European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.5, No.20, 2013

Catalysts and Barriers to Foreign Direct Investment in Ghana

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Abstract
Foreign direct investment (FDI) is regarded as the catalyst for the growth of developing economies in recent times. This study investigates the factors influencing the FDI in Ghanaian economy. The study administered questionnaire to twenty two (22) Chief Executive officers of Multinational Companies operating in banking, telecommunication, mining, oil and gas sectors of the Ghanaian economy. The result indicates that several factors influence or inhibit FDI in the economy. Factors that encourage FDI in Ghana include the abundance of natural resources, political stability, availability of cheap labour force, and growing markets. Several barriers were found present and these include, among others, poor ICT infrastructure, volatile exchange rates, lack of reliable supply of water and energy, and poor road network as the very important factors that inhibit inflows of FDI into Ghana.

INTRODUCTION
Foreign direct investment has been regarded as having a positive influence on the economic performance of host countries; most of these influences are believed to be in the form of positive externalities which relate to the adoption of foreign technology and know-how, imitation, employee training, introduction of new processes and products by foreign firms, and the establishment of links between local and foreign markets (Alvaro et al., 2006). The empirical studies conducted on FDI and economic growths are inconclusive though most of them suggest that FDI, or FDI in combination with other factors has a positive effect on economic growth (Kim, 2011; Lipsey, 2002; Ikara, 2003). In search for fast vehicles to deliver development and growth in emerging economies, policymakers have been led to believe that foreign direct investment (FDI) generates positive productivity effects for host countries (Alvaro et al., 2006). These benefits are associated with the adoption of foreign technology and know-how through licensing agreements, imitation, employee training, and the introduction of new processes, and products by foreign firms; and the creation of linkages between foreign and domestic firms. The issue confronting the policy markers is how to attract FDI inflow into their country. It has been the target of most emerging economies like Ghana to increase the quantum of FDI into the country. FDI inflows into developing countries including Ghana have increased significantly over the last decade with middle income countries benefiting a lot from such inflows (see Appendix 1).

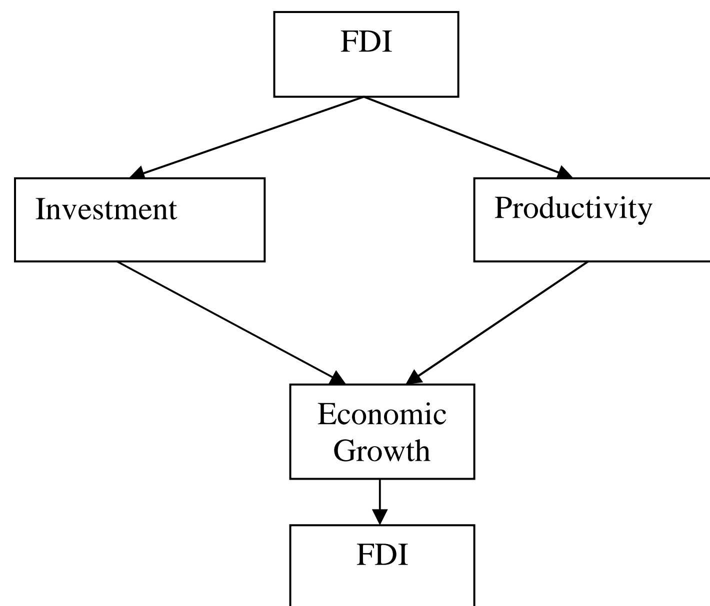
Like most countries in Africa, Ghana has experienced some periods of political stability, coupled with a remarkable economic management programme spanning from the 1980s and registering an average growth rate of 5% per annum, with amendments to the 1985 investment act code. The country is also well endowed with a number of natural resources such as gold, bauxite and recently oil. Prior to the discovery of oil, FDI inflows into the nation has not been promising (Owusu-Antwi, 2012); largely related to political instability since independence until the late 1980s and early 1990s, the country remained unattractive to foreign investors who irrespective of the availability of investment opportunities were more sceptical due to the perceived risks. Overtime as political tensions eased from 1994 and democracy was restored, the investment climate in Ghana has improved at a steady pace making it an attractive place for investment to foreign investors. Thus the objective of the study is to investigate the factors that determine the inflow of FDI into Ghanaian economy. The study also purports to examine the factors that discourage foreign investors from investing their capital into the economy and to recommend ways of removing these barriers to FDI.

