

# *University of* **HUDDERSFIELD**

## **Investigating the impact of COVID-19 on the socio-political risks and FDI in Sub-Saharan African Countries**

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**Individual Research Project**

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## Abstract

This project has been conducted to understand several issues regarding FDI. The impact of Covid-19 in financial sector has been discussed clearly here

The paper has collected data from secondary sources, i.e., from articles and journals and government or NGO websites and on the basis of that discussion have been conducted for resolving the research problem and arriving at a conclusion at the end of the paper depicting the impact of Covid-19 on the socio-political factors and the FDI of the SSA countries.

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## 1. Chapter 1 - Introduction

### 1.1. Background

In the present global business environment, the prominence of multinational production and world trade activities has evolved manifolds post the 1980s (Kim & Park, 2013). As such it is essential to understand the dynamics that augment or deter the movement of international trading activities. In this regard, a robust body of literature has discussed the importance of Foreign Direct Investment FDI as one of the key drivers of economic growth within emerging markets (Shah, 2017). Several scholars have studied and analyzed the scope of FDI in the context of country-specific and firm-specific characteristics to understand how and why enterprises utilize FDI (Jain et al., 2016; Nielsen et al., 2017). According to Todaro and Smith (2011: 688-690), FDI has four main roles for developing countries. These are, supporting deficiency in domestic savings, covering the gap in foreign exchange for the concerned economy, supporting the taxation schemes posed by the government and lastly fostering the business community in terms of availing labour, technology, resources and other benefits. For Sub-Saharan African countries (SSA) the role of FDI becomes especially crucial as these countries posit lower incomes and domestic savings (Ideue, 2018).

Foreign Direct Investment is vital for developing countries not only because of the tangible and intangible assets it offers but also because it opens an economy to big global players (Alam & Shah, 2013). FDI is viewed as a more important source of capital flow than regular trading activities (Abbott et al., 2012). However, SSA countries allocated a very little share to FDI due to several reasons (Okafor et al., 2015). Until 2015, SSA countries perceived FDI with suspicion of threat to political sovereignty and a likelihood of having a negative impact over domestic enterprises (Dupasquier & Osakwe, 2005). Hence, there was a general reluctance to consider FDI in a positive light. This resulted in the introduction of stringent policies to restrict the inflow of foreign capital thereby giving SSA countries a reputation of a politically unstable arena with unattractive investment locations (Okafor et al., 2015). Joshua et al. (2021) validated that the 2015 global economic recession had a severe impact on the socially and politically vulnerable economies. SSA countries were also impacted as even a few foreign investors withdrew their stakes from the region on the pretext of uncertainty. A report by UNCTAD (2018) revealed that the fall in global oil prices and subsequent decline in return on investments for oil-producing countries such as Egypt, Angola, Nigeria and Gabon, was one of the fundamental factors.

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However, recent studies indicate that the situation in SSA countries is seeming to improve and that several SSA countries are now taking positive steps to consider attracting FDI (Ideue, 2018). This is being done through efforts such as the creation of Export Processing Zones (EPZs) and Special Investment Zones, providing facilities such as duty-free import of capital goods, tax holidays (Ideue, 2018). While such efforts present an encouraging picture for SSAs, the impact of these measures was not encashed until the early 2000s. Likewise, research by Joshua et al. (2021) indicates that FDI inflows in the SSA regions showed an increase of 6% in 2018. According to United Nations Conference on Trade and Development (UNCTAD 2018), "FDI inflows in 2017 stood at \$US38 billion, increasing to \$US40 billion in 2018, spreading disproportionately across the region." While resource-oriented countries like Angola and Nigeria faced challenges seeking FDI inflows, Egypt and South Africa were at an advantage for being diversified economies (Joshua et al., 2021).

The trend of falling foreign direct investment (FDI) to Africa is expected to worsen considerably in 2020 as a result of the coronavirus pandemic and low commodity prices, particularly oil (UNCTAD, 2020). According to UNCTAD's World Investment Report 2020, FDI flows to the continent are expected to decline by 25 to 40 per cent based on GDP growth estimates as well as a variety of investment-specific factors. "Although all industries are expected to be affected, certain service industries, notably aviation, hospitality, tourism, and leisure, are expected to be particularly badly hit, a trend that is likely to continue for some time," said UNCTAD's director of investment and entrepreneurship, James Zhan (UNCTAD, 2020). Manufacturing businesses that rely heavily on global value chains are also severely impacted, indicating a worry for African efforts to encourage economic diversification and industrialization. Overall, there is a substantial decreasing trend in the first quarter of 2020 for announced greenfield investment projects, albeit the value of projects (-58 per cent) has fallen more dramatically than their number (-23 per cent). Similarly, the number of cross-border merger and acquisition (M&A) initiatives aimed towards Africa has fallen 72 per cent from the monthly average in 2019 (UNCTAD, 2020).

The industrialised countries' capacity to invest overseas has been hampered by the recent economic crisis (Milner, 2014 as cited by (Shah, 2017)). This significantly limited the cash that was previously accessible for potential investment in emerging nations (Choi et al., 2016). This intensified rivalry among them to obtain a piece of whatever was available (Williams, 2015). Furthermore, the recent international financial instability has increased overseas investors' scepticism about the macroeconomic climate in emerging countries (Bekana, 2016). As a result of the advanced nations' efforts to alleviate their financial concerns, macroeconomic steadiness and stability in the host market have taken on new relevance.

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As a result, investigating the issue appears to be timely, as it has become a source of worry for academics, governmental decision-makers, potential researchers, and both domestic and international investors. Aside from macroeconomic stability, conventional location pull variables are believed to influence an overseas investor's and multinational enterprise's investment choice (Shah & Qayyum, 2015). For instance, the host economy's market munificence for multinational products, the degree of macroeconomic growth, the needed infrastructure provision, and an enabling business-friendly climate to allow the investing transnational firm to make the most use of its resources. As a result, these factors are considered before expressly adjusting for the effect of macroeconomic stability in the developing host nation. Nonetheless, the global economic downturn impacting developing countries has compelled most SSA economies to seek alternative financial resources by borrowing from abroad to satisfy their national budget spending. According to Joshua et al. (2021), countries many of these countries like Nigeria, continue to borrow excessively, notably from China, to fund government budgets and stimulate economic growth. Unfortunately, several of these economies failed to repay their debt, threatening to lose their sovereignty to creditors. The key question that necessitates an empirical solution is how influential these resources are on the economies of the region. This also needs empirical investigation.

Drawing from the above rationale, the sudden fluctuation in the FDI due to the ongoing rampant spread of the COVID-19 pandemic crisis seems to impact the socio-political risk factors of the region. Since the pandemic was initiated in 2020 and has been prevailing across the globe in varying degrees and severity, the academic literature assessing the impact of the pandemic on the socio-political risks and FDI in SSA countries is very limited. Therefore, a need is realized to assess the impact of COVID-19 on the FDI in the SSA region. This assessment is important to examine to determine the socio-political risks in the SSA countries and how the pandemic has altered their scope of FDI. The study finds its significance for several reasons. Firstly, the study can help in analyzing the impact of COVID-19 on the long-term FDI inward flow for economic growth in the region. Secondly, the study will help in identifying how the SSA countries are seeking assistance concerning foreign investment during the pandemic crisis. Lastly, the study will help in understanding how socio-political risks of the SSA region are impacted by the pandemic's impact on the FDI.

