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Foreign Direct Investment and Human Development: Zooming on the Case of Africa

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ABSTRACT

Gli investimenti diretti esteri (IDE), uno dei tratti più salienti della globalizzazione e uno degli aspetti di quest'ultima che maggiormente si stanno affermando nello scenario globale, sono da tempo riconosciuti, sia dalle più eminenti organizzazioni internazionali sia più in generale dalla letteratura accademica, come una delle più importanti potenziali fonti di sviluppo, per lo più misurato in termini di crescita del Prodotto Interno Lordo (PIL), per gli stati che ne ricevono. Tuttavia, nel più ampio contesto di un generale cambio di prospettiva che di recente, sia nel dibattito accademico che di policy, ha proposto il superamento del PIL come unico indicatore di sviluppo a favore di indici più complessi che tengano presenti altre dimensioni come l'istruzione e la salute (ad esempio: l'Indice di Sviluppo Umano), lo stesso tipo di cambiamento concettuale non ha ricevuto altrettanto seguito nella letteratura sugli IDE, sempre ancorata all'analisi del rapporto fra questi e lo sviluppo principalmente economico. L'obiettivo del presente elaborato si ritrova esattamente nel provare a colmare questo vuoto, ricercando se e a che condizioni un rapporto virtuoso fra IDE e sviluppo umano possa essere stabilito, con un particolare focus sull'area in cui si registrano i più bassi valori di sviluppo umano al mondo e, conseguentemente, in cui questo rapporto potrebbe dimostrarsi maggiormente necessario: l'Africa.

Il lavoro si articola in tre capitoli ed è strutturato come di seguito: (i) un primo capitolo introduttivo che definisce gli investimenti diretti esteri e ne restituisce un quadro aggiornato circa diffusione e trend globali; (ii) un secondo capitolo in cui si introduce prima il più conosciuto rapporto fra IDE e crescita economica, e si analizza poi, più in profondità, quello fra IDE e sviluppo umano, con un focus sul continente africano; (iii) un terzo, ed ultimo, capitolo in cui si propone un caso di studio, l'Etiopia.

Il primo capitolo fornisce il quadro teorico degli investimenti diretti esteri e i loro trend globali. Definibili come investimenti che implicano lo stabilirsi di una relazione a lungo termine e un "interesse duraturo" fra un'impresa residente in una data economia e un'impresa estera, gli IDE possono essere analizzati da diversi punti di vista: in base al

grado di coinvolgimento dell'investitore, per esempio, si distinguono *mergers and acquisitions* (quando l'investitore acquista almeno il 10% delle quote di un'esistente azienda estera) e *greenfield investment* (quando l'investitore costituisce *ex novo* una filiale all'estero); in base al tipo di interesse che spinge l'investitore stesso, invece, fra *market-seeking IDE* (quando l'investitore vuole sfruttare le opportunità offerte da un mercato estero), *resource-seeking IDE* (quando la disponibilità di risorse quali materie prime e/o forza lavoro a basso costo spingono l'investitore a scommettere su una data economia), *strategic-asset IDE* (quando l'investitore punta a migliorare la sua competitività sul mercato globale), ed *efficiency-seeking IDE* (quando l'investitore vuole razionalizzare la divisione del lavoro a livello internazionale); Infine, in base alla loro collocazione all'interno delle catene di valore globale (ovvero il processo organizzativo che porta alla parcellizzazione delle singole fasi della filiera di produzione in diversi paesi), gli IDE si suddividono in IDE orizzontali (quando lo stesso stadio di produzione è duplicato all'estero) e IDE verticali (quando all'estero si trasferisce una delle fasi del processo produttivo). Il quadro introduttivo si completa con la definizione di quelle che sono generalmente riconosciute come le principali determinanti di attrazione degli investimenti diretti esteri stessi: determinanti economiche (le caratteristiche del mercato nazionale, la presenza di risorse, la competitività del mercato stesso e la presenza di determinati fondamenti macroeconomici), e determinanti politiche (più complesse, fra le quali si ritrovano trasparenza e qualità delle istituzioni).

Negli ultimi 30 anni i flussi di IDE sono aumentati esponenzialmente, passando dai 200 milioni di dollari del 1990 agli 1,76 bilioni del 2015: un dato che da solo dimostra l'importanza che il fenomeno sta acquisendo a livello globale. Infatti, nonostante siano quelle dei paesi più sviluppati le economie in cui si registrano le più alte percentuali di IDE sia in arrivo che in uscita, anche le economie in fase di transizione e le economie in via di sviluppo (una su tutte, la Cina) vedono e hanno visto aumentare significativamente i propri flussi in entrambe le direzioni. Con riferimento a quest'ultima categoria, con proporzioni molto differenti rispetto agli incredibili numeri della Cina, è da sottolineare come anche l'Africa abbia nel complesso assistito ad un aumento delle proprie statistiche in merito, con gli investimenti in entrata comunque superiori a quelli in uscita. La sostenuta crescita del fenomeno, nonostante un 2017 che ha fatto registrare un

generale calo degli IDE, per lo più riconducibile al diffondersi del fenomeno del *reshoring* (o "de-globalizzazione", ovvero la decisione presa da alcune multinazionali di ri-trasferire nell'economia domestica le fasi della produzione che avevano precedentemente delocalizzato all'estero), spinge la maggior parte degli intellettuali e delle istituzioni internazionali, e in particolare l'UNCTAD, a credere che anche nei prossimi anni essi continueranno ad aumentare, affermandosi sempre più uno come dei tratti fondamentali dell'economia globale: così come le esportazioni e i contratti di licenza, le altre due fondamentali forme di internazionalizzazione delle imprese.

La letteratura sugli investimenti diretti esteri storicamente si focalizza sull'impatto che questi investimenti hanno sulla crescita economica del paese che li riceve, misurata come variazione del Prodotto Interno Lordo (PIL): con questo tema si apre il secondo capitolo dell'elaborato. A livello teorico, infatti, gli IDE possono influenzare positivamente il PIL tanto direttamente quanto indirettamente: nel primo caso, gli IDE vengono identificati come un'importantissima fonte esterna di finanziamento per lo sviluppo capace di colmare almeno tre tipi di deficit: quello fra risparmi e investimenti interni, quello fra importazioni ed esportazioni (il cosiddetto disavanzo commerciale), e quello fra le tasse che dovrebbero essere versate e quelle effettivamente pagate. Ma non solo: questi investimenti vengono convenzionalmente considerati importanti anche per l'impatto diretto che hanno sui tassi di occupazione. Convenzionalmente, infatti, gli investitori esteri creano molti posti di lavoro nelle economie in cui sono indirizzati, tendono a retribuire in media con salario più alto e offrono maggiori benefit rispetto alle imprese nazionali che operano nel medesimo settore. Nel secondo caso, ovvero per quanto riguarda gli effetti indiretti che questi investimenti hanno sullo sviluppo economico del paese che li riceve, i cosiddetti *spillover* tecnologici rappresentano l'elemento più significativo in questo senso: gli IDE, infatti, offrono l'opportunità di trasferire conoscenze in termini di management, intraprenditorialità, tecnologia, competenze e abilità tecniche alle economie che le ricevono, con importanti benefici per queste ultime, soprattutto quando ne sono carenti.

Tuttavia, il concretizzarsi del potenzialmente virtuoso rapporto fra IDE e crescita economica, attraverso i canali appena elencati ma soprattutto attraverso gli *spillover*

tecnologici, necessita il verificarsi di alcune condizioni preliminari, che spesso nei paesi africani non sussistono e la cui assenza spiega il difficile realizzarsi di queste condizioni in quest'area geografica. Infatti, affinché gli IDE impattino positivamente l'economia di un paese serve che quest'ultima sia stabile, che investa nel capitale umano, ma, più in generale, che si trovi nelle condizioni di poter effettivamente assorbire (in inglese: *absorptive capacity*) e, conseguentemente, sfruttare l'opportunità rappresentata dagli IDE: quando la *absorptive capacity* di un'economia è al di sotto della soglia minima che le consentirebbe di poter cogliere i frutti degli investimenti che riceve (*threshold concept*, in inglese), come d'altronde accade per la maggior parte delle economie africane, significa che le sue infrastrutture (materiali e immateriali), il suo livello di sviluppo tecnologico e le competenze del suo capitale umano sono tali da non consentire al paese stesso di sfruttare il potenziale offerto dagli IDE; ma, significa anche che la tipologia di IDE che attrae non sono investimenti qualitativamente significativi, ovvero capaci di colmare i gap finanziari necessari e di migliorare le condizioni lavorative, in senso lato, del paese che li riceve: come ci racconta la realtà africana, si tratta spesso di investimenti a bassa intensità di manodopera, perlopiù *resource-seeking*, attratti dai bassi costi delle materie prime e dai significativi sgravi fiscali che le economie concedono agli investitori. Con pochissimi benefici per queste ultime.

Se questi ultimi elementi da soli permetterebbero già di iniziare a delineare una serie di raccomandazioni per i governi africani da un lato e gli investitori dall'altro, appare necessario soffermarsi sul punto di vista su cui si basano le considerazioni presentate finora: quello del rapporto fra IDE e PIL. Lo sviluppo inteso come mera crescita economica, infatti, non restituisce una dimensione dello sviluppo che tenga conto di ciò per cui, parafrasando una celebre frase di Robert Kennedy, "vale la pena di vivere": una variazione nel PIL non ne restituisce la distribuzione e, di conseguenza, l'effettivo impatto su chi ne avrebbe più bisogno ma, ancor prima, non indica il verificarsi o meno di un allargamento delle opportunità e delle possibilità concesse a chi vive nell'economia che lo sperimenta, ovvero del miglioramento della loro qualità di vita. Su queste ultime nozioni divenute famose in tutto il mondo con il termine *capabilities* e frutto delle idee e del lavoro, fra gli altri, del Premio Nobel Amartya Sen, si basa il concetto di sviluppo umano. Da qualche anno, eminenti organizzazioni, come l'ONU, promuovono le loro

analisi su questa visione dello sviluppo concentrato sulla persona e persona-centrico, sostituendo alla crescita economica, misurata in variazioni di PIL, lo sviluppo umano misurato in variazioni di indicatori alternativi. Fra i più diffusi e discussi anche in letteratura c'è sicuramente il già nominato Indice Sviluppo Umano (HDI) che, accanto alle variazioni in termini di reddito pro-capite, misura altri due indici di base: la speranza di vita e il livello di istruzione. Stando a queste argomentazioni, di conseguenza, la relazione fra IDE e sviluppo come convenzionalmente analizzato, seppur interessante, non racconterebbe davvero quanto e in che misura i paesi africani beneficino e possano ulteriormente beneficiare degli investimenti esteri: eppure, lo sviluppo umano, in altri contesti ormai sostituitosi al solo PIL, non si è ancora affermato nella grammatica della ricerca sugli IDE, con un conseguente vuoto in questo senso. La direzione del secondo capitolo, e in realtà della tesi stessa, lo si evince qui: nel cercare di colmare questo vuoto e muovere i (quasi) primi passi verso lo stabilirsi di una letteratura che cerchi di capire se, ed eventualmente come, IDE e sviluppo umano, misurato come variazioni di HDI, possano dialogare positivamente.

La seconda parte del secondo capitolo si apre, quindi, con la letteratura esistente sul tema. Una letteratura scarna che, da Sharma e Gani (2004) in poi, ha timidamente cercato di porsi queste domande, unanimemente riconoscendo un potenziale rapporto virtuoso fra investimenti e sviluppo umano, senza però proporre un quadro delineato ed omogeneo circa le condizioni necessarie al verificarsi di un dialogo positivo fra le due dimensioni. Il secondo capitolo, quindi, prova ad andare oltre, cercando di fornire un quadro strutturato di indicazioni per quelli che appaiono come i principali protagonisti di questa relazione: gli investitori, i paesi destinazione dei flussi e la comunità internazionale.

Gli investitori, il cui ruolo maggiormente suscita opinioni contrastanti e controversie, rappresentano l'attore che nel nostro quadro ha l'onere di decidere (ovviamente alla luce di determinati incentivi che si vedranno meglio poi) come e in cosa investire, potendo conseguentemente influire positivamente sulla relazione fra IDE e HDI in due modi: scegliendo appunto il "cosa", cioè decidendo di investire direttamente nelle due dimensioni che insieme al PIL completano l'Indice di Sviluppo Umano, ovvero i settori

istruzione e della sanità; oppure scegliendo il "come", decidendo quindi di investire anche in settori diversi dalla salute e l'educazione, ma di farlo in modo coerente con i principi dello sviluppo umano, ovvero attraverso i cosiddetti Investimenti Socialmente Responsabili e/o attraverso misure come l'*Impact Investing*. Per quanto riguarda gli investimenti nei settori dello sviluppo umano, è facile intuire che l'apporto fornito dagli investitori esteri rappresenti un aiuto fondamentale quando, come in Africa, i governi con le sole loro risorse non sembrano capaci di sopperire alle necessità dei loro cittadini. Meno intuitivi gli altri due elementi citati: con l'espressione "Investimenti Socialmente Responsabili", infatti, nel quadro più ampio delle strategie di Responsabilità Sociale d'Impresa, si indicano quegli investimenti che limitano le decisione di carattere meramente economico con standard e codici di condotta che limitino i potenziali effetti negativi degli investimenti stessi; Con *impact investing*, invece, si indicano gli investimenti che non mirano al mero profitto quanto più alla creazione di un valore sociale, per lo più attraverso progetti solitamente legati alle infrastrutture, alla salute o all'educazione.

Il paese ricevente, invece, rappresenta probabilmente il soggetto di questa relazione che detiene il maggior margine di manovra nel decidere come orientare la relazione IDE-HDI stessa: semplificando, infatti, si può affermare che il paese ricevente rappresenti l'unico attore che può effettivamente decidere chi far investire, in cosa e come utilizzare il flusso di capitali che riceve. In questo senso, l'autore ha individuato due macro-aree, fra loro interconnesse, in cui i governi possono dare il loro contributo: nell'attrarre investimenti (possibilmente ad alto impatto in termini di sviluppo umano), e nel creare le condizioni affinché questi investimenti lavorino nella direzione sperata (ovvero nella creazione di quello che in inglese verrà denominato l'*enabling environment*). Nel primo caso, la creazione (o miglioramento) delle determinanti economiche menzionate sopra, la trasformazione delle Agenzie di Promozione degli Investimenti (IPAs) da semplici agenzie che promuovono gli investimenti nel paese in agenzie che promuovano lo sviluppo umano sostenibile attraverso gli IDE, la capacità di inserirsi all'interno delle catene di valore globale al livello di attività ad alto valore aggiunto e la riformulazione degli incentivi fiscali agli investimenti (in modo da selezionare quegli investitori il cui contributo per lo sviluppo umano del paese sarebbe importante), rappresentano alcune

delle soluzioni la cui attuazione sembri favorire la relazione IDE-HDI, principalmente in una regione come l'Africa. Nel secondo caso, invece, ci si riferisce a misure a più ampio raggio, che abbracciano ambiti e settori legati agli IDE ma che non si esauriscono con essi. Qui l'autore propone almeno quattro direzioni da prendere, che in ordine di specificità decrescente sono: la creazione di efficienti Partenariati Pubblico-Privati (PPP), la riforma delle esistenti politiche di investimento, l'attuazione riforme più generali in altri settori, la creazione di istituzioni più trasparenti (le già nominate determinanti politiche).

Con la creazione di efficienti PPP, efficienti accordi istituzionali fra settore pubblico e privato che però non riguardano esclusivamente gli IDE, il paese ricevente si pone nella positiva condizione di poter utilizzare le risorse del secondo settore per rafforzare il primo, ovvero anche nella condizione di poter utilizzare gli ingenti flussi di IDE, convenzionalmente diretti al settore privato, per finanziare progetti pubblici, per lo più infrastrutturali e di carattere sociale, che il settore pubblico da solo non sarebbe in grado di portare avanti; La riforma delle esistenti politiche di investimento, invece, rappresenta un tassello essenziale per il verificarsi delle condizioni esposte nel secondo capitolo stesso: la creazione di un quadro normativo capace di identificare gli investitori da attrarre, di porre in essere misure che controllino e verifichino l'impatto degli investimenti che accetta, che crei incentivi mirati e così via, si dimostra una condizione preliminare essenziale al verificarsi di una relazione positiva fra IDE e HDI; L'insieme di politiche da rivedere, tuttavia, non si limita a quelle focalizzate sugli investimenti, ma abbraccia tutta una serie di altri settori ad essi connessi: ad esempio, la possibilità di risalire le catene di valore globali necessita di politiche capaci di rafforzare le filiere nazionali dei settori cui appartengono. Più in generale, però, ciò che sembra servire è un quadro normativo indirizzato tanto ad aumentare la *absorptive capacity* dell'economia che attrae gli IDE (ad esempio attraverso forti politiche per le infrastrutture), quanto a ridurre i rischi associati agli investimenti stessi (per esempio introducendo opportune leggi sul lavoro che non permettano agli investitori esteri di introdurre condizioni di lavoro inaccettabili); Infine, la creazione di istituzioni trasparenti e il consolidamento di uno stato di diritto rappresentano la base fondamentale di tutte le valutazioni promosse nella tesi stessa, per il ruolo essenziale che questi elementi giocano tanto nel favorire lo

sviluppo umano stesso, quanto nella rendere possibile lo stabilirsi di un virtuoso rapporto fra IDE e HDI.

Una volta analizzati gli investitori e una volta analizzati gli stati che ricevono gli IDE, tutti gli altri attori nella scena globale, ovvero le organizzazioni internazionali, le ONG e così via, attori riassumibili nell'espressione "comunità internazionale", rappresentano l'ultimo tassello da analizzare. Qui, l'assenza di un accordo multilaterale sugli investimenti (MAI), il ruolo degli aiuti allo sviluppo e il piano dell'UNCTAD per gli investimenti privati negli SDGs (i 17 obiettivi di sviluppo sostenibile, concordati dalle Nazioni Unite e basati su una concezione di sviluppo affine a quella dello sviluppo umano), rappresentano i tre temi principali di questa sezione. La mancata ratifica di un MAI, vicinissima nel 1997 su iniziativa dell'OECD, introduce il tema dell'attuale *corpus* normativo sugli IDE, per lo più composto da trattati bilaterali in materia (BITs) e da altri accordi commerciali contenenti clausole sugli investimenti, e induce ad una riflessione sulla necessità di creare a livello internazionale degli strumenti di *hard law* che, attraverso alcuni articoli (per esempio inerenti la Responsabilità Sociale d'Impresa), rendano vincolanti alcuni dei comportamenti promossi da questa tesi; Il tema degli aiuti allo sviluppo rappresenta, invece, un tema parallelo a quello degli IDE ma fortemente ad esso legato, poiché è anche attraverso questi aiuti (multilaterali o bilaterali a seconda della loro provenienza) che la *absorptive capacity* dei paesi più poveri, come quelli africani, o più in generale lo sviluppo infrastrutturale e sociale degli stessi, elementi essenziali alla buona riuscita del rapporto IDE-HDI, può migliorare; Infine, il piano dell'UNCTAD, in inglese "*Action Plan for Private Sector Investment in the SDGs*", appare interessante nella misura in cui riconosce alla comunità internazionale un ruolo fondamentale nel rapporto IDE-HDI, individuando quattro aree fondamentali in cui quest'ultima è chiamata ad intervenire in questo senso: nello stabilire una forte leadership, nel permettere la mobilitazione di IDE capaci di raggiungere gli SDGs, nel canalizzare questi IDE nelle aree che più ne necessitano e nel garantirne un impatto positivo.

Lasciando per il momento sullo sfondo il ruolo della comunità internazionale, ovvero l'aspetto più complesso e difficilmente modificabile del quadro proposto, un diagramma

a due assi (un asse per lo stato che riceve gli IDE, e uno per gli investitori) viene proposto al termine del secondo capitolo. L'obiettivo è quello di fornire un primo strumento di lettura con il quale verificare, in base a quante delle condizioni evidenziate si osservano, il grado di probabilità con cui un virtuoso rapporto IDE-HDI si dovrebbe stabilire in un dato paese africano (ma non solo) e, di conseguenza, in che direzione si dovrebbe presumibilmente andare per poterlo migliorare. Con questo schema, il terzo capitolo analizza un caso di studio: l'Etiopia.