The remaining part of the paper is organized into four sections. In the first section the theoretical and empirical literature review was conducted and this was followed by research methodology, presentation of results and discussions and finally conclusion and policy implications of the findings.

LITERATURE REVIEW
Theoretical Effects of FDI
Foreign direct investment (FDI) is believed to generate a positive productivity effects for host countries (Alvaro et al., 2006). These benefits are associated with the adoption of foreign technology and know-how through licensing agreements, imitation, employee training, and the introduction of new processes, and products by foreign firms; and the creation of linkages between foreign and domestic firms. According to Omoniyi & Omobitan (2011), FDI flows indicate the expansion of activities of MNCs. These activities have been traditionally identified for the purpose of filling the domestic capital formulation gap in developing countries so as to speed up economic growth (Brewer, 1991; Digiovianni, 2005). It was argued that FDI impact on economic growth is subject to controls in the host country; these controls relate to the conditions that must be met for

foreign capital entry, regulations of foreign capital operations, and restrictions placed on remittance of profits and capital repatriation. Todaro & Smith (2003) also contribute to the argument by asserting that MNCs are mainly profit-oriented and less concerned about social issues like poverty and unemployment; as such, they tend to move to countries where the financial returns are greatest and there are perceived safe to avoid capital loss.
In understanding the contribution of FDI to the host nation's economy, two schools of thought have developed: Pro-foreign investment advocates and Anti-foreign investment advocates. Pro-foreign investment advocates argue that FDI benefits host nation and the world through transmission of technology, ideas designs, tastes, managerial efficiency, amongst others (see Anyanwu, 1998; Oloyede & Obamuyi, 2000). Other benefits relate to filing of savings resources gap, foreign exchange gap, and balance of payments (Omoniyi & Omobitan, 2011).
Anti-foreign investment advocates believe that FDI has negative effects on host countries. Advocates assert that FDIs damage host countries by suppressing domestic entrepreneurship, introducing unsuitable products and technology, exploiting host country, and stimulating class conflicts (see Anyanwu, 1998; Oloyede & Obamuyi, 2000). Asafu-Adjaye (2005) also summarizes the effects of FDI; according to him, FDI is linked to economic growth indirectly through its effect on investments and productivity. He asserts that the first impact of FDI on the economy is by increasing the levels of investments, which when put to productive uses results in increased productivity which subsequently results in economic growth. The second impact is that FDI affect productivity of domestic firms through positive spill-over effects (externalities) due to FDI mainly from technological spillovers. The effect is increased domestic productivity. This impact assessment is presented in the figure below:

Figure 2.1: The Links between FDI and Economic Growth



Source: Asafu-Adjaye (2005)

Asafu-Adjaye (2005) further indicates that to benefit from FDI, a country must possess the absorptive capacity (ensuring human capital development to absorb new technologies); adequate infrastructure; sufficient soft infrastructure (banks and banking services, financial markets, supply networks, strong institutions, and intellectual property rights); and macroeconomic and political stability.
The following is a list of the potential benefits and disadvantages of FDI; the list is adopted from Asafu-Adjaye (2005).

Benefits of FDI

- FDI brings in new technology which enhances productivity.
- FDI has demonstration effects on domestic firms from technology choice and new managerial practices.
- By helping to train local staff, FDI contributes to human capital development.
- As FDI increases growth, it contributes to poverty reduction and hence increases political stability.
- FDI brings in much needed foreign exchange to pay for capital and intermediate goods.
- Foreign firms bring in international market connections and generate new export opportunities.
- Foreign firms generate backward and forward linkages.
- FDI is a source of Research and Development spillover, including human capital development.

