

NEWCASTLE BUSINESS SCHOOL SEMINAR SERIES



"Foreign Direct Investment and Economic Transformation in Sub-Saharan Africa: Does Human Capital Matter for achieving Sustainable Development?"

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"Foreign Direct Investment and Economic Transformation in Sub-Saharan Africa: Does Human Capital Matter for achieving Sustainable Development?"

Although a growing literature emphasises the importance of foreign direct investment (FDI) in promoting economic growth, the empirics is complex and unresolved. In this paper, we take a new look at empirically investigating the impact of FDI on sectoral output growth and the moderating role of human capital in the FDI-sectoral output growth nexus in Sub-Saharan Africa (SSA). Using a comprehensive panel data of 43 countries in SSA for the period 1980-2017, this paper explores whether an investment in human capital does matter for sustaining sectoral output growth in SSA. We account for endogeneity, country heterogeneity and time-fixed effects by estimating the sectoral growth models using Two-Stage Instrumental Variable Generalised Methods of Moments (2SIV-GMM) estimator. Our estimations show that the direct impact of FDI and measures of human capital on sectoral output growth are mixed. We find that the effect of human capital and FDI interaction on sectoral output growth is weak. We extend the analyses to examine the dynamics of economic transformation in Ghana. Our results show that the effect of human capital on sectoral output growth is conditioned by changing structure across sectors within the economy. The paper contributes to the mounting body of evidence by highlighting the crucial role that human capital could play in sustaining economic transformation in Sub-Saharan Africa.

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