The explore the gap in the academic literature regarding the stated topic, the current study seeks to conduct an evidence-based systematic review. The author has primarily synthesized the available literature through key themes and country-based samples.

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Thereafter, the methodology undertakes an in-depth review of the literature and presents analytical findings that can be used for future research in a similar field.

### 1.2. Research Aim

While FDI has been largely acknowledged by the SSA countries in augmenting economic growth and viability in international markets, the recent impact caused by the COVID-19 pandemic crisis has put stagnation in the FDI for the region. Drawing from the above introduction, the research aims to analyze the impact of COVID-19 on the socio-political risks and FDI for Sub-Saharan African countries. Specifically, the research aims to explore how the prospects of FDI in African countries was before the COVID-19 pandemic and how the impact of the pandemic has affected the socio-political landscape and FDI prospects within the continent.

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### 1.3. Research Objectives

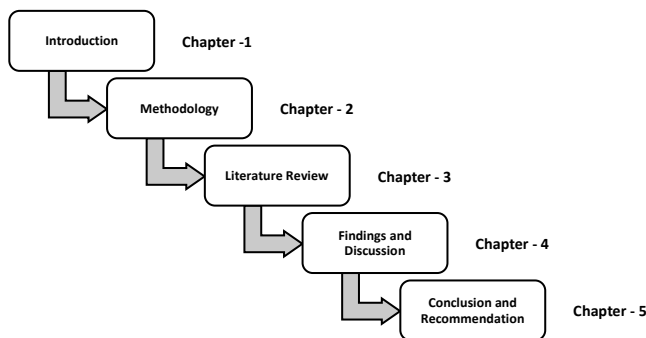
The current research undertakes a systematic review of the literature to achieve the following objectives:

- To compare and contrast the inward flow of FDI for SSA countries pre and post COVID-19.
- To identify the socio-political risks that impact the scope of FDI for SSA during and post COVID-19.
- To review the past academic literature and industry reports to understand the impact of the pandemic on the long-term scope of FDI in SSA countries.
- To make recommendations on possibilities for improving/sustaining the situation of FDI and guide future research in this regard.

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### 1.4. Thesis Structure

The ensuing chapters of the thesis are structured as follows:





Chapter 2 provides a systematic review of methodology stating the search strategies and frameworks used in considering available literature. Chapter 3 presents the review of literature across varied themes. Chapter 4 presents the findings from the literature and a critical discussion of the same. Chapter 5 present the conclusions drawn from the review of the literature including the recommendation for future researchers in the study.

### **1.5. Conclusion**

The role of FDI as a key instrument in fostering economic growth and prosperity in developing countries has been acknowledged by several scholars across the globe. While there is a robust body of knowledge that emphasizes how FDI has brought transformation in the economic viability of different countries in Asia, Europe and Latin America, there is very limited evidence with regards to Sub Saharan African countries. As such the study is crucial because for a very long time in the past decades, SSA regions were not open to FDI investment. However, their recent acceptance of FDI as a vital source of capital inflows seems to be impacted by the rampant spread of the COVID-19 virus which has stalled the inflows across different SSA countries. Therefore, the research objective to understand the prospects of FDI amidst the pandemic crisis for SSA countries can play a crucial role in guiding long-term investment scope and future studies in this regard. The upcoming chapter provides detailed insights on the methodology undertaken to conduct the systematic literature review.

## 2. Chapter 2 - Methodology

### 2.1. Introduction

This chapter shall provide detailed insight about the methodological approach adopted for the research. Several studies advocate the use of methodological approach in international business (Li et al., 2018; Xie et al., 2017). To define the framework for the current study, a three-stage model adapted from Transfield et al. (2003, p. 214) has been adopted. This is further described in the figure below:

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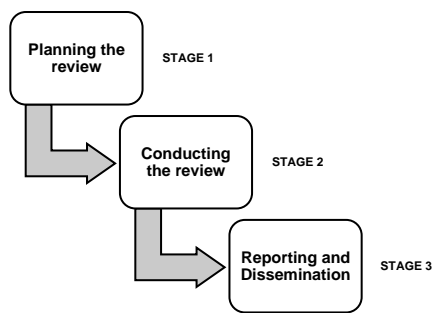


Figure SEQ Figure \\* ARABIC 1 Adapted from Transfield et al.

#### STAGE 1: Planning the Review

To seek the objectives of the current study, the following research objectives were established:

- To compare and contrast the inward flow of FDI for SSA countries pre and post COVID-19.
- To identify the socio-political risks that impact the scope of FDI for SSA during and post COVID-19.
- To review the past academic literature and industry reports to understand the impact of the pandemic on the long-term scope of FDI in SSA countries.
- To make recommendations on possibilities for improving/sustaining the situation of FDI and guide future research in this regard.

To address the above-mentioned objectives, the current study has sought to approach the following research questions:

- How is SSA region defined in the existing FDI-related research?
- How have the SSA regions been covered in the existing literature in the context of FDI?

- What is the available evidence that empirically validates the socio-cultural factors affecting the scope of FDI in SSA countries?
- What available research discusses the impact on inward FDI with respect to the prevailing pandemic caused by COVID-19?

The methodology further adopts the research approach of Kim & Aguilera (2016) on “the foreign location choice literature” to analyse the questions that seek to discuss the concept of FDI with respect to location. This has been endorsed by Dimitrova, & Triki, (2018) who have applied the location focused approach in determining the factors affecting FDI in MENA region.

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## **STAGE 2: Conducting the review**

### ***Research Scope Identification***

The current research focused on the published peer-reviewed journals available in English Language. Further, specific keywords have been employed to gather relevant journals. These were *FDI, COVID-19 impact on SSA, COVID-19 & FDI, inward FDI, factors affecting FDI during COVID-19, socio-cultural factors, etcetera*. To enhance the validity of the research, the timeframe consideration has been approached in two ways:

- Searching using “anytime” frame – This has been done to accommodate original theoretical frameworks and seminal articles by past scholars. The articles chosen in this time frame largely are helpful in defining the core concepts and standard definitions.
- The major research in identifying appropriate methodology framework and existing literature on the subject has been derived by applying a time range of 2014 – onwards. In this regard, specific focus has been laid in identifying journals dated 2020-2021 (to date) so as to gather relevant and authentic researches that connect COVID-19 crisis to impacted FDI in SSA countries.

Further the article by Dunning (1998) has been referred to employ the Ownership, Location and Internationalization (OLI) framework in determining the impact on FDI from a location perspective. The researcher has employed peer-reviewed scholarly articles as well as authentic industry reports to gather credible information, the evidence of which can be utilized effectively. The author has accessed several databases to inform the analysis and findings of the current research. This included use of electronic databases such as Emerald Library, Elsevier, Wiley Online Library, EBSCO Host, JSTOR, ProQuest and Science Direct. The searches yielded between 50 to 200 articles by employing combination of various

keywords. Finally, the systematic review of literature was constructed by considering 25 research articles.