- By increasing economic growth, FDI can also increase domestic savings.
- By supporting total resource availability, FDI leads to higher investment.
- FDI is more persistent than other forms of foreign capital (for example portfolio investment).

Disadvantages of FDI

- Foreign firms could capture market share at the expense of domestic firms and eventually 'crowd out' domestic firms.
- If foreign capital is financed from domestic markets, it could result in interest rate hikes which will not be beneficial for domestic firms.
- FDI could increase import intensity and increase the current account deficit: a high import content could lead to low domestic value added, which could result in limited domestic linkages.
- Excessive outflow of FDI (de-capitalization) could have a negative effect on economic growth.

Determinants of FDI Flow into an Economy

FDI flows into an economy are dependent on the presence of certain factors; MNCs are generally profit-oriented and seek an investment climate with good returns on their investments and relative stability and lesser risk against capital loss. Walsh & Yu (2010) have identified six (6) major determinants of FDI flows into an economy.

Market size and growth potential

Scholars have identified that host countries that have a larger domestic market size and transition economies with larger economies attracts high levels of FDI (Walsh & Yu, 2010). This is largely due to a much larger potential demand and lower costs due to economies of scale; Resmini (2000), in his study of Central and Eastern European countries with focus on manufacturing FDI, found that countries with larger populations tend to attract more FDI; this is further supported by Bevan & Eastrin (2000).

Openness

According to Walsh & Yu (2010), a decrease in openness might be related to increase in horizontal FDI as MNCs benefit from being able to build production sites abroad. Resmini (2000) also found that vertical FDI flow benefits from increasing openness. Singh & Jun (1995) also found that export orientation is essential in attracting FDI.

Exchange Rate Valuation

Theoretically, a weaker real exchange rate is expected to increase vertical FDI as firms take advantage of relatively lower prices in host markets to purchase facilities or increase home-country profits on goods sent to a third market; whereas a stronger real exchange rate may strengthen the motivation for foreign companies to produce domestically, as the exchange rate serves as a barrier to entry in the market and could lead to increased horizontal FDI (Walsh & Yu, 2010). Empirically, Froot & Stein (1991) showed that a weaker exchange rate increases vertical FDI; however, empirical evidence for a stronger exchange rate has not been established (Walsh & Yu, 2010). Blonigen (1997) also argues that exchange rate depreciation in host countries results in increased FDI inflows.

Clustering effects

Clustering effects refers to foreign firms grouping together either due to linkages among projects or due to herding, as a larger existing FDI stock is regarded as a signal of a benign business climate for foreign investors. By clustering with other firms, new investors benefit from positive spillovers from existing investors in the host country (Walsh & Yu, 2010). Thus, FDI may also benefit from these clustering effects. Wheeler & Mody (1992) studying U. S. firms; Barrell & Pain (1999) studying the Western European context; and Campos & Kinoshita (2003), focusing on transition economies, all finding empirical evidence of such "agglomeration" effects (Walsh & Yu, 2004).

Political and Macroeconomic Stability

Investors have indicated that political and macroeconomic stability is one of the key concerns of potential foreign investors (Walsh & Yu, 2010). However, empirical results are inconclusive. Although Wheeler & Mody (1992) found that political risk and administrative efficiency are insignificant in determining location of production units amongst U.S. firms, Schneider & Frey (1985), found that political instability significantly affects FDI inflows.

Institutions

Walsh & Yu (2004) identified institutional quality as a likely determinant of FDI mainly in less developed countries, for a number of reasons. First, good governance is associated with higher economic growth, which should attract more FDI inflows. Second, poor institutions tend to enable corruption thus adding to investment costs and reducing profits. Third, the high sunk cost of FDI makes investors highly sensitive to uncertainty, including the political uncertainty that arises from poor institutions. However, due to measurement constraints, empirical results regarding this factor have been vague. Institutional quality also includes quality of regulatory framework, bureaucracy, judicial transparency and degree of corruption.