Il capitolo conclusivo della tesi, infatti, studia uno dei paesi africani che negli ultimi anni ha visto innalzarsi maggiormente la curva dei flussi di IDE in entrata ma che, contestualmente, non ha assistito allo stesso tipo di miglioramento in termini di HDI, rimanendo infatti uno dei paesi con il più basso livello di sviluppo umano al mondo. Grazie ad una ambiziosissima politica industriale basata sull'attrazione di IDE per lo più nel settore tessile, l'Etiopia è uno dei paesi africani con il più alto tasso di crescita economica al mondo, ma anche uno dei paesi in cui l'impatto di questi stessi investimenti sui locali desta le maggior preoccupazioni: l'esempio perfetto per dimostrare quanto il rapporto IDE-PIL non parli necessariamente di impatto dei primi sulla qualità di vita.

Dopo una breve analisi degli IDE in entrata, cresciuti esponenzialmente circa dal 2008 in poi e per lo più indirizzati al settore tessile e provenienti dalla Cina, il terzo capitolo si sofferma sulle variazioni dell'HDI etiope e delle sue singole componenti per il periodo 2003-2017. A questo proposito, fatta eccezione per il reddito pro capite, che con +182,7% e una crescita media annua costante e vicina al 10% rappresenta la dimensione che più ha beneficiato dei crescenti flussi di IDE in entrata, le curve delle altre due componenti, istruzione e salute, anch'esse in salita seppur a tassi meno elevati, si appiattiscono in corrispondenza del 2008, come ad indicare che con il crescere degli IDE i miglioramenti nei due settori abbiano fondamentalmente rallentato. A confermare questi dati, il capitolo propone alcuni dati inerenti le condizioni di lavoro dei Parchi Industriali (zone franche che il paese ha aperto nel più ampio contesto della sua politica industriale trainata dagli IDE e in cui la maggior parte delle multinazionali estere operano) e analizza più in generale l'Etiopia e il suo ruolo nel rapporto EDI-HDI,

sottolineando come tutte le condizioni evidenziate nella diagramma/quadro teorico del secondo capitolo non sembrino verificarsi. Infine, nel cercare di dare una risposta circa responsabilità degli investitori stessi in relazione alla mancata attuazione di un virtuoso rapporto fra IDE e HDI nel paese, nel terzo capitolo si analizza anche il rapporto fra le due dimensioni attraverso una correlazione, che si dimostra positiva fra IDE mondiali e HDI, e molto positiva fra IDE cinesi e HDI. Se il primo dato sembra confermare le valutazioni precedenti, secondo le quali il quasi unico apporto degli IDE nel livello di sviluppo umano in Etiopia è dato dall'impatto di questi ultimi sulla crescita economica del paese, il dato sulla Cina, maggior investitore nel paese dal 2008, sembrano dire qualcosa di nuovo. In effetti, una correlazione molto positiva fra l'HDI etiope e gli IDE provenienti da quello che rappresenta il suo principale interlocutore in questo senso dal 2008, coincide con l'informazione secondo cui le curve di istruzione e salute si appiattiscano in concomitanza proprio del 2008: quasi a dire che, da un lato, senza gli investimenti cinesi le due curve apparirebbero ancora più piatte e i livelli di istruzione e educazione ancora più bassi; dall'altro, che forse le caratteristiche degli investimenti cinesi si discostano almeno in parte da quelle degli altri, contenendo alcuni di quegli elementi che in questa tesi appaiono centrali per il rapporto HDI-IDE. In effetti, si dimostrerà che sotto molti aspetti, per esempio per quanto concerne gli ingenti investimenti diretti alle infrastrutture, la Cina rappresenta (e forse con la Nuova Via della Seta ancor di più rappresenterà) un buon investitore sotto questo punto di vista. Il terzo capitolo si conclude con qualche indicazione su come poter migliorare il rapporto IDE-HDI in Etiopia, con un focus tanto sul governo etiope quanto sugli investitori esteri, generalmente considerati.

In conclusione, l'elaborato dimostra come lo stabilirsi di un rapporto virtuoso fra IDE e sviluppo umano in un'area come l'Africa non sia solo possibile, attraverso un rinnovato e riformato ruolo di investitori, paesi riceventi e comunità internazionale, ma anche auspicabile, come si evince dal quadro complessivo fornito dal caso di studio. Tuttavia, date da un lato la complessità dell'argomento e la varietà di aspetti potenzialmente ad esso collegato e dall'altro, il limitato numero di studi che si sia concentrato su questo tema, l'elaborato dimostra anche che una più approfondita ricerca e analisi della materia sia imprescindibile e necessaria: l'auspicio finale è proprio quello che questa tesi

possa rappresentare una sorta di punto di partenza per un più solido filone di ricerca così orientato.

INTRODUCTION

> Private international capital flows, particularly foreign direct investment […] are vital complements to national and international development efforts. Foreign direct investment contributes toward financing sustained economic growth over the long term. It is especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship, and ultimately eradicate poverty through economic growth and development. (UN, 2002, p. 9).

Foreign direct investment (FDI) represents one of the main features of globalization and is increasingly establishing itself as a reality in the global scheme. As the UN recognizes in the provided quotation, its potential complementary role in national and international development efforts makes it particularly fascinating, which explains the extensive academic literature devoted to the study of its virtuous connection with economic development.

In the most important international organizations and among many scholars, however, development conceived in economic terms has recently been replaced by human development, a conception of development that puts people first and "focuses on improving the lives people lead rather than assuming that economic growth will lead, automatically, to greater wellbeing for all" (UNDP, 2019a). Nevertheless, this changed approach towards development has not been followed by equally numerous examples of research and studies centred on the potential ties between the latter and FDI.

With the strong belief that focusing on the mainstream FDI-GDP relationship does not say much about the effective impact that this feature of globalization has on the lives of people, the current dissertation was conceived precisely to bridge this gap and to analyse whether a positive relationship between FDI and human development exists, using Africa as the main reference point. Indeed, in this region, in which important opportunities for foreign investors exist – such as demographic growth, urbanization, middle class enlargement, the presence of rich reserves of resources, and high returns on investments (Carbone, Bruno, Calchi Novati, & Montanini, 2013, p. 140) – and in

which the majority of the economies are experiencing unprecedented economic growth, the levels of human development are still among the lowest of the world. This, alone, puts the area at the top of the list of the economies that would benefit the most from an eventual favourable relationship in this sense.

To conduct this analysis, the present thesis has drawn from multiple sources, nearly all coming from the economic literature: the UN's agencies, academic articles, books, and the like. For the greatest part, these sources have not directly focused on the FDI-human development relationship but contain significant insights and inputs for the elaboration of a homogeneous review of the potential relation and the ways to improve it, particularly in such a unique region as Africa.

In particular, the first part focuses on the fundamentals of FDI, its definition, and its global trends, to get an idea of the status and the dimensions of such a growing and important phenomenon. Part 2 gets to the heart of the dissertation, providing an analysis of the mainstream FDI-economic development relationship with a set of recommendations that would enhance the outcomes of this link, as well as a more original FDI-human development relation analysis. As for the latter, a review of the limited existing literature is provided, revealing how the academic debate on theme appears optimistic about the existence of a positive FDI-human development relationship (measured in Human Development Index [HDI] terms), which is something this dissertation agrees on as long as it is supported by positive behaviours on the part of the three main actors involved: the host country, the investors, and the international community. The analysis of these behaviours, divided by the involved actors, is the theme of the second part of the chapter and is resumed in a summary diagram. In Part 3, to understand whether the reality is going following the direction suggested in this work, a case study on Ethiopia is provided. Tested with the aforementioned diagram in mind, the existence of these positive behaviours and, therefore, the establishment of a positive FDI-HDI relationship in the country is assessed.

Finally, this thesis concludes that FDI does not only represent a vital complement to national and international development conceived in merely economic terms, but it also represents a potentially invaluable tool for the enhancement of human development.

However, in an area such as Africa, in which levels of human development are particularly low and in which opportunities for investors are growing, policymakers and investors, as well as international community, have strong responsibilities to observe: the case of Ethiopia precisely illustrates that the road is still long for the two dimensions to dialogue positively, even if the direction can be traced.

PART 1 – DEFINITIONS

1.1 Foreign direct investment – fundamentals

Aggregate foreign direct investment (FDI) has experienced a remarkable growth in the last 30 years, with FDI flows reaching levels 30 times higher in the early 2000s than in the 1980s (Mariotti & Mutinelli, 2017, p. 9). It now represents a fully established and important economic reality that has significantly modified more than just the economic landscape in which we live. According to the United Nations Conference on Trade and Development (UNCTAD)[1], FDI is an investment that involves a long-term relationship and reflects a resident entity in one economy's lasting interest in an enterprise resident in another country (UNCTAD, 2017b, p. 3). The investor, which may be an individual or business entity or a "related group of investors" (IMF, 2003, p. 7), exerts a meaningful degree of influence on the FDI enterprise's management (UNCTAD, 2017b, p. 3), but not necessarily control (IMF, 2003, p. 7). The investor is commonly labelled as either a "foreign direct investor" or a "parent enterprise" (UNCTAD, 2017b, p. 3), while the foreign enterprise can be classified depending on the degree of influence exerted on it. In fact, the IMF identifies 10% of the ordinary shares or voting power of the enterprise abroad as the threshold beyond which an investment can be considered an FDI: if 50% or more of the voting power is held by the direct investor, the invested enterprise is labelled a "subsidiary"; if the share is 10-15%, it is called an "associate" or "affiliate"; and, finally, if the investor holds 100% of the shares, it is classified as a "branch" (United Nations ESCAP, 2017, p. 1).

According to the UNCTAD, FDI has three fundamental components: equity capital, reinvested earnings, and intracompany loans (UNCTAD, 2017b, p. 3). Equity capital comprises both the foreign direct investor's purchase of shares in a subsidiary or associate and the equity in branches; reinvested earnings is the foreign investor's share of earnings that is neither distributed as dividends by subsidiaries nor remitted to the investor, but reinvested; and intracompany loans covers the lending and borrowing of

[1] The UN body that deals with trade, development and investments

funds between direct investors and direct invested enterprises and between two investment enterprises with the same investor (UNCTAD, 2017, p. 4; United Nations ESCAP, 2017, p. 3). Moreover, two important aspects differentiate FDI: the chosen unit of measurement and the considered direction. Depending on the unit of measurement, FDI can be analysed either as a flow, when what is investigated is the amount of FDI undertaken over a given period – in other words, the additional FDI received by the country in the given period – or as stock, when the unit of measurement is the total accumulated value of foreign assets at a specific time (Hill, 2013, p. 250). Flows are typically preferred over FDI stocks since they account for changes and trends for a specific length of time, therefore allowing broader considerations and analyses. As far as the direction is concerned, it is correct to talk about outward stocks/outflows of FDI when FDI leaves a considered country, or inward stocks/inflows of FDI when FDI enters into the considered country (Hill, 2013, p. 250).

Foreign direct investment can also be investigated from at least two different points of view: form and purpose. With respect to the former, two means of FDI can be identified: mergers and acquisitions (M&A) and greenfield investment[2]. Through the M&A mode, known also as brownfield investments, the foreign direct investor buys at least 10% (merger) or all (acquisition) of the shares of an existing firm in the foreign country environment. These investments offer the advantages of an already functioning firm in an unfamiliar and entirely new environment (Reinert, 2012, p. 146). A greenfield investment, in contrast, occurs when the resident entity establishes abroad a new facility that it fully owns , with all the risks related to the creation of a new facility from scratch in a foreign country (Reinert, 2012, p. 146). As for the second point of view, purpose, Dunning's (2008, p. 67-72) categorization is the most well-known and used: according to him, FDI is distinguished between market-seeking FDI, resource-seeking FDI, strategic-asset FDI, and efficiency-seeking FDI:

[2] Some scholars identify joint ventures (JV), namely the establishment in the foreign country of a separate firm jointly owned with a foreign partner firm (Reinert, 2012, p. 145), as another distinct element of this list. Nevertheless, UNCTAD's approach has been chosen here, which considers JV to be a particular form of M&A.

- Market-seeking FDI is an FDI undertaken to exploit market opportunities abroad by establishing a presence in the market itself; among other explanations, it could be motivated by the necessity to better adapt the products to local needs and tastes, or more frequently by the host country's imposition of trade barriers that accordingly encourage this kind of investment to circumvent such barriers (Dunning & Lundan, 2008, p. 69-70). It often takes the form of a greenfield investment (United Nations ESCAP, 2017, p. 5);
- Resource-seeking FDI is an FDI prompted by the desire to acquire particular and specific resources of a higher quality at a lower real cost compared to those available in the home country (when and if available). These resources include physical resources, cheap labour force, and technological or organizational skills (Dunning & Lundan, 2008, p. 68-69). It also often takes the form of a greenfield investment (United Nations ESCAP, 2017, p. 5).
- Strategic-asset FDI is an FDI motivated by the desire to establish a presence in a foreign country, served by competitors, as part of a global production and marketing strategy that pursues the advancement of global competitiveness (Dunning & Lundan, 2008, p. 71). It often takes the form of M&A (United Nations ESCAP, 2017, p. 5).
- Efficiency-seeking FDI is motivated by the need to rationalise the structure of the investment so as to gain from the governance of geographically dispersed activities (Dunning & Lundan, 2008, p. 72). This type of FDI, again, often takes the form of a greenfield investment (United Nations ESCAP, 2017, p. 5).

Efficiency-seeking FDI and its reference to existing "geographically dispersed activities" requires the introduction of two other fundamental topics related to FDI: multinational enterprises (MNEs) and their global value chains (GVCs). Also commonly known as a multinational corporation or transnational corporation, an MNE is any investing enterprise that has productivity activities in at least two countries (Walter & Sen, 2008, p. 191). The fragmentation of its production processes among different countries and the consequent dispersion of activities have led to the development of "borderless production systems which may be sequential chains or complex networks" (UNCTAD, 2013, p. 122): GVCs. Although more complex and wide in reality, a GVC's structure can

be simplified by considering at least four fundamental tasks: research and development (R&D), fabrication, assembly and testing, and final corporation (Reinert, 2012, p. 160). The previously mentioned expansion of FDI in the global scheme has led to the expansion of these value chains coordinated by MNEs, which in turn engage other FDI, mainly efficiency-seeking FDI, to find and consequently invest in locations in which a particular production process can be undertaken more efficiently (United Nations ESCAP, 2017, p. 5), further enhancing the size of the issue. In this sense, another categorization of FDI can be found in the academic literature: vertical vs. horizontal FDI. Whereas horizonal FDI arises when a firm undertakes, through FDI, the same home-country activities at the same level of the GVC in the host country, vertical FDI takes place when, through FDI, the firm moves downstream (backward vertical FDI) or upstream (forward vertical FDI) and accordingly invests in different stages of the GVC in different countries. Through backward vertical FDI, the firm abroad provides the MNEs with the inputs (e.g. raw materials) needed for the firm's domestic production, while, through forward vertical FDI, the industry abroad sells the outputs of the domestic production (United Nations ESCAP, 2017, p. 5).

Finally, the determinants of FDI – those elements that attract inflows of FDI and consequently explain the nuanced spread of FDI flows among states – are worth mentioning as well. The literature on the topic distinguishes at least nine fundamental FDI determinants, which can be further divided into two categories, namely economic and political conditions (United Nations ESCAP, 2017, p. 8; Schneider & Frey, 1985):

- Economic determinants of FDI include market characteristics, availability of resources, competitiveness of the economy, and macroeconomic fundamentals (United Nations ESCAP, 2017, p. 8).
    - Market characteristics refers to the size of the market and its income levels, the level of urbanization of the economy, its stability, its growth prospects, the existence of regional integrated markets, and its distribution and demand patterns;
    - As seen when analysing resource-seeking FDI, resource availability refers to the availability of natural, technological, skills, and labour resources;

  - Competitiveness is connected to, among others, the affordable and productive labour force, the access of inputs, and the presence of physical infrastructure;
  - Macroeconomic fundamentals include tax rates and structure, inflation rates, exchange rates, and interest rates, among others.
- Political determinants can be further split into legal economic framework and policies, which is in turn subdivided into macroeconomic policies and laws, private sector policies and laws, trade and industry policies and laws, FDI policies (United Nations ESCAP, 2017, p. 8), and more generic political elements.
- As for legal economic framework and policies:
  - Macroeconomic policies and laws contain fiscal and monetary policies, ease of remittance and repatriation, and access to foreign exchange;
  - Private sector policies and laws include degree of private ownership, stable policies, efficient financial markers, and governmental or other support;
  - Trade and industry policies and laws concern import and export controls and policies, regional trade and integration agreements, competition policies, intellectual property rights protection, and so forth;
  - FDI policies cover the nature of international investment agreements, incentives to FDI, access to inputs, transparency of FDI policies and laws, availability of information and assistance, investment promotion, the role of investment promotion agencies (IPAs), and aftercare services for investors.

More general political elements refer to:

  - Political stability, type of regime, levels of rule of law, absence of conflicts or wars, presence of good governance, and transparency, among others.

The greater the presence of these elements, the more likely the country is to attract FDI flows. Although incomplete, this list proves interesting and useful insofar as it sheds some light on the elements to focus on to enhance the attractiveness of a region such as Africa, as far as FDI flows are concerned. At the same time, it also explains the limited

amount thereof that the region has always been experiencing. In this respect, before entering into the hearth of the dissertation, it could be useful to start precisely from here by providing this last claim with some data that can better illustrate the current situation of FDI flows in Africa compared to those of the world and its various economies.

1.2 Foreign direct investment – global trends

In the last three decades, FDI has experienced an extraordinary increase in global flows from $205 billion in 1990 to $1.76 trillion in 2015, mainly due to the increase in FDI flows towards developing countries (United Nations ESCAP, 2017, p. 17). Despite sharp drops attributable to the 2008 crisis, the pace growth had remained rather stable until 2016 (UNCTAD, 2017b, p. x), demonstrating an increasingly key role played by FDI. In fact, and as analysed later in greater detail, as part of the total investment flows since the late 1970s and early 1980s, FDI's role as an important source of capital, technology, and access to the international market has proved significant in recent decades.

