Malnutrition	Foreign aid, growth, GDP.	Foreign aid improves nutrition rates.
Laniran and Olakunle (2019)	77 developing countries (1995-2011)	GDP	Remittances, ODA, gross fixed capital formation, trade openness, foreign	While the impact of aid on growth is positive, the full potential has not been fully realised.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			trade, FDI, inflation, Government consumption expenditure, school enrolment.	
Toseef, Jensen and Tarraf (2019)	90 Developing countries (2001-2015)	Life expectancy	Foreign aid, infant mortality, death rate, immunization.	Foreign aid has a slight positive impact on the life expectancy rate.
Win and Cho (2019)	3 Developing Countries (2002-2015)	Infant mortality rates	Foreign aid, GDP growth, corruption, governance effectiveness, HIV/AIDS, Sanitation facilities, population.	Sound governance and policies impact the effectiveness of aid allocations and the usage thereof.
Maruta, Banjeree and Cavoli (2020)	74 Developing Countries (1980-2016)	Education	Foreign aid, health, economic growth, agriculture.	Foreign aid has a positive influence on education in South America, health in Asia and agriculture in Africa.
Groups of Africa and SSA country studies				
Loxley and Sackey (2008)	40 African Union members	Per capita income growth	Foreign aid, lagged net ODA, physical capital accumulation, adult literacy, life expectancy rate, initial income per capita, civil liberty restrictions,	Aid allocations have a positive and significant effect on per capita income growth in Africa. Growth via aid investment is best achieved through grant aid.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
			government consumption rate, inflation, trade openness	
Balde (2011)	37 SSA countries (1980-2004)	Savings and Investment	Foreign aid, remittances, institutional quality, political and economic environment, GDP per capita.	Remittances have a larger, positive impact on savings and investment in SSA than that of aid.
Erbeznik (2011)	23 SSA countries (2000-2008)	Governance	Foreign aid, GDP, population.	Foreign aid reduces political and private sector incentives to improve the rule of law.
Wako (2011)	42 SSA Countries (1980-2007)	Growth rate of GDP per capita	Log GDP per capita, bilateral aid as a percentage of GDP, multilateral aid as a percentage of GDP, FDI inflow, population growth, domestic savings, human capital, institutional quality, policy, geographical location, political instability.	No significant relationship between either bilateral or multilateral aid or growth.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Yogo and Mallaye (2012)	28 SSA countries (2000-2010)	Health	Foreign aid	Foreign aid improves health conditions in SSA.
Burguet and Soto (2013)	130 Developing Countries (2000-2008)	Child Mortality	Foreign aid, GDP, population.	Foreign aid has no impact on child mortality, except for having positive results in SSA.
Jaouadi and Hermassi (2013)	MENA and SSA (1990-2004)	Governance stability	FDI, GDP, population.	Foreign aid diminishes governance stability in recipient countries.
Asiedu (2014)	38 SSA countries (1990-2004)	GDP	Foreign aid, GDP, inflation, government consumption, trade openness, educational attainment, institutional quality.	Educational aid positively influences enrolment rates and growth sustainability.
Ogundipe, Ojeaga and Ogundipe (2014)	40 SSA Countries (1996-2010)	Growth rate of GDP per capita	Gross fixed capital formation, school enrolment, capital stock and human capital	Foreign aid does not have a significant impact on GDP per capita in SSA. However, significance may be achieved if there is effective policy, institutions, corruption is minimized and improved human capital. Thus, effectiveness of aid

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				within SSA depends of existing development policies and institutional arrangements.
Alemu and Lee (2015)	39 African Countries	Real per capita GDP	Foreign aid FDI inflow, domestic investment, GDP per capita, human capital, population growth, exchange rate, inflation, trade openness, quality of infrastructure, economic freedom, natural resources, accessibility to marine trade.	Low-income African countries are positively impacted by foreign aid, in terms of economic growth.
Mohamed and Azman-Saini (2015)	52 African Countries (1996-2010)	Governance	Foreign aid.	Foreign aid negatively influences the presence of corruption.
Mohamed, Kaliappan, Ismail and Azman-Saini (2015)	42 SSA Countries (2000-2010)	Governance	Foreign aid, growth, population.	Foreign aid improves governance quality in SSA.
Asongu and Nwachukwu (2016)	52 African countries (1996-2010)	Governance	Foreign aid, growth, population.	Foreign aid improves governance in the recipient country.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Gillanders (2016)	31 SSA countries (1973-2005)	Net ODA per capita	Life expectancy, GDP per capita growth rate.	Aid does not generate substantial economic growth.
Negeri and Halemariam (2016)	43 SSA countries (1990-2010)	Health	Foreign aid, infrastructure.	Foreign aid improves health provision and accessibility.
Adedokun (2017)	47 SSA countries (1996-2012)	GDP	Foreign aid, governance, population, inflation, trade openness.	Foreign aid is more effective in spurring growth in East and Southern Africa than Central and West Africa. This is attributed to less effective governance and rent-seeking behavior in oil-abundant countries.
Adedokun and Folawewo (2017)	47 SSA countries (1980-2012)	Real GDP per capita	Foreign aid as a percentage of GDP, Initial level of GDP per capita, investment, population growth, money supply, trade openness, inflation, government consumption as a percentage of GDP and ethnolinguistic fractionalization	Aid effectiveness is improved through selectivity practices. The adaption of aid related policies to the inherent conditions of the recipient nation is important in improving growth outcomes.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Afawubo and Mathey (2017)	47 SSA countries (1990-2013)	Growth	Foreign aid, institutional quality, savings and investment.	Foreign aid positively influences savings and investment in domestic economy, which enables long term growth.
Kumi, Ibrahim and Yeboah (2017)	37 SSA Countries (1983-2014)	Economic Growth	Government consumption, inflation, trade openness, labour productivity, institutional quality, financial development.	The more stable the financial sector, the more impact aid allocations will have on the recipient nations' sectors.
Shajalal, Xu, Jing, King, Zhang, Wang, Bouey and Cheng (2017)	531 African health projects (2004-2008)	Health	Foreign aid, growth, infrastructure.	Foreign aid improved health outcomes in Africa.
Tang and Bundhoo (2017)	Top 10 SSA recipients of foreign aid (1990-2012)	Real GDP per capita	Log real GDP per capita, growth capital stock, increase in labour force as a percentage of GDP, ODA as a percentage of GDP, policy index, quality of governance	The use of foreign aid alone does not (significantly) improve growth; when combined with a strong policy and institutions there is a significant impact on growth.
Yogo (2017)	35 SSA countries (2000-2010)	Education	Foreign aid, GDP, FDI, democracy, population.	Foreign aid positively influences the primary

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
				education completion rate in SSA.
Asongu and Nwachukwu (2018)	53 African Countries (2005-2012)	Human development	ODA, humanitarian assistance, action on debt, social infrastructure, production sector, multi-sector, economic infrastructure, programme assistance, GDP, population.	The exact impact of aid on developmental indicators is negligible and depends on the inherent policies established to promote effectiveness.
Udvari and Ampah (2018)	52 SSA countries (2002-2015)	GDP	Innovation, aid, human capital, institutional quality, policy stability, institutional development, trade openness, inflation	Where aid is directed towards innovation and research, especially in economies with low levels of innovation and technology, growth is positively impacted.
Asongu and Nnanna (2019)	53 African countries (1996-2010)	Governance	Foreign aid, growth, political stability.	Foreign aid improves governance quality.
Asongu and Tchamyou (2019)	53 African countries (1996-2010)	Education	Foreign aid, GDP, trade openness, inflation, government expenditure.	Foreign aid positively influences educational enrollment and completion rates.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Egenti, Nevo, Onwe, Faith and Durodola (2019)	15 West African countries (1990-2015)	Governance	Human capital development, foreign aid, growth.	Foreign aid improves governance quality in West Africa.
Mwakalila (2019)	39 African countries (1996-2016)	Growth	Foreign aid, governance, debt.	Foreign aid positively influences growth in an economy with effective governance structures.
Younis, Khemil, Bechtini (2019)	16 African Countries (1990-2011)	Income inequality	Foreign aid, FDI, trade openness, corruption, GDP, financial sector development, institutional quality, policies.	Foreign aid may promulgate income inequality if not supported by effective policies and democratic systems.
Nsanja, Kaluwa, and Masanjala (2021)	32 African Countries (2005-2017)	Education and Growth	Foreign aid, trade policies, governance.	Foreign aid improves education outcomes, but lessens growth in recipient countries.
Groups of Asian country studies				
Burke and Ahmadi-Estahani (2006)	South East Asia (1970-2000)	Growth	Foreign aid, population, FDI, governance.	Foreign aid is insignificant in increasing growth.
Asteriou (2009)	Bangladesh, India, Nepal, Pakistan and Sri Lanka (1975-2002)	Growth	Foreign aid, financial development, governance.	Foreign aid increases growth in the countries under review.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Bhavan, Xu and Zhong (2011)	Southern Asia (1995-2008)	Growth	Foreign aid, governance, population.	Foreign aid positively influences long term growth, while having no impact in the short term.
Chowdhury and Das (2011)	Bangladesh, India, Nepal, Pakistan and Sri Lanka (1976-2008)	Growth	Foreign aid, governance, financial development.	Foreign aid improves growth.
Basnet (2013)	South Asia (1960-2008)	Growth	Foreign aid, domestic savings.	Foreign aid improves growth in South Asia.
Quazi and Alam (2015)	South East Asia (1996-2013)	Governance	Foreign aid, political stability, corruption.	Foreign aid improves governance.
Soeng, Cuyvers and Sok (2018)	ASEAN (1996-2015)	Corruption	Foreign aid	Foreign aid positively influences efforts to reduce corruption.
Ali, Khan, Sohail and Pua (2019)	4 Asian countries (2000-2014)	Corruption	Foreign aid, economic growth, population.	Foreign aid decreases governance quality and increases the presence of corruption.
Individual country case studies				
Kampe (1997)	Lao, Thailand and Vietnam (1991-1995)	Education	Foreign aid, economic growth, population.	Foreign aid increases urbanised educational enrolment.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Shirazi, Mannap and Ali (2009)	Pakistan (1975-2006)	HDI	ODA, life expectancy, education, GDP.	Aid contributes to the improvement of human development, both in terms of education and health. Aid also improves growth in Pakistan.
Tadesse (2011)	Ethiopia (1970-2009)	Economic growth	Foreign aid, political and civil stability.	Foreign aid is effective in building economic growth in isolation, however, is ineffective when interacting with bad policies.
Hatlebakk (2012)	Nepal (1995-1996)	Nutrition	Food aid, GDP, population, age dynamics, gender.	Food aid improves nutrition.
Kargbo (2012)	Sierra Leone (1970-2007)	Economic Growth	Foreign aid, civil stability, governance.	Foreign aid builds economic growth, even in an environment of civil instability.
Ojiambo (2013)	Kenya (1960-2010)	Economic growth	Foreign aid, governance.	Foreign aid builds economic growth.
Olkeba (2013)	Ethiopia (1970-2011)	Economic growth	Domestic savings, foreign aid.	Foreign aid improves long-term growth, by it mobilizing domestic savings.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Arshad, Zaid and Latief (2014)	Pakistan (1970-2010)	Growth	Foreign aid, governance, trade, debt.	Foreign aid improves growth outcomes.
Olken, Onishi and Wong (2014)	Indonesia	Education	Health, foreign aid, growth.	Foreign aid improves education enrolment, but not completion rates. Additionally, aid plays no role in health outcomes.
Odokonyero, Marty, Muhumuza and Moses (2015)	Uganda (2005-2012)	Health	Foreign aid, population, infrastructure.	Foreign aid improves health outcomes.
Sarwar, Hassan and Mahmood (2015)	Pakistan (1984-2012)	Governance stability	FA, corruption, GDP, tax.	Foreign aid negatively influences the quality of governance.
Abera (2017)	Ethiopia (1970-2011)	Economic growth	Foreign aid, domestic savings.	Foreign aid decreases economic growth outcomes in both the short and long term.
Lu, Cook and Desmond (2017)	Rwanda (2009-2011)	Health	Foreign aid, growth, public sector consumption.	Foreign aid improves the provision and accessibility to health services in rural Rwanda.
Marty, Dolan, Leu, and Runfola (2017)	Malawi (2000-2010)	Health	Foreign aid, growth, infrastructure.	Foreign aid reduces the prevalence of malaria and improves health services.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Nunnenkamp, Ohler, Andres (2017)	81 projects in India (2006-2011)	Economic Growth	ODA, population, poverty, natural disasters, civil unrest, FDI projects, corruption, economic freedom, trade openness, poverty.	Foreign aid positively influences growth and poverty alleviation efforts.
Sogan (2017)	Cambodia (1980-2014)	GDP	ODA, trade openness, foreign aid, investment.	Aid has positive implications on growth, and trade outcomes.
Kallon (2018)	Sierra Leone (1974-2008)	Total factor productivity	ODA, fixed capital stock, employment.	Aid has positive, long-term impact on labour productivity; however, the quantum of the improvement is not enough to spur sustained economic growth in SSA.
Kotsadam, Ostby, Rustad, Tollefsen and Urdal (2018)	Nigeria (1990-2013)	Health	Foreign aid, growth, population.	Foreign aid reduces infant mortality rates.
Oprsal and Harmacek (2019)	Czech Republic (2000-2015)	Environmental Sustainability	Foreign aid, GDP, pollution, population.	Foreign aid is effective in advancing environmental technologies in the recipient economy, reducing energy consumption and protecting biodiversity.