### ***Criteria for Inclusion***

The dataset for the current study has been built based on the following criteria. Initial focus was to consider the articles that discuss about the SSA countries and the various macroeconomic factors affecting them. Further, the focus was built in defining and analyzing the socio-economic risk affecting SSA countries. Thereafter, the research was built to understand the determinants of FDI, the scope of FDI and the factors that SSA countries consider while selecting or rejecting the inclusion of FDI in their economic development. In doing so, the articles that discussed about outward FDI were not included. The systematic review also rejected PhD thesis papers, conference papers as well as any book or article review to keep the selection discreet.

### ***Data Analysis and Synthesis***

Following the systematic review approach, the author read the complete text of all selected papers and evaluated them using the content analysis technique of data coding, which is commonly used in IB review articles (Gaur and Kumar, 2018). In accordance with the Systematic Literature Review aims, the coding categories represent many aspects of interest, such as country sample selection, time period, theoretical framework, technique of analysis, and key empirical findings. All coding categories were incorporated into Excel data-extraction forms, which serve as a "data repository" for visualising the review process mapping and keeping track of the major results linked to our review questions (Tranfield et al., 2003, p. 217). To guarantee reliable data analysis, the author performs a duplicate data extraction and data-synthesis procedure independently, allowing to compare, cross-check, and reconcile our findings as needed. A "descriptive analysis of the field" has been produced to describe the findings of this systematic review (Table I). Following that, a "thematic analysis" (Table II) was carried out to analyse the important FDI host country specific characteristics as well as the main conclusions of the evaluated research.

### **STAGE 3: Reporting the Review**

In this stage the details of the review have been reported. The systematic literature review comprised a mix of quantitative studies that accounted for nearly 90% of the articles, followed by structured literature reviews, research reports by international and government authorities. The articles indicated that the research on FDI determinants in the SSA countries is prevalent however, the gap exists in addressing how COVID-19 has impacted the scope of FDI for SSA countries. In this regard a limitation of academic articles was

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witnessed. A possible explanation of this can be that due to the recency of the occurrence of COVID-19 pandemic, the researchers are collating necessary information for large-scale data analysis due to which published researches are not as much available.

The next chapter shall provide the structured literature review followed by its findings and analysis.

### **3. Chapter 3- Structured Literature Review**

#### **3.1 Introduction**

This study has been conducted to find out the impact of Covid-19 on the financial market in south Saharan countries. To evaluate the impact, knowing certain things is important, as the role of FDI in African countries, the past and present scenario of Covid-19 in the financial market.

#### **3.2 Themes**

##### ***Role of FDI in African countries***

Foreign capital plays a crucial role in industrialization and in any financial agenda national leaders give the priority to FDI. There are various types of cash inflow in the country, but the foreign direct investment is the most important cash inflow because it has a direct impact on the productivity of the country. According to the recent study (Buzdugan, *et al.*, 2018), it has been seen that there are various reasons to attract foreign investors to the country like forwarding and backward linkage, asymmetries information, backward and forward spillovers, etc. FDI is treated as the most stable foreign investment, that is why it is more suitable and development-friendly cash flow for low-income countries.

The new industrial policy has been introduced in the economy to maximize the effect of Foreign Direct Investment in the development of the country. The policies have been made in such a way so that it can attract the higher value-added FDI and for the existing FDI, the up-gradation can happen. In lower-income countries FDI plays a significant role in various departments such as poverty reduction, maintaining the sustainability of economic development, and also industrial up-gradation. The direct and indirect benefits of FDI in any country are more skilled employees, higher productivity of the national income, and so forth.

##### ***Impact of Covid 19 on Foreign Direct investment- past and present situation***

The research has been conducted to understand the impact of covid-19 in south Saharan countries. After the pandemic, there has been a huge downfall in the international market that directly affects foreign investments. Because of the lockdown, many people have lost their jobs and the economic balance has been lost. According to the study (Diallo, *et al.*, 2021), It has been suggested that countries should create a socio-political and economic environment to bring in more foreign investors to increase the cash inflow. For this some changes need to be done like, the introduction of tax holidays, reduction in corruption, implement new and stabilized government policy, etc. The world has faced an economic downfall with a 42% reduction in foreign direct investment worldwide. This also leaves an impact on African countries' national investment. According to a recent study it has been seen that FDI has a vast impact on long-term crowding out effect rather than short term. To boost the public domestic investment in south Saharan countries FDI plays a significant role. Exporting the resources is a diversifying country and bringing foreign cash inflow is more beneficial than exporting in non-diversifying countries after a pandemic crisis.

#### ***Socio-political risks in relation to FDI in African countries***

According to Joosub & Coldwell, (2018), the socio-political problems present in the SSA countries has doggedly led to the shrinking development over the years in Africa. The instability of the socio-political regime of these countries has led to decreased FDI. The political volatility of the African countries over the several decades has had a direct impact on the FDI. According to Joosub & Coldwell, (2018), the problematic infrastructure, legal and socio-political problems other than the traditional and long-standing colonial contacts, all have contributed to the low economic growth of the SSA countries. On the contrary, according to a report published by Anaso et al., (2021), after a 2015 peak state, the FDI of African countries contracted to \$1.54 trillion in 2019. Due to the ongoing pandemic situation, the rate even decreased to a much lower amount, which further led to economic instability, poor infrastructure and weak governance of the SSA countries. The profitability of the industries of SSA countries that contribute to the economic growth is affected by the political instability and political breakdowns. According to Anaso et al., (2021), the civil wars, armed conflicts, social unrest caused due to poor implementation of the rehabilitation and reintegration procedures have all had a major impact on the FDI.

***Long term scope of FDI in African countries and recovery in a pandemic situation has also been depicted.***

The Covid-19 has an impact on the global FDI. The global FDI has decreased by almost 50% as compared to the 2019 results, according to Loayza et al., (2020). The demand shock and the projected long duration of the crisis have created instability in the economic growth of the country, which has, in turn, affected the FDI of the African countries. According to UNCTAD, (2021), the African FDI was slashed by 16% and the sustainable development goals of the SSA countries also got affected due to the reduction of the FDI outflows in 2020 to \$1.6 billion compared to \$4.9 billion in 2019. On the contrary, the reports published by Chaudhary, Santos-Paulino & Trentini, (2021), as Africa is undergoing the first recession in 25 years, the low prices and the dampened demand for commodities has resulted in in decreased GDP growth and in turn low FDI for the SSA countries. Leveraging new opportunities by the effective transformation of the value chains will help to attract development benefits for the FDI. The diversification and wide distribution of the economic activities will help in strategically attracting FDI from developed countries, will help to increase the economic growth and benefit the dwellers of those SSA countries financially.

### **3.3 Literature gap**

This study has been conducted to understand the impact of Covid-19 for FDI in south Saharan countries. Cash inflows and outflows of a country are calculated to find out the development in countries' total productivity. In this pandemic situation, collecting proper data about the impact and how the cash inflows got affected is difficult. This project is based on the previous literature review about this particular topic. The flaws in understanding the literature have come into existence in this part, and a gap has been created.

### **3.4 Summary**

In this literature review, the related thing that needs to be understood about FDI has been mentioned. The role of FDI in lower-income countries and also the impact of Covid-19 in the foreign investment market has been discussed descriptively. The long-term facilities of foreign investments in the country and the solutions for recovering from the Covid-19 impact are discussed in this particular section.