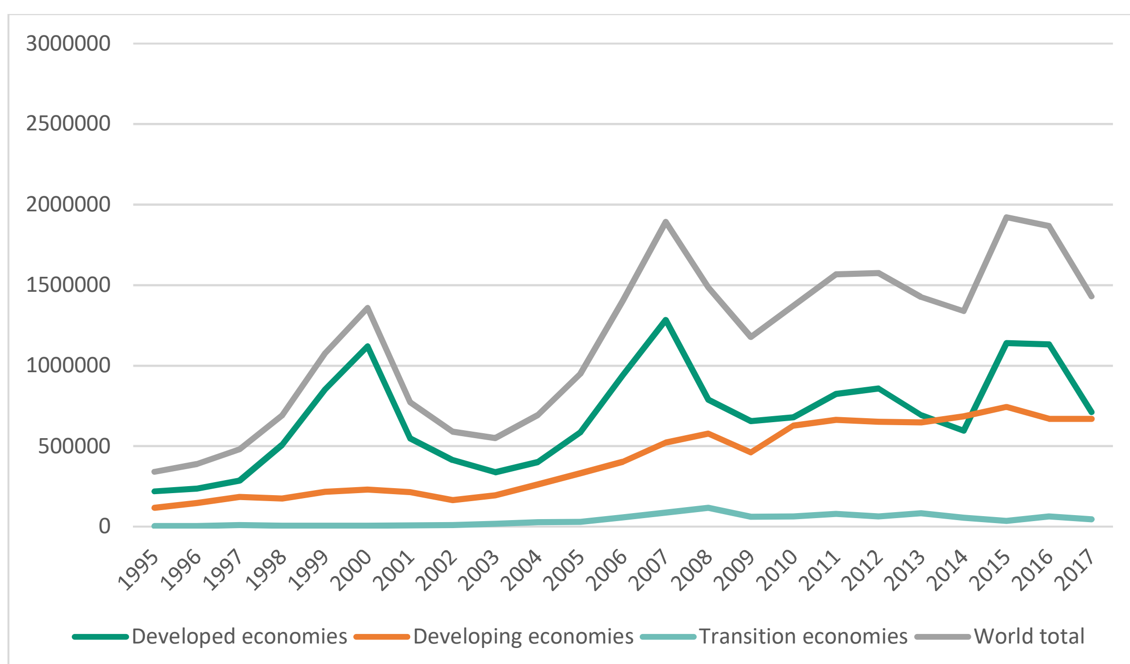

Figure 1 FDI inflows, global and by group of economies, 1995-2017 – measured in billions of dollars and per cent (elaborated on: UNCTAD, 2018b, p. 2; UNCTAD, 2019d)

From a geographical viewpoint, the developed economies are the regions in which, traditionally, the highest share of FDI takes place: both inward and outward. On the one hand, developed economies receive the bulk of inward FDI due to the strong presence of FDI determinants in these countries; on the other hand, nearly all of the most important MNEs belong to these countries, which explains the outflows data as well (UNCTAD, 2018b). The majority of the inflows go to the EU and North America, and a similar situation can be observed for the outflows, with the United States leading the FDI outflows' top economies, immediately followed by Japan (UNCTAD, 2018b, pp. 5-6). However, as the graph clearly indicates, FDI is no longer exclusively flowing to and from rich, developed countries, but also increasingly flows to and from emerging and developing economies. Regarding FDI flows to developing economies, China, the top third-world foreign investor, is playing a noteworthy role in these areas through its investments, an example that has been increasingly imitated by other important world economies. As for FDI outward flows leaving these countries, the roles played by China and Asia have, in general, proved fundamental as well, which explains the late-2010s emergence of MNEs from developing Asia as the world's largest investing group (with China and Hong Kong in the lead).

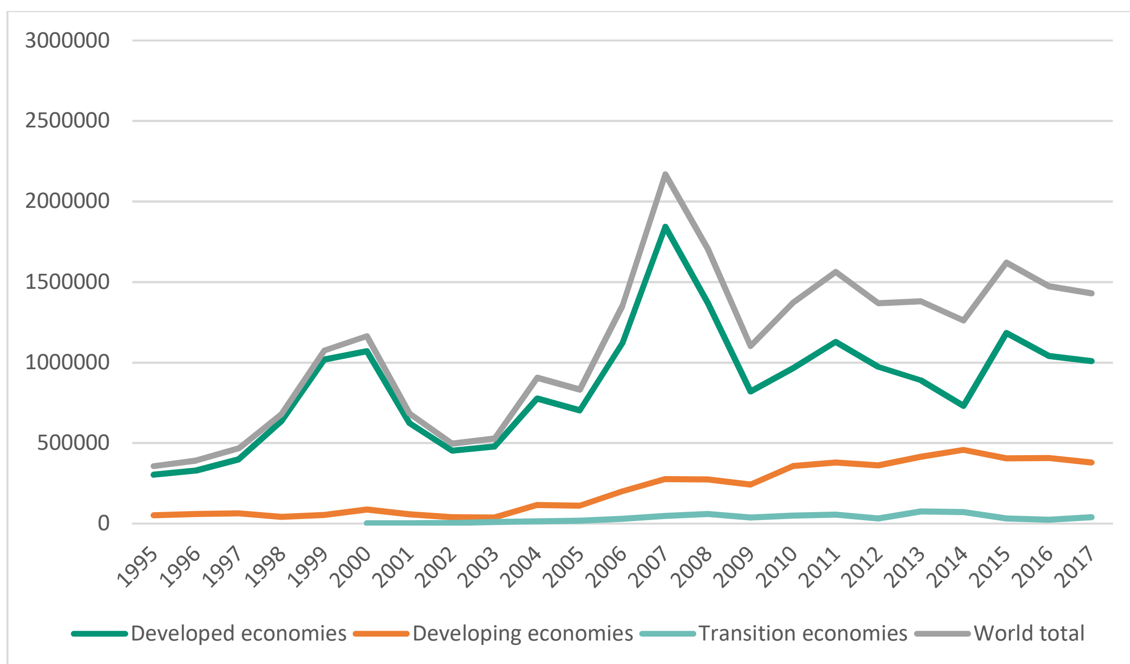

Figure 2 FDI outflows, global and by group of economies, 1995-2017 – measured in billions of dollars and per cent (elaborated on: UNCTAD, 2019d)

It is important to note, however, that the reference to the developing economies as a whole somehow detracts from the various nuances that characterize the region. In this sense, there is a rather strong difference between Asia, Latin America, Oceania, and Africa, the four macro-regions that form part of the developing world. In fact, Asia represents the driving force of the region, with inflows of FDI that, in the last 5 years, ranged from $405.845 million in 2012 to $475.839 million in 2017, as well as outflows ranging from $306.751 million to $350.147 million. In this respect, Asia's FDI inflows represent 70% of the aggregated FDI of the region and 90% of the outflows of the developing economies as a whole (UNCTAD, 2018b, pp. 184-187), which raises questions on the validity of the membership of this area to the developing economies category.

Finally, as for transition economies, not much can be said, as their role in the global scheme in regard to FDI is still irrelevant compared to the other macro-regions of the world.

Region/economy	2012	2013	2014	2015	2016	2017
World	1 574 712	1 425 377	1 338 532	1 921 306	1 867 533	1 429 807
Developed economies	858 263	693 154	595 699	1 141 251	1 133 245	712 383
EU	492 007	344 675	259 933	515 866	524 010	303 580
North America	242 145	270 784	260 667	511 367	484 423	299 625
Other economies (i.e. Japan)	73 876	72 867	61 482	34 721	73 885	79 036
Developing economies	651 500	648 539	685 292	744 032	670 158	670 658
Africa	51 985	50 790	52 440	56 633	53 190	41 772
Asia	405 845	415 394	459 971	516 407	475 347	475 839
Latin America and the Caribbean	190 090	179 645	170 603	169 233	139 698	151 337
Transition economies	64 948	83 684	56 541	36 022	64 129	46 767

Table 1 FDI inflows, global and by principal groups of economies, 2012-2017 – millions of dollars (elaborated on: UNCTAD, 2018b, pp. 184-187)

Region/economy	2013	2013	2014	2015	2016	2017
World	1 369 508	1 380 875	1 262 007	1 621 890	1 473 283	1 429 972
Developed economies	973 654	890 112	731 670	1 183 568	1 041 458	1 009 208
EU	406 638	340 879	222 244	606 648	452 870	435 806
North America	374 060	360 813	354 951	3300 389	354 239	419 257
Other economies (i.e. Japan)	132 523	141 629	136 423	125 004	160 793	172 146
Developing economies	362 661	414 976	457 994	406 237	406 668	380 775
Africa	12 393	16 072	13 598	10 844	11 234	12 078
Asia	306 751	362 126	411 963	358 731	384 656	350 147
Latin America and the Caribbean	41 941	34 599	31 038	35 627	9 337	17 328
Transition economies	33 193	75 787	72 343	32 085	25 157	39 989

Table 2 FDI outflows, global and by principal groups of economies, 2012-2017 – millions of dollars (elaborated on: UNCTAD, 2018b, pp. 184-187)

As the graphs illustrate, the world as a whole has recently been experiencing a decline in FDI flows. In fact, the latest available data indicate an overall fall in global FDI by 23% to $1.43 trillion in 2017, starkly contrasting with other macroeconomic variables such as trade and GDP, which have experienced a significant improvement in the same period (UNCTAD, 2018b, p. 2). However, FDI flows in developing countries remained stable in 2017 and accounted for a growing share of global FDI inflows, absorbing 47% of the total (+ 11% compared to 2016), with developed economies and transition economies experiencing the most serious decline. FDI inflows towards developing economies remained nearly the same in 2017 compared to 2016 ($671 billion in 2017 and $670 billion in 2016) due to a modest increase in Latin America and the Caribbean (from $140 billion to $151 billion) being compensated by the worrying Africa's decline (-21% to $42 billion). In the transition economies, in contrast, a significant 27% decline to $47 billion was registered.

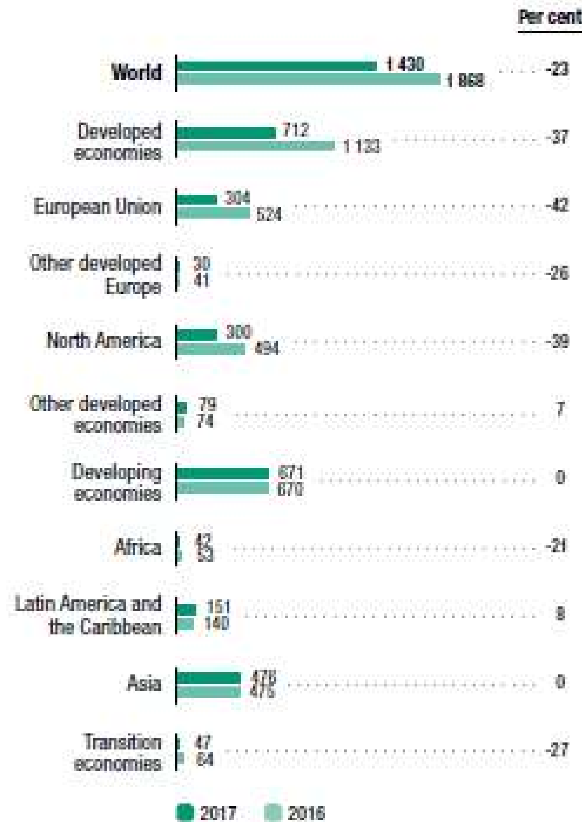

Figure 3 FDI inflows, by region, 2016-2017 – measured in billions of dollars and per cent (source: UNCTAD, 2018b, p. 3)

One of the main causes behind this reversed trend is represented by a decrease both in the value of net cross-border M&A (by 22%, from $887 billion in 2016 to $698 billion in 2017) and in the value of announced greenfield investment (by 14% from $833 billion in 2016 to $720 billion in 2017). In fact, although M&A is considered to be the most prominent type of FDI (Davies, Desbordes, & Ray, 2015, p. 2), the situation has been reversed, at least recently. The UNCTAD's 2018 World Investment Report indeed indicates that the value of the announced greenfield projects is declining at a slower pace compared to the net cross-border M&A, which is translated in the greenfield projects' overtake on M&A in terms of value (UNCTAD, 2018, p. 8). That supremacy on the size of the investment accompanies a crushing predominance of greenfield in terms of number of projects as well, which represents an established feature in the FDI framework (UNCTAD, 2018, pp. 7-8). In this sense, greenfield investments being the type of FDI that investors typically prefer when investing in developing economies, for reasons that are analysed in the following chapters, this change in the geographical distribution of FDI automatically follows this shift in their composition.

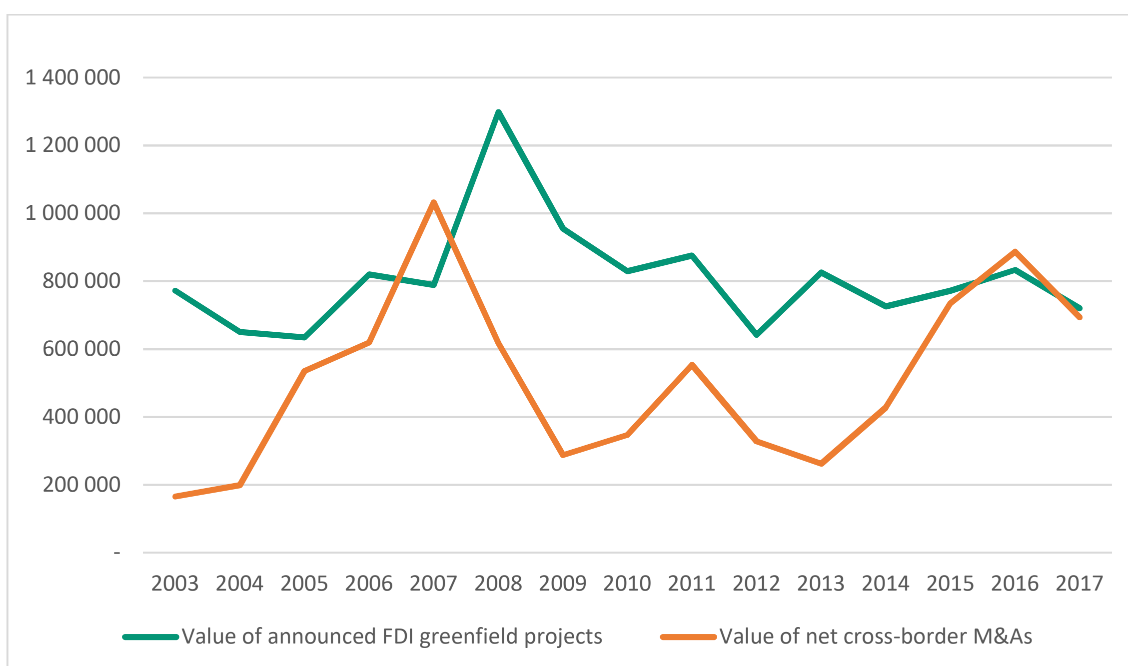

Figure 4 FDI flows, global and by mode of entry, 2003-2017 -measured in millions of dollars (elaborated on: UNCTAD, 2019b)

Moreover, the UNCTAD (2018b, p. 2) recognized that the FDI numbers of 2015, 2016, and 2017 permit a discussion about a "long-term negative cycle", caused by at least two major factors: the emergence of asset-light forms of overseas operations and the decline in rates of return on inward FDI. First, asset-light forms of international production refer to the rise of digitalization processes that impact any process in the supply chain, enabling MNEs to operate globally and engage in foreign markets with a lower physical presence (UNCTAD, 2017b, p. 167). In this respect, a growing number of GVCs are becoming digital, and their operations are increasingly taking place online. On the one hand, this will have interesting implications for the future, mostly in regard to FDI promotion, facilitation, and regulations; on the other hand, this explains these recent changes as far as FDI trends are concerned. Indeed, information and communication technologies (ITCs) are undoubtedly changing global FDI patterns by, for example, weakening resource-seeking FDI motivated by the pursuance of cheaper labour forces. Second, the global rate of return on inward FDI is another element that accounts for these new patterns of FDI. Not a single region of the world has escaped this erosion: in

the world as a whole, return on investment dropped from 8.1% in 2012 to 6.7% in 2017. However, the most worrying data are those related to the developing economies (from 10% in 2012 to 8% in 2017), and in particular to Africa, where the return on inward FDI dropped from 12.3% in 2012 to 6.3% in 2017. The less-developed economies are regions that have traditionally pivoted and, as clarified later, should further pivot on particularly high rates on return, which make this issue a serious concern. This overall drop is partly explained by the fall in commodity prices during the 2015–2107 period, as well as by the reduced fiscal and labour cost arbitrage opportunities, which are affected mostly the developing countries (UNCTAD, 2018b, pp. 2-3).

Both of these phenomena are strictly connected to another tendency that further explains this decline in FDI global flows: the international divestment and reshoring phenomena (also known as "de-globalization" or "de-internationalisation", among others). Albeit still a matter of debate among scholars, even as far as their definition is concerned, this thesis makes use of the Frattocchi *et al.* (2014, p. 428) framework, according to which the latter represents a particular case of the former. While reshoring can be considered "the reverse decision with respect to a previous off-shoring process resulting in the transfer of [manufacture/production] activities to the home country (back-shoring) or neighbouring country (near-shoring) of the company" (De Backer, Menon, Desnoyers-James, & Moussiegt, 2016, p. 8), international divestment, more generally, "involves the sale of international subsidiaries, closure of foreign plants and exit from foreign markets" (Soule, Swaminathan, & Tihanyi, 2013). These phenomena are well exemplified by the choices made by large MNEs, such as Apple or General Electric, which have recently announced substantial investments to reshore the manufacturing of some of their products back to the USA (Gray, Skowronki, Esenduran, & Rungtusanatham, 2013). Although it is too early to determine whether this is just a phase or the beginning of a new fundamental macroeconomic trend, many scholars have recently been trying to interpret the reasons behind these phenomena. Obtaining data on divesture is rather difficult, largely because firms are reluctant to share information on the topic (Soule, Swaminathan, & Tihanyi, 2013, p. 1033); the information are quite fragmented, anecdotical, and insufficient also as far as their theoretical environment is concerned (Frattocchi, et al., 2014, p. 424). However, it

possible to distinguish at least four main strands of explanations: digitalization of manufacturing processes, financial considerations, discouraging political environment, and risk dispersion (Soule, Swaminathan, & Tihanyi, 2013, p. 1035; De Backer, Menon, Desnoyers-James, & Moussiegt, 2016). The first element of this list has already been mentioned: the emergence of new ITCs is eroding the competitive advantage of many emerging countries as labour costs' share of total costs is falling, mainly disincentivising resource-seeking FDI (De Backer, Menon, Desnoyers-James, & Moussiegt, 2016, p. 9). Regarding profit concerns, many identify (see, for example, Berry 2010) in the failure of financial opportunities, which initially motivated offshoring and FDI, one main reason for this reverse behaviour. In fact, many emerging countries in which the MNEs have offshored their activities have experienced, during the 1990s, rises in their production costs. This, exacerbated by the emergence of underestimated costs for monitoring, coordination, and communication between the affiliates and the parent firm, as well as the emergence of potential threats to intellectual property due to weak legal systems of protection, has apparently revealed financial disadvantages that motivated these reshoring/divestment decisions (De Backer, Menon, Desnoyers-James, & Moussiegt, 2016, pp. 9-10). In this sense, the decline in the rate of return on inward FDI represents another element of the picture. Nevertheless, data indicate that firms often decide to divest even when financial performances and business opportunities are high; thus, other scholars talk about political environment-driven decisions (Soule, Swaminathan, & Tihanyi, 2013, p. 1035). In this sense, offshoring and divestment are disincentivised by the hostile political environment, either in the foreign or the home country; in both cases, geopolitical risks, trade tensions or even the global shift towards protectionism are seen as the principal reasons behind the phenomenon (UNCTAD, 2018b, p. 14). As previously seen, these elements form part of the so-called political FDI determinants: once these incentives for investing abroad are absent, a firm rightly decides to retrace its steps. Finally, risk dispersion refers to GVCs' increasing complexity and extension, two elements that expose the value chain to an increasing number of risks related to its operations' spread around the globe. In fact, it has been proved that a breakdown in a single part of the production process quickly affects these large GVCs with financial and other repercussions that MNEs want to avoid. As a result, many companies have started

opting for shorter and easier GVCs (De Backer, Menon, Desnoyers-James, & Moussiegt, 2016, p. 10), which further affects the global FDI trends in the way the UNCTAD (2018) has shown.

Despite this apparently catastrophic background, the UNCTAD (2018b, pp. 14-19) is still quite optimistic about possible future trends in FDI, though it recognizes that many elements still raise concern. On the one hand, optimism rests on expected positive shifts that are envisioned to positively influence FDI for the future: global macroeconomic shifts such as GDP growth and commodity price increase, expected positive financial conditions such as normalized monetary policies and expected improved trade, and investment environments. On the other hand, the emergence of further geopolitical risks, trade tensions, a global shift towards protectionist policies, and the aforementioned emergence of MNEs' reshoring decisions are predicted to further negatively affect FDI in the future. In any case, it is impossible to predict the future. However, as the aim of this work is to illustrate the potential benefit that FDI can have on Africa's development, it must be hoped that this tendency will be reversed – FDI is an opportunity that cannot be missed.