Author(s)	Sample	Variable		Findings
		Dependent	Independent	
Taiwah, Barnes, Acheampong and Yaw (2019)	Ghana (1984-2019)	GDP growth	Foreign aid, human capital, poverty alleviation, institutional governance.	Foreign aid positively influences growth, human capital development and poverty alleviation. This result is amplified under stable policy governance.
Duru, Eze, and Okafor (2020)	Nigeria (1984-2017)	Economic growth	Foreign aid, governance, domestic savings.	Foreign aid fosters economic growth in a stable governance environment.
Mukaddas (2020)	Nigeria	Education	Foreign aid, growth, population.	Foreign aid improves education outcomes and infrastructure.

Source: Author's compilation

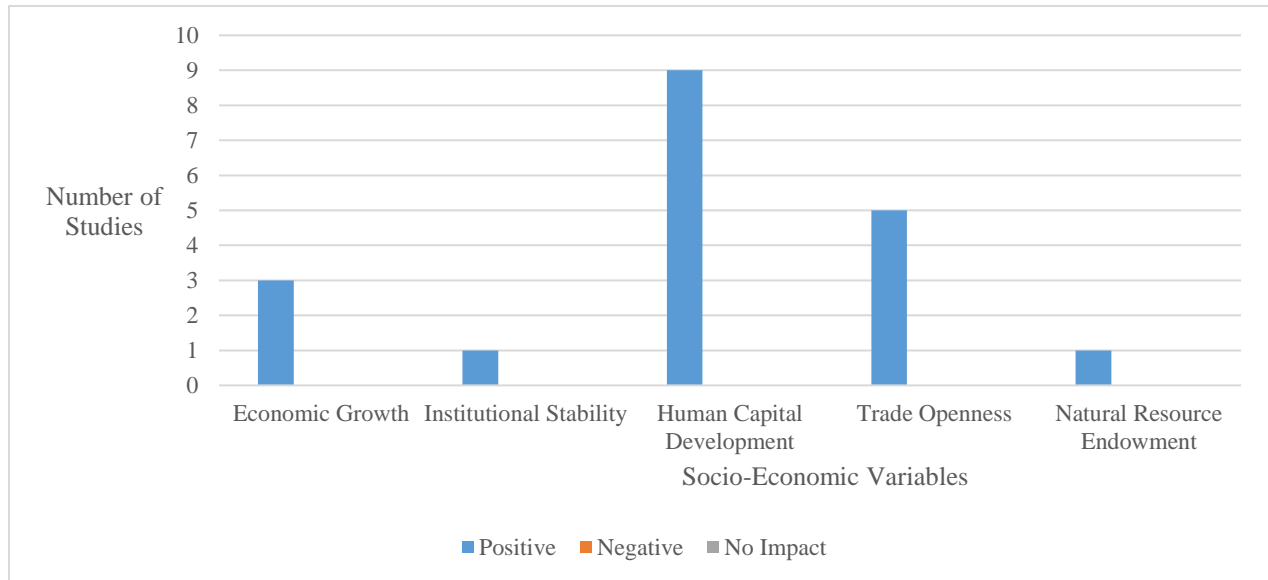
Chapter 7: Summary of Literature and Conclusion

The main objective of the study is to determine whether foreign assistance (FDI and foreign aid) have positively impacted socio-economic outcomes in SSA between 1960 and 2020. To achieve this objective a systematic review of the literature on the determinants and the effectiveness of FDI and foreign aid was conducted. The review of the literature took a general to specific approach, providing a review of the subject at hand globally and then for SSA. This approach allowed for a comprehensive understanding of the findings at a general level and then for SSA, thus enabling the determination of whether SSA's experience with FDI and foreign aid differed from the rest of the world and if so, why and how. Chapter 1 introduced the study and in Chapter 2, the methodology employed is explained. Chapter 3 of the study evaluated the motives behind FDI and foreign aid allocations, the modalities of both trends in the allocations made to SSA. Following this, Chapter 4 discussed the theories underpinning FDI and foreign aid allocations.

In Chapter 5 the literature pertaining to the determinants of FDI and foreign aid allocations was explored. The first part of Chapter 5, Chapter 5.1, focused on the determinants of FDI inflows. The review focused on economic growth, infrastructure, trade, political institutions/ governance, macroeconomic stability, human capital development (health, education and skills) and lastly, the environment as factors that determined FDI flows. The second section, section 5.2 of Chapter 5 explored the literature pertaining to the determinants of foreign aid allocations. The variables included in the investigation considered both the donor and recipient motives for foreign aid namely; economic growth, historical ties, macroeconomic stability, human capital development, the state of the environment, and political and governance factors. Both sections of Chapter 5 identified findings according to the different regions and drew conclusions.

7.1 Determinants of FDI

Figure 5: Motives for FDI allocations to developed countries

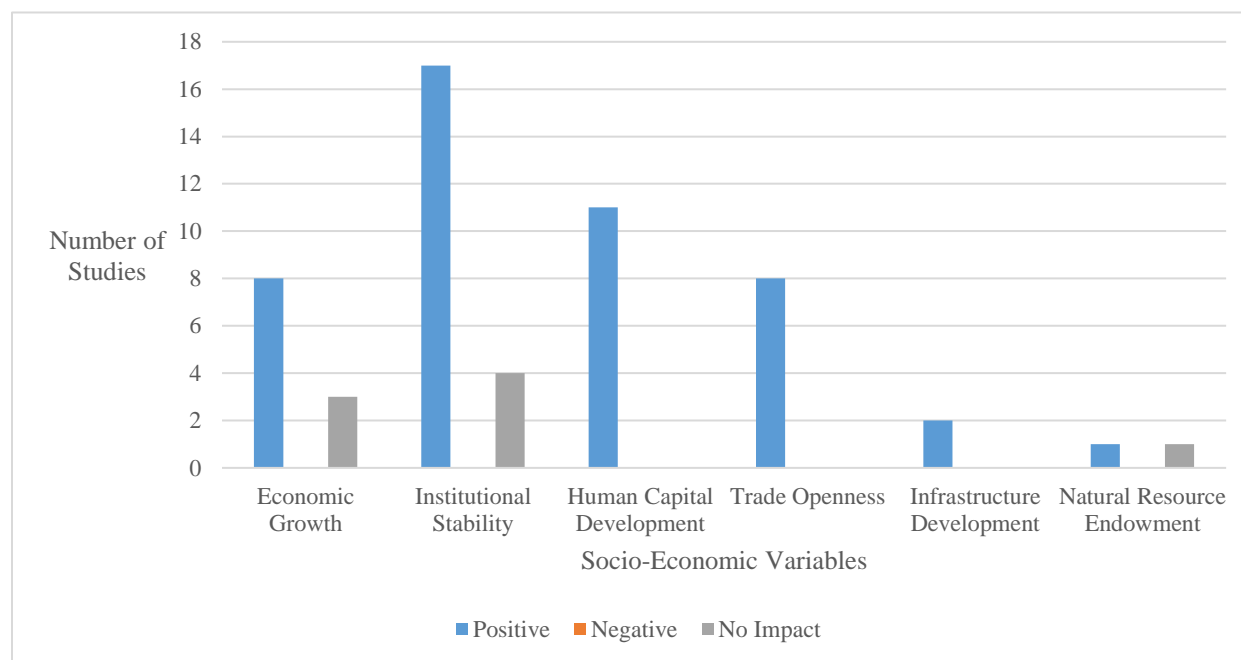


Source: Author's compilation

This study focused on explaining the nuances of external financing to SSA, the comparison of findings for developed and developing countries was pursued to determine key differences between regions. Human capital, trade openness and economic growth are the top positive drivers of FDI to developed countries. From the table, human capital development is observed to be a significant factor that drives FDI allocations to developed countries. From the literature, it is noted that, developed economies have higher economic growth rates, human capital development and good and effective governance structures. These are areas where developed countries hold a competitive advantage. Economic growth in developed economies tends to be sustainably positive over the medium to long term, which is an assurance for investors seeking high returns on their investments. There is a considerable demand for skilled labour by investors, even though this presents higher production costs. Thus, investors who strongly favour a skilled workforce usually have highly technologically advanced production methods and have access to large capital endowments (Blomstrom, 2006; Popvici, 2016; Ogundari and Awokuse, 2018; Economou, 2019). Figure 5 summarises the findings of 16 studies focused on the inherent factors which drive FDI allocations to developed countries.

Trade openness is a significant and positive driver of FDI inflows into developed countries. Developed countries are noted to have liberalised trade, especially among themselves and this has enhanced both intra-industry and inter-regional trade (Akhmetzaki and Mukhamediyev, 2017; Ho and Booth, 2017; Teixeira et al., 2017). Liberalised trade has also in part resulted in reduced bureaucratic costs and reduced delays in production and transportation. All these have resulted in increased FDI to these countries. In addition, developed economies are largely driven by the manufacturing sectors and this is one of the sectors that attracts a substantial amount of FDI (Petrovic-Randelovic et al., 2017; Teixeira et al., 2017). Thus, with export and import factors to consider (and their related costs), trade policies and ease of trade processes all factor into investment decisions.