## **4. Chapter 4- Methodology**

### **4.1 Introduction**

Research methodology refers to the plan and procedure of conducting a research paper for collecting and analyzing the data set and finally to establish the findings. In this particular section the research philosophy, approach, conceptual framework of this particular project, methods of collecting the data, and the ethical consideration has been discussed.

#### 4.2 Research philosophy

Research philosophy refers to the belief of researchers in which way the data should be collected for any particular research and to analyze it. There are various research philosophies and the researcher needs to choose the perfect one based on the research topic namely, Positivism, interpretivism, pragmatism, realism, etc (Cazeaux, 2017). In this particular research paper, a positivist approach has been used, because positivism uses factual data to establish the finding. A topic like the impact of covid-19 in FDI needs factual data about cash inflow from foreign markets after a pandemic. A Positive approach for conducting this research is appropriate for this particular topic.

#### 4.3 Research approach

The research approach refers to the framework that includes the steps of making assumptions to conduct the research and also the methods of collecting the data set, analyze and also interpret them. There are mainly the approaches that are mainly used in research that are the Inductive approach, deductive approach, and abductive approach (Alase, 2017.). For conducting this particular approach an inductive approach has been used. The inductive approach deals with analyzing the data basis on images, figures, and facts. It does not require the formulation of any hypothesis. Understanding the impact of covid-19 has been done by seeing the numerical figure of financial statements about FDI, so there is no need for formulating any hypothesis. An inductive approach is appropriate for conducting this research.

#### 4.4 Conceptual framework

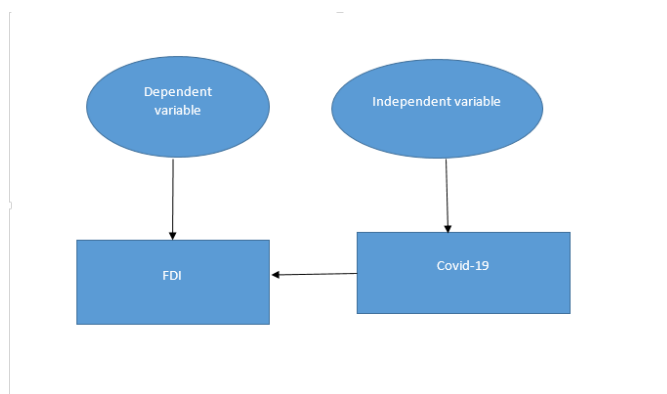


Figure 2: Conceptual Framework

Source- Self Generated



#### **4.5 Data collection**

Data collection refers to the process of collecting the data set that is going to be used in the particular research. Data collecting is very important for conducting any project because data is that set of facts and figures on which the findings will be established (Feng, et al., 2020). There are mainly two types of data collection techniques, the first one is primary data collection and the second one is secondary data collection method. In this particular research paper secondary data collection has been used, that data set that has been used before. Various articles and journals based on these particular topics have been collected and by reading the correct data set to establish the findings has been selected.

#### **4.6 Data analysis**

For this work, Content Data Analysis has been used. This method is used for identifying patterns in recorded communication. For conducting this analysis, the researcher will collect data in a systematic way from a set of texts, which can be oral, written or, visual from newspapers, books and, magazines. By using this analysis method, the researcher will find out the messages, purposes, and, effects of communication content. He can make inferences about the audience and producers of the write-ups they analyze. This kind of analysis is used for quantifying the occurrence of phrases and, concepts in a set of contemporary or historical texts (Assarroudi, et al, 2018)

#### **4.7 Ethical consideration**

As per the Data Protection Act, there are certain ethics that need to be followed while conducting research work. The researcher avoided any biases towards the aspects of the research, including data analysis, peer review, design and, interpretation. He should carry out the research in a way that he avoids careless errors. To ensure this, he needs to review his work critically to ensure that the results are credible (Clark-Kazak, 2017). He should be prepared to share the data and results as well as the new tools that he has developed. Lastly, the data should be confidential since it contains sensitive information like the personal details of the clients.

#### **4.8 Limitations**

There are certain limitations while conducting research work. In this work, budget constraint is an issue. It is so because the budget is very inflexible in the decision-making process. It needs to be changed since situations change. It is a time consuming process and sometimes, departments are dedicated to budget setting as well as, control. Next, there is a limitation of time. If the researcher would have got more time, their minute investigation could have been conducted which would have made even more detailed work.

#### **4.9 Summary**

The methodology portion of the research paper has provided a detailed analysis of the different secondary methods of data collection that have been used for the purpose of this research. The paper has also discussed the use of the conceptual framework for the research problem at hand and the research philosophy and approach that has been utilized for the purpose of the research. The data analysis method and the ethical considerations used in this research process, along with the different limitations faced during the research process has also been identified in this portion.

### **5. Chapter 5- Findings**

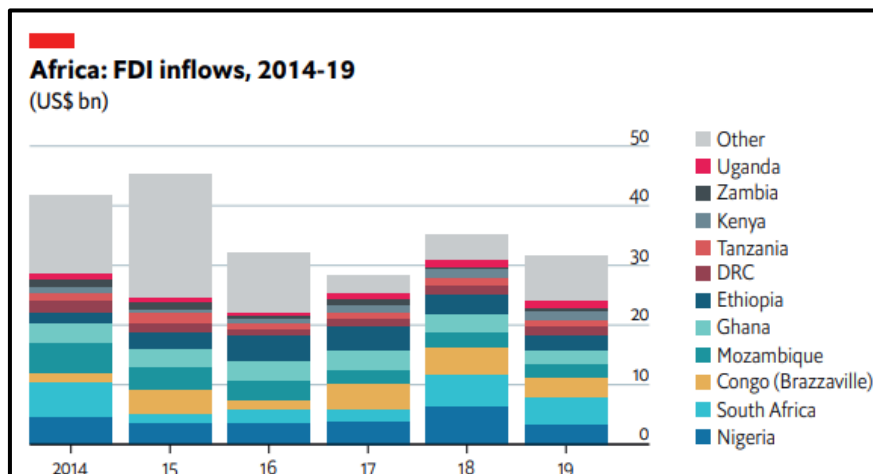
#### **5.1 Introduction**

The paper focusing on the impact of Covid-19 on the socio-political risks and the FDI of the SSA countries has utilized secondary methods for the collection of data. The data has been accumulated from several journals and government or NGO websites, thus providing invariable insights into the research problem that has been identified for the purpose of this paper. The pandemic situation and the government regulations for the proper following of the social-distancing norms had created a hindrance in the collection of data through primary methods, and secondary data being both cost and time effective has served the purpose of this research to a major extent.