Factors that Inhibit FDI Flow into an Economy

The literature has identified several factors that inhibits FDI flow into an economy and among them include resource base, macroeconomic condition, political climate, regulatory framework, infrastructure conditions and global factors.

Resource Base

According to Hailu (2010), natural resources and labour are very important factors influencing FDI decisions; empirical studies have found a positive relationship between abundance of natural resource and FDI flow into Africa (Asiedu, 2002; Dupasquier & Osakwe, 2006). Diechmann et al. (2003) also found natural resources key to FDI inflows to transition economies in Europe and Asia. Labour availability, productivity and cost have also been identified as significant in influencing FDI decisions (Noorbakhsh et al., 2001; Baeka and Okawa, 2001). However, on the issue of labour cost, conflicting evidence has been reported so far; whilst studies like Kersan-Skabic & Orlic (2007) have found wage cost to be important; other studies (Brahmasrene & Jiranyakul, 2001) have found no significant impact on FDI inflow. Thus, the availability of vast natural resources and a quality labour force endears an economy to FDI inflows. Hence, where an economy lacks a strong resource base, FDI inflows may not be forthcoming.

Macroeconomic Factors

Various macroeconomic factors have been identified as important variables for consideration for FDI flows which may in turn inhibit FDI inflows into an economy. Nnadozie & Oslie (2004) for instance, found that in the case of FDI inflows from USA to Africa, GDP growth was found to have a significant impact than GDP per capita. Other factors identified include market access potential (Fedderke & Romm, 2006), market size (Barrell & Pain, 1996), volatility of exchange rate (Kyereboah-Coleman & Agyire-Tettey, 2008), trade openness (Yih Yun et al., 2000; Asiedu, 2002), and inflation rate (Nnadozie & Oslie, 2004).

Easy market access and a larger market size tend to attract higher FDI inflows, although Kyereboah-Coleman & Agyire-Tettey (2008) found market size to be irrelevant for FDI flows into Ghana. Volatile exchange rates are perceived as having negative effects on FDI flows, whereas a more open economy experiences higher levels of FDI inflows. Inflation rate was also found to have a negative relationship on FDI inflows (Hailu, 2010). Thus, unfavourable macroeconomic conditions tend to have negative effects on FDI inflows.

Political Factors

Various studies have shown that political factors affect FDI flows (Dupasquier & Osakwe, 2006; Li, 2008; Kyereboah-Coleman & Agyire-Tettey, 2008). Political instability and lack of democratic rule has been found to have a negative effect on FDI inflows (Hailu, 2010).

Regulatory Framework

Regulatory framework covers the legal environment of doing business in an economy (Hailu, 2010). Investors are cautious to understand the different legal frameworks and dimensions that will govern their actions and inactions once present in an economy. Regulatory factors that have been regarded as inhibiting FDI inflow are: poor governance and hostile regulatory environments (Dupasquier & Osakwe, 2006); specific trade and FDI policies like regulations regarding repatriation of capital and profit remittance (Tarzi, 2005), government regulations and imposed restrictions on foreign ownership of assets (Cotton & Ramachandran, 2001); high levels of corruption and low transparency, which was believed to hamper economic activity and development (Voyer & Beamish, 2004; Kersan-Skabic & Orlic, 2007); and the protection of intellectual property rights (Kapuria-Foreman, 2007). Biglaiser & DoRouen (2006) however conclude that governments that implement reforms are not always able to attract FDI inflows.

Infrastructure Condition

Musila & Sigue (2006) and Duspasier & Osakwe (2006) found state of infrastructure to be important in attracting FDI inflows. Other studies have further found evidence of the relevance of infrastructure development in FDI inflows to emerging and developing economies (Zhang, 2001; Kersan-Skabic & Orlic, 2007) though Nnadozie & Osili (2004) found less robust evidence.