Figure 6: Motives for allocating FDI to Developing countries



Source: Author's compilation

Figure 6 summarizes the results extracted from 46 empirical studies that examined the determinants of FDI allocation to developing countries. From Figure 6, institutional stability, human capital development and trade openness are the top three drivers of FDI to developing countries. Specifically, the literature on FDI determinants in developing country regions, showed that human capital development, trade openness, infrastructure development and governance institutions have an overwhelming positive impact on FDI inflows to the region. Investors

particularly place importance on these factors, as they are positive signals of a country's inherent socio-economic and political health. The enhancement of these factors is critical in attracting FDI and without these positive signals, investors would be sceptical to commit to long-term investments.

Contrary to pre-conceived notions, natural resource endowments are not found to be a key driver of FDI allocations to developing countries. The popular belief has been that resource endowment was a primary motive for FDI inflows to developing countries. However, contrary to this perception, the literature reviewed showed that natural resource endowments are not a key driver of FDI allocation to developing countries.

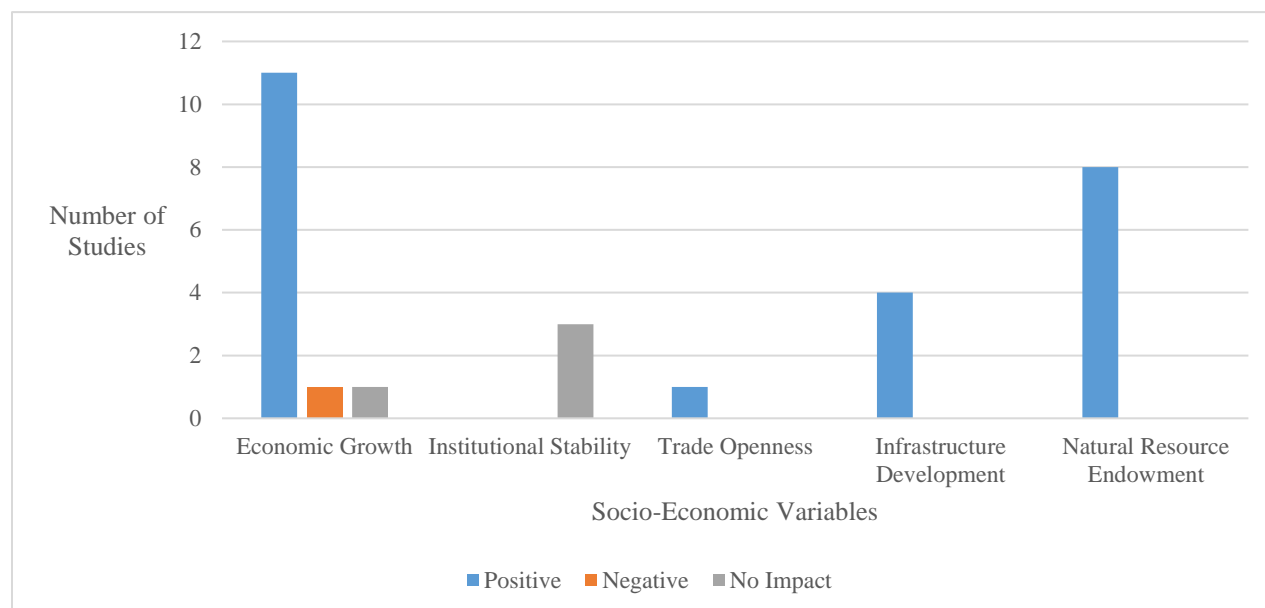
Human capital development, pertaining to health and educational attainment of a population, signals the development of the labour force (Naanwaab, 2016; Phung, 2016); Chanegriha et al., 2017). Based on Figure 6, human capital development has a positive impact on FDI inflows to developing countries. Deeper insight into the literature showed this to be particularly true in the case of education. Specifically, limited educational attainment was a deterrent FDI inflows to developing countries. A possible reason for this is that the additional cost to investors to educate and train the potential workforce acted as a deterrent.

In terms of trade openness, similar to the findings for developed countries, in Figure 6, all eight studies reviewed found that trade openness is a positive driver of FDI inflows to developing countries. This is due to the savings that occur with less bureaucratic processes and time delays (Morrisset, 2000; Tsaurai, 2017; Asongu et al., 2018). Additionally, the structure of trade which takes place in developing economies centres around the export of less manufactured goods. For investors, more liberalisation is a sign of less bureaucratic burden and more fluid and efficient processes amongst others that make trade easier, reducing trade associated costs.

Infrastructure development positively drives FDI allocations to developing countries, as this leads to lower set-up and production costs for potential investors when operating in the recipient economy. The literature confirms that investors are attracted to developing countries due to the ease of doing business that arises as infrastructure development is ramped up.

The above discussion explained the general findings from the literature regarding the determinants of FDI for developing countries as a group. This next section discusses the overall findings from the literature for specific developing country regions, namely, South America, Asia and SSA.

Figure 7: Motives for FDI allocations to Latin America



Source: Author's compilation

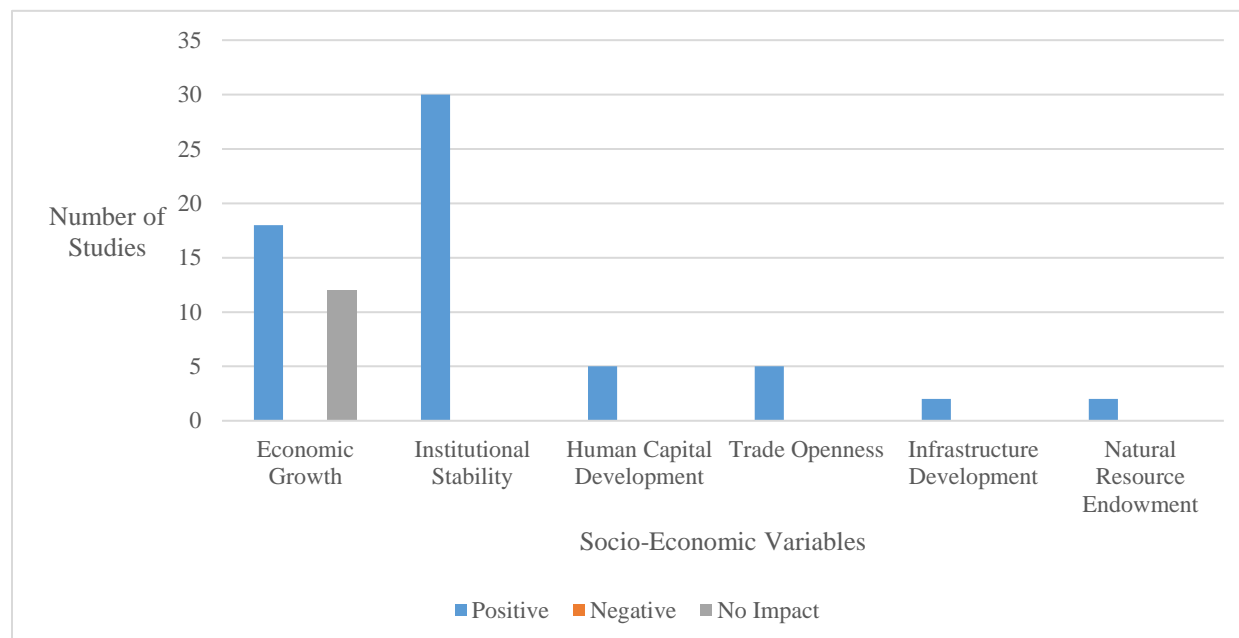
Figure 7 above summarises the findings from the literature on the determinants of FDI inflows to Latin American countries. From the figure, economic growth, infrastructure development, and natural resource endowments are the main determinants of FDI inflows to Latin America. While the impact of economic growth on FDI inflows is mixed, the conclusion from the literature is that economic growth has a largely positive impact on FDI inflows in Latin American countries. Economic growth as a positive driver of FDI inflows is largely positive, but there are also findings to the contrary. For instance, low but sustained economic growth was found to attract investors, as this provides an opportunity to tap into and develop a less advanced market (Singh et al., 2008; Hecock and Jepsen, 2014). However, high economic growth was also found to draw investors who have an extremely profitable product or service and are able to capitalise on an established economy (Laaksonen-Craig, 2008; Forte and Santos, 2015; Santos et al., 2017).

The endowment of natural resources is another driver of FDI to Latin America, specifically to the agriculture, timber, energy and mineral sectors. These industries attract extractive FDI (Amal et

al., 2010; Forte and Santos, 2015; Williams, 2015). With the endowment of natural resources, this has also led to the development of manufacturing infrastructure, to develop resources to more advanced products, which could then be exported.

Following the discussion on the determinants of FDI allocations to Latin America, the next section summarises the findings for the determinants of FDI allocations to Asia.

Figure 8: Motives for allocating FDI to Asian countries

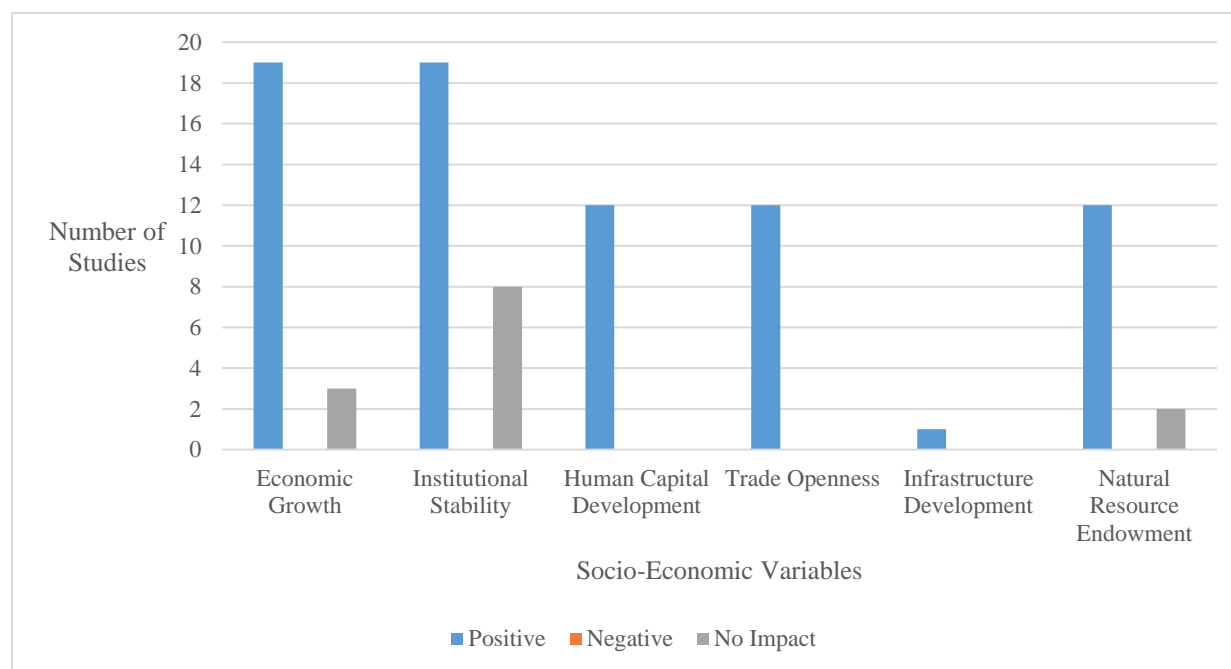


Source: Author’s compilation

From Figure 8, economic growth, and institutional quality are the top three determinants of FDI inflows to Asian countries. Analysis of 44 studies on Asian countries revealed that stable and transparent governance provides a positive impetus to FDI inflows. Interestingly, economic growth is observed to have a mixed impact on FDI inflows, although positive findings exceed the number of studies that find no impact of growth on FDI inflows. In the instances where it was not found to impact FDI allocations, the conclusion was that institutional quality was more of a consideration than economic growth (Kalyoncu et al., 2015; Mamunur et al., 2017; Mohanty and Behera, 2017). Therefore, generally, it can be concluded that economic growth is a driver of FDI inflows to Asian countries.