#### **5.2 Analysis**

The paper has provided a comparative analysis of the pre and the post-Covid situation on the FDI of the SSA countries. The role of FDI in the development of the SSA countries has also been identified in this paper. The recent journals and articles have provided enough evidence about the boosting of the manufacturing and the service sector of the African countries, thus leading to reduced unemployment, improvement in the provision of education to the youths of Africa and enhanced financial viability of the country, which altogether results in the contribution to the national GDP of the SSA countries. Increased FDI ensures the well being of the SSA societies and promotes the economic development of the countries (Rjoub et al., 2017). For several decades, the SSA countries have accounted for 95% of poverty around the world. The slower pace of reducing the poverty within these countries and the high population growth has all led to a poverty rise of 43% in the SSA countries on a global scale (Ahmad et al., 2019). The large FDI stocks earlier had contributed to enlarged productivity and the use of modern technologies in developing countries. But the FDI inflows in the world, mostly in the SSA countries had stopped due to

the impact of the Covid-19 pandemic and has had a major impact on the economic development of these countries.



**Figure 3: FDI inflows during 2014-2019**

(Source: Economist, 2020)

The diagram above depicts the decreased FDI inflows in Africa, that have been obtained from the articles and journals from various sources. The Covid-19 has a major impact on the already decreased FDI and has resulted in the decreased economic development of the SSA countries. The complex health and economic challenges faced by the SSA countries during the pandemic situation has a significant impact on the FDI of the SSA countries. The chart below depicts the FDI inflows within Africa during the time span of 2007-2009, i.e., the pre-Covid situation and it also presents the data during the Covid situation that the world is going through since the last quarter of 2019.

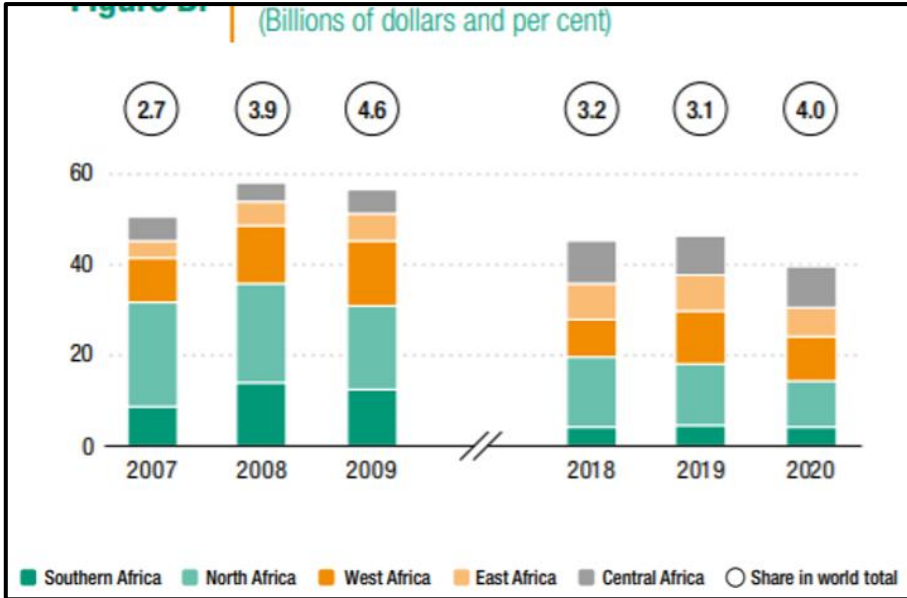


Figure 4: FDI inflows in Africa

(Source: White, 2021)

The paper has focused on both the pre and post-Covid situation in Africa and the impact of the pandemic situation of the FDI of the country. The FDI inflows have lessened as known from the data collected from the sources, which has lowered the GDP of the SSA countries and hence has contributed to increased poverty in those regions.

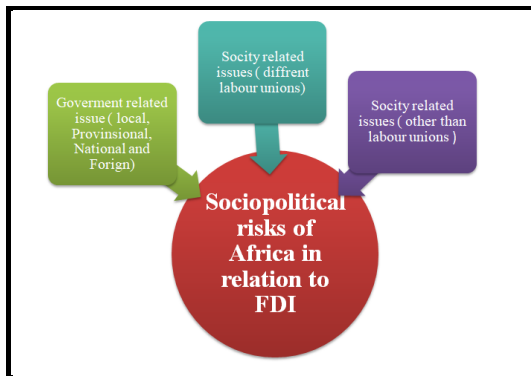


Figure 5 - Socio-political risks in relation to Africa's FDI

Source- Self-generated

The paper has also successfully provided in-depth knowledge about the socio-political risk factors that are associated with the FDI of African countries. It has been discussed that the socio-political problems of the SSA countries are one of the biggest reasons behind their stagnant development. The instability of the socio-political regime which has led to the decrease of FDI has also been discussed with respect to the literature provided by Joosub & Coldwell, (2018). The study has also discussed the political volatility of the African countries which has been passed down through several decades. As shown in the diagram above, the Socio-political risk factors that have a great impact on Africa's decreasing FDI can be categorised into three main parts. The first being the government-related issues which include Local, provisional, National and foreign governments. The second aspect is the labour unions of the society which again includes local, provisional, national and foreign labour unions. The third but equally important factor is the non-labour factors such as local societies, provisional societies, national societies and other foreign societies ((Sylos Labini, 2020). It has also been mentioned through the studies that the FDI of the African countries has contracted to \$1.54 trillion in 2019. Resolving the aforementioned causes could help with the instability and unrest that is happening in the countries.

The diagram below highlights the steps that could be taken for the recovery of FDI of the African countries. Diversification is helpful for the aspect of diverse economic activities. It has been mentioned in the research work that the FDI of African countries has decreased by 50% from 2019. Diversification could help by primarily solving the service-related issues and the GVC-intensive manufacturing industries (Uwimana, Xiuchun & Shuguang, 2018). The diversification of value chains will also provide Africa with new openings. Regionalisation will cause a transition in the direction of an increase in the regional value chains of Africa that are majorly shorter in production length(Uwimana, Xiuchun & Shuguang, 2018). An overall impact of regionalisation could be seen in attracting new development opportunities that will help in increasing the FDI of Africa.



Figure 6- Factors that can help in the recovery of Africa's FDI

Source- Self-generated

Replication will help in decreasing the length of the activities that include any sort of production work but at the same time will increase the reach of geographical distribution. The problem related to the labour of Africa has also been discussed in the paperwork. Reshoring will help in decreasing the pressure on the MNEs to decrease the geographical footprint regarding the production activities. It will be very much effective as reshoring is the most upfront trajectory related to sustainability improvisation

### 5.3 Summary

In this chapter, an in-depth discussion has been done with respect to existing literature and other verified journals and articles. The result section of the research paper has collected the findings from various journals and articles. Various data has also been collected through different government sources and NGO websites for the purpose of the research.

## 6. Chapter 6- Discussion

### 6.1 Introduction

This part of the paper discusses the main findings that have been obtained from accumulating data from the secondary methods of collection of data. This section explores the underlying meaning of the purpose of the research and delves into greater details on the impacts of the Covid-19 pandemic on the socio-political risks and the FDI inflows in the SSA

countries. The socio-political factors having a major impact on FDI will be discussed along with some of the factors that the SSA countries can implement within their social and political infrastructure to increase the inflow of FDI in the countries.