1.3 Other foreign market entry modes

Although they are not at the core of this dissertation's subject of research, the other foreign market entry modes must be briefly reviewed to obtain a more complex and complete idea of the international economic background of FDI. Foreign direct investment, in fact, is not the only instrument to access the foreign market, and at least two other types of foreign market entry means can be identified: export and contracting (Driscoll & Paliwoda, 1997, pp. 61-62). The perhaps most well-known form of entering foreign markets is export, which involves the selling of goods and services abroad. Depending on the knowledge and experience a considered firm has, export can be either indirect or direct. In the former, the domestic firm relies on another specialized company that serves as an intermediary and completes the export transaction on its behalf; contrastingly, in the latter, the firm undertakes the transaction itself without relying on a third party (Reinert, 2012, p. 143) A firm can also opt for the contractual modes,

namely a variety of arrangements that include, for example, licensing, franchising, and subcontracting. Here, the relationships involved are not ones of ownership, but rather arm's length and market-based relationships (Reinert, 2012, p. 144): indeed, the contractual modes occur when the firms are not able to exploit their competitive advantage but are able to transfer it to another party. These contractual arrangements are typically outlined to transfer intermediate goods, i.e. knowledge, to a partner firm the contractual modes, indeed, occur when the firms are not able to exploit their competitive advantage but are able to transfer it to another party. These contractual arrangements are in fact typically outlined to transfer intermediate goods, i.e. knowledge, to a partner firm (Driscoll & Paliwoda, 1997, p. 62).

The so-called "sequential approach" ties together the three elements in a complementary and simplified framework that focuses on the firm's learning process; the foreign country being an entirely unknown environment, the firm can decide to enter the foreign market gradually. In this sense, it will start through indirect and then direct export, then through contractual means, and finally through FDI (Reinert, 2012, p. 148). However, though the following section attempts to analyse some further possible explanatory reasons behind a firm's decision to undertake FDI rather than the two non-equity based modes (Harzing, 2002), the export and contractual modes, it is accurate to specify at this stage that the three means are not necessarily conflicting or self-excluding: reality often shows that companies that undertake FDI are usually also export-oriented and make use of contractual arrangements. In this respect, the trade and investment relationship is noteworthy. In fact, the two prove to be strongly intertwined, since FDI is often an important driver of trade flows (UNCTAD, 2013, p. 134): the emergence of complex GVCs has led to the emergence of the so-called intra-firm trade phenomenon, namely "trade that takes place within a multinational enterprise" (Reinert, 2012, p. 460), due to the dislocation of production processes among different countries within the same company. In this respect, the UNCTAD (2013, p. 135) estimates that around 80% of global trade (calculated as gross exports) is linked to the international production networks of MNEs and their efficiency-seeking FDI, which proves that the two entry modes are not only complementary but are also self-sustaining.

1.4 Why FDI?

It is appropriate at this stage to briefly recapitulate how economic literature generally explains why a firm should (and actually does) favour FDI as means of entering foreign markets. As Hill (2013, p. 256) summarizes in his work, at first sight, FDI seems more expensive and riskier when compared to both exporting and contracting, and it is consequentially less attractive and promising. The reasoning behind this preconception is quite simple: in fact, acquiring a foreign enterprise or even establishing a firm abroad makes FDI costly, while dealing with a different culture with different rules makes it risky, particularly when the company has no experience in the foreign market. Inherent limitations of both of the other foreign market entry modes prove, however, that their associated advantages are counterbalanced by some disadvantages that then make FDI substantially more valuable. Indeed, on the one hand, transportation costs can constrain exporting strategies and push a firm to prefer FDI. This is particularly true when a firm sells low value-to-weight ratio products or when they can be produced everywhere. The same happens due to actual or threatened trade barriers that increase the costs associated with exports. On the other hand, when the know-how of a firm is valuable but not adequately protected, when tight control over the foreign facility is needed, or even when know-how and skills are not amenable to licensing or to other contractual arrangements, exporting and contracting turn out to be less profitable than FDI. This is what RCA should have kept in mind when licensing its leading-edge television technology to many Japanese companies, such as Sony. In fact, to earn from its technological know-how without bearing the costs associated with FDI, RCA actually opened the doors to competition and ended up supplanted as a leader in the field even in the American market, due to the Japanese company's ability to exploit its technology (Hill, 2013, p. 256-259).

Nevertheless, to favour FDI is not just a "residual" option left over once both exporting and contracting modes are excluded. The so-called "eclectic paradigm", in fact, gives a sense of the specific advantages that determine FDI as the modality of market entry. The term "advantage", indeed, plays an important role in this pioneering approach

formulated by John Dunning (1988; 2008). According to him, there are three specific categories of advantages that are necessary for FDI to take place – ownership advantages, location advantages, and internalization advantages – that together create the famous "OLI framework" (Dunning, 2008, p. 128; Reinert, 2012, p. 168). "O advantages" refer to the firm's ownership of tangible and intangible firm-specific assets that provide the firm with a competitive edge over the foreign firms and confer the firm with some market power that outweighs the disadvantage of doing business abroad (Reinert, 2012, p. 169). "L advantages", in contrast, depend on the foreign country. Dunning argues that some geographical areas have their own location-specific advantages, or advantages that depend on the location itself (i.e. natural resources or, more generally, input costs and political and social factors) that a firm finds profitable to exploit its own unique assets. The presence of these location-specific assets or resources encourages the firm to establish its facilities as close as possible to the resources' location (Hill, 2013, p. 261). Finally, the "I advantages" derive from the exploitation of external markets' imperfections, such as uncertainty and transitions costs' reduction, as well as state-generated imperfections, such as trade tariffs, foreign exchange controls and so forth (Anyanwu, 2012, p. 429), that explain why the home country investor prefers FDI over the alternatives (Reinert, 2012, p. 169). The simultaneous presence of these advantages, according to this model, determines FDI as a modality of market entry; once the firm owns knowledge resources and management assets, the country in which it aims to enter has certain unique assets and resources, and the market characteristics make export and contractual modes less profitable, the MNE is motivated to undertake FDI. In this sense, FDI is an informed and conscious choice of the investor. Although some, such as Walter and Gautam (2008, p. 200), have labelled this approach as an oversimplification of a much more complex reality, arguing for the example that these advantages are sometimes acquired through FDI, rather than vice versa, this paradigm serves as a useful starting point for the following sections. The OLI framework, together with the FDI determinants, marks a clear strategy for countries that wish to enhance the FDI inflows they receive. Now, what remains to be explained is why FDI flows should be increased, specifically in a region such as Africa. The following sections thus aim to explore that question.

PART 2 – FDI TOWARDS AFRICA, ON WHAT CONDITIONS?

2.1 FDI and economic growth: theory

The relevant academic literature is nearly unanimous in identifying a positive correlation between FDI and economic growth, which is generally measured as growth rate of GDP per capita. In fact, as far as growth is concerned, many scholars recognize that the economies of countries, particularly developing countries, can significantly benefit either directly or indirectly from inflows of FDI (Reiter & Steensma, 2010). To illustrate this, Hsiao and Shen (2003), through a multi-country panel study centred on abroad Chinese investments, noted that FDI inflows can produce a nearly 1% increase in GDP growth in the short run, and even a surprising 7% GDP increase in the long run, data that alone suggest the potentiality level of these sources.

There is not just a single path through which receiving countries can economically grow through the reception of FDI: among the different tools through which this can happen, the chosen approach here focuses on those channels that the academic literature agrees on as the most significant. For the sake of intellectual honesty, it must be clarified that the list is not complete nor omni-comprehensive; nevertheless, it is still exhaustive. In this respect, on the one hand, the following sections analyse these inflows of capital and their effects on employment and taxation as the tools through which FDI can directly impact the receiving country; on the other hand, the spillovers of technology and knowledge represent the channels through which the host country can indirectly take advantage from the inflow of FDI (Reiter & Steensma, 2010, p. 98).

According to Todaro and Smith (2015, p. 736-738), FDI is considered to be fundamental source of external capital and financing for development, potentially capable of closing at least three fundamental financing gaps:

- "Resource gap between targeted or desired investment and locally mobilized savings": the gap between domestic savings and investments. In this context, FDI helps the host country in promoting those investments that it otherwise would not be able to finance. This represents the most cited, and likely the most

observable, contribution of FDI to national development: when the receiving country is not able to self-finance specific projects, it relies on private capital in the form of FDI;

- "The trade gap": the balance of payments' gap that occurs when imports exceed exports. In this respect, FDI play a crucial role, as it potentially "can not only alleviate part or all of the deficit on the balance of payments current account but also function to remove that deficit over time if the foreign-owned enterprise can generate a net positive flow of export earnings " (Todaro & Smith, 2015, p. 737);
- The gap between "targeted governmental tax revenues and locally raised taxes": the gap that occurs between government expenditure and government revenue. Here the role played by FDI in financing the gap depends on the governmental decision to tax investors and MNEs and their economic activity (Bayar & Ozturk, 2018, p. 32) to enhance the total tax revenues of the country itself.

However, these inflows of FDI do not exhaust their potential by closing these financial gaps. In fact, they also directly improve the receiving economy through the enhancement of a significant dimensions of economy itself: employment.

Academic research has identified at least four possible theoretical scenarios on employment led by FDI: employment creation, employment crowding-out, employment shift, and employment loss. However, since the additional capital provided by the investor and the increased production capability brought by FDI usually leads to the creation of new job opportunities, the employment creation scenario is the one that more often occurs and that is expected to more often do so (United Nations ESCAP, 2017, p. 33). Moreover, it appears to not only be a matter of quantity but also of quality, since it has been proven that MNEs pay more than local firms, particularly in poor countries, and often offer more benefits as well (United Nations ESCAP, 2017, p. 32). This leads to the emergence of "wage spillovers", so a virtuous circle according to which the industries in which foreign presence is higher wages and benefits are higher as well (Asiedu, 2004, p. 373).

Technological spillovers and know-how transmission deserve a separate analysis, since the economic literature almost unanimously refers to them as the most effective channels through which FDI positively (though indirectly) affects economic growth. In this respect, Todaro and Smith (2015, p. 737) highlight FDI's fundamental role in financing the so-called "gap in management, entrepreneurship, technology, and skill presumed to be partly or wholly filled by the local operations of private foreign firms". The dependence of economic growth on the state of domestic technology is recognized and strongly highlighted by all of the growth literature. Therefore, since FDI brought about by multinational corporations, which account for a considerable share of the world's research and development (R&D), is considered to be the major conduit through which countries can have access to advanced technology, FDI becomes even more important when the recipient is a developing country (Borensztein, De Gregorio, & Lee, 1998, p. 116). Johnson (2006, p. 11) defines spillovers as "an externality that can occur through several different channels including imitation, reverse-engineering and supplier linkages" and argues that these positive externalities from technology spillovers provide the best chance for FDI to increase economic growth. Indeed, domestic firms are able to improve their productivity by adopting superior MNEs' technology and this potentially generates a positive externality, which allows the host country to increment its long-run growth rate (Johnson, 2006, p. 3).

With that said, it could also be argued that boosting the rate of economic growth in the receiving country means that FDI also increases the market size of the country itself and consequently strengthens the incentives for further FDI, resulting in a virtuous situation in which FDI and economic growth are mutually supportive (Johnson, 2006, p. 44). However, while these considerations demonstrate the potential of FDI inflows in every economy, but particularly in developing countries, such as those in Africa, the very fact that it is about a possibility makes all the difference. Indeed, it directly calls up the question that introduced the current chapter: how is it possible to fully exploit this potential? Better yet, on which conditions can FDI promote employment and technological spillovers, and, more generally, economic growth, particularly in a specific continent such as Africa? The next section attempts to address this concern.

2.2 FDI and economic growth: on which conditions?

Less-developed countries (LDCs) in general, and African countries in particular, are evidence of the contradiction between theory and reality, or at least of the necessity of building the conditions for theory to prove true. Indeed, expectations on job creation related to FDI have often not been met in these countries, much like the potential of FDI-related tax revenue, and much like the weak impact that technological spillovers have demonstrated in these economies. The first step towards the identification of FDI as a concrete opportunity for African countries' development is precisely here, in the recognition of the conditions that tangibly allow FDI to boost economic growth. The following section proceeds step by step, analysing the limits and the possible solutions for the previous paragraph to prove true.

As a premise, it must be highlighted that an overall evaluation of the economic conditions of the continent explains the majority of FDI failure in regard to economic development in Africa. Indeed, individually analysing the majority of the elements that the academic literature recognizes as determinants for FDI to enhance economic growth (United Nations ESCAP, 2017, p. 28), it emerges that at least part of the problem rests precisely there. Zhang (2001, p. 185) notes that FDI "tends to […] promote economic growth when host countries adopt liberalized trade regime, improve education and thereby human capital conditions, […] and maintain macroeconomic stability". Indeed, Africa does not perform as needed in any of these areas. First, despite gaining widespread acceptance in the region (Dupasquier & Osakwe, 2006, p. 257), privatization and trade liberalization in many countries are still supplanted by protectionist policies aiming at supporting local production (African Development Bank, 2018, p. 12). Second, as is later investigated in greater detail, education and human capital levels are the lowest in the world. Third, despite the creation of organizations and frameworks with this aim, such as the New Partnership for Africa's Development (NEPAD), macroeconomic instability is still a reality for the continent (Dupasquier & Osakwe, 2006, p. 258). Other scholars have identified other elements: Globerman and Shapiro

(2002) argue that FDI tends to have greater impact on economic growth in countries in which political stability is high, which is not the case for African countries; further, Alfaro, Chanda, Kalemli-Ozcan and Sayek (2004, p. 107) argue that a "lack of development of local financial markets, in particular, can adversely limit an economy's ability to take advantage of such potential FDI benefits", which proves to be valid in the dark continent, where financial markets still require further development (African Development Bank, 2018, p. 87, 116).

With that said, it appears useful to investigate the specific areas explained, focusing on employment, tax revenues, and technological spillovers. First, labour intensity of FDI projects in LDCs as a whole and in Africa in particular is often low, and the number of jobs generated is limited compared to the share of available workers. In fact, while it is true that FDI has always proved to have a multiplier effect on domestic employment, including in Africa, it is also true that, once analysed in relative terms, the impact of this phenomenon has not proven to be decisive. For the majority of the cases, the UNCTAD (2011a, p. 22) identified, in the predominance of FDI projects in natural resources extraction, which is a capital-intensive sector by definition, the main cause behind the issue, which has been confirmed by the analyses of many scholars (see for example: Asiedu, 2004). Another possible explanation leads back to the distinction between greenfield and brownfield investments: when investment takes the form of an M&A, investors often dismiss a consistent share of the incumbent labour force (Johnson, 2006, p. 12) to make room for their own workers, leading to the emergence of an employment loss scenario, which is detrimental to the local economy (United Nations ESCAP, 2017, p. 33). Asiedu (2004) further analysed in her article on the issue that good infrastructure and an educated labour force, among others, represent fundamental prerequisites behind a positive impact on employment in the host country receiving FDI. This further explains why the FDI impact on job opportunities is so limited in Africa, a continent where these two elements are often weak (see for example: African Development Bank, 2018). Regardless of what the actual explanation is (actually, they are not necessarily mutually exclusive), the inadequate effect on employment proves to be worrying, not only as far as GDP growth rate is concerned, but also for the aforementioned

technological spillovers that rarely occur when locals are not as involved with the foreign affiliates, which makes the picture even more serious.

Second, short-sighted tax policies in many developing countries often chock the positive potential of tax revenue for economic growth. Put briefly, either cuts in the rate of corporation tax or the concession of tax exemption, together with legal privileges to the multinational corporations, have negatively affected (and continue to affect) tax revenues (Bayar & Ozturk, 2018, p. 32). While, on the one hand, these decisions represent one of the main ways though which African countries try to attract inflows of FDI – leading to what many scholars call "a race to the bottom", in which countries feel forced to lower their taxes to avoid losing investments (Klein, Aaron, & Hadjimichael, 2001, p. 12) – on the other hand, the consequent limited tax revenue does not contribute to the economic growth of the country. Moreover, investors often use geographical fragmentation to avoid taxes (UNDP, 2016, p. 140), since they enjoy the privilege of being able to "move their profits wherever they want, which is usually wherever it is taxed the least" (Zucman, 2015, p. 102), making the picture even worse.

Finally, as Johnson (2006) demonstrated, the levels of human capital and absorptive capacity, and the "threshold" concept, which is related to the latter, altogether explain both why technology spillovers are neither automatic nor self-sustaining, and consequently also why African countries and LDCs, in general, do not benefit from FDI as much as developed countries. In fact, human capital refers to investments made in education, training, and, more generally, in the capabilities of a labour force (Reinert, 2012, p. 460), and the concept of absorptive capability can be defined as "the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends" (Cohen & Levinthal, 1990, p. 128). The latter is determined by the characteristics of both the firm itself and, mostly, the economy in which the firm operates (Johnson, 2006, p. 17), where the stock of human capital is the key element that determines the absorptive capability of the country itself (Borensztein, De Gregorio, & Lee, 1998, p. 117). The "threshold" concept (Johnson, 2006, p. 17) comes within this context and implies that if the absorptive capacity of one firm is too low (more specifically, below a minimum "threshold" level), technological spillovers rarely occur,

consequently preventing FDI to prompt the growth rate of the host economy (Borensztein, De Gregorio, & Lee, 1998, p. 126). The UNCTAD (2014, p. 175) has recently reported that all developing countries, and African countries in particular, are marked by an especially weak absorptive capacity, which does not allow these regions to benefit from foreign investment. Therefore, the major risk related to the issue is that the gains related to the investments are often not shared through improvement in technological spillovers, and consequently in the improvement of local productivity, which would positively impact economic growth; rather, they accrue primarily to the investor (UNCTAD, 2014, p. 175). According to Johnson (2006), this means that African firms' absorptive capacity is often placed below the "threshold" level that would trigger the technological and know-how spillovers, which explains the weaker effect of FDI on economic growth that these countries experience compared to developed countries.

Most of the quoted literature highlights the limits of the African countries' institutional settings and governance, accusing these latter of being the main reason behind the growth failure. However, it has to be mentioned here that there is also another important strand of research that suggests a different view, sometimes even opposite to this latter, and which focuses on the fact that the policies promoted through the international institutions (first and foremost the IMF and the World Bank) – the so-called "Washington Consensus" – have failed, although oriented in the desired direction of changing the institutions governing the markets of many African countries (see, for example: Teunissen & Akkerman, 2005). According to this approach, indeed, "many parts of Africa are well governed […] and yet remain trapped in poverty. Governance is a problem, but Africa's development challenges are much deeper" (Teunissen & Akkerman, 2005, p. 2), recognizing rather the existence of a sort of a "poverty trap" (Teunissen & Akkerman, 2005, p. 3) in which many African countries seem to be trapped in, and which in turn depends greatly on the rules of the international trade and commerce, and on "the policy conditionality imposed on African policymakers by

Western donor countries and international institutions". On this last element something more will be provided at p. 73 ff.

Whatever the truth behind the existence of the African weak absorptive capacity and poverty trap, as far as FDI are concerned, academic community, and nearly all of the most important international organizations, agree that the local government's decisions and some particular forward-looking policies represent part of the remedy for these problematic circumstances that do not allow African countries to concretely benefit from FDI in economic growth. The other part rests on private investors' responsibility and on their decisions regarding the allocation of the investments, which should be considered in a more comprehensive way. To provide some examples that are fully applicable to what has been stated, the McKinsey Global Institute (2016, p. 24), in the context of a broader action plan to accelerate economic growth, identifies the development of infrastructure as one of the main imperatives for African governments: more specifically, the need, for example, "to develop bankable projects, ensure adequate financing, put in place effective public-private partnerships, and optimize spending" (McKinsey Global Institute, 2016, p. 24), which must go along with the delivery or provision of infrastructure by other agencies, both public and private (McKinsey Global Institute, 2016, p. 24). The quality of infrastructure being one of the recognized determinants for employment, this would boost FDI's effect on the latter, consequently benefiting economic growth. Another suggestion, this one being related to tax revenue, is represented by one of the UNCTAD's (2011a) measures for a Plan of Action for Investments in the LDCs: among the five critical areas for action in which the local governments, the development partners and the local countries of the MNEs should intervene, within the so-called "regulatory and institutional reform" (UNCTAD, 2011a, p. 32), the UNCTAD calls for "a better balance […] between investment promotion objectives and the need to ensure an adequate level of tax revenue for basic public services and government operations (UNCTAD, 2011a, p. 34). Finally, in regard to technological and know-how spillovers, further and higher investments in education and training are recommended by nearly every report on Africa's development, such as the previously mentioned McKinsey Global Institute report (2016, p. 25), according to which creating tomorrow's talent is not only imperative to local governments but also to

private investors. It is only through the enhancement of the education and the professional skills of the locals that the human capital of the firms and of the host country would exploit the FDI's potential through positive spillovers.