Considering the other drivers of FDI, another factor driving FDI to Asia is the low cost and skilled labour force. This has given the Asian market a comparative advantage in attracting FDI, specifically with investors who are interested in manufacturing and production activities (Ali et al., 2013; Aziz and Mishra, 2016; Saleem et al., 2018). Additionally, trade openness in the form of open trade agreements and less stringent bureaucratic policies has attracted investors and MNE expansion programmes (Ali et al., 2013; Saleem et al., 2018). Based on the global demand for Asian production, this has required expansion into global territory (i.e. Africa), which reflects that Asia has developed from being solely a recipient of FDI to also an extender of FDI (Kumari and Sharma, 2017; Gong et al., 2019). Being a major producer in the global market due to the substantial production and manufacturing capacity, has attracted FDI (Ho and Booth, 2017; Saleem et al., 2018). The discussion above has focused on the motives driving investment to Asia. The next section will analyse the drivers of allocations to SSA.

Figure 9: Motives for FDI allocations to SSA countries



Source: Author’s compilation

Figure 9 summarises the findings from the 54 studies reviewed on the determinants of FDI to SSA. Based on the literature, all the variables are found to positively influence FDI allocations to SSA. Economic growth, institutional quality, macroeconomic governance, human capital development, trade openness and natural resource endowments are found to drive FDI.

From the cas literature on SSA, it is clear that low growth dissuades long term investment. Investors are attracted to thriving economies. However, a vast majority of SSA economies experience low growth and thus receive low levels of FDI (Boga, 2019; Jaiblai and Shenai, 2019; Mosikari et al., 2019). This places pressure on economies to foster and sustain growth, in order to attract FDI. Sustained investment to SSA has also been deterred by political and civil instability. Historically, the experience of military coups, dictatorship and lack of accountability have all dissuaded FDI allocations to SSA (Florence et al., 2017; Boga, 2019). These occurrences in an economy are detrimental to sustained growth and development and are significant deterrents to investment (Valli and Masih, 2014; Amoah, et al., 2015; Vincent et al., 2017). Additionally, while there are low levels of human capital development (specifically educational attainment), investors capitalise on this opportunity to use cheaper labour and reduce production costs (Chanegriha et al., 2017; Rodriguez-Pose and Cols, 2017).

Table 10 below provides a summary of the determinants of FDI discussed in the above section.

Table 10: Summary of FDI Determinants Per Region

Determinants	Region				
	Developed Country groups	Developing Country Groups	Latin America	Asia	SSA
Positive determinants	<ul style="list-style-type: none"> • Economic Growth • Macroeconomic Growth • Human Capital Development • Trade Openness • Natural Resource Endowment 	<ul style="list-style-type: none"> • Institutional Quality • Human Capital Development • Trade Openness • Infrastructure Development 	<ul style="list-style-type: none"> • Natural Resources • Infrastructure development 	<ul style="list-style-type: none"> • Macroeconomic Stability • Governance institution 	<ul style="list-style-type: none"> • Human Capital Development • Infrastructure Development • Trade Openness
Negative determinants	-	-	-	-	-

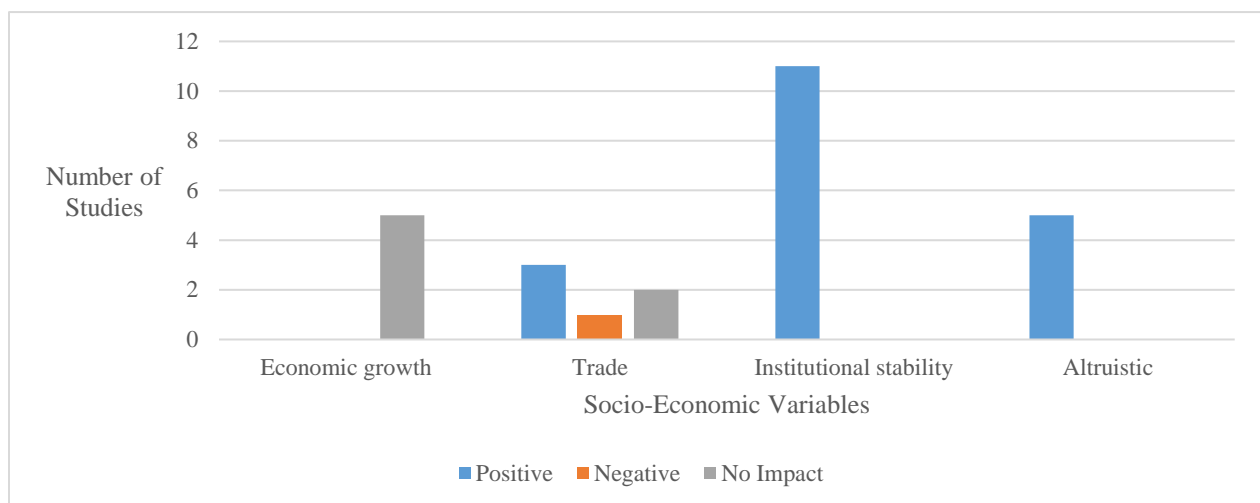
Mixed factors	-	<ul style="list-style-type: none"> • Economic Growth • Macroeconomic Governance • Natural Resource Endowment 	<ul style="list-style-type: none"> • Economic Growth 	<ul style="list-style-type: none"> • Economic Growth 	<ul style="list-style-type: none"> • Economic Growth • Institutional Quality • Macroeconomic stability • Natural Resource Endowment
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Source: Author's Compilation

7.2 Determinants of Foreign Aid

Although the initial intention of foreign aid is to improve socio-economic conditions in poverty-stricken and capital deficient economies, the empirical literature postulates that donor self-interest is the main driver of foreign aid allocations. The literature also notes that the primary goal of for donors in extending aid may be to form bonds with the recipient nation and form beneficial trade linkages. At times, foreign aid is extended under the auspices of altruistic motives. However, the literature has found that this, may be a secondary goal. This section summarises the findings from the literature on the determinants of foreign aid allocations to developed and developing countries.

Figure 10: Motives for allocating Foreign Aid to Developed Countries



Source: Author's compilation

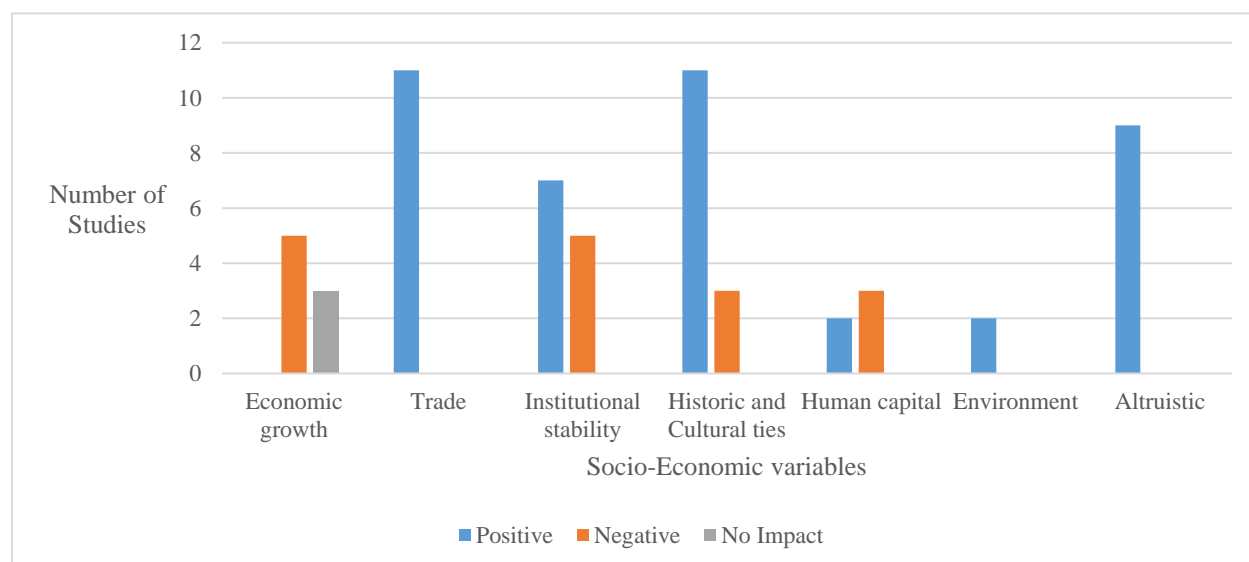
Figure 10 summarises the findings of the 22 studies reviewed that examined the determinants of foreign aid allocations to developed economies. Since the main drivers for foreign aid allocations is the relief of socio-economic disparities, aid is not usually extended to developed countries. This is particularly the case with strong and capitalised economies with a highly developed market (Ozkan-Gunay, 2011; Joly, 2014; Tuman et al., 2009).

Based on the literature, institutional quality and altruistic motives are positive drivers of foreign aid to developed countries. The consideration of trade as a driver for aid allocation is mixed and economic growth has no impact on aid allocations to developed countries. Donors are often concerned about the institutional accountability and stability of governance institutions. Thus, it is not surprising to have it be one of the main drivers of allocations. Additionally, sustained growth

in developed economies is not a positive drivers of aid interventions to developed countries (Ali et al., 2015; Arel-Bundock et al., 2015; Cheng and Smyth, 2016). Even though more develop countries are presented as being a capable economy that can optimally use allocated funds, this is not found to induce foreign aid allocations, as presented in Figure 11 above. Additionally, although developed countries are considered better able to optimise allocated funds, the findings from the literature suggest that economic growth is not a driver of aid allocations to these countries. Altruistic motives mainly stem from natural disasters which may arise and the humanitarian effort which follows (Prather, 2011; Kuhlitz and Abdulai, 2012; Nelson, 2012). Examples include hurricanes, flowing, wildfires and flooding; the occurrence of which is also influenced by changing climate conditions. Lastly, altruistic motives are drivers of aid allocation to developed regions, specifically, in times of natural disasters.

This section focuses on developing countries. Figure 11 below provides the summary of studies reviewed on the determinants of foreign aid to developing countries.