## 6.2 Main discussion

The SSA countries lag behind the developing nations around the world and lure only 2% of the global FDI (Rodríguez-Pose & Cols, 2017). The SSA comprises developing countries and is not an attractive host, so the FDI inflows in these regions generally remain below the mark as compared to other developing nations around the world. The FDI inflows in the African nations help them to develop their infrastructure, like the development of roads or coastal access regions for land-locked Ethiopia in Africa. Construction of dams or airports or the utilization of renewable resources in Africa for sustainable development besides the provision of employment and increased education facilities has depicted the major role of FDI in the SSA countries. The Chinese FDI in Africa has boosted the growth of the nation and helped in reducing extreme poverty. The improvement of technologies by the FDI inflows has led the SSA nations to improve their energy investment technologies paving their way for a greener environment. The import of cheaper goods from the developed nations is also a major aspect of FDI benefitting the SSA countries. This is also linked to the better training of the skilled and unskilled labourers of SSA and enhancing the human capital of these nations. The diagram below depicts the prevalence of the inflow of Chinese FDI in the nations and its subsequent role in the development of the SSA nations have been discussed above.

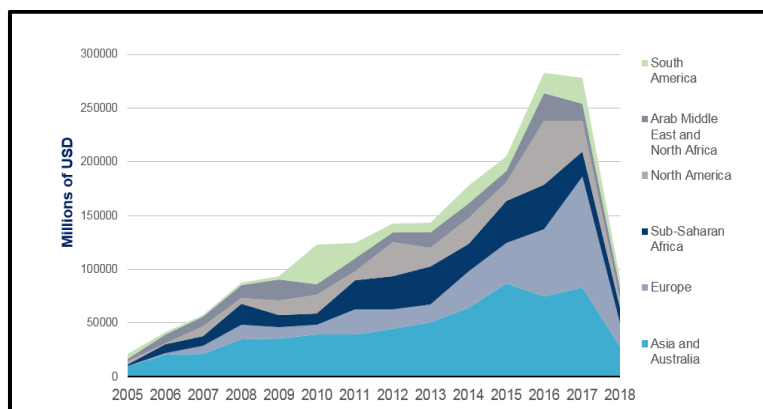


Figure 7: Contribution of Chinese FDI in the countries

(Source: Sow, 2018)

It is well-accepted that the FDI inflows have a major role in the development of a country's economy but the whole situation has been reversed in contemporary times due to the Covid-19 crisis that has gripped the nation since the last phase of 2019. Due to this pandemic situation, the FDI flows to developing countries decreased by 12% around the world. The fall was uneven in the developing regions, Africa solely accounting for a -18% decline (UNCTAD, 2021). The decline in the FDI inflows has resulted in creating uncertainties within the countries and increased poverty levels in the SSA nations. The situation that the SSA nations are facing at present is similar to the reduction in the inflow of FDI in 2014 due to the Ebola Pandemic in West Africa. The GDP of the SSA nations have also decreased due to lower exports, low private consumption and low FDI inflows (Djankov & Panizza, 2020).

One of the major aims of this thesis is to review the past academic literature and industry reports to understand the impact of the pandemic on the long-term scope of FDI in SSA countries. This has been evaluated with the consideration of the contemporary situation of the business. Africa has always been considered as a country that differs by population, size, and level of income, language, and culture. There are 25 middle-income and 23 low-income countries present. As known from the article (Dinh, 2021) that Africa is full of potentials in terms of natural resources. The world's 30 per cent mineral resources are present in Africa. The country has possessed 40 per cent of the global gold along with 90 per cent of platinum and cobalt. The figure below depicts the growth rate of the SSA countries as compares to the last decades.

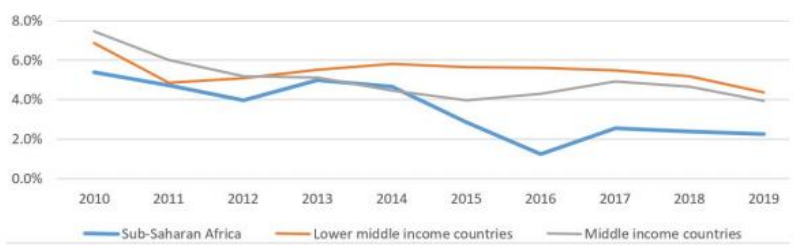


Figure 8: Annual GDP Growth in between 2010-2019

(Source: Dinh, 2021)



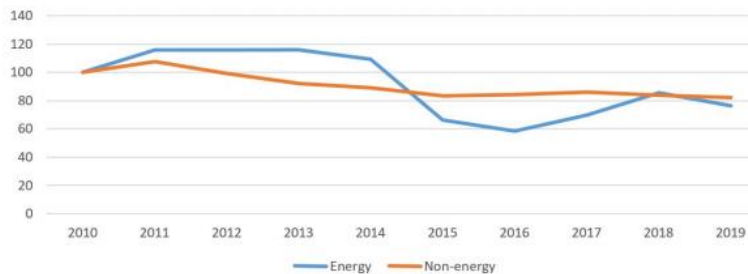


Figure 9: Real Value of Product in Between 2010-2019

(Source: Dinh, 2021)

In the figure below, the productivity augmentation rate has been shown in a breakdown format for the past few years. The slower rate of growth after the year 2008 in the SSA countries implies the slower structural change achieves from a rearrangement of labour from lower growth sectors such as agriculture to higher growth sectors. The study (Dinh, 2021) depicted that the growth of productivity for a financial structure may be generated either from resources of “within-sector”, or from the transformation of labour from lower to higher sector of productivity. “Within-sector” yield growth has been continued at a slower velocity. The graph has been plotted to forecast the future performance of different sectors of SSA comparing with the Emerging Market and Developing Economies (EMDE) countries.

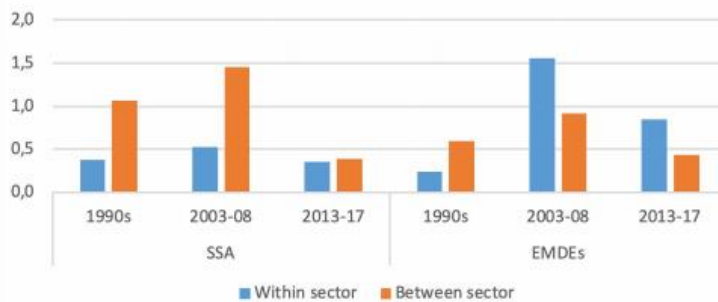


Figure 10: Between Sector and Within Sector Aid to productivity growth in EMDE countries and SSA (%)

(Source: Dinh, 2021)

As per the study of Dinh (2021) before the Covid-19 in 2019, net flows of FDI to SSA countries stayed negative and it was around - \$ 4.7 billion however it is not lower than -\$ 7.1 billion. The aggregate quantity shed the FDI flows in Nigeria that moved 81 per cent to \$3.3

billion, escorted by some variegation from the oil industry, and FDI flows that reached 71 per cent in Côte d'Ivoire to \$ 1 billion in terms of the sustainable financial growth of the country (Chaudhary, Santos-Paulino & Trentini, 2021). From the research of Dinh (2021), it can be forecasted that in 2020-2022 world bank foundation line growth prediction for the SSA and 3 country segments; oil-source wealth, mineral source wealth, and metals, and also non-source-wealth nations. Actual GDP augmentation for SSA nations has been forecasted to turn down by 3.3 per cent in 2020 prior to recuperating in late 2021 as depicted by the below figure (Dinh, 2021).