The identification of some specific conditions on which FDI can promote economic growth in Africa is a first step towards a broader recognition of FDI as an opportunity, at least for the continent itself. While it is clear that those currently provided are only a few exemplificative insights into what should and could be done to enhance FDI's positive effect, and that many others can be provided in this sense, it remains useful insofar as it highlights the necessity to understand FDI within the African reality as a specific subject and, though these lenses, to understand that FDI alone cannot work wonders – the policies and decisions of governments, development partners, and private investors, among others, play a crucial role. Indeed, a broader simulative environment or context is required to effectively facilitate FDI in boosting economic growth. However, it would be unwise to further examine the matter without first recognizing that economic growth does not account for development or progress as a whole, but rather conveys only a specific (albeit important) aspect of it. To imagine a broader pattern for FDI as an opportunity for Africa and for developed investors, it is necessary to take a step back and re-consider development, not only as GDP-rate growth but as a comprehensive dimension. It is necessary to look beyond economic growth and beyond GDP. This is the aim of the following section.

2.3 Beyond GDP

In 1968, in a famous speech given at the University of Kansas, US presidential candidate Robert Kennedy criticized GDP, arguing that "it measures everything […], except that which makes life worthwhile" (Kennedy, 1968) This edgy sentence alone concisely encapsulates all of the limits of GDP as an independent and self-reliant measure for progress and development. Since the late 1950s, in fact, the economic conception of development and progress has given the way to a more "people-centred" approach, in which the people have become the final goal of development (ISPI, 2018, pp. 173-174).

Fifty years after this famous speech, the literature is almost completely united in criticizing GDP and development conceived in economic terms and distinguishes at least three different strands of criticism towards GDP, which respectively focus on its limits with respect to the non-market transaction, inequality, and, more importantly for the purposes of the present dissertation, to wellbeing (Boccella, Feliziani, & Rinaldi, 2013, p. 32). All of them share a common basis: GDP does not account for what really matters in people's lives.

As for as the non-market transaction, the limits of GDP rest on the fact that GDP accounts exclusively for the economic activities that take place in the market, and not for those that occur in the so-called informal sector. These include activities that are necessary for survival, which are widespread mainly among the poorest economies in which families are involved in self-consumption activities, but they also include irregular activities, such as off-the-books operations or illegal and illicit activities. Not accounting for these transactions makes GDP an incomplete index insofar as it does not include the complexity of the economic activity that takes place in a given economy (Boccella, Feliziani, & Rinaldi, 2013, pp. 32-33). As for the second limitation of GDP, namely in regard to inequality, it is often argued that GDP is an average that hides inequality. In fact, and as is particularly true for GDP per capita, to assign everyone the same share of GDP leads to a misleading result, given that the distribution of income is not perfectly equal among the individuals of a specific economy; moreover, an increase of a certain share of GDP does not benefit the population as a whole but usually has positive effects only for a certain and specific part of the population (Boccella, Feliziani, & Rinaldi, 2013, p. 32). Third, as far as wellbeing is concerned, GDP's limits result from the assumption that material wealth corresponds with wellbeing (Boccella, Feliziani, & Rinaldi, 2013, p. 32), from which it automatically follows that an increase in GDP corresponds with an increase in the level of wellbeing in the country that experiences it. In fact, while it is correct to recognize economic wealth as a critical aspect that contributes to the welfare of a person or a country, it is also true that it represents only a part of a broader set of elements that altogether account for wellbeing and, from a forward-looking perspective, for development.

All of the aforementioned considerations have been considered by all major international organizations that, in recent years, have developed and drafted many different multidimensional indices that measure wellbeing beyond GDP, classified with different criteria. This is the case of, to name a few, the OECD's Better Life Index, which lists 11 essential topics that contribute to a country's wellbeing, specifically housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety and work-life balance, and measures wellbeing based on them; and of the Social Progress Index, an initiative launched by the Social Progress Imperative, a non-profit organization created to promote this indicator, which goes beyond GDP (The Economist, 2013) and evaluates progress and development from a social prospective taking into account three critical elements, namely basic human needs, foundations of wellbeing and opportunity, with all of their specific subgroups (Social Progress Imperative, 2018, p. 5). As the Istanbul Declaration of 2007[3] states, although all of these initiatives are based on different paradigms and methodologies, they all reveal an "emerging consensus on the need to undertake the measurement of societal progress in every country, going beyond conventional economic measures such as GDP per capita" (Istanbul Declaration, 2007). What makes all of them important is not the precise methodology they recommend, but rather the changed perspective they have signalled (De Schutter, Swinnen, & Wouters, 2013, p. 5). This declaration, signed by the European Commission, the OECD, the Organization of the Islamic Conference, the UN, the UNDP, and the World Bank, affirms the parties' commitment to measure and foster societal progress in all its dimensions and consequently reveals a widespread recognition among the most influential and important international organizations of the need to include what "makes life worthwhile" (Kennedy, 1968) in both the measurement and the fostering of development. In short, the need to go beyond GDP is fully recognized, at least at the political level (Giovannini, Hall, & Mira d'Ercole, 2007, p. 1).

Among the most powerful voices within the UN, that of Amartya Sen stands out as far as the multidimensional approach towards development is concerned. In fact, the Indian Nobel prize winner is widely recognized as the most prominent scholar behind the

[3] The full text is available at: http://www.oecd.org/site/worldforum06/istanbulworldforum-measuringandfosteringtheprogressofsocieties.htm

theorization of the concept of human development and as a decisive advocate for its adoption by the UN. As the title of his most famous work, "Development as Freedom" (1999), suggests, Sen's approach is based on the assumption that freedom is what development should advance, since it is by enhancing people's agency that people are able to "lead the lives they have reason to value and to enhance the real chances they have" (Sen, 1999, p. 293), which he defines as people's "capabilities". In this respect, he recognizes the importance of individual income growth "as means to expanding freedoms enjoyed" (Sen, 1999, p. 3), but he also argues that the latter "depend also on other determinants, such as social and economic arrangements […] as well as political and civil rights" (Sen, 1999, p. 3), which twists the traditional conception of development conceived in economic terms. In fact, as soon as the UN adopted this conception of development as "a process of enlarging people's choices" (UNDP, 1990, p. 1), health, education, decent standards of living, political freedoms, human rights, and personal respect (UNDP, 1990, p. 1) have become the most important criteria though which the organization measures progress and development, since development "*calls* for placing the perspective of freedom at the centre of the stage" and since "the people have to be seen […] as being actively involved […] and not just as passive recipients of the fruits of cunning development progress" (Sen, 1999, p. 53).

In this sense, Sen's work inspired the United Nations Development Program that, since 1990, has adopted the human development perspective in the form of the Human Development Report (HDR) (Reinert, 2012, p. 359-360), an annual publication that accounts for the progress "on the human dimension of development" (UNDP, 1990, p. iii). To evaluate changes over time, the Report has introduced the Human Development Index (HDI), an indicator that, like the other aforementioned indices, is based on the assumption that "there is no automatic link between economic growth and human progress" (UNDP, 1995, p. 122-123) and complements economic considerations with life expectancy and knowledge. The indicator, in fact, measures development through evaluating one country's achievements in three core areas: long and healthy life, as measured by life expectancy at birth; education and knowledge, as measured by the adult literacy rate and years of school enrolment; and decent standard of living, gauged by GDP per capita (Sharma & Gani, 2004, p. 9).

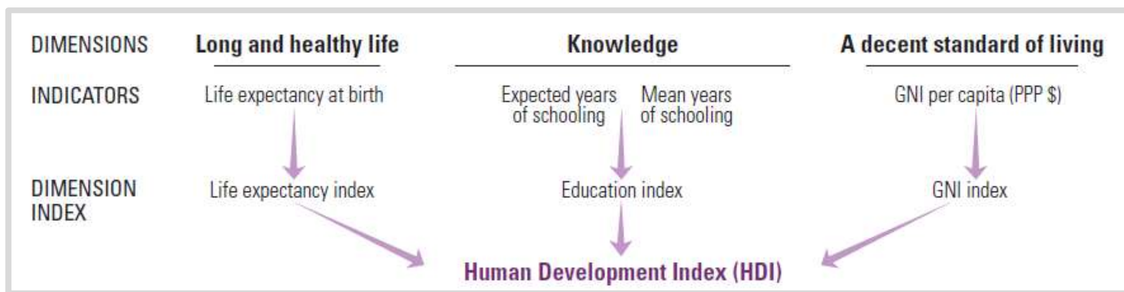

Figure 5 Human Development Index (HDI) – (source: UNDP, 2019a)

The HDI is perhaps the most adopted and appropriate (Sharma & Gani, 2004, p. 1) measure of socioeconomic progress, since it has the advantage of simultaneously being immediate and complete [4]. Although relying on a multidimensional definition of development, it does not incorporate as many indicators as do the OECD's Better Life Index and the Social Progress Index; rather, it tries to balance its broad scope with the will of focusing on the critical aspects of deprivation, identified in the three crucial dimensions (UNDP, 1990, p. 13). More recently, to offer a more comprehensive and up-to-date measurement of human development, the HDR has begun to present four other composite gauges: the inequality-adjusted HDI, the Gender Development Index, the Gender Inequality Index, and the Multidimensional Poverty Index (UNDP, 2016, p. 3). In this sense, Amartya Sen's concept of human capabilities plays a crucial role in that it is only through a decent living standard, thus through adequate levels of income, health, and education (and their further nuances, such as gender equality), that individuals can "effectively shape their own destiny" (Sen, 1999, p. 11).

The human development approach also provided the analytical bedrock of the Millennium Development Goals (MDGs), the eight UN timebound development objectives agreed upon in 2000 to reduce basic human poverty by 2015, and the following 2030 Agenda for Sustainable Development Goals (UNDP, 2016, p. 3). The latter, adopted in 2015 by the world leaders in a historic UN Summit in New York, represents the current in-force global plan for the pursuit of development: it targets 17 Sustainable Development Goals (SDGs) all aimed at promoting prosperity while protecting the planet, which include, in ascending order, "no poverty", "zero hunger",

[4] The HDI has also been criticized vis a vis a dashboard approach to measuring development (for example, see: Felice, 2016)

“good health and wellbeing”, “quality education”, “gender equality”, “clean water and sanitation”, “affordable and clean energy”, “decent work and economic growth”, “industry innovation and infrastructure”, “reduced inequalities”, “sustainable cities and communities”, “responsible consumption and production”, “climate action”, “life below water”, “life on land”, “peace justice and strong institutions”, and “partnership for the goals” (UN, 2019a). In this sense, the 2030 Agenda and the human development approach not only share their focus and their scope, but they also appear to be mutually reinforcing, since the achievement of the SDGs can represent an important step towards the realization of everyone’s potential (UNDP, 2016, p. 19).

This 2030 Agenda itself indicates, quite immediately, that the current concept of development, not only as intended by the UN but also by all the most important international organizations, places at the same level what can be defined as the social sphere of development – the one that specifically includes the human development dimension – and environmental considerations, namely those involved in SDGs such as “sustainable cities and communities”, “responsible consumption and production”, “climate action”, “life below water”, and “life on land”. This omni-comprehensive and 360-degree view of development can be seen as the direct translation, in economic terms, of a new perspective already consolidated in the human rights theory, or at least as part of a broader shift in the international scene towards a new vision. In fact, while most of the academic literature and international declarations on human rights generally distinguish between four generations of human rights, namely civil rights, political rights, social rights, and fourth-generation rights, in which we find the so-called “new rights”, such as environmental rights, it also true that the 1993 Vienna Declaration and Programme of Action of the World Conference on Human Rights has established that “all human rights are universal, indivisible and interdependent and interrelated” (World Conference on Human Rights, 1993). In fact, the classification is a purely chronologically based categorization that reflects human rights development (at least in the Western hemisphere) throughout the decades but is neither a diversified level of importance nor the preeminence of a group of rights on others. In this regard, many could be the argumentations and reasonings to take into account to support the Vienna’s cited consideration, part of which are included in many international

instruments that have recently laid down the importance of the so-called fourth-generation rights (i.e. the ONU Stockholm Declaration on Environment of 1972). In this forum, it could suffice to mention that a famous, broadly accepted, and indispensable first-generation right, such as the right to life, recognized, for example, in Article 3 of the UN 1948 Universal Declaration of Human Rights – "Everyone has the right to life, liberty and security of person" (UN General Assembly, 1948) – is a right that cannot be separated. It is therefore interrelated with rights that aim at the protection of a healthy and safe environment, which is one of the fundamental preconditions of a healthy life and therefore of life itself.

This briefly expressed but established connection between the human and the more specifically and properly sustainable dimension has also found its place in all of the most important declarations and in all of the intellectual literature focusing on development. In particular, three examples – the UN Declaration on the Right to Development (1986), the UN Rio Declaration on Environment and Development (1992), and the UN Johannesburg Declaration on Sustainable Development (2002) – represent a significant exemplification of the international community shift towards the redefinition of the concept of development that considers not only the mere economic dimension, but also the human and the environmental dimensions, as part of a broad picture. In fact, as the Johannesburg Declaration (2002) establishes:

> […] we assume a collective responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of sustainable development – economic development, social development and environmental protection – at local, national, regional and global levels. (World Summit on Sustainable Development, 2002)

This reference to the so-called three "pillars" of development (economic, social, and environmental) does not only allow a discussion about a threefold dimensionality of development that goes beyond the economic aspect, but it also represents precisely the result of all of the previous considerations when applied to development. This shift had emerged in the fields once the academic literature, scholars, and international organizations have started to place their attention to the effects that development conceived in mere economic terms was "causing not only in the physical component of

the territory but also in its main impact component which is society" (Vásquez Roldán & Henao, 2017, p. 113). In this sense, development conceived in sustainable terms and that conceived in human terms simply represent two sides of the same coin and form part of the same intellectual background on which, to reconnect to what was previously said, the UN's SDGs are based.

All of the aforementioned considerations overturn and somehow render obsolete all of the theories that focus on FDI's positive effects merely in economic terms. In fact, given that there are three pillars on which development is based, that the latter has a multidimensional outline, and that the international community has set 17 goals for the world's development that go beyond the mere enhancement of the GDP per capita growth, the shifted perspectives becomes imperative as far as FDI is concerned. It is quite clear, indeed, that the role of these investments should go beyond the mere GDP per capita increment, which is nevertheless still important and, as illustrated in the previous section, not easily achieved. However, FDI can be seen as an opportunity only insofar as it enhances people's choices and improves the other dimensions of development; thus, as it "focuses on the richness of human lives rather than on the richness of economies" (UNDP, 2016, p. 2). In this sense, this dissertation aims to focus on FDI effects on African countries, particularly in regard to what "makes life worthwhile". The following section attempts to address this concern, with a particular focus on the social dimension of development – and therefore on human development – in the strong belief that it is urgent to examine the effects of FDI on the latter as much as has been done for economic growth.

As a final methodological note, it must be clarified that, despite what has been expressed previously, the author subsequently makes little distinction between SDGs, human development, human sustainable development, and even sustainable development alone. Moreover, the sources used do not exclusively derive from human development-focused literature (which is scarce and still largely unexplored) but may come from more environmental-oriented forums. These decisions were made for at least two reasons: first, it would be impractical to try to distinguish and separate dimensions that are clearly linked, similar, interconnected, and self-sustaining, and that require each other's implementation for their own implementation. Second, while it is

true that the efforts that countries and international organizations are undertaking in this sense are mostly environmentally oriented, it is also true that some of these tools and paths can potentially represent important examples and suggestions for the human or social field as well; therefore, they deserve attention in a dissertation that is focused on the latter. However, for the sake of intellectual honesty, it must be recognized that, as mentioned, the human/social dimension is the one on which the present dissertation predominantly focuses: if the objective of this thesis were that of giving the same importance to all of the nuances of this kind of development vision, further specific and more environmentally-oriented considerations would be needed, which the length of this work would not permit.

In short, what follows does not exclude the environmental considerations within its intellectual background – which explains why sustainable development and the SDGs are frequently used as parameters and objectives – but rather considers them as part of and as complementary elements in a development vision that puts people, and therefore human development measured by HDI, at the centre. Considering that 31 out of 54 African countries, including those with high growth rates, rank particularly low on the HDI (ISPI, 2018, p. 171), this seems to be the best path to follow.

2.4 FDI and human development: a theoretical analysis

Having proved the importance of Amartya Sen's approach and all the further applications of the human capabilities theory as a theoretical approach, the goal of the present dissertation becomes that of linking all of these concerns to the main topic of the present work, namely FDI. The question becomes when and, accordingly, how FDI plays an influential role in the improvement of individual wellbeing (Sharma & Gani, 2004, p. 4), specifically in an area such as Africa, where human development is an issue of primary concern, as, of the 53 African countries, 30 have an HDI value considered low by the UNDP (2018c). It must be clarified from the beginning that, here, FDI is not intended as a substitute for national investment; in fact, no country has ever developed entirely on FDI, and FDI proves to be crucial only when and insofar as it complements national investments, not when it replaces them (UNCTAD, 2011a, p. 31). However, as

the introductory quotation from the UNCTAD and the considerations of the first chapter clearly explain, it nevertheless proves to have significant potential in the facilitation of development as intended in this work, which highlights the necessity of moving from a mainstream FDI-GDP strand of study to a different one.

The relationship between FDI and HDI appears to be the most interesting in this sense and is the one that has received the greater consensus among the scholars who, following Sen's teaching and all of the implications of the latter in the literature and international institutional debate, have decided to explore FDI's impact from a different point of view. The fact that the HDI-FDI link is preferred over other potential ways of measuring the same reality (for example, the FDI-Better Life Index relationship) should not mislead the reader: the literature on the issue is quite limited and unexplored. In fact, it must be noted as introductory information that the study of the influence of FDI on human development, though essential, has not received much attention in the economic literature, and the most significant scholars in the field are calling for further research (Sharma & Gani, 2004, p. 15). However, the necessity of more deeply exploring this field appears even more valid when considering that all of the existing literature on the topic (e.g. Sharma & Gani, 2004; Caetano & Galego, 2009) agrees upon recognizing a potential positive link between FDI and human development, measured as variations of HDI. These data are even more interesting for the purposes of the present dissertation, since FDI-led variations of HDI appear higher in African countries than elsewhere (Caetano & Galego, 2009, p. 2374-2375), which greatly implies that further attention and perhaps high hopes for Africa's future should be placed on FDI.

Since economic growth has previously been analysed, the effects on health and education (the two other dimensions of HDI) are explored in the following pages. As for GDP, both health and education can either directly or indirectly benefit from FDI: in the first case, it means that the investor chooses to directly invest either in the health or education sector (i.e. building a private hospital or school from scratch), whereas, in the second, it means that investors directed towards different sectors end up positively impacting the latter regardless. This discussion begins with an analysis of the direct effects and continues with the indirect effects.

The UNCTAD (2014, p. 143) recognizes investments in education and health as crucial prerequisites for effective sustainable (human) development and accordingly as an important aspect of the fulfilment of the SDGs. In fact, the 2014 World Development Report (UNCTAD, 2014, p. 137) recommends a significant increase in both private and public investments in these sectors, identifying FDI as one of the main sources of the former sector, to move more concretely towards sustainable (human) development in both sectors. In this regard, education is the main focus of the UN 2030 Agenda's Objective n.4, quality education, which aims at achieving "the goal of universal primary and secondary education, affordable vocational training, access to higher education and more" (UNDP, 2018b), while health is the main objective of SDG n.3, good health and wellbeing, which focuses on the need to "fully eradicate a wide range of diseases and address many different persistent and emerging health issues" (UN, 2019a).