Figure 11: Determinants of Foreign Aid inflows to Developing Countries



Source: Author’s compilation

Figure 11 summarises the findings of 45 studies used to ascertain the drivers of foreign aid allocations to developing countries. For developing countries, trade, environment and altruism positively drive foreign aid allocations or inflows while institutional stability, historical and cultural ties have a mixed but overall positive impact on aid allocated to the region and economic

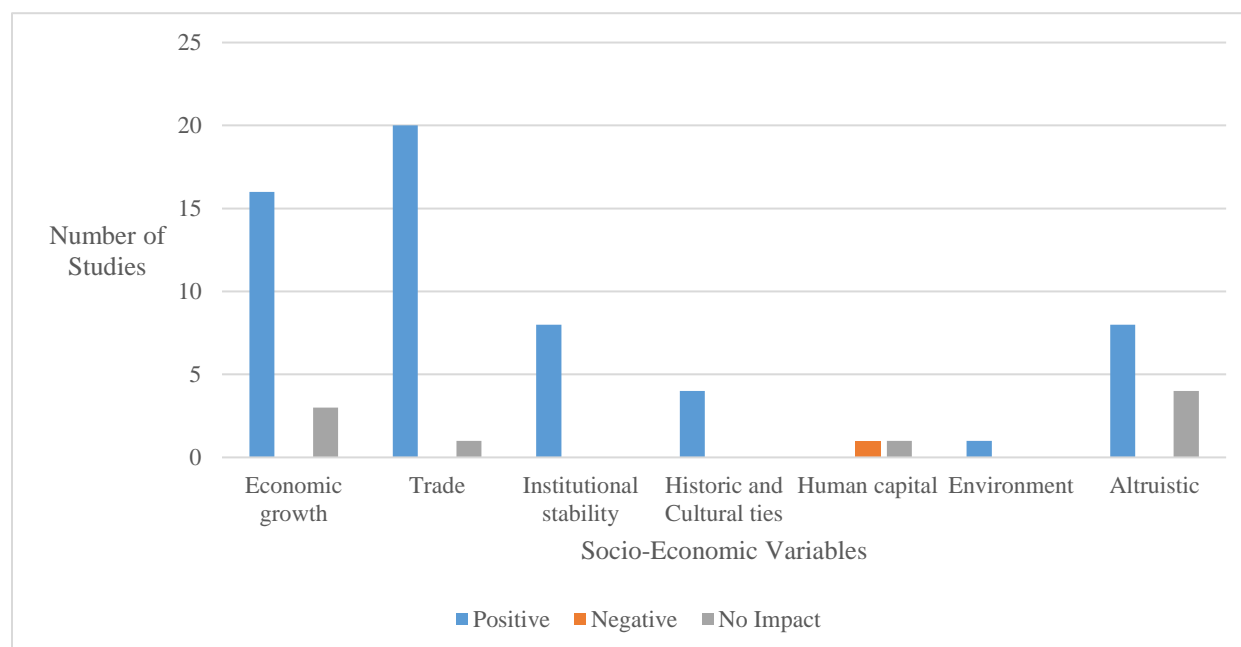
growth and human capital development have a largely negative impact on aid allocations to the region.

Potential trade linkages between the donor and recipient of aid drive aid allocations, especially when trade agreements and mutually beneficial export and import linkages exist (Swiss, 2017; Ma, 2019; Zegin and Korkmaz, 2019). This links to the donor driven motives influencing aid allocations to developing countries, as while aid may appear to be altruistic in nature, the trade connections created between donor and recipient nation is economically beneficial (Becerra et al., 2014; Zegin and Korkman, 2019).

Historic and cultural ties are unique to developing economies, particularly those located in SSA. This branch of the literature has explained foreign aid allocations made to former colonies as an attempt to rectify any structural and economic inequality and deficiencies (Lundsgaarde et al., 2010; Blackman, 2018; Oprsal and Harmacek, 2019). The aid programmes are extended to offset the structural deficiencies present in former colonial countries. Another consideration is the cultural linkages which includes language and religion (Neumayer, 2003; Ma, 2019). Particularly, former French colonial nations are favoured because the use of common language assists with aid negotiations (Oprsal and Harmacek, 2019; Tremly-Boire and Prakash, 2019).

Looking at the other significant drivers of aid, low economic growth draws donors as this is taken to signal a lack of capacity in the economy and results in altruistic driven assistance from developed economies. This then indicates that aid is extended with the intention of building and enhancing growth and economic development in developing regions. Low education attainment, literacy and enrolment increases the allocation of foreign aid, due to aid programmes bring driven by altruistic motives to improve human capital development (Ali and Isse, 2006; Prather, 2011). Thus, education centric aid programmes to developing countries are responsive to the deficiencies present in the education sector (Prather, 2011; Furuoka, 2017).

Figure 12: Determinants of Foreign Aid to Asian countries



Source: Author's compilation

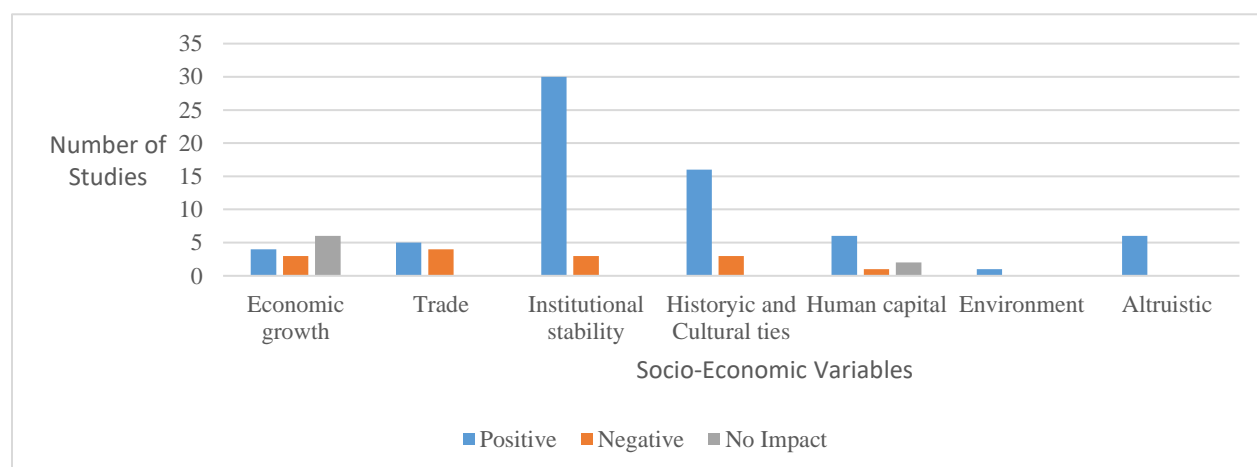
Figure 12 summarises the findings of the 41 studies reviewed on the drivers of foreign aid to Asian countries. The literature highlights the eight factors shown in figure 13 above as drivers of foreign aid to Asian countries. Of these eight factors, institutional stability, historical and cultural ties, macroeconomic stability and environmental considerations were found to have a positive impact on aid flows to Asian countries. The impact of economic growth, trade and altruism on aid inflows are mixed, although predominantly positive. From the studies that included human capital development as a variable, the findings are inconclusive because as many studies found the impact of human capital development on foreign aid to be negative as did those who found no impact.

Altruistic motives, such as responses to the occurrence of natural disasters and extreme poverty drive donor allocations to Asian economies. Gursky et al., (2014) noted that the occurrence of poverty, limited access to basic sanitation, high rates of disease and mortality have driven altruistic aid to the Asia-Pacific. Additionally, the frequent natural disasters create reliance on external assistance from the humanitarian community.

Asia is considered to be one of the major trading regions of the world and also has liberal trade policies to allow for ease in engagements between national and international trading partners (Lewis-Workman, 2018; Mlambo, 2018). Similar to trade, although the impact of economic

growth on aid inflows is mixed, the literature shows support for enhancing role of economic growth in attracting foreign aid to Asian countries. Thus, donors to Asian countries prefer to provide aid to countries that are already doing well. This could be due to the fact that growing economies that show growth are an indication to donors that the recipient is able to absorb the aid and utilise it efficiently (Sun, 2014; Sogan, 2017; Lis, 2018). Overall, for Asian countries, there is outright consensus of the positive impact of institutional quality, macroeconomic stability historical and cultural ties and environmental considerations on foreign aid received by the countries in the region. Finally, the literature emphasises that donor-motives, recipient needs and altruism all come into play in Asian foreign aid inflows.

Figure 13: Determinants of Foreign Aid allocations to SSA countries



Source: Author’s compilation

Figure 13 above summarises the 61 studies reviewed to ascertain the drivers of foreign aid allocations to SSA countries. From figure 13, nine factors emerged in the literature as determinants of foreign aid to SSA. Of these nine factors, institutional quality macroeconomic stability, environmental considerationa and altruism received consensus as positive determinants of foreign aid inflows to SSA. The impact of economic growth, trade, historial and cultural ties and human capital development on aid inflows are mixed, although predominantly positive for trade and human capital development.

From the studies that included economic growth as a variable, the findings indicate that more studies found the impact of growth on aid inflows to be insignificant as donors are more concerned with social factors. The importance of institutional capacity and previous colonial ties are reflected.

Stable political and economic institutions are important signals to potential donors that their contributions would be effectively and efficiently used (Furuoka, 2017; Mark, 2019; Orji et al., 2019; Tshukudu, 2020). In the case of SSA countries, the importance of historical ties is reflected in the literature. There is strong evidence to indicate that donors in the past prefer to provide aid to their former colonies.

In the literature, economic growth is not found to be a particularly significant driver of foreign aid allocations to SSA, as donors are more concerned with social factors (Weiler and Sanubi, 2019; Guillon and Mathonnat, 2020). Similarly, only a handful of studies observed the altruistic motive for aid allocation to be present in the case of SSA countries. This is a consistent finding throughout the literature and is linked to the altruistic section of the figure (Giraud et al., 2018; Ji and Lim, 2018; Weiler and Sanubi, 2019). There are ambiguous results on the relationship between foreign aid and trade allocations, as there are findings which both support and refute the impact trade openness has on foreign aid allocations.

Table 11 below summarizes the determinants of foreign aid allocations across regions, highlighting the cross-determinant connections between regions.