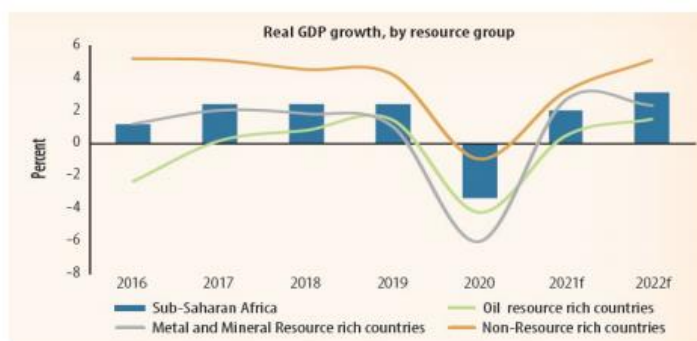


Figure 11: Actual GDP Productivity by Resource Segment

(Source: Dinh, 2021)

### 6.3 Summary

In this section the objectives of the research has been evaluated through the reviewing of several articles, and reports. Three major objectives have been addressed and valuable data has been provided to fulfil the research requirements.

## 7. Chapter 7- Conclusion and recommendations

### 7.1 Introduction

In this particular section, all the findings of the impact of covid-19 on FDI will be discussed in a nutshell. For lower-income countries FDI plays a vital role in various sectors, so they need to overcome the bad impact in the financial sector. Some recommendations can be taken by the countries to overcome this situation.

### 7.2 Conclusion

It can be depicted that Foreign Direct Investment is important for developing countries because of tangible and intangible assets since it provides an open economy to global

players but also because it is considered as a significant source of capital flow and not just regular trading activities. Although, SSA countries have allocated less share to FDI because of many reasons. Till 2015, SSA countries used to consider FDI as a suspect threat to political sovereignty while it would have a negative impact on the domestic organizations. However, there was reluctance in considering FDI in a positive way. This led to the incorporation of policies for restricting the inflow of foreign capital by giving SSA countries a politically unstable area reputation. It has been found that there has been a fall in global oil prices in countries like Angola and Gabon and this was one of the fundamental factors. Also, it indicated that this situation seemed to improve and the SSA countries were taking positive steps for considering attracting FDI. This was done by taking efforts like creating EPZs and SPZ, by providing facilities that included the import of capital goods, duty-free goods and, tax holidays.

### **7.3 Recommendations**

FDI plays an important role in lower-income countries like south Saharan countries. In that case, all the countries are trying to overcome the post-pandemic situation. The inflow of Foreign Direct Investment will help in the growth of technological development, economic growth, and the diversification of the industrial sector (Zafar, *et al.*, 2019). The infrastructure of the state of Africa is a constraint for the economic development of the country. South Saharan countries need to develop their technology as well as their economical infrastructure. From a study, it has been found out that the transportation system is not so developed because of the poor quality highways and the insufficient supply of electricity to their area. The information and communication technologies are also backdated and these things lead the country to limit the productivity of the country in the case of international trade (Essandoh, *et al.*, 2020). South Saharan countries need to upgrade and expand their transportation and communication infrastructure to attract new investor countries. This will lead to a long-term goal of achieving FDI and will integrate the trade and economic conditions in Africa.

After the announcement of the promise to invest in large emerging countries like Africa by the US government, BRICS has become one of the most important FDI inflows for African continents. Maintaining a good economic relationship with BRICS is most important in this scenario as a vast portion of foreign investment will be used in developing the manufacturing and service industry (Wang, 2019). After the pandemic service industry was devastated, to recover this situation the FDI projects From BRICS countries are most important for African countries. African countries have a huge size of domestic host market. By using this, try to attract foreign investors, because in recent times the developed countries wants have the

access to any larger regional market via trading with that particular company. The foreign investors have so many new things to gain by enhancing the market infrastructure of the African countries. The countries who will trade in African countries will have a chance to get more internationalized than the other countries. To reduce the trade cost these countries need transportation and logistics support from African countries. To bring more Foreign Direct Investment to African countries they need to provide that necessary infrastructure.

#### **7.4 Summary**

In this particular segment, the whole research paper has been concluded in a nutshell. The FDI is so important for the south Saharan countries that is why few recommendations have been given to bring new investments in the country to develop productivity.

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9. Chapter 9- Appendices

Ethical form

**STUDENT (UGT/PGT) PROJECT/DISSERTATION  
RESEARCH ETHICAL REVIEW FORM (E1)**

**APPLICABLE TO ALL UNDERGRADUATE AND TAUGHT  
POSTGRADUATE PROGRAMMES**

Please complete and return via email to your Project / Dissertation Supervisor along with the required documents (shown below).

**SECTION A: APPLICANT(S) DETAILS**

Before completing this section students should consult their Course/Module handbook alongside appropriate ethical guidelines. The student’s supervisor is responsible for advising the student on appropriate professional judgement in this review.

<b>Student name</b>	Prabhdeep Kaur
<b>Student number</b>	U2071525
<b>Course the student is registered to</b>	
<b>Names of Supervisor</b>	
<b>Title of research/project</b>	Investigating the impact of COVID-19 on the socio-political risks and FDI in Sub-Saharan African Countries
<b>Project start date</b>	

**SECTION B: RESEARCH STUDY DETAILS**

<b>Rationale, aims and objectives</b>	<p>Details: To analyze the impact of COVID-19 on the socio-political risks and FDI for Sub-Saharan African countries.</p> <p>Objectives</p> <ul style="list-style-type: none"> <li>• To compare and contrast the inward flow of FDI for SSA countries pre and post COVID-19.</li> <li>• To identify the socio-political risks that impact the scope of FDI for SSA during and</li> <li>• post COVID-19.</li> <li>• To review the past academic literature and industry reports to understand the impact of the pandemic on the long-term scope of FDI in SSA countries.</li> </ul>
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	<ul style="list-style-type: none"> <li>To make recommendations on possibilities for improving/sustaining the situation of FDI and guide future research in this regard.</li> </ul>
<b>Brief overview of methodology</b> Needs to be explained in sufficient detail to show the approach used (e.g. survey) and explain the research methods to be used during the study.	Details: The planning process and the scope of the research has been identified in this portion of the paper. Positivism approach has been used and the data collected through secondary methods has been analysed vastly.
<b>Is this a retrospective application?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes explain here explain why this has arisen.

## SECTION C: DATA COLLECTION AND PARTICIPANT DETAILS

<b>Does the research involve any of the following?</b> <ul style="list-style-type: none"> <li>Patients recruited because of their past or present use of the NHS or Social Care</li> <li>Relatives/carers of patients recruited because of their past or present use of the NHS or Social Care</li> <li>Access to data, organs or other bodily material of past or present NHS patients</li> <li>Foetal material and IVF involving NHS patients</li> <li>The recently dead in NHS premises</li> <li>NSS Staff</li> <li>Prisoners or others within the criminal justice system recruited for health- related research</li> <li>Police, court officials, prisoners or others within the criminal justice system</li> <li>Participants who are unable to provide informed consent due to their incapacity even if the project is not health related</li> </ul>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  If you have answered YES then you must seek the appropriate external approvals from the NHS, Social Care or the National Offender Management Service (NOMS) under their independent Research Governance schemes.
<b>Who will be the participants of your research?</b>	Details: The natives of the SSA countries
<b>What are the arrangements for selecting/sampling and contacting potential participants?</b>	Details: The data has been collected through secondary methods and primary data collection method has been avoided for avoiding by the social distancing norms specified by the governments worldwide due to the Covid-19 pandemic
<b>Will the research involve working with/within an organisation and their approval (e.g. business, charity, government department, international agency, etc.)?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, do you have granted access to conduct the research? If you do not have permission yet, explain here how you are going to gain approval.
<b>Will any of the participants be vulnerable?</b> <i>'Vulnerable' people include children and young people (younger than 18 years old), people with learning disabilities,</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe here how you will implement safeguarding procedures during data collection.

