

Determinants of foreign direct investment in Sub-Saharan Africa

Abstract

This paper deals with determinants of foreign direct investments in Sub-Saharan Africa. This region has been considered very risky for foreign investors and the only incentive for FDI was seen in natural resources, especially oil. The objective of this paper is to find out whether this trend has prevailed in the past decade or if countries that managed to improve their institutional environment attracted significant amount of FDI into other sectors of economy. Standard econometric models are employed to explain FDI flows to individual countries. Not only FDI flows but also the share of FDI to GDP and accumulated FDI are used as dependent variable. The results confirm the fact, that natural resources still play the most important role for inward FDI.

Key words: foreign direct investment, natural resources, Sub-Saharan Africa