Table 11: Summary of Determinants of foreign aid allocations across regions

Determinants	Region			
	Developed Country groups	Developing Country Groups	Asia	Africa
Positive determinants	<ul style="list-style-type: none"> • Institutional Capacity • Altruism 	<ul style="list-style-type: none"> • Trade • Institutional Capacity • Governance • Environmental Considerations • Altruism 	<ul style="list-style-type: none"> • Institutional Capacity • Historic and Cultural Ties • Macroeconomic Governance • Environmental Considerations 	<ul style="list-style-type: none"> • Institutional quality • Macroeconomic stability • Environmental considerations • Altruism
Negative determinants	<ul style="list-style-type: none"> • Economic Growth 	-	-	-

Mixed factors	<ul style="list-style-type: none"> • Trade 	<ul style="list-style-type: none"> • Economic Growth • Historic and Cultural Ties • Macroeconomic Governance • Human capital 	<ul style="list-style-type: none"> • Altruistic • Economic Growth • Trade • Human Capital 	<ul style="list-style-type: none"> • Economic growth • Trade • Historical and cultural ties • Human capital development
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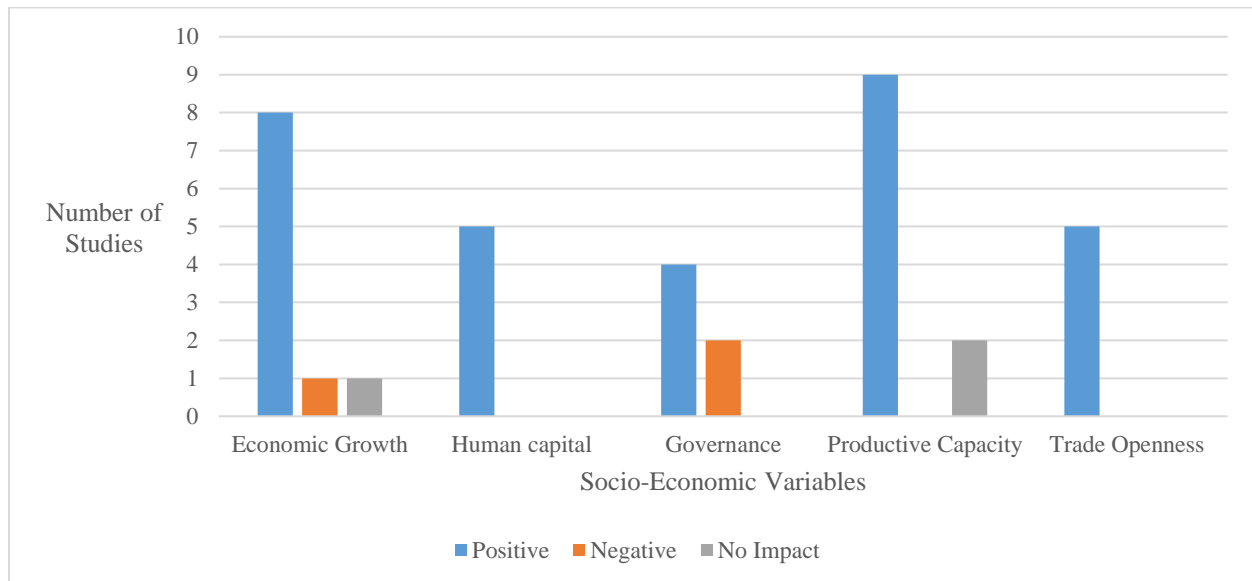
Source: Author's Compilation

7.3 Effectiveness of FDI

Similar to chapter 4, Chapter 5 is divided into two sections, section 5.1 and section 5.2. Section 5.1 evaluated the literature pertaining to the effectiveness of FDI on several socio-economic variables for both developed and developing economies. These variables included: economic growth, the current account balance, technology and productivity advancements, governance, human capital development (health and education), and the impact on the environment.

The following tables are constructed using the summative information on the effectiveness of FDI on socio-economic variables to developed and developing country groups and developing country regions.

Figure 14: Effectiveness of FDI in Developed Countries



Source: Author's compilation

Figure 14 represents the key socio-economic variables which are affected by the allocation of FDI to developed countries as highlighted in the literature. From the figure above, the effectiveness of FDI in developed countries has largely been measured against its impact on economic growth, human capital development, governance, productive capacity (i.e. productive efficiencies and manufacturing capacity) and trade openness. Of these five factors, trade openness and human capital development received consensus as being positively impacted by FDI inflows. Though

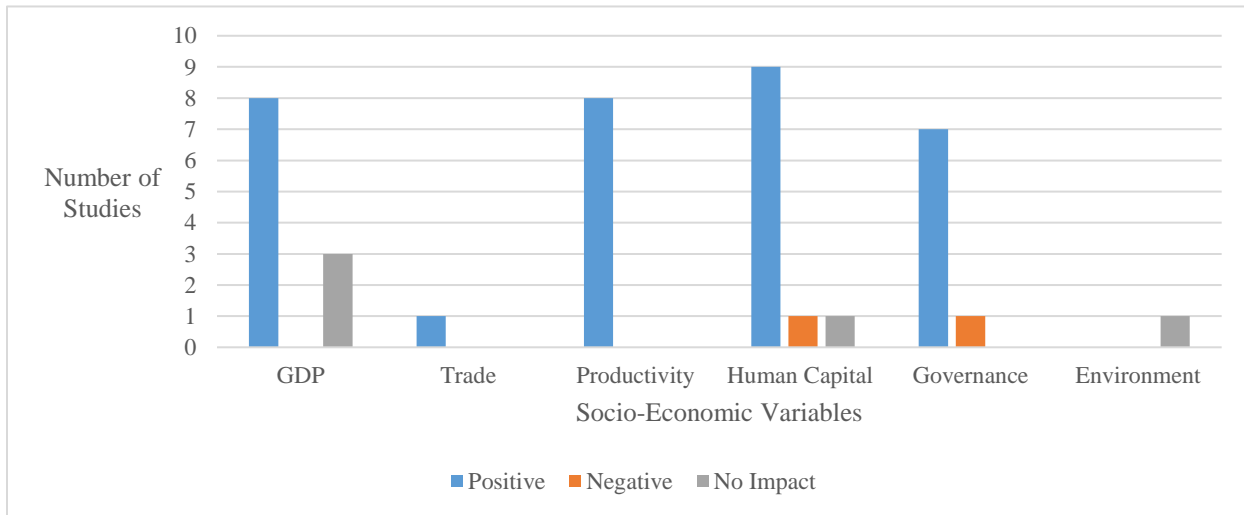
mixed, the impact of FDI on economic growth, governance and productive capacity is predominantly positive.

The production capacity of developed economies is enhanced through technological and manufacturing FDI (Jia et al., 2019; Samina et al., 2019; Teplova and Sekolova, 2019). The investment into these sectors builds these economies’ competitive advantage in the global economy (Samina et al., 2019; Teplova and Sekolova, 2019). The impact of FDI on economic growth is mainly positive, and the literature has linked these positive growth outcomes with the production capacity enhancement afforded by FDI (Dimelis and Papaioamou, 2010; Milutinovic and Stenistic, 2016; Samina et al., 2019; Teplova and Sekolova, 2019).

In the space of human capital development, educational attainment is improved with FDI inflows (Nagel et al., 2015; Strat, 2015). In terms of trade openness, FDI offers opportunities to form trade linkages and engagement in reformative policies to reduce bureaucratic delays and costs (Moudatsou, 2003; Belderbos et al., 2012).

The next section focuses on the effectiveness of FDI in developing countries, specifically on the key variables impacted, as highlighted in the literature.

Figure 15: Effectiveness of FDI in Developing Countries



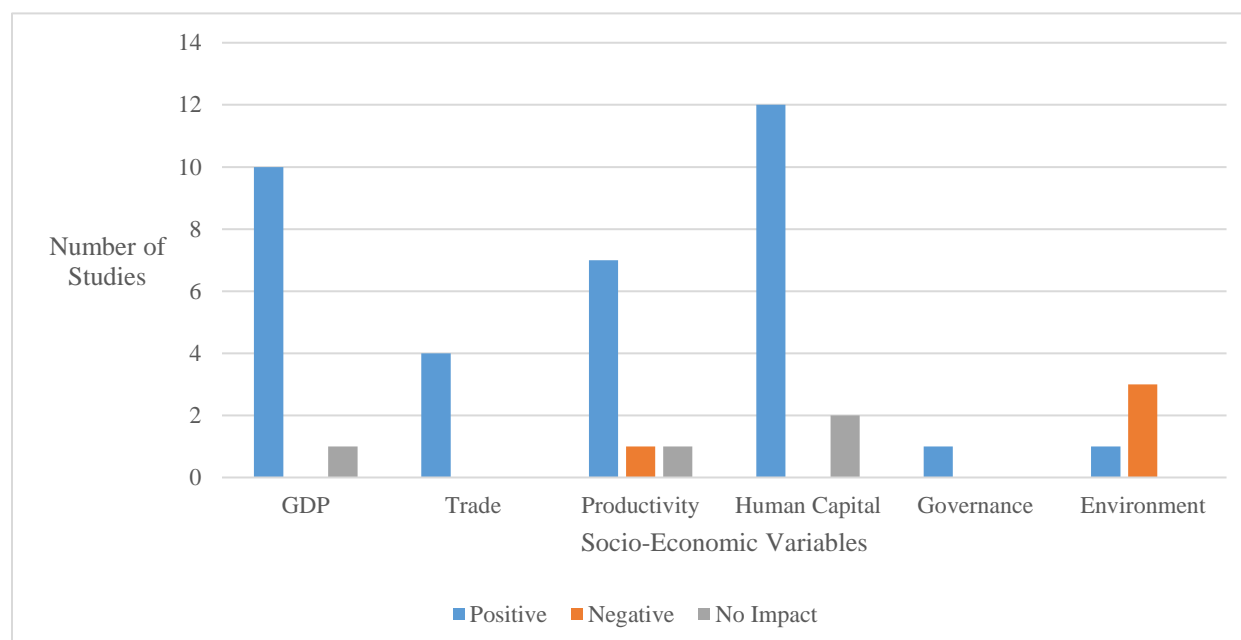
Source: Author’s compilation

The above figure was drawn up using the summative information extracted from 40 peer reviewed journal articles that included developing countries in the investigations. From figure 15 above, it

is clear that the literature for developing countries generally reports a positive impact of FDI on GDP, productivity, human capital, governance and trade. The environmental impact of FDI inflows to developing countries is negative (Failler, 2019). The above leads to the conclusion that the extension of FDI to developing countries has resulted in improved economic growth, increased productivity, enhanced human capital development, better governance outcomes and enhanced trade (Bruno and Cipollina, 2014; Azam et al., 2015; Burns et al., 2017).

Figure 16 below uses the summative information on the effectiveness of FDI on socio-economic variables in Asian countries.

Figure 16: Effectiveness of FDI in Asia



Source: Author's compilation

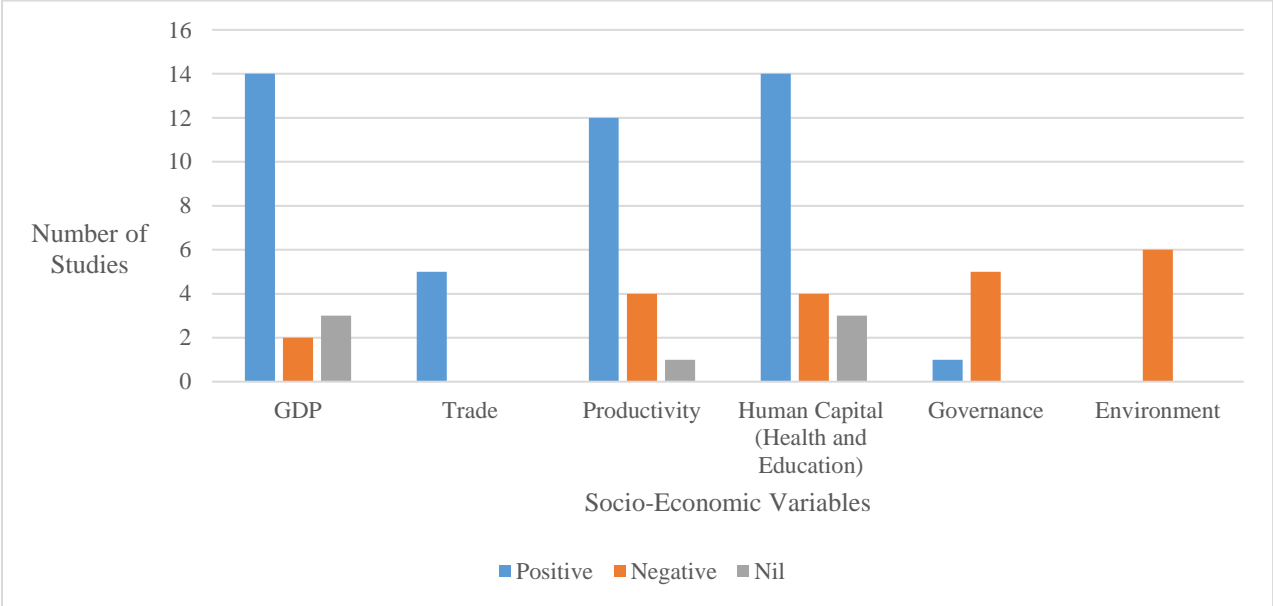
Figure 16 was formulated using 43 peer-reviewed journal articles which included Asian countries in the sample. From the table above, the findings from the literature pertaining to Asian countries is skewed towards the positive impact of FDI on GDP, trade, productivity, human capital development and governance. Human capital has been positively impacted by FDI due to increased accessibility to quality educational resources (Park, 2018; Doytch and Uctum, 2019; Jia et al., 2019). Asia has experienced a surge in growth and development since the 1990s, with trade and production methods challenging other global producers (Abdouli and Hammami, 2017; Frutos-Bencze et al., 2017). This is particularly attributed to the effective use of FDI to build more

efficient and cost-effective production methods in Asia. The reason for the improved production capacity from FDI inflows to Asian countries is that FDI is directed towards strengthening capital investment and building the internal capacity of the economy to maintain and sustain positive growth (Ullah et al., 2014; Wen, 2014; Alam et al., 2016).