Both of the sectors represent a challenge and a serious problem to solve nearly everywhere in Africa. As far as education is concerned, the continent still faces alarming challenges; in fact, although the average primary Adjusted Net Enrolment Ratio had increased from 59% to 79% in the last 20 years, the distribution of these data, mostly among Sub-Saharan countries, proves uneven (ISPI, 2018, p. 177). Moreover, the percentage of children not attending school is high, and those attending school experience short education careers with poor education quality, all elements that are translated into a lack of problem-solving and entrepreneurial skills, which, elsewhere, are often acquired through secondary education (ISPI, 2018, p. 177). Although African countries were spending higher shares of gross national income on education, structural constraints such as political instability, tenure insecurity, corruption and poor infrastructure have limited the success of investments in this direction (ISPI, 2018, p. 178). The same can also be said in regard to health: life expectancy at birth in the continent has increased from 50 years in the 1990s to 60.4 in 2016 in Sub-Saharan Africa, from 50 years to 52.2 in Central African Republic, and from 65.6 to 73.5 in the Middle East and North Africa (World Bank, 2018), while child mortality rates have decreased from 107.8 in 1990 to 51.5 in 2016 per 1,000 live births in Sub-Saharan Africa, from 114.9 in 1990 to 87.6 in 2017 in Central African Republic, and from 50.1 in 1990 to 19.3 in 2017 in the Middle East and North Africa (World Bank, 2018). However, despite these positive

results, the continent as a whole still remains below the world average for both indicators, which is 72.03 years for life expectancy at birth (2016 data) and 29.4 deaths per 1,000 live births (World Bank, 2018)

Investments in both the health care and education sectors are recommended by the UNCTAD, since they have positive effects on both. As for health, scholars tend to look optimistically at the role of MNEs that operate in the sector, namely those companies that operate in hospital management, medical equipment, and laboratory activities, among others (Outreville, 2007, p. 306). In fact, the commercial presence of these foreign companies (can) "generate additional resources for investment in and upgrading of health care and technologies" (Outreville, 2007, p. 306), since they represent a fundamental source of capital that can be used for the improvement of the basic health infrastructure, which is particularly inadequate in Africa. In this sense, Outreville (2007, p. 306) emphatically affirms that the "importance of the largest private companies operating in the health care sector and the pharmaceuticals industry in the world" " is simultaneously underestimated and fundamental, since the benefits that the MNE operating in the sector (can) bring to the needed countries are particularly important. As far as education is concerned, a sector which has, until recently, remained outside the realm of market forces but is dominated by the public sector, the inability of many developing countries to cope with a growing demand for education has led to the emergence of foreign provision of education through the FDI sector (Zimny, 2013, p. 3), mostly in the form of greenfield investments (Zimny, 2013, p. 4). Just like for health, the benefits that FDI offers the sector are important and worth mentioning: they (can) reduce the shortages of skilled human capital, broaden the scope of local education supply, improve the quality of education, and reduce brain drain (Zimny, 2013, pp. 24-30).

Before drawing conclusions on these considerations, it is useful to analyse the indirect positive impact that FDI can have on HDI, which is perhaps the most interesting and less obvious aspect of the issue. In the field, the work of Sharma and Gani (2004) represents a reference point for all later literature that has attempted to address this concern. This study, driven by the same motivations as the present dissertation, largely pioneered an

examination of the effects of FDI on the progress of human development, considered to be “a more important gauge of a country’s development” (Sharma & Gani, 2004, p. 2). In fact, analysing the FDI-HDI relationship for two groups of countries – low and middle-income –from 1975 to 1999 (in a way that is illustrated in the next chapter), the study revealed that “foreign direct investment exerts a positive [although weak] effect on human development in the low and middle-income category of countries (Sharma & Gani, 2004, p. 14) and that, in the low-income group, “the progress of human development […] exerts a significant positive effect on FDI” (Sharma & Gani, 2004, p. 14) as well. Despite the pioneering and innovative information provided by the research, the necessity of legitimating this new kind of analysis and study, through the provision of a rich intellectual background as introduction, has meant a lack of further and deeper investigation; in particular, at the end of the work, Sharma and Gani call for “more research” (Sharma & Gani, 2004, p. 15), for example, on what could be considered as the “desirable type of FDI” (Sharma & Gani, 2004, p. 14) and on reasons behind the results of their work. Nevertheless, the significance of the study lies in the innovation it brought, since it opened the doors for a limited strand of new studies that, confirming their promising results and data – at least from a theoretical point of view – have tried to extend their conclusions.

For example, Nagel, Herzer and Nunnenkamp (2015) investigated the link between FDI and health, therefore recognizing and identifying at least two explanatory reasons behind the positive impact of FDI – canalised in sectors different from health - on this specific dimension of human development. First, they demonstrated the existence of a new health-related goods and services’ demand led by the already mentioned FDI-led increase in the GDP per capita: in fact, “FDI-induced income gains *appear* likely to induce higher private and public expenditures on healthy food, clean water, education, and medical care” (Nagel, Herzer, & Nunnenkamp, 2015, p. 657). In a sense, all of the considerations provided on the link between income growth and FDI also represent the essential background as far as health is concerned. Second, the presence of “horizontal or market-seeking FDI in the host country’s health sector can improve health outcomes by making more medical goods and services available at lower prices” (Nagel, Herzer, & Nunnenkamp, 2015, p. 657) and at a better quality: in short, the newly increased

demand is met by a newly increased (and qualitatively better) supply, both prompted by FDI. Similarly, Cao, Trinh, and Nguyen (2017) explain, of the relationship between FDI and HDI in Asia, that the positive impacts of FDI on health may be due to the emergence of greater “self-consciousness of people on health issues as their income increases” (Cao, Trinh, & Nguyen, 2017, p. 5) which incentivises people to spend a share of their increased disposable income on health services. They may also be due to the improvement of social services and of working conditions, which are usually better in new foreign-held companies than in domestic ones (Cao, Trinh, & Nguyen, 2017, pp. 5-6) – a fact that may cause a sort of spillover effect similar to the one analysed for wages.

At the same time, similar explanations can also be provided as far as education is concerned: FDI seems to be positively associated with school enrolment and contributes to the accumulation of skilled labour, not only due to the general income growth enhancement that allows families to send their kids to school for more years, but also, related to that, due to the increased need for skilled workers that, in turn, promotes school enrolment and a qualitatively better educational service provided by schools. Moreover, “more and more foreign investors consider education *as* a good way to invest in a country” (Cao, Trinh, & Nguyen, 2017, p. 6), since “they could make money and eventually utilize the human resource while local residents can receive high quality education standard at a much lower price” (Cao, Trinh, & Nguyen, 2017, p. 6). This happens when the investors decide to, for example, locate the R&D facilities in these countries or to make some investments, parallel to the mainstream ones, that have education and human capital formation as their main scope.

What has been discussed is not intended to hide the potential negative effects that FDI can have on the human development dimensions; to provide two simple examples, FDI can both be associated with longer working hours that increase workers’ stress and do not positively impact health, as well as be efficiency-seeking and look only for cheap labour, which does not leave space for education improvement. What is important here, however, is to recognize that the two indicators “long and healthy life” and “knowledge” can be prompted by FDI and to show that, when it does not occur, something is likely missing.

While the previous information simply and generally discusses the link between FDI and HDI, it appears evident that something more can be said as far as the desirable form of FDI is concerned, and it is useful to address Sharma and Gani's concern about the "desirable type" of the latter. Academic literature on the issue is scarce, though not absent. In fact, scholars seem to agree that the form of FDI needed to improve human development – particularly when its levels are alarmingly low – is greenfield investment (e.g. Lehnert, Benmamoun, & Zhao, 2013; Barbi & da Costa Jr, 2016). These types of investments, in fact, pave the way for all the positive spillovers that enhance HDI even when the society, its infrastructure, institutions, and even business parties are not ready to do so (Bardy, Drew, & Kennedy, 2012, p. 7). In this sense, the establishment of a fully-owned foreign firm introduces a new set of values, ideas, rules, skills that is sometimes brought to the country for the first time and that should to trigger those spillovers (in terms of wages, working conditions, skills, and so forth) that so positively impact human development (at least theoretically). However, it cannot be omitted that, as it will be better analysed later at p. 60 ff., the capacity to link this investment to the local economy, namely to create the so-called "backward linkages" with this latter, represents the fundamental premise for the greenfield investments to stimulate transfers of knowledge and technology. In fact, without the establishment of strong backward linkages, the set of values, ideas and so forth, coming from these new factories would remain unreachable to the local production base, somehow neutralizing their potentiality[5].

The situation is different as far as the sector in which FDI should be canalized to is concerned, since no agreement seems to exist within the literature on the issue. In fact, only some modest signs by scholars (e.g. Subbarao, 2008) identify a specific field, the tertiary sector of the economy, in which FDI appears to have the best impact in regard to enhanced HDI. In particular, those who support this theory argue that, when the investments in the tertiary sector are also highly technological and innovative, their impact on the HDI dimensions is high and their role crucial (Chudnovsky & López, 1999,

[5] Examples in this sense can be found in the Chinese management of the first FDI inflows after the establishment of the opening-up policies (see, for example: Di Tommaso M.R., Rubini L., Barbieri E., 2013)

p. 5). From the author's point of view, this claim seems particularly true, since it appears difficult to imagine enhanced levels of HDI led by investment in low-value-added activities that often attract efficiency-seeking FDI that are, by definition, less oriented on the interests of locals.

However, as a general consideration, it must be noted that the academic literature appears nearly unanimous in arguing that the "desirable type of FDI" depends mainly on the country and its specific characteristics. These were precisely the conclusions that Gohou and Soumaré drew in 2009 when, analysing the impact of FDI in Africa both on GDP and on HDI, they wrote:

> We find that there is a strong positive relationship between FDI and welfare at the aggregate Africa level, and this strong positive relationship holds even after controlling or government size, indebtedness, macroeconomic instability, infrastructure development, institutional quality, political risks, openness to trade, education and financial market development. However, when taken at the regional level, the impact of FDI on welfare is no longer obvious and differs across regions. The policy recommendation is that, although, Foreign Direct Investment can contribute to countries' development and poverty reduction in Africa, policies put in place to attract these foreign investments should be tailored on a regional basis and account for economic convergence within regions and differences between regions in order to be effective. In some regions, the channelling of these FDI flows into investments that benefit the poor is missing, although at the aggregate level, FDI contributes to poverty reduction. (Gohou & Soumaré, 2009, p. 23)

Moreover, the inability to identify a specific and precise formula that suggests how to enhance HDI though inflows of FDI in terms of sector, type, and so forth, despite the theory and despite some virtuous examples, depends additionally and mostly on the fact that the HDI-FDI relationship rests on a high level of arbitrariness, which lies on governments and local institutions. Improvements on human development require previous improvements in the social and political environment (Sen, 1999, p. 53), since it is only when "policy makers succeed in setting the conditions right, [that] FDI can

provide an important contribution to human development" (Colen, Maertens, & Swinnen, 2009, p. 38).

In this respect, Bardy, Drew and Kennedy (2012, p. 6) argue that the roots of progress also lie in enhancements in political stability, government effectiveness, and the rule of law. They provided Rwanda and Sierra Leone's cases as examples of host countries that experienced improvements in all three HDI dimensions due to a positive impact of FDI, largely due to the establishment of "changes in ethical judgment and application" (Bardy, Drew, & Kennedy, 2012, p. 6) in the various societal groups but mainly in the institutions. While inflows of FDI in the health-care and education sectors traditionally improve the conditions of the two sectors, greenfield investments are preferable to M&A for HDI, and highly technological and innovative investments in the tertiary sectors are beneficial for HDI, it is also true that, without the collaboration of the governments and without their ability to transform these capitals into levels of the three HDI dimensions (Arcelus, Sharma, & Srinivasan, 2005, p. 10), theory will not translate into practice.

Before discussing how the host country could and should act to make its fundamental contribution in regard to the enhancement of HDI through FDI, it is important to highlight that host governments and their institutions are not the only actors involved. In fact, academic literature almost unanimously recognizes that the positive connection between human development and FDI is decided at least at two other stages: at the investor level and at the international level. As Bardy, Drew and Kennedy argue, "outcomes […] critically depend on collaboration of governments, international institutions, the business world, and nongovernmental organizations (NGOs)" (2012, p. 1).

In this sense, the country alone is often unable to implement all the policies and establish all the regulations that are desirable without external support, and without the virtuous collaboration of those that physically direct their capitals into the country involved; there is a need for synergy between these different areas for the situation to change and for circumstances to effectively work. To shed light on how things should work in this sense, the following sections focus on each of them separately. Before

proceeding, it appears imperative, in the interest of intellectual honesty, to specify at this stage that the limited length of the present work does not permit a full and comprehensive examination of all sides of the issue. Since no proven or demonstrated solution has yet been found for African countries to enhance human development though FDI, among all the different hypothesis that the academic literature has highlighted on the topic, this dissertation focuses on those most frequently mentioned and on those that appear, from the author's prospective, to be the most significant. Moreover, it is useful to reiterate that the recommendations and suggestions have environmental and other sustainable human development dimensions as a background but not as their main focus.

2.5 FDI and human development: investor's role

Foreign direct investment has often aroused much controversy and social concerns. For example, MNEs have been accused of practicing unfair competition, when taking advantage of low wages and labour standards abroad, or have been accused of violating human and labour rights in developing countries where governments fail to effectively enforce such rights (OECD, 2008, p. 1). Despite this, the reality indicates that, for their part, MNEs and – more generally speaking – foreign investors can and should significantly contribute to the improvement of the living conditions of the host countries in which they invest and do not undertake the kinds of practices that have caused so many to cast doubts on their legitimacy to invest.

For example, many initiatives are emerging in the world in this sense; this list includes both the so-called "Principles for Responsible Investment", the voluntary framework formed by the UN in partnership with the UNEP Finance Initiative that supports and promotes the incorporation of environmental, social, and governance (ESG) factors into investment and ownership decisions (PRI Association, 2019); the UN Global Compact, which also aims at the incorporation of ESG issues into the investment portfolios of the global MNEs (Narula, 2012, p. 25), and the so-called "Equator Principles", a series of industry benchmarks adopted by banks and other financial institutions that determine,

assess, and manage social and environmental risks for international project financing greater than US $10 million (Narula, 2012, p. 25). All of these initiatives, which share the same philosophy and perspective on the importance of the investment's social enhancement impact, are nevertheless disaggregated and characterized by specific rules, tools, and so forth, which makes it difficult to obtain an overview and an idea of the phenomenon – to mention all of them would be interesting to show the state of the issue, but it would not inform research. Moreover, not all of the investors that consider the social impact of their investments necessarily take part of these institutions or follow any of these rules. However, all the actors involved in these initiatives undertake at least two noteworthy strategies: the strategies of corporate social responsibility (CSR) and the related socially responsible investments (SRI), and impact investing. The two share the aim of using "capital as a means of fostering economic and social progress and to combine financial return with social impact" (Lombard Odier, 2019), as well as two striking peculiarities: on the one hand, both are emerging worldwide among a growing number of investors, regardless of the sector in which they invest, the dimensions they have, and the home country to which they belong; on the other hand, they are proving effective, despite some weaknesses that should be overcome in the future.

The strategy of CSR represents perhaps the most influential tool through which investors can and do contribute to human development's enhancement of the LDCs. A CSR strategy can be defined as a "management-instrument for the active, proper development of all stakeholder relations of a corporation" (Becker, 2011, p. 11) that combines legal, economic, and ethical elements (Bardy, Drew, & Kennedy, 2012, p. 2), and whereby stakeholders are all actors that are in some way related to the corporation and have some interest in it (Freeman, 1984, p. 32) – thus, not only investors but also locals, the environment, and so forth. The "stakeholder concept" is the fundamental implicit assumption not only of CSR strategies but also of the human development concept itself: in this sense, CSR has the peculiarity of emphasizing social (and environmental) efficiency, along with economic efficiency (Narula, 2012, p. 25), which appears as original as it is recent in the economic landscape. This means that all of the poor practices previously mentioned, which have created a storm of criticism towards FDI – such as forced labour, child labour, failure to pay minimum wages and illegal

overtime work, unsafe factories, and so forth (UNCTAD, 2013, p. 162) – are likely giving way to a range of standards and codes of conduct that take into account the interests of *all* of the involved actors.

As the EU recognized in 2002, among the major fields in which CSR can be implemented, there is socially responsible investment (SRI) (Commission of the European Communities, 2002), which can be defined as an investment for which the key feature "lies in the construction of equity portfolios whose investment objectives combine social, environmental and financial goals" (Sparkes, 2002, pp. 26-27). The SRI indeed generally involves negative screening and the imperative of not making investments in sectors that notoriously have negative social or environmental impacts on society and the environment – like gambling or tobacco – as well as active engagement in the ESG's improvement (United Nations ESCAP, 2017, p. 84). In this context, the OECD's non-binding Guidelines for Multinational Enterprises represent perhaps the most comprehensive set of guidelines for responsible MNE behaviour (United Nations ESCAP, 2017, p. 84) In short, these guidelines, which "acknowledge […] the contribution that MNEs can make to local capacity building as a result of their activities in local communities" (OECD, 2011, p. 21), encourage enterprises to "avoid making efforts to secure exemptions not contemplated in the statutory or regulatory framework related to human rights, environmental, health, safety, labour, taxation and financial incentives among other issues" (OECD, 2011, p. 21). It follows that their duty lies primarily in taking into account, preventing, respecting, and mitigating negative impacts in regard to human rights, workers' rights, environment, and all other aspects strictly related to the concept of human development.

Related to, similar to, and sometimes even erroneously confused with the concept of SRI, there is the concept of social and impact investment, which represents another important emerging tool through which investors can make their contributions on the issue. An impact investment is an investment "that seeks a maximum impact on creating social value or a social/environmental good" (United Nations ESCAP, 2017, p. 6) and that targets projects that vary in nature but are usually related to "basic infrastructure development, social and health services provisions and education" (UNCTAD, 2014, p.

160). The definition itself suggests what distinguishes impact investing from SRI – namely, the motive and the objective. In fact, the main goal of impact investing is, by definition, not to profit for profit's sake but rather to achieve a specific social (or environmental) goal without a profit motive (United Nations ESCAP, 2017, p. 85) which is also what motivates SRI, though along with social objectives. Second, whereas SRI follows the "do no harm" rule to avoid the undertaking of harmful practices that violate human rights, workers 'rights, and so forth, impact investing goes beyond this and follows a sort of "do good" rule, a philosophy that aims at solving some specific social (or environmental) problems (Lombard Odier, 2019) and that explains why other scholars refer to it as "social investment" (United Nations ESCAP, 2017, p. 85).

Impact investing does not represent a peculiarity of the MNEs; under the label of "impact investors" fall NGOs, aid agencies, philanthropic foundations, banks, and so forth. What defines an investment of this kind are its motives and objectives – namely "to generate social value (social, environmental, cultural) as well as achieve financial return" – rather than the type of investor (UNCTAD, 2014, p. 160). However, in this context, both to better understand what impact investing is and to provide insight into the current state of the art as far as MNEs are concerned, it is worth mentioning the World Business Council for Sustainable Development (WBCSD), the global CEO-led organization of over 200 leading businesses of different sectors, such as Apple, BMW Group, Kellogg's, and Unilever, which work together for the transition to a (human) sustainable world (World Business Council for Sustainable Development, 2019). Regarding the matter in question, namely human development, the WBCSD indeed includes "social impact" among its fundamental program areas and the need to "help companies to position social considerations at the core of their business" through the promotion of the "respect for human rights as a crucial vehicle through which business can help achieve the broader vision of peaceful and inclusive societies embraced by the Sustainable Development Goal" as one of its pillars (World Business Council for Sustainable Development, 2019). On the one hand, this initiative may pave the way to other similar actions; on the other hand, it may represent a significant (and promising) example of a sort of mindset change the investor world is gradually experiencing.