Global Factors

Global and country-specific factors have equally been found to be relevant in attracting or inhibiting FDI inflows (Kostevc et al, 2007). Other factors that have also been advanced as essential in determining FDI have been related to profits and the cost of capital. Amongst these include return on investment (ROI), International Monetary Fund (IMF) agreement, debt service ratio, interest rates, financial restrictions at banks, amongst others (Hailu, 2010). Cultural elements have also been found to influence FDI flows (Head & Sorensen, 2005). Asiedu (2002) found high ROI to have positive effects on FDI flows to non-sub-Saharan Africa; Jensen (2004) also found that countries that sign IMF agreement were less likely to attract FDI than those that do not have such agreements.

RESEARCH METHODOLOGY

A set of thirty (30) questionnaires were administered to chief executive officers (CEOs) in Multinational companies in Ghana out of which twenty (22) were received. The questionnaires were designed to identify the factors that strengthen or impede Ghana's ability to obtain higher levels of FDI. A purposive sampling method was used in selecting respondents for the study. Primary and secondary data were used for the study. The questionnaires were specifically used to identify reasons that inhibit FDI inflows into Ghana as Ghana has one of the lowest FDI inflows as compared to other developing countries (Owusu-Antwi, 2012). Respondents were required to indicate the factor(s) that motivate them in investing in Ghana; and to select amongst various alternatives factors they believe to inhibit FDI inflow to Ghana. The factors were selected from literature, and respondents were required to rank them in order of importance; ranking was coded as follows: N/A – Not Applicable; 1 – Very Important; 2 – Important; 3 – Less Important; 4 – Not Important.
Statistical Package for Social Science (SPSS) was also used to analyze the findings from questionnaires in order to generate mean responses for data gathered. Mean responses are used to determine the important factors inhibiting FDI inflow into Ghana.

RESULTS AND DISCUSSION

Characteristics of Respondents

The study obtained demographic characteristics relating to country of gender, age, nationality, experience and sector of operation of the respondents' company and the result is shown in Table 1. Out of the 22 CEOs interrogated, 18 of them were male indicating that foreign investments are headed by male CEOs. Most of the CEOs involved in the study are between the ages of 50 to 59 supporting the maturity and capability to manage investments in a foreign country. These CEOs come with immense experience in management with 50% had management and entrepreneurial experience of 5 to 10 years. Ghana is known to have trade relations within several countries across the globe and this is well represented in the sample. CEOs sampled identified themselves with Asia (45%), Europe (27%), America (14%) and other continents (14%) and the FDIs are found in banking sector (36%), Oil and Gas sector (23%) telecommunication sector (18%), and mining(14%) among others. These demographic characteristics of the respondents stress their suitability to provide the required information for the study.

Table 1: **The Demographic Characteristics of Respondents**

Characteristics of Respondents	Frequency	Percentage
Gender:	**22**	**100**
Male	18	82
Female	4	18
Age:	**22**	**100**
20-29 years	0	0
30- 39 year	2	9
40- 49 year	7	32
50- 59 year	11	50
Above 60 year	2	9
Nationality:	**22**	**100**
American	3	14
Europe	6	27
Asian	10	45
Others	3	14
Number of years experience:	**22**	**100**
Less than 5 years	6	27
5 – 10 years	11	50
11- 16 years	3	14
Above 16 years	2	9
Sector of the economy:	**22**	**100**
Banking sector	8	36
Telecommunication	4	18
Mining	3	14
Oil and Gas	5	23
Others	2	9

Determinants of FDI in Ghana

The literature is abound with factors influencing FDI in developing countries and what this study attempts to

achieve is to find out if these factors floated around really resonate with them. They are asked to indicate the select from a list the major factors that influence them to invest in the Ghanaian economy and their responses are shown in Table 2.