<p>people who may be limited by age or sickness or disability, etc.</p>	
<p><b>Is there any reasonable and foreseeable risk of physical or emotional harm to any of the participants?</b>  <i>Harm may be caused by distressing or intrusive interview questions, uncomfortable procedures involving the participant, invasion of privacy, topics relating to highly personal information, topics relating to illegal activity, mental health etc.</i></p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No          If Yes, please explain here further.</p>
<p><b>Are any of the below questions relevant to the research?</b></p> <ul style="list-style-type: none"> <li>• Are drugs, placebos or other substances (e.g. food substances, vitamins) to be administered to the study participants or will the study involve invasive, intrusive or potentially harmful procedures of any kind?</li> <li>• Will tissue samples (including blood) be obtained from participants?</li> <li>• Is pain or more than mild discomfort likely to result from the study?</li> <li>• Will the study involve prolonged or repetitive testing?</li> </ul>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No          If Yes, please explain here further.</p>
<p><b>Are any of the below questions relevant to the research?</b></p> <ul style="list-style-type: none"> <li>• Is it covert research? ('Covert research' refers to research that is conducted without the knowledge of participants.)</li> <li>• Will anyone be taking part without giving their informed consent?</li> <li>• Will the research output allow identification of any individual who has not given their express consent to be identified?</li> </ul>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No          If Yes, please explain here further.</p>
<p><b>Will the research involve working with copyrighted documents, films, broadcasts, photographs, artworks, designs, products, programmes, databases, networks, processes, existing datasets or secure data?</b></p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If Yes, are the materials you intend to use in the public domain? Be aware that you may need to consider other ethics codes (such as code of the Association of Internet Researchers). If the material is <u>copyrighted</u> then explain here how you have explicit permission to use these materials as data.</p> <p>All the journals and articles used for the purpose of this research has been given proper acknowledgement to avoid plagiarism.</p>
<p><b>Describe the arrangements for obtaining participants' consent.</b>          Please explain how you will inform your participants about the study and whether they will be in a position to give informed consent. Attached the forms to be used.</p>	<p>Details: No primary data has been collected</p>
<p><b>Describe how participants will be made aware of their right to withdraw from the research.</b>          This should also include information about participants' right to withhold information and a reasonable time span (or a clear point in the process) for withdrawal should be specified.</p>	<p>Details: No primary data has been collected</p>
<p><b>Describe the arrangements for ensuring</b></p>	<p>Details: No primary data has been collected</p>

<p><b>participant confidentiality.</b> This should include details of:</p> <ul style="list-style-type: none"> <li>• how the data will be recorded</li> <li>• how data will be stored to ensure compliance with University of Huddersfield data protection procedures and other relevant wider legislation</li> <li>• how results will be presented</li> <li>• exceptional circumstances where confidentiality may not be preserved</li> <li>• how and when confidential data will be disposed of</li> <li>• who will have access to data</li> </ul>	
<p><b>Do you offer anonymity to your participant?</b></p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No If Yes explain here how this will be achieved. No primary data has been collected</p>
<p><b>Are there any conflicts of interest in you undertaking this research?</b> (E.g. are you undertaking research on work colleagues or in an organisation where you are a consultant?)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes explain here how this will be addressed.</p>
<p><b>Are there any potential risks to researchers' (i.e. your and other investigators') health and wellbeing associated with:</b></p> <ol style="list-style-type: none"> <li>the venue where the research will take place</li> <li>traveling to the research venue and/or</li> <li>the research topic itself?</li> <li>Time of day research is taking place</li> <li>Lone working</li> </ol> <p><b>IMPORTANT NOTE:</b> Research Ethic Committee cannot evaluate the changing risks arisen from travelling to other countries. Appropriate Huddersfield Business School risk assessment procedures has to be followed and permission has to be obtained at the time of travel.</p>	<p><input checked="" type="checkbox"/> No, none that I am aware of <input type="checkbox"/> Yes If Yes, outline the risks here, including steps taken to minimise risk.</p>
<p><b>As the principle investigator, give a summary of the ethical issues that you envisage and any action that will be taken to address the issues</b></p>	<p>Details: No primary data has been collected. The secondary data collected from various journals and articles and from government websites and that of NGOs has been properly acknowledged and no data has been taken without giving proper credit to the authors.</p>

**SECTION D – DOCUMENTS CHECKLIST (TO BE COMPLETED BY THE APPLICANT)**



Please supply copies of all relevant supporting documentation electronically. If this is not available electronically, please provide explanation and supply hard copy.

<b>I have included the following documents</b>	
• <b>Participant Information Sheet</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
• <b>Participant Consent Form</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
• <b>Letters (and other)</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
• <b>Any recruitment materials (e.g. posters, letters, etc.)</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
• <b>Details of measures to be used (e.g. questionnaires, survey interview questions etc.)</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
• <b>Outline survey interview schedule / focus group schedule</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A

## SECTION E – STATEMENT BY APPLICANT

I, as the student undertaking this research, confirm that:

- this research will conform to the principles outlined in the University of Huddersfield and Huddersfield Business School research procedures,
- the information I have given in this form on ethical issues is correct.

**Student's (i.e. applicant) Signature** (Electronic is acceptable): \_\_\_\_\_

**Date:** \_\_\_\_\_

**Affirmation by Supervisor (where applicable)**

I can confirm that, to the best of my understanding, the information presented by the applicant is correct and appropriate to allow an informed judgement on whether further ethical approval is required

**Main supervisor's signature** (Electronic is acceptable): \_\_\_\_\_

**Date:** \_\_\_\_\_

## SECTION F: SUPERVISOR RECOMMENDATION ON THE PROJECT'S ETHICAL STATUS

Having satisfied myself of the accuracy of the project's ethical statement, I believe that the appropriate action is:

Approve	<input type="checkbox"/>
Approve with recommendations [ <i>please specify</i> ]	<input type="checkbox"/>
Approve subject to conditions [ <i>please specify</i> ]	<input type="checkbox"/>
The project proposal needs further assessment by a representative of the Business School Research Ethics Committee	<input type="checkbox"/>
The project needs to be returned to the student for modification prior to further action ( <i>details of required modifications must be provided</i> )	<input type="checkbox"/>
Reject [ <i>please specify</i> ]	<input type="checkbox"/>

All documentation must be submitted according to the instructions in your Course / Module handbook.

**The completed form should be submitted to a Turnitin submission point on the Dissertation or the relevant module VLE site for future reference.**