However, as the rationale behind the necessity of a synergy among all of the involved actors, the CSR/SRI/impact investing programmes implemented thus far have had limited effectiveness in the host countries, not because of themselves, but rather due to absence of the host country's required response (UNCTAD, 2013, p. 161) Moreover, to undertake CSR/SRI/impact investing strategies now represents a voluntary choice: on the one hand, the role of the existing international systems – i.e. the ILO Labour Standards and the UN Guiding Principles on Business and Human Rights (UNCTAD, 2013, p. 162) – should be reinforced to ensure the efficiency of these strategies; on the other hand, some degree of compulsoriness should be promoted and implemented at the international level. It is true that something is shifting towards this direction, but, as explored in the following pages, much still needs to be done.

As previously mentioned, what all of these initiatives reveal is the emergence of goodwill on the part of the private investors to invest in human development; more generally speaking, the rise of the value of investments explicitly devoted to social objectives represents a reality that gives hope for the future (UNCTAD, 2014, p. 175). In fact, many examples of voluntary CSR and of impact investing initiatives have been proliferating in recent years, influencing corporate behaviour and investment decisions in a positive way (UNCTAD, 2014, p. 181), in regard to human development in the host countries. However, these examples represent an exception in a reality in which MNEs are usually more interested in profit, rather than in national development (Reiter & Steensma, 2010, p. 1689). On the one hand, this traces back to the previously mentioned argument according to which "FDI will promote human development […] when [the host country's] FDI policy ensures that FDI aligns with and promotes development" (Reiter & Steensma, 2010, p. 1689), which places the burden mostly on local governments, international institutions, and so forth, as is further analysed in greater detail. On the other hand, this leads to another important consideration: foreign investors would be more attracted by human development considerations insofar as the latter prove to be profitable.

Indeed, investing in human development does represent a profitable opportunity for the foreign investors. First, it has been demonstrated that investment projects in areas of basic infrastructure, such as roads and schools, staples, such as food and medicines,

and early life-stage products, such as toys and baby care, have yielded gains not only for the receiving country but also for the investor itself, mostly in terms of return on investment (Bardy, Drew, & Kennedy, 2012, p. 8). Second, the ideal outcomes of these kinds of investments, such as the presence of more skilled workers (not to mention of more productive firms), translate into important achievements that should, in turn, translate into better business returns for the investor itself. It is evident that these positive effects do not occur in the short run, since the complexity and the extent of the processes related to the human development dimension do not necessarily immediately lead to business outcomes that offset expenses on social improvement (Bardy, Drew, & Kennedy, 2012, p. 9). However, in the long run, there is considerable evidence that these types of investment consistently generate higher returns, both in direct and indirect financial terms (Narula, 2012, p. 25). Clearly, this is not a universal law, and much depends on how the projects are brought about, but, as a general claim, once FDI is channelled as to enhance people's capabilities, and once investors start looking at locals as potential creative entrepreneurs, related benefits for the investors themselves are the promising consequence. In this sense, FDI should be viewed as win-win project that foreign investors should look at with more and more interest.

It appears evident and reasonable that the issue of maximizing returns is neither the core of the concept of human development, nor at the centre of all of the UN initiatives in this sense, such as the SDGs. What would be desirable is to change investors' perspectives in the same way in which the international community has, embracing Sen's and other luminaries' ideas in recent decades. As stated in the introductory part of this section, the trend of FDI via the (human) sustainable investment route is growing, which represents both strong evidence for the relevance of the concept itself and a bright hope for the future (Narula, 2012, p. 25) However, since this progress mostly depends on the good sense of these investors, until which any enforcing regulation will not be in place to change the rules of the game in this respect, to rely only on the potentially growing spirit of philanthropy of these actors seems naïve and unwise. With profit being the core of economics, one of the few tools that the academic community has to modify what is today the most common approach towards LDCs is to prove that (human) sustainable FDI can represent a financial opportunity – in other words, to tell

investors exactly what they want to hear and speak exactly the language they speak. In doing so, it is difficult to predict whether, by changing their behaviour now, they will also change their minds in the future. It is uncertain whether, by knowing the people they have helped and the good stories they have made possible, they will want to promote others.

> When companies do business in less developed or poor countries, and when they work there «with imagination, passion, courage, humanity, and also hope for some luck» (Prahalad 2004), they can contribute to change both through own activities and through the combined effects which their activities provoke in civil societies. (Bardy, Drew, & Kennedy, 2012, p. 8)

The necessary change is demanding and arduous, but we must start somewhere.

2.6 FDI and human development: host country's role

The host country is likely the most determining piece on this virtual chessboard, since it is the actor involved here that has the greatest room to manoeuvre in the FDI-human development relationship. Indeed, it is the only subject that can effectively decide how to canalise the FDI flows received, set the game rules the investors must respect, and even (indirectly) define the amount of flows received, through the deployment of the aforementioned political and economic determinants. This explains why the academic debate on the issue often focuses mostly on the receiving country's role in determining the positive impact of FDI in human development; not without difficulties, it is exactly at the host country level that most of the efforts must be intensified in this sense. In particular, two appear as the main conditions to meet for FDI to stimulate human development improvement and therefore as the main directions to follow: first, to attract more human-development-related FDI, and second, to create a conducive environment for the latter to effectively operate. This is because human development cannot be "implanted by a foreign investor [but] there must already be some kind of receptacle" (Bardy, Drew, & Kennedy, 2012, p. 4).

As Nunnenkamp (2002, pp. 38-42) explains in his paper on the relation between FDI and

the international development goals, “to a certain extent, these two requirements involve similar challenges”, particularly in developing countries (Nunnenkamp, 2002, p. 39). The “challenges” that he identifies are in the “development of local markets and institutions, an investment-friendly policy and administrative framework, as well as the availability of complementary factors of production” (Nunnenkamp, 2002, p. 39). Despite his specific considerations, it appears evident that the traditional developing countries’ incapacity to adequately benefit from FDI (ISPI, 2018, p. 51), at least at the same pace as developed countries in regard to inflows, demonstrates that meeting the first condition, namely to attract FDI, “is no guarantee for reaping beneficial effects on FDI” (Nunnenkamp, 2002, p. 39), and it is “much more difficult to benefit from FDI than to attract FDI” (Nunnenkamp, 2002, pp. 39-40). In this sense, it follows that, although strictly related to one to the other, the establishment of an enabling conductive environment for FDI needs further and specific efforts to effectively work, particularly in a continent such as Africa, in which the levels of HDI are particularly low. For that reason, the following paragraphs first analyse the possible remedies against the lack of SDG-related FDI flows, then proceed by attempting to understand how this favourable environment can be established.

The necessity of attracting human development-related FDI appears imperative in Africa, a continent that traditionally places last in FDI inflows rankings and that is, today, experiencing a historical period in which an unexpected decrease in FDI inflows is occurring. At first glance, the role played by the determinants of FDI, namely those factors mentioned in the first part of the present dissertation that (as the world itself says) determine the host country’s degree of attractiveness, appear essential in reversing this serious situation. To try to enhance the country’s performance in specific economic and political areas represents, in this sense, an initial potential antidote. Evidently, there are many policies that can be mentioned in this context – both policies that have already been adapted by some countries and experimental ones. However, it could suffice to mention here only those that the academic literature almost unanimously recognizes as imperative and effective. These policies, as Dupasquier and Osakwe (2006, pp. 254-255) state in their article on the issue, can be distinguished between policies that should be promoted at the regional level and those that should

be put into practice at the national level.

At the regional level, the continent should work on the economic determinants of FDI that the present dissertation recalls in pages 5-6. First, a deepened regional integration represents the main objective that the African head of states should pursue in the near future (see for example: Dupasquier and Osakwe, 2006; ISPI 2018; McKinsey Global Institute, 2016). On the one hand, it would increase the market size of the region, which in turn would attract more investors, among which are those currently constrained by the small size of the fragmentated African markets (Dupasquier & Osakwe, 2006, p. 255). On the other hand, regional integration would also provide a significant impetus as far as stability and growth are concerned, two other fundamental determinants for FDI. The example provided by the EU and its Single Market appears significant in this sense, since their introduction has significantly boosted the amount of FDI inflows in nearly every EU member state (see for example: European Commission, 2016). Moreover, it suffices to mention the provisions by the Lisbon Treaty, which have extended the exclusive EU competence to FDI (European Parliament, 2010, p. 6), and the recent introduction of an EU framework for FDI screening, aimed at ensuring the positive impact of the investments coming from countries outside the European Union (European Commission, 2019a), to understand the importance placed on FDI in the perhaps most significant example of an intergovernmental (and supranational) organization in the world. In this sense, in the dark continent, high hopes are centred on the African Union (AU) – the regional organization established in 2000 for the establishment of a "united, inclusive, peaceful, prosperous and sustainable Africa" (ISPI, 2018, p. 37) – and its agencies, such as the New Partnership for Africa's Development (NEPAD) and the recently born African Continental Free Trade Area (CFTA) (ISPI, 2018, p. 62). These are entirely different initiatives that could take some cue from the EU; as far as economic regional integration in Africa is concerned, there is still much to do – whether within these initiatives or in entirely new ones – but the road is marked.

Second, again due to the actions either of the CFTA or the AU – or of any other similar organization – more cooperation in infrastructure development projects could be encouraged and achieved, further increasing the attractiveness of the region in the eyes

of the investors (Dupasquier & Osakwe, 2006, p. 256). These development projects may concern telecommunication, power generation, provision of water, transportation, and so forth – namely, projects that could be promoted at the national level. However, implementing them at the regional level would have the significant advantage of increasing "access to and [reducing] the costs of provision of *them*, thereby lowering transactions costs [and] boosting trade" (Dupasquier & Osakwe, 2006, p. 256), which would make these projects more feasible for countries that, alone, would find it particularly difficult to do.

At the national level, African countries should focus mainly on the so-called political determinants of FDI, since it is at the governmental level that the openness to trade and the commitment to outward-looking policies should be promoted, and it is at the local level that the role of the investment promotion agencies (IPAs) can be emphasized (Dupasquier & Osakwe, 2006, p. 255) These are two fundamental elements, in regard to the attractiveness of a country, that require further efforts on the part of the country. It is also at the national level that any receiving country could implement what are here called the "more general" political determinants of FDI; indeed, this is an issue that deserves a separate and different discussion since, although it appears clear that good governance, absence of corruption, and rule of law represent crucial elements as far as the attractive potential of these countries is concerned, less evidence is given on how to achieve them, and it is not the main objective of this work to try to uncover them. However, what could certainly be said here is that African countries, with their varied pasts and circumstances, must try to improve their political situations if they want (among others) to significantly move up on the FDI inflows ranking: macroeconomic and political stability go hand-in-hand in this regard.

It also appears evident that the fundamental premise to all of this is that the kind of FDI that the country should further attract falls into the FDI category this dissertation recalls at p. 38 ff. Indeed, it would be useless to attract those FDI flows that enhance neither HDI nor, more generally speaking, the beyond-GDP dimension of development. The host countries should focus on targeting those investors whose activities they would benefit from; it is here that the role of the IPAs becomes fundamental, since they represent the

most important tool able to match the necessity of attracting more FDI with the necessity of attracting some *specific* FDI. The IPAs, as the name itself indicates, are agencies created – often by the governments themselves – with the intention of attracting inflows of FDI and working as intermediaries between the investor and the country itself (United Nations ESCAP, 2017, pp. 166-167). They emerged mostly in the 1980s and 1990s and today represent a widely established reality that, with different rules, procedures, and structures, work towards the improvement of the national country's competitiveness as an investment destination and as catalysts of specific targeted FDI. In fact, these agencies develop and implement strategies based on the identification of the key sectors and related key investors they target (United Nations ESCAP, 2017, p. 165), based on which they undertake a set of activities that, as Wells and Wint (2000) argue, can be divided into at least four categories: image building, investor facilitation and investor services, investment generation, and policy advocacy.

Despite the opportunities offered by these entities, their role in the dark continent has proved unproductive thus far, likely due to the inability of the African IPAs to develop efficient and effective strategies, the little importance given by the local governments, and challenges such as the "complex international marketing, intense competition, over-regulation and weak governance, as well as limited financial and human resources" (UN, 2019a) the continent provides. Nevertheless, all of the literature on the issue stresses the necessity of emphasizing their role in Africa, which is something this dissertation agrees on. In fact, considering the specific context in which FDI is analysed here, and further in light of the recent shifts that have risen in the field, these agencies appear to be the most effective and quick route for the achievement of the desired objectives. In the most developed countries, IPAs have already undertaken a new generation of investment promotion strategies that focus on attracting only those FDI flows that prove to be in line with the SDGs – in other words, those investments capable of making a significant contribution for the implementation of the 2030 ONU Agenda (United Nations ESCAP, 2017, p. 52). In this sense, the UNCTAD's 2014 World Investment Report (2014, p. 170) testifies to this promising shift but simultaneously encourages national governments to further "pursue SDG-related investments projects" (UNCTAD, 2014, p. 170), particularly in those regions that need to make progress in all areas of human and

sustainable development, such as Africa. In particular, the UNCTAD refers to the necessity of "transforming IPAs into SDG investment development agencies"(UNCTAD, 2014, p. 166) and identifies, in the targeting investors involved in activities particularly conductive to SDGs, in the creation of a pipeline of pre-packaged bankable SDG investment projects (UNCTAD, 2014, p. 170), and more generally in "the provision of investment incentives and facilitation services for SDG projects, and joint monitoring and impact assessment" (UNCTAD, 2014, p. xii), the main fundamental tools that should be promoted and implemented in the IPAs. Regarding the first, the UN body recognizes the necessity of broadening contacts with target and potential investors and of developing "in-house expertise" on SDG-related investment projects, on which the UNCTAD has been committed for some years. As for the second, it identifies, in political prioritization, regulatory preparation, and packaging, the three fundamental characteristics for these projects to meet: "prioritization" involves the recognition of priority projects and sectors the country needs for its specific development objectives and strategies; "regulatory preparation" refers to the pre-clearing of regulatory aspects and the facilitation of administrative and bureaucratic procedures that might discourage investors; and "packaging" regards the preparation of concrete proposals that attest to and demonstrate the viability of the project from the relevant stakeholder's standpoint – such as financial feasibility for banks and technical feasibility studies for investors (UNCTAD, 2014, pp. 170-171). In this sense, and as the third and final element testifies, the UNCTAD explicitly recognizes, in a new generation of IPAs, the fundamental responsibility of incentivizing, implementing, controlling and assessing the positive impact of FDI.

In this regard, the United Nations Industrial Development Organization (UNIDO), the specialized agency of the UN that "promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability" (UNIDO, 2019), has already managed to establish a specific programme, the Africa Investment Promotion Agency Network (AfrIPANet). Drawn from 38 African countries, this programme provides African Investment Promotion Agencies "with a common platform to discuss and design investment promotion strategies" (UNCTAD, 2019a) and aims at strengthening African IPAs' capacity "by providing accurate, up-to-date investor

information and technical assistance" (UNCTAD, 2019a). The objectives include the development of strategies suitable for the limited resource base of the continent, the establishment of effective activities, the influencing of host country policy decisions, and the provision of guidance for intervening in areas expected to bring the most impact (UNCTAD, 2019a). At the same time, the UN agency also works towards the improvement of the countries' regulatory environments to strengthen the development impact of FDI through structured partnerships and joint programmes with MNEs (The United Nations Office of the High Representative for the Least Developed Countries, 2015, p. 13) that aim at breaking with the old, negative practices and "set foot on a new path of more sustainable and more socially inclusive business" (UNIDO, 2013). For example, UNIDO and Chevron have established a partnership that aims at the creation of a future generation of competent local professionals in Angola through the promotion of linkages between business, education, and government, all financed by Chevron Group. These kinds of initiatives, and the American MNE's "commitment to the sustainable development of Angola and the wellbeing of its people" (UNIDO, 2013), represent a promising example that illustrates the way in which the African IPAs – or any other institution – should work.

Another interesting set of tools that can be implemented (or reformed if already in existence) by the receiving country, either within the IPAs or outside them, is represented by the so-called "incentives for FDI". With this catching phrase, the academic literature usually refers to the incentives the countries provide to encourage foreign investors to invest in their economies, including tax holidays, lower taxes for foreign investors, financial incentives like grants and preferential loans to investors, and measures like market preferences, infrastructure, and sometimes monopoly rights, among others (Blomström & Kokko, 2003, p. 2). In the context of the present dissertation, it appears evident that incentives are potentially significant in increasing the inflows of FDI, as well as in changing (if any) or selecting the typology of it. The UNCTAD provides several indications of how the FDI incentives could be changed and promoted in this sense, through what it calls the "re-designing of investment incentives for SDGs" (UNCTAD, 2014, p. 171). The intellectual basis for this kind of shift is the assumption according to which incentives should "move from purely location-focused

(a tool to increase the [mere] competitiveness of a location) to more SDG-focused" (UNCTAD, 2014, p. 171); thus, a tool through which the country can target those investments that promote the development intended in these pages.

These kinds of re-orientated financial, fiscal or regulatory incentives can be of two types, as the eminent organization argues (UNCTAD, 2014, pp. 171-172): either targeted specifically at SDG/human development sectors, such as infrastructure, health, and education, or conditional upon the social (and environmental) performance of the investors. In this latter case, this kind of incentives can include performances requirements relating to location of facilities in disadvantaged regions, employment, training and so forth. In the latter case, these kinds of incentives can include performance requirements related to location of facilities in disadvantaged regions, employment, and training, among others. Although already an established reality as far as environment is concerned, many steps forward need to be taken for the social dimension to be additionally considered in this context. The positive feedback provided in the environmental field suggests that these incentives could also prove efficient in the remaining dimensions of (human) sustainable development. This is because they have the advantage of combining their innate attractive effect with a significant tool, namely that of targeting flows either directed to the sectors the social dimension of development is made of or in the mainstream sectors they usually go to, with an eye on their social impact.

Another noteworthy opportunity for countries to enhance their human development levels through FDI is provided by the economic upgrading in GVCs, namely the "moving to higher value activities to increase the benefits from participating in global production". The GVCs, in fact, have significant sustainability implications in terms of economic, social, and environmental SDGs (Fessehaie & Morris, 2018, p. 1), particularly in SDGs 1 (end poverty), 5 (gender equality), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 10 (reduced inequalities), 12 (responsible consumption and production), and 13 (climate action) (Fessehaie & Morris, 2018, p. 5). These benefits occur mainly "in the forms of learning, technology transfer, value addition, and employment" (Staritz, Plank, & Morris, 2016, p. 4), which, however, many

economies, particularly the developing ones, are not able to obtain. These countries tend to remain concentrated in low-value-added tasks with low entry barriers and decreasing economic returns; therefore, they eventually fall into a sort of "immiserising growth trap" (Fessehaie & Morris, 2018, p. 3) that does not allow them to establish the pathways for the socially sustainable growth that GVCs could offer (Fessehaie & Morris, 2018, p. vii).