Table 2: Determinants of FDIs

Determinants	Frequency	Percentage
The abundance of natural resources	22	100
The expanding markets	22	100
The presence of a democratic and stable governance	22	100
The availability of cheap labour	22	100
The presence of a positive regulatory environment	22	100
The discovery of oil in commercial quantities	18	82
Friendly tax policies	18	82
The ease of access to raw materials (inputs)	18	82
Hospitality and culture of the people	10	45
Geographical condition of the country	4	18

Table 2 has displayed ten factors that determine the inflow of FDI in Ghana out of these five was unanimously identified by all the respondents. The natural endowment of the resources was cited as a major factor that attracts investors into the country and these resources include minerals, timber and oil. The growing untapped markets of Ghana are another incentive for FDI flow into the country. Ghana has been seen as the oasis of peace and democracy in Africa which is manifested in the peaceful transfer of power between governments. This is not just an enviable record in Africa but also a major consideration of foreign investors in locating their investments in Ghana. The study also identified presence of cheap labour and enabling business environments as major attraction for FDI in Ghana. Other factors identified by 82% of respondents are the discovery of oil in commercial quantities, the friendly fiscal policies of government and ease in obtaining raw materials. Further the hospitality and culture of Ghanaian is made reference to by 45% of respondents as significant consideration in their decision to operate in Ghana. Most of the respondents that have this view were from the banking and the telecommunication sectors of the economy. Geographic advantage of the country is not regarded as a significant determinant of FDI flow into Ghana.

Factors Inhibiting FDI Flow into Ghana

The researcher used the mean responses of respondents to identify the factors that inhibit FDI inflows to Ghana. Due to the varied responses received, the researchers found it appropriate to use mean responses to identify the relevance of factors. The findings are presented in the table below:

Table 3: Factors that Inhibit FDI flow into Ghana

Factors	Average Response
Limited availability of skilled labour	2.36
Low levels of labour productivity	2.75
High costs of labour	2.52
Low GDP per capita	3.45
Low GDP growth	4.23
Difficult access to market	4.70
High volatility of exchange rates	1.43
Poor Trade openness	4.53
Limited market size of host economy	3.52
Poor governance and hostile regulations	4.75
Restrictions on foreign ownership of assets	3.44
High corruption and low transparency	4.73
Lack of or limited protection of intellectual property rights	2.34
Poor road and transport network	2.24
Lack of reliable water and energy supply	1.64
Poor ICT infrastructure	1.34
Presence of IMF agreements	3.82
Cultural factors	2.43
Poor credit infrastructure and credit availability	2.75
High interest rates	2.34

From the table above, respondents identify poor ICT infrastructure, volatile exchange rates, lack of reliable supply of water and energy, and poor road network as the very important factors that inhibit inflows of FDI into Ghana. These findings are similar to Aryeetey et. al (2008) who also identified these factors as essential in influencing FDI inflows into Ghana.

Other relevant factors identified were high interest rates on credit facilities, limited protection of intellectual property rights, limited availability of skilled labour, cultural factors, high costs of labour, low levels of labour productivity and difficulty in access to credit. Interest rates on loans in Ghana is currently between 28 – 35%, this is regarded too high and therefore does not promote economic activity in the country. Intellectual property rights, on the other hand, are deemed essential to protect innovative ideas from being imitated by competitors; despite the legal framework prohibiting such activities, its enforcement has not been ideal. The inadequacy of skilled labour means foreign investors have to either compete with other firms for available skilled labour thus driving labour costs high or invest huge sums of monies into employee training to upgrade skills of workers. The effect of this is the increase in labour costs that arise.
Other less relevant factors identified to inhibit FDI inflows into Ghana were high corruption and low transparency, poor trade openness, difficult access to market, low GDP per capita, low GDP growth, poor governance and hostile regulations and the presence of IMF agreements. The low rankings of these factors were justified however, as the factors under consideration were less applicable in the case of Ghana. For instance, with respect to corruption and low transparency, Ghana ranks 69th in the world and 8th in sub-Saharan Africa with a corruption perception index score of 3.9 in 2011 (Transparency International, 2012); thus, Ghana is amongst the highest ranking countries that boasts of low corruption hence the reason for the ranking. Moreover, GDP growth in Ghana has averaged over 6% over the last four years, whereas GDP per capita has increased and thus making Ghana a middle-income country since 2011.