The competitive and cost-effective production afforded by FDI has assisted in the sustained upward trajectory of growth in Asia; specifically, that of South-East region. Additionally, the more cost-effective production methods have made Asia a significant global producer and leader in trade. In terms of environmental factors, it is noted in the literature that substantial levels of carbon emissions and pollution in Asia have been a product of FDI. This is particularly the case with FDI extended to increase production and manufacturing capacity.

The summary of findings on the effectiveness of FDI on socio-economic variables in SSA is captured in Figure 17.

Figure 17: Effectiveness of FDI in SSA



Source: Author’s Compilation

Figure 17 is compiled using the summative information from 60 peer-reviewed studies which included SSA economies in their sample. From the review of literature, there is overwhelming evidence of a generally positive impact of FDI on GDP, trade, productivity and human capital

development. The impact of FDI on governance and the environment is largely negative in SSA countries.

The positive impact of FDI on growth, trade and productivity are often linked to the interactive effect of FDI allocations. Based on the FDI received by SSA, foreign ventures have improved the capital investment in infrastructure, technology, and production methods (Asongu and Nnanna, 2019; Mwakalila, 2019). The integration of these more efficient and productive forms of infrastructure, technology and production methods improves the competitiveness of the local markets, houses the manufacturing centres for international producers, and competes with international exports (Alem and Lee, 2015; Tang and Budhoo, 2017; Mwakalila, 2019). Production of a more competitive product leads to more trade opportunities. As the production costs are lower in recipient economies, FDI is extended to expand production, thereby having the secondary effect of enabling growth in recipient economies (Asongu and Nwachukwu, 2016; Egenti et al., 2019; Maruta et al., 2020).

Additionally, improvements in human capital development (health and education) have positive interactive growth, trade and productivity outcomes with FDI allocations (Asiedu, 2016; Maruta et al., 2020; Mukkaddas, 2020). During the FDI process, human capital is improved through the imparting of knowledge and advanced skills (Odokonyero et al., 2015; Asongu and Tchamyou, 2019; Mukkaddas, 2020). The demand for a highly skilled and developed workforce by MNCs also prompts more focus on educational attainment.

Concerning governance impact, FDI often fails to yield positive outcomes due to the presence of significant corruption in many SSA countries. A major negative effect of FDI inflows to SSA is that it prompts corrupt and uncompetitive practices (Bailiamoune-Lutz, 2016; Tang and Budhoo, 2017; Egenti et al., 2019). Thus, there has been growing focus on governance and transparent practices with investors looking for sound governance structures and institutional quality prior to making the investment (Asongu and Nnanna, 2019; Egenti et al., 2019). FDI inflows have also been shown to have adverse environmental consequences in SSA. This is seen particularly in the unsustainable extraction of resources and excessive pollution from production processes (Arvin et al., 2006; Larsena and Mamossa, 2014).

Table 12 below summarises the findings of the effectiveness of FDI allocations to regions.

Table 12: Effectiveness of FDI allocations across regions

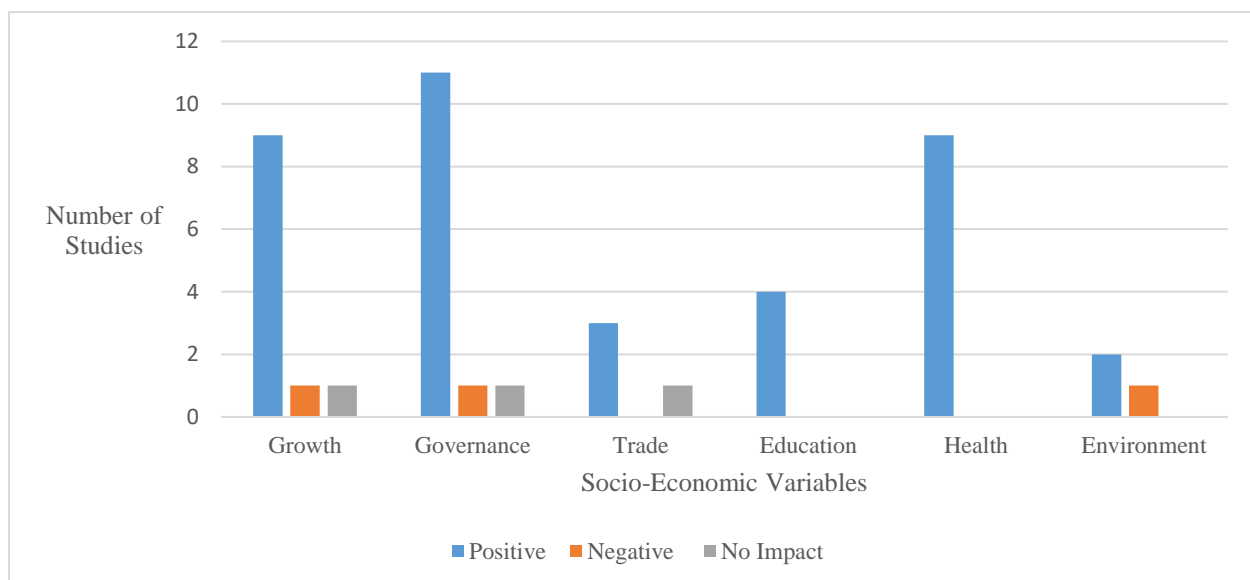
Variables	Region			
	Developed Country Groups	Developing Country Groups	Asia	SSA
Economic Growth	Mixed, but mostly positive	Mixed, but mostly positive	Mixed, but mostly positive	Mixed, but mostly positive
Human capital development	Positive	Mixed, but mostly positive	Mixed, but mostly positive	Mixed, but mostly positive
Trade	Positive	Positive	Positive	Positive
Governance institutions	Mixed, but mostly positive	Mixed, but mostly positive	Mostly negative	Mixed, mostly negative
Productivity	Mostly positive	Positive	Mixed, but mostly positive	Mixed, but mostly positive
Environment	-	No impact	Mostly negative	Negative

Source: Author's Compilation

7.4 Effectiveness of Foreign Aid

Section 6.2 of the study evaluated the literature pertaining to the effectiveness of foreign aid on several socio-economic variables for both developed and developing countries. These variables include: growth, governance and political stability, human capital development and the impact on the environment. Both sections of Chapter 6 segmented the findings according to region and attempted to draw linkages between results. The following figure is developed using the summative information on the effectiveness of foreign aid on socio-economic variables in developing countries.

Figure 18: Effectiveness of Foreign Aid in Developing Countries



Source: Author's Compilation

Altogether 31 journal articles that examined the effectiveness of foreign aid allocations in developing countries were reviewed in this study. From Figure 18 above, of these four factors, there is consensus on the positive impact of foreign aid on human capital development in developing countries. The impacts of foreign aid on economic growth, governance, trade and the environment are mixed, although predominantly positive.

Based on the findings of the literature, the direct impact of aid on the economy is dependent on the absorption capacity of the recipient economy. This translates into the existing level of infrastructure, technology and human capital; which are all crucial inputs in sustaining and

elevating growth in the recipient economy (Akter, 2018; Sangu and Nwachukwu, 2018; Harb and Hall, 2018).

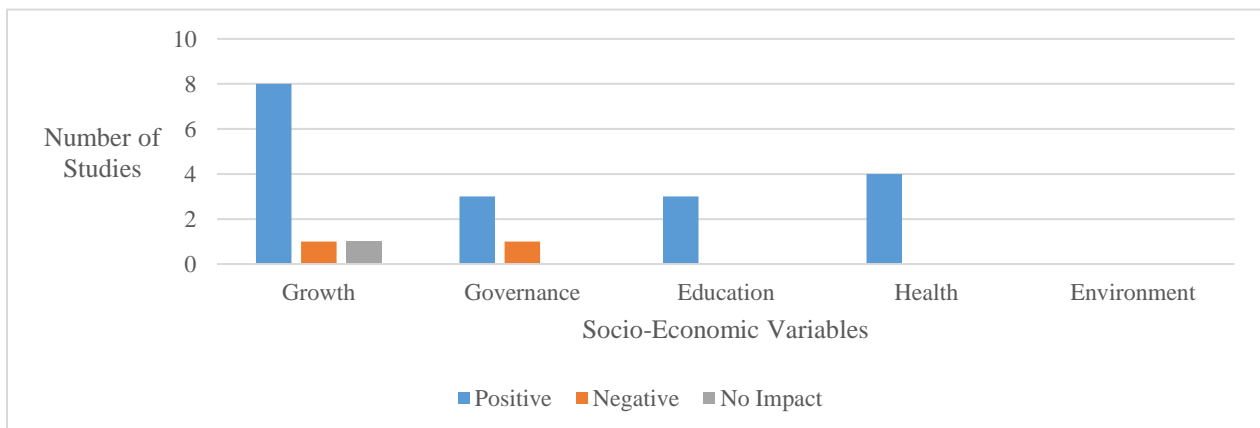
Relating to donor-interest led foreign aid initiatives, interest in the donor potentially benefitting from trade relationships in the short to medium term drives allocations. This is particularly the case with resource-rich developing countries with limited value-add technology and need to leverage resources against assistance programmes.

In the context of governance institutions, aid programmes require recipients to have sound and transparent governance standards in the political, economic and legislative realm. Not only is compliance with high governance standards of importance when attracting aid, but aid programme conditions can also entrench these good governance practices in the recipient economy. Should there be inconsistent follow-through in the management of the governance structures, this places the receipt of aid and its resultant success at risk. Donors keep a particular focus on the African region, as the political and civil unrest has been a concern historically.

In the case of health-related aid programmes, these have been successful in developing countries, as these have capacitated recipient countries to mitigate the pressure on health institutions to overcome communicable diseases. Additionally, the improvement in access to healthcare improves the productivity of the labour force, creating multiple positive knock-on effects. Lastly, this area also included malnutrition in the variables, which is a key target area for assistance.

The following figure uses summative information on the effectiveness of foreign aid in Asia.