CONCLUSIONS

The importance of FDI to developing countries is underscored by many researchers and practitioners. This study investigates the catalysts and barriers to FDI in Ghana by interrogating CEOs of 22 multinational companies in Ghana. The study identified several five main factors that affect FDI flow in Ghana and these include the abundance of untapped natural resources, the political stability of the country in the mist of conflicts and wars around the sub region, the emerging and growing markets for consumer goods and services, the availability of cheap labour forces and the presence of a positive regulatory environment. The discovery of oil in commercial quantities was found to have influence the inflow of FDI in the areas of oil and gas sectors as well as the banking sectors. Nevertheless, several barriers to FDI into Ghana were revealed by the study. The poor ICT infrastructure, volatile exchange rates, lack of reliable supply of water and energy, and poor road network as the very important factors that inhibit inflows of FDI into Ghana. We recommend that government, in its attempt to encourage the inflow of FDI in Ghana, should remove these barriers or minimize their impact. This can be achieved by directing government policies towards improving ICT, exchange rates and overall economic stability of the country.

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Appendix 1
SURVEY QUESTIONNAIRE

Please, we know you are very busy CEO but we would be very happy if you could respond to this few questions on FDI.
Thank.
Demographic Characteristic of Respondents

1. Gender…….(please tick) [ ] Male [ ] Female
2. Age……(please tick)
   [ ] 20-29 years
   [ ] 30- 39 year
   [ ] 40- 49 year
   [ ] 50- 59 year
   [ ] Above 60 year
3. Please what is your country of origin? (Please tick)
   [ ] American
   [ ] Europe
   [ ] Asian
   [ ] Others
4. Please how long have you been in top management position of Multinational firms?
   [ ] Less than 5 years
   [ ] 5 – 10 years
   [ ] 11- 16 years
   [ ] Above 16 years
5. Which sector of the economy do you operate?
   [ ] Banking sector
   [ ] Telecommunication
   [ ] Mining
   [ ] Oil and Gas
   [ ] Others
6. Factors Encouraging FDI in Ghana
   Please tick the factors that you think influenced your decision to locate and operate in Ghana. Please tick as many factors you think is relevant.
   [ ] Abundance of natural resources
   [ ] Expanding market
   [ ] Democratic and stable governance
   [ ] Positive regulatory environment
   [ ] Discovery of oil in commercial quantities
   [ ] Friendly tax policies
   [ ] Ease of access to raw materials
   [ ] Hospitality and culture of the people
   [ ] Geographical condition of the country

7. Factors inhibiting FDI in Ghana.
   Please score the extent to which the following factors inhibit FDI in Ghana. The measurement scale is : 1= very serious, 2= serious, 3= slightly serious, 4= some-how serious 5 = not serious. Please circle as much as appropriate.

Limited availability of skilled labour	1	2	3	4	5
Low levels of labour productivity	1	2	3	4	5
High costs of labour	1	2	3	4	5
Low GDP per capita	1	2	3	4	5
Low GDP growth	1	2	3	4	5
Difficult access to market	1	2	3	4	5
Difficult access to market	1	2	3	4	5
High volatility of exchange rates	1	2	3	4	5
Poor Trade openness	1	2	3	4	5
Limited market size of host economy	1	2	3	4	5
Restrictions on foreign ownership of assets	1	2	3	4	5
Poor governance and hostile regulations	1	2	3	4	5
High corruption and low transparency	1	2	3	4	5
Lack of or limited protection of intellectual property rights	1	2	3	4	5
Poor road and transport network	1	2	3	4	5
Lack of reliable water and energy supply	1	2	3	4	5
Poor ICT infrastructure	1	2	3	4	5
Presence of IMF agreements	1	2	3	4	5
Cultural factors	1	2	3	4	5
Poor credit infrastructure and credit availability	1	2	3	4	5
High interest rates	1	2	3	4	5