Figure 19: Effectiveness of Foreign Aid in Asia

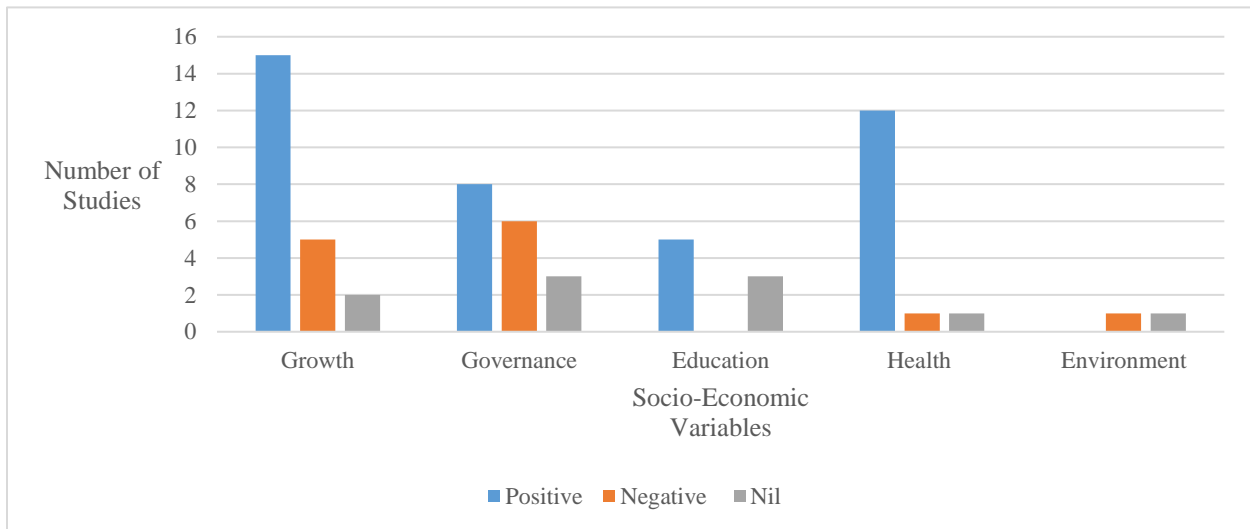


Source: Author's Compilation

A review of the literature on Asian countries was undertaken to ascertain the foreign aid impact on socio-economic variables in Asia. Similar to the findings for developing regions, the results reflect that growth, governance, human capital development are positively influenced by foreign aid. Asian countries have managed to benefit from foreign aid by strategically implementing aid programmes, enhancing the absorptive capacity of their economies, developing their infrastructure base, and advancing their labour force skillset.

The following figure was calculated using the summative information on the effectiveness of foreign aid on socio-economic variables in SSA.

Figure 20: Effectiveness of Foreign Aid in SSA



Source: Author’s Compilation

Figure 20 above was compiled using the summative information extracted from 55 peer-reviewed studies which had included SSA economies in their sample. From this figure, the literature highlights four general factors in the effectiveness of foreign aid to SSA countries. The effectiveness of foreign aid on these four factors is found to be mixed. The impact of foreign aid on economic growth, human capital development, governance institutions is predominantly positive. From the studies that included the environment as a variable, the findings are ambiguous.

The impact of aid on economic growth is often conditional on the quality of governance quality in the recipient economy and this is no exception in SSA, where the high levels of corruption and political instability, play a significant role in the success or failure of aid programmes. The literature, however, points to the interesting interaction of aid and governance in SSA, where

foreign aid also possibly increases corrupt practices. In terms of human capital development outcomes, the literature has provided evidence that access to education and health resources and improved education and health outcomes have resulted from aid interventions.

Overall, a large portion of the literature has confirmed that foreign aid yields positive socio-economic outcomes in SSA countries, as is visible from Table 13 below. Table 13 below summarizes the effectiveness of foreign aid allocations across regions.

Table 13: Effectiveness of foreign aid allocations across regions

Variables	Region		
	Developing Country Groups	Asia	SSA
Economic Growth	Mostly positive	Mostly positive	Mixed, but largely positive
Human capital development: Education and Health	Both variables are positive	Both variables are positive	Mixed, but mostly positive
Governance institutions	Mostly positive	Mixed	Mixed
Environment	Mixed		Mixed

Source: Author's Compilation

7.5 Conclusion and Policy Recommendations

This study explored the literature pertaining to the determinants of FDI and foreign aid, and to ascertain their effectiveness in the recipient nations. The aim of the study was to compare the findings across regions and to be able to suggest policy recommendations for SSA. The study focused on the period 1960 to 2020.

The main factors found to be significant in determining the inflow of FDI were macroeconomic stability, economic growth, governance, openness to trade, and resource endowments of the recipient economy. While developed economies are found to have similar factors determining FDI inflows to developing countries, they have higher growth levels, more developed infrastructure, better performing socio-economic indicators and more developed financial institutions. These all result in higher global share of FDI inflows. In comparison, developing countries have comparatively lower growth levels, less developed and complex infrastructure, poor performing socio-economic indicators, and (in some instances) instability on both an economic and political level. This puts developing countries at a disadvantage with investors in receiving a higher share of global FDI.

In Latin America, natural resource endowments and infrastructure development are key drivers of FDI allocations. Those resources mainly lie within the agrarian and forestry industry and are extracted by MNEs. Whereas in Asia, economic growth, macroeconomic and governance structures are key considerations for investment. These variables give potential investors insight into the health of the economy and the potential returns which can be expected from their investment.

In SSA, the level of trade openness, human capital development and infrastructure development are the main factors driving FDI allocations. Specifically relating to trade openness, this relates to the ease of performing trade between regions and the bureaucratic processes that investors would potentially need to face. In terms of human capital development, this relates to the existing labour force's level of skills development and their capacity to integrate foreign enterprise's technologies domestically. Furthermore, in the literature specific to SSA, there is a bit of ambiguity on the influence of economic growth, governance and natural resource endowments in attracting FDI.

The main drivers of foreign aid can be divided into donor interest, recipient need, governance, environment and altruistic motives. Aid which derives from donor interests takes into consideration the economic, political and cultural factors of the recipient economy. Economic and political variables include; trade agreements between donor and recipient, donor exports, recipient resource (oil) endowments, political alliances and military capacity. Cultural motives (factors) considered in the decision of whether to allocate aid and how much to allocate include former colonial ties, language and religious preferences.

For all regions, a significant driver of foreign aid is altruism – specifically in addressing the aftermath of a natural disaster or extreme conditions of poverty. This is key, as foreign aid is often viewed as being driven for humanitarian assistance programmes in the recipient country. Similarly, a key consideration for extending foreign aid to all regions is the institutional capacity and governance structures of the recipient economy. Specifically, donors are interested in ensuring the existence of accountable and transparent reporting and oversight practices. Additionally, a consistent driver of foreign aid allocations to developing regions (inclusive of Asia and SSA) are environmental conditions. This reflects the interest of donors to reduce excessive pollution, that negatively influences climate conditions globally.

In terms of human capital development, this is an element which has had mixed results in developing countries (inclusive of Asia and SSA), depending on which element one refers to. In reference to the motive of improving educational attainment and health conditions of the population, donors are likely to extend foreign aid to the economy. However, when referring to skills development, this is not a key driver of foreign aid.

With respect to SSA countries, institutional stability and historical and cultural ties are key drivers of foreign aid allocations. The importance of institutional quality is based on both political and economic institutions, as corruption has been flagged as a deterring factor for both investors and donors. Thus, ensuring aid programmes are adequately governed is a concern to potential donors. Additionally, since a vast majority of colonies were established historically in Africa, donors from past colonial nations target countries which still struggle structurally to pursue socio-economic empowerment programmes. The other factors relating to economic growth, human capital

development and altruistic motives of allocating foreign aid yielded mixed results for allocations directed towards SSA countries.

The second part of the exploration of the literature examined the effectiveness of FDI and foreign aid to developed and developing countries. Based on the literature, economic growth, human capital development, trade and productivity have been positively influenced by FDI allocations across developed and developing countries (in Asia and SSA). This cross regional result indicates that productive efficiencies are synonymous with FDI and improves the domestic market's competitiveness domestically and globally. The literature on the effectiveness of FDI in Asia, similar to SSA, has found that governance and environmental variables have been negatively influenced by FDI allocations. In terms of the implications of FDI on governance structures, there is a tendency for corrupt practices to surface. Additionally, the extension of FDI also increases manufacturing and industrialisation in the recipient country, which leads to increased pollution and negative outcomes for biodiversity health.

Lastly, a review on the impact of foreign aid on economic growth, human capital development, governance institutions was found to be predominantly positive. From the studies that included the environment as a variable, the findings are ambiguous. The impact of aid on economic growth is conditional on the quality of governance quality SSA, where the high levels of corruption and political instability, play a significant role in the success or failure of aid programmes.

Policy Recommendations

From the literature on the effectiveness of FDI in SSA, it is noted that there have been positive outcomes of FDI inflows on economic growth, productivity, trade and human capital development. These positive outcomes, however, do not always translate over the long term. This is due to the domestic economy not being able to adapt and develop adequately (in terms of infrastructure and skills development). Additionally, the literature has associated FDI with negative outcomes in governance and the environment in SSA. In the instance of governance, this is due to corrupt and unsavoury practices being adopted to attract FDI. FDI has fallen short of improving governance structures in SSA. With extractive FDI, this usually results in negative environmental outcomes (i.e. pollution, climate change, unsustainable extraction of natural resources). Further attention is

needed in terms of the environment, as the literature has found FDI to be a negative factor in climate health.

Thus, initiatives are required from both private and public stakeholders to attract increased share of global FDI inflows and ensure that programmes derived from policies drafted and implemented in this regard are implemented in ways that sustain long-term growth of the economies in the region. Another element which needs to be improved by SSA countries is the transparency and governance of key institutions as corrupt practices sometimes arise with the process of FDI. Thus, transparent and accounting reporting standards need to be improved to reduce the presence of corruption. Additionally, FDI is often directed to more skilled economies, which infers that more work is required to improve educational inputs (such as enrollments, attendance, curriculums) and outcomes (such as attainment) in SSA countries. Lastly, it is clear from the literature that environmental and climate health impacts of FDI need to be given more consideration since this is an aspect that is negatively impacted and receives less focus but remains vital especially in light of the recent environmental⁷ and climate disasters that have occurred and the on-going calls for climate reconning.

Regarding foreign aid, while substantial foreign aid has been allocated to SSA countries, there is still dependence on foreign donors to overcome capital deficiencies. The underlying issue is the lack of capacity of the region's economies to sustain economic growth, human capital development, and enhance technological and manufacturing infrastructure in the long term, in order to become self-sufficient. In reference to the policy recommendations which arose from the review of literature on the influence of foreign aid on SSA countries, the outcomes have mostly found that assistance positively influences socio-economic outcomes in the region. Thus, further work is required by SSA policy makers to target foreign aid programmes which align to the socio-economic needs of the economy, and which would address immediate and ongoing shortcomings in the economy. In addition, significant policy interventions are necessary to facilitate socio-economic development with public and private investment in the infrastructure base and education

⁷A recent example would be that of the Shell Seismic Survey operation, which presented adverse long-term environmental consequences.

and skillset of the labour force in SSA countries, political willingness which will all work together to allow the region to develop from its own efforts and thus reduce reliance on foreign aid inflows.

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