APPENDIX II:
FDI Inflows, by Region and Country, 1991–2002 ($millions)

Region/Economy	1991-96 (average)	1997	1998	1999	2000	2001	2002
Africa	**4,606**	**10,667**	**8,928**	**12,231**	**8,489**	**18,769**	**10,998**
North Africa	**1,615**	**2,716**	**2,882**	**3,569**	**3,125**	**5,474**	**3,546**
Algeria	63	260	501	507	438	1,196	1,065
Egypt	714	887	1,076	1,065	1,235	510	647
Libyan Arab Jamahiriya	(12)	(82)	(150)	(118)	(142)	(101)	(96)
Morocco	406	1,188	417	1,365	423	2,808	428
Sudan	18	98	371	371	392	574	681
Tunisia	425	365	668	368	779	486	821
Other Africa	**2,992**	**7,951**	**6,046**	**8,663**	**5,364**	**13,295**	**7,452**
Angola	346	412	1,114	2,471	879	2,146	1,312
Benin	41	26	35	61	60	44	41
Botswana	(28)	100	90	37	54	26	37
Burkina Faso	9	13	10	13	23	9	8
Burundi	1	-	2	-	12	-	-
Cameroon	9	45	50	40	31	67	86
Cape Verde	10	12	9	53	34	9	14
Central African Republic	(1)	-	-	3	1	5	4
Chad	20	44	21	27	115	-	901
Comoros	-	-	3	-	1	-	1
Congo	86	79	33	521	166	77	247
D.R. of Congo	3	(44)	64	11	23	1	32
Cote d'lvoire	158	450	416	381	235	44	223
Djibouti	2	2	3	4	3	3	4
Equatorial Guinea	66	53	291	252	108	945	323
Eritrea	37	41	149	83	28	1	21
Ethiopia	10	288	261	70	135	20	75
Gabon	(243)	(587)	(200)	(625)	(43)	169	123
Gambia	12	21	24	49	44	35	43
Ghana	105	82	56	267	115	89	50
Guinea	14	17	18	63	10	2	30
Guinea-Bissau	2	11	4	9	1	1	1
Kenya	13	40	42	42	127	50	50
Lesotho	21	32	27	33	31	28	24
Liberia	(28)	214	190	256	(431)	(20)	(65)
Madagascar	13	14	16	58	70	93	8
Malawi	(4)	(1)	(3)	46	(33)	(20)	-
Mali	29	74	36	51	83	122	102
Mauritania	7	1	-	1	9	(6)	12
Mauritius	21	55	12	49	277	32	28
Mozambique	39	64	235	382	139	255	406
Namibia	112	84	77	111	153	275	181
Niger	16	25	9	-	9	23	8
Nigeria	1,264	1,539	1,051	1,005	930	1,104	1,281
Rwanda	3	3	7	2	8	4	3
Sao Tome & Principe	-	-	-	1	2	6	2
Senegal	20	176	71	136	63	32	93
Seychelles	24	54	55	60	56	59	63
Sierra Leone	1	10	(10)	6	5	3	5
Somalia	1	1	-	1	5	3	5
South Africa	450	3,817	561	1,502	888	6,789	754
Swaziland	62	(15)	152	100	39	78	107
Togo	11	23	42	70	42	63	75
Uganda	65	175	210	222	254	229	275
United Rep. of Tanzania	63	158	172	517	463	327	240
Zambia	108	207	198	163	122	72	197
Zimbabwe	50	135	444	59	23	4	26

Source: Adopted from Ajayi (2006)

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