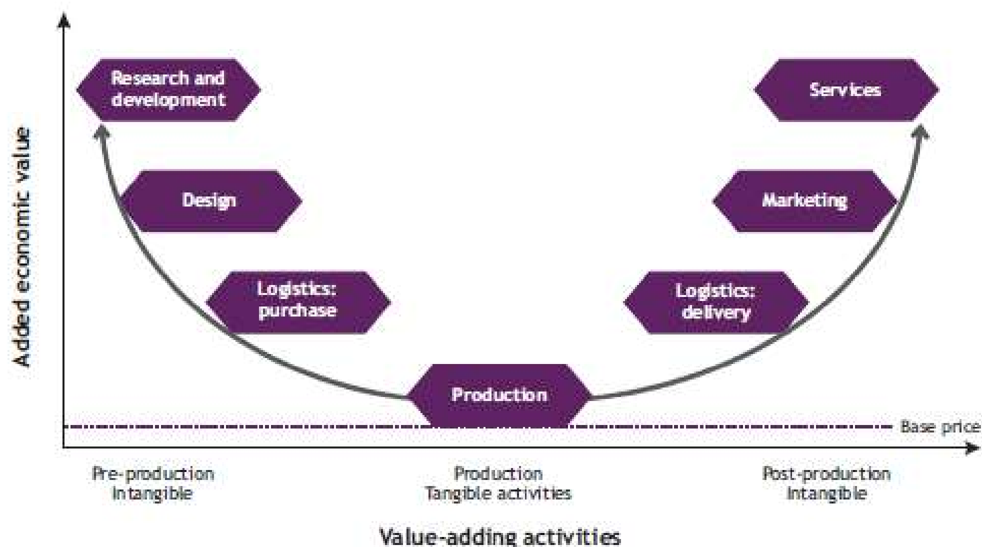

Figure 6 Value-adding curve and activities in the global value chains (source: Fessehaie & Morris, 2018, p. 3)

Global value chain upgrading, in particular, can occur in various forms and through different strategies, such as the following (Staritz, Plank, & Morris, 2016, p. 3):

- Process upgrading: the process through which improved technology and/or production systems lead to enhanced efficiency and flexibility;
- Product upgrading: the process through which more sophisticated and complex product lines are achieved;
- Supply chain upgrading: the establishment of domestic linkages, mostly backward linkages to input sectors;
- End market upgrading: the process through which new buyers and geographic or product markets are targeted;

- Functional upgrading: the process that leads to an increase in the range of functions to higher value tasks.

Despite appearing as processes that relapse somehow mostly in the investor's responsibility and choice, the determinant role policies can play in shaping GVC dynamics (Fessehaie & Morris, 2018, p. 27) explains the analysis of this phenomenon in the present section. In particular, the capability of the government to control the investor's access to inputs and markets and to determine the competitiveness of its local firms, and therefore to determine the establishment of linkages and knowledge and technological transfers, implies that a further effort on the part of the government must be made in this regard. In particular, the attraction of FDI must be complemented by a sort of a strategic approach that identifies lead firms and creates strong collaborations with them, as well as designs policies to promote know-how spillovers, technological transfers, and consequently GVC upgrading (Fessehaie & Morris, 2018, p. 27). This is with a strong awareness in mind, namely that:

> […] upgrading does not automatically result in sustainable and inclusive development. Concerted industrial development policy that builds domestic firm capabilities is necessary to ensure technology and knowledge spillover from FDI. Additionally, SMEs, smallholders, and women must receive targeted training and resources to ensure sustainable and long-term competitiveness. Environmental sustainability should be mainstreamed in policymaking to build competitiveness in any GVC. (Fessehaie & Morris, 2018, p. viii)

This is in addition to all of the kinds of policies the current dissertation is gradually revealing as crucial for the FDI-HDI relationship to work.

The upgrading in the GVC is the element of the first part of the host country's role that better allows for an introduction of the second, namely the creation of the enabling environment for FDI to impact human development. In fact, the capability of the country to target and attract specific investors with well-defined activities capable of upgrading the country's firms within the GVCs requires, as previously mentioned, the implementation of a set of policies and strategies that go beyond FDI and regard its

background – its "environment" – as noted in the aforementioned Fessehaie & Morris (2018) quotation.

The World Bank defines the "enabling environment" as a set of "location-specific factors that shape the opportunities and incentives for firms to invest productively, create jobs, and expand" (World Bank, 2004, p. 1), a definition that, together with the one provided by the UN, describes this environment as: by the UN, describes this environment as:

> …the legal, regulatory and political institutions which provide transparency, protection and stability to foreign (and domestic) investors; and social infrastructure, such as education, which increases the skills of the local workforce. (United Nations ESCAP, 2017, p. 55)

This recalls Nunnenkamp's (2002, p. 39) quotation, which argues that the strategies that can lead to the improvement of the attractiveness of the African countries intersect (and often correspond to) those that can create a favourable environment for FDI itself. Also in this context, the role played by the political determinants of FDI appears significantly representative, since there is no positive impact of FDI on the host country (as it is meant here) without good governance, good institutions, political stability and no corruption (for example, see: Lehnert, Benmamoun, & Zhao, 2013). The same applies to the other macroeconomic political determinants and to the economic determinants of FDI, since the elements that attract investors are the same elements that allow the host country to benefit from FDI – this is the case not only of trade and liberalization policies, but also of infrastructure development and human capital, three elements that have been mentioned here as fundamental for the impact of FDI on economic growth. In this sense, it must be noted that HDI and the human development concept go beyond GDP but do not go without it. As Sen argues, individual income and GDP both appear as fundamental "means to expanding the freedoms enjoyed by the members of society" (Sen, 1999, p. 3), insofar as they are appropriately directed and absorbed.

It seems appropriate to add, to the provided definitions an aspect that better fits with the definition of development this dissertations supports; the "enabling environment" is, therefore, the environment that not only allows investors to produce jobs, improve skills, and the like, but is primarily and more generally speaking the environment that

enables FDI to expand the range of opportunities the host country offers to the locals. In this sense, the establishment of an enabling environment for FDI to impact HDI requires an additional effort on the part of the government and, therefore, represents the most challenging aspect of the host country's role in this context: the establishment of policies, institutions, and so forth that are capable of increasing the benefits derived from foreign investments usually accounts for areas that often do not concern only and mostly FDI, and in which African countries likely need to direct the bulk of their efforts. Indeed, what differentiates this enabling environment from the policies that aim at "merely" increasing the proportions of human development-oriented FDI inflows is their scope: the enabling environment can be considered as the skeleton that promotes the social impact of FDI, as well as an environment that mixes political and macroeconomically favourable conditions with an agent force that effectively directs the attracted flows in a way that further implements these conditions in a sort of virtuous cycle. In short, attracting more FDI and more human development-oriented FDI (or even FDI of HDI-specific sectors) proves to be fruitless if the investments are not used in the proper way. Foreign direct investment necessitates "some kind of receptacle" and cannot be simply "implanted(Bardy, Drew, & Kennedy, 2012, p. 4).

In this regard, the academic literature on the issue recognizes at least four critical areas in which the host country can effectively improve its performances for a better use of the attracted FDI to be implemented. These areas are, in order from the most specific to the most generic, the institution of efficient public-private partnerships (PPPs), the development of a human development-oriented investment policy, the provision of a broader set of human-development-oriented policies, and the existence of a favourable political environment. The following pages analyse each of them individually.

Despite the varying interpretations provided by the relevant academic literature, PPPs can generally be defined as a set of long-term "cooperative institutional arrangements between public and private sector actors" (Hodge & Greve, 2007, p. 545). As the definition itself shows, the role of the PPPs in our context appears significantly important insofar they represent the key instrument through which (potentially enhanced) FDI and the positive social impact of this latter can dialogue and meet each other, or more

concretely speaking, the arena where foreign investors and host country can establish a positive collaboration in this sense. As the definition itself indicates, the role of PPPs in the present context appears significant, as they represent the key instrument through which (potentially enhanced) FDI and its positive social impact can dialogue and meet each other, or, more concretely speaking, the arena in which foreign investors and host countries can establish a positive collaboration in this regard. In fact, PPPs do not represent a new concept, and many governments, such as that of the USA, already turn to them when the conventional public resources are insufficient to finance specific projects, particularly infrastructure (i.e. transportation) and social infrastructure (on health and education) projects (UNCTAD, 2014, p. 167). Indeed, PPPs do not specifically concern FDI, but rather the general relationship between a country's public and private sectors, which also has indirect and interesting consequences as far as the FDI-HDI relationship is concerned. In fact, a reinforced partnership between the public and private sector introduces the possibility for the former to benefit from the steam of investments directed to the latter that, in turn, when reinforced by the establishment of the same PPPs, positively determines the attraction of further FDI. For example, in regard to FDI, three specific types of PPPs are worth mentioning: Concessions, Build-Operate-Transfer (BOT) projects, and Design-Build-Operate (DBO) projects (World Bank Group, 2018). These three PPPs, with their various nuances, "involve significant design and construction, as well as long term operations, for new build (greenfield) or projects involving significant refurbishment and extension (brownfield)" (World Bank Group, 2018), in which the role played by FDI is critical. In particular, through these PPPs, national governments provide a space for foreign investors to collaborate on infrastructural projects they would not able to finance and coordinate alone, with significant benefits in terms of infrastructure and, consequently, sustainable human development. It is for this reason that, in nearly all of the reports on FDI, the UN and its bodies recommend a broader use of PPPs as an important policy for African governments to undertake (see for example: UNCTAD, 2011, p. 26-27; UNCTAD, 2014, pp. 167-168) and, therefore, supports countries, through the UNDP organization, in their development and establishment (UNDP, 2015, p. 2).

The second element of this list is represented by the establishment of a human

development-oriented investment policy. The existence of a legal framework on investments that goes in the desired direction of the current dissertation, indeed, represents the main general enabling environment a country may provide for FDI to impact HDI. An SDG-oriented investment policy is not only a policy that provides the needed incentivization, support, and guidance for investors with the final objective of attracting FDI, nor a policy that targets specific investors that may concur on the social development of the country itself, but is rather a policy that chiefly ensures that the necessary attention and control is given to the investments. In this sense, it is a policy that should develop tools that assess, measure, and report foreign investments and their effective impact on the human development dimension, with eventual consequent bonuses or penalties; a policy that undertakes specific incentives for investments in the areas in which its economy needs them the most; and a policy that taps into the rising pool of both responsible investors and impact investors through specific efforts, undertaken for example at the IPAs' level or at the administrative level and includes, for example, the setting of rules and regulations for the promotion and regulation of investments geared towards the SDGs. At the latter level, as is analysed in greater detail in the relevant section, it calls for an evolution in the treaty-making practice that shifts the provisions in the investment agreements towards a more SDGs-oriented direction.

The establishment of a strategic investment policy cannot operate without a broader set of policies that go in the same direction and that, therefore, complement its efforts in the construction of the enabling environment. In FDI terms, countries have the duty to improve all of the elements that form the necessary background to investments that concretely impact the country – for example, creating specialized industrial clusters in specific locations, promoting links between foreign investors and domestic firms, conceding grants for the establishment of R&D facilities in the country, and fostering training and education efforts to upgrade local labour force, as Ireland, Singapore, and Taiwan's FDI positive experiences have demonstrated (Chudnovsky & López, 1999, p. 21-22). In this context, the UNCTAD again recognizes different policy options, not directly investment-related, for which implementation is expected to maximize the human development-oriented impact of investments (UNCTAD, 2014, p. 176), namely policies directed towards the maximization of the absorptive capacity of the economies

and policies focused on the minimization of the risks associated with investments.

In the first category, the UNCTAD places all of the policies capable of developing the local enterprises and their technologies "to enhance the ability of domestic firms to engage in and benefit from technology and skills dissemination" (UNCTAD, 2014, p. 177), in a word: their absorptive capacity. These policies include, among others (UNCTAD, 2014, pp. 177-179), the stimulation of entrepreneurship (including social entrepreneurship) through the creation of special business incubators; the encouragement of financial inclusiveness through public loans to small and medium-sized enterprises; the support to science and technological development; the establishment of appropriate intellectual property levels; the development of human resources and skills through further investments in these areas and/or granting work permits to skilled foreign workers to fertilize local expertise; the provision of business development services, such as services centres and capacity-building facilities; the establishment of enterprise clustering and a network that may determine collective efficiency; the stimulation of business linkages, encouraging domestic and foreign investors to develop inclusive business linkages; and the creation of pro-poor business linkage opportunities, such as through information dissemination.

In the second category, the UNCTAD additionally mentions the areas in which effective regulation is needed to minimize the risks associated with investments and to effectively seize the opportunities offered by FDI. These policy tools include labour policies and contract laws, human rights, migration policies, land tenure rights, safety regulations, prohibition of discrimination, and other environmentally oriented policies, such as pollution emission rules (UNCTAD, 2014, p. 180). But also the safeguarding of the inclusiveness of public services, in which appropriate standard setting is needed since "easing constraints for private investors in SDGs must not come at the price of poor quality of services"(UNCTAD, 2014, p. 179), and the balancing of the need for tax revenues with investment incentives. Indeed, these are the areas in which, without a strong regulation and government commitment, the room of manoeuvre for foreign investors is perilously wide and potentially disastrous, as the provided case study illustrates, and in which African governments are particularly lacking.

Finally, this last point directly relates to national politics at large, which deserves a separate mention. It has been stated indeed that, being part of the so-called determinants of FDI, good governance and capable and transparent institutions have a crucial influence both in the positive outcome of the FDI inflow promotion and even of the promotion of FDI directly targeting the main areas of human development. However, it is more appropriate to analyse these elements in regard to the establishment of the "environment" being analysed here. In fact, it is at the institutional/governmental level that both policies and regulations are decided, and it is the government and its decisions that concretely act as the agent force that attracts and directs FDI. In this sense, the necessity of capable and transparent institutions is fundamental and arguably unavoidable, in part because it is the government, with its bodies and arms, which can physically take the capital invested by foreign firms and canalize it within a larger and synergetic set of programmes and policy objectives that effectively promote improvements in key areas such as poverty reduction, economic growth, social development, equity, and so forth (UNCTAD, 2014, pp. 181-182). It is also because it is at the governmental/institutional level that the aforementioned stakeholder approach can effectively be promoted – when Sen mentions in his works that human development intends for people to "effectively shape their own destiny" (Sen, 1999, p. 11), he refers also to the necessity of giving a say to the people affected by these investments, to include them in the decision-making process that precedes the implementation of policies and regulations, and the establishment of treaties and partnerships, as well as in the evaluation process that follows that step. In this case, transparency refers to the existence of a fair consultative process able to establish an effective "close to the people" approach to development, which is the intellectual precondition of human development.

More generally, and to properly conclude this discussion on the possible actions that the host country should undertake in making its contribution regarding the social impact of FDI, it should be specified that it not always the case that the less developed countries, such as the African ones, are effectively aware or even capable (for financial or, again, intellectual motives) of what has been mentioned; sometimes, the lack of political will is a problem as well. This does not intend to cast shade or doubts on the effective

feasibility of these practices, but rather to strengthen the point made at the beginning of Part 2 of this dissertation: none of the involved actors is expected to work alone in this. On the one hand, this is what makes the shift in the FDI universe so difficult; on the other hand, this makes the literature on the issue generally confident and positive for the future, since, as the efforts needed for Africa to develop through FDI are required at three levels, if things at one level change, they would likely change at another level as well. In short, the roles of the international community and the investor are necessary in this thesis precisely to highlight that, although these recommended policies would likely be difficult to undertake at the national country level, the breath of new air can start “elsewhere” and bring its benefits to the other areas as well.

2.7 FDI and human development: the other actors’ role

It has previously been mentioned how the international organizations and international community at large could make their contributions in regard to the enhancement of human development through FDI. For example, in recognizing the importance of CSR strategies on the part of the investors, it has been acknowledged that the international community should improve both the quality and the quantity of its interventions in this sense. In fact, generally speaking, there is currently no single solution for the enhancement of human development through FDI, nor it is possible, at least in the scope of the present work, to name and define all other actors that could be involved or to recognize all of the constraints they should face. To recognize what could (and should) be done by the main subjects involved in the investment – the host country and the investor – is one thing; to define the playable roles of all the other actors – the other states, the international organizations, the NGOs, and so forth – is another. Therefore, it has been decided to present the UNCTAD’s “Action Plan for Private Sector Investment in SDGs” (UNCTAD, 2014) as a general (but accredited) overview of the various challenges and solutions the international community could provide for the main subject of this dissertation. However, before analysing them, it appears important to introduce two other elements related and linked to the Action Plan itself and that provide a more

complete background: the current regulatory framework on investment and the fundamental preconditional role played by foreign aid.

The study of the international community's role in FDI necessarily requires an introduction of the theme from an international law point of view. In this sense, the failed attempt to sign a Multilateral Agreement on Investment (MAI) and the traditional recourse to bilateral investment treaties (BITs) represent the most important and controversial elements. The international legal framework for FDI consists of international investment agreements (IIAs) between and among governments, investment contracts between foreign investors and host governments, and relevant agreements within the multilateral trading system – administered by the World Trade Organization (WTO) (United Nations ESCAP, 2017, p. 116). In short, the international law on investment is *de facto* constituted by BITs signed by countries and establishing the terms and the conditions for private investments between the two states (UNCTAD and SBI, 2004, p. 23), as well as by treaties with investment provisions (TIPs), which are free trade agreements containing specific chapters in areas that have implications for FDI (United Nations ESCAP, 2017, p. 116) but are not specifically focused on it. As for the latter, the IIAs indeed comprise TIPs, since "in the absence of a multilateral regulatory framework on investment, the international regulatory framework for trade also has [important] implications for investment" (United Nations ESCAP, 2017, p. 26). Examples of TIPs include, at the global level, the Agreement on Trade-Related Investment Measures (TRIMS), the General Agreement on Trade and Services (GATS), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), all specifically focused on trade but, nevertheless, containing provisions on FDI as well.

The OECD's attempts to negotiate an MAI represent the closest the international community has come to the adoption of a multilateral instrument in this sense. Indeed, in 1997, the OECD initiated negotiations between member and non-members states on the adoption of a multilateral agreement aimed at aligning the myriad rules for FDI disseminated in the various existing BITs, making them "irreversible by locking them into an international agreement" (Neumayer, 1999, p. 7). To this aim, the draft of the MAI was intended to promote FDI through stable and long-term rules and procedures to

ensure the protection of existing investments and to introduce an international mechanism for settling disputes with governments; it was also intended to include provisions on the principles of treatment, such as fair, national, and most favoured nation, on transparency of laws and procedures, on the free transfer of funds to and from host countries, and on public health and environment (UNCTAD and SBI, 2004, pp. 23-24). However, the negotiations were suspended in 1998, mainly due to substantial disagreements among the negotiating parties, particularly as themes such as national sovereignty, cultural protection, public health, and environment were concerned (UNCTAD and SBI, 2004, p. 23) against which the opposition of NGOs and trade unions was heavy as well (Neumayer, 1999, p. 10).

Therefore, today, there are 3,322 IIAs (2,946 BITs and 376 TIPs) currently in force around the world (UNCTAD, 2018b, p. 88), about which the UNCTAD's International Investment Agreements Navigator (which can be accessed through the UNCTAD's Investment Policy Hub at https://investmentpolicy.unctad.org) provides detailed overviews and analyses in real time. Despite being unique and varying in terms of clauses and provisions, nearly all BITs aim at the "protection of the investor's rights and reduction of investor uncertainty" (UNCTAD and SBI, 2004, p. 21) and contain some standardized components, such as some introductory definitions, national treatment and most-favoured-nation treatment concerning investments, freedom to transfer capital and profits, the right of ownership, including compensation in the case of expropriation and possibility of legal recourse, and international arbitration in the case of disputes (UNCTAD and SBI, 2004, p. 21).

Bilateral investment treaties, which today represent the most important component of the IIAs universe, are experiencing a revolution that is occurring across all regions of the world and that appears quite interesting in the context of this dissertation (and which involves TIPs as well): the inclusion of (human) sustainable development-oriented elements (UNCTAD, 2018b, p. 95), in conformity with the UNCTAD's Road Map on the reform of the international investment regime for more stakeholder-oriented IIAs (UNCTAD, 2015b, p. 120). According to the UNCTAD's plan of action, in fact, "investment policies (and IIAs) can no longer be designed in isolation, but need to be harmonized

with, and made conducive to, the broader goal of sustainable development" (UNCTAD, 2015b, p. 127) in the strong believe that "it is no longer enough that investment creates jobs, contributes to economic growth or generates foreign exchange" (UNCTAD, 2015b, p. 127). In this sense, the UN Agency has recognized five main reform challenges: "safeguarding the right to regulate for pursuing sustainable development objectives", "reforming investment dispute settlement", "promoting and facilitating investment", "enhancing system consistency", and finally, and perhaps the most important for this dissertation, "ensuring responsible investment". In this sense, most of the agreements concluded in 2017, in fact, "explicitly […] refer to the protection of health and safety, labour rights, the environment or sustainable development in their preambles" (UNCTAD, 2018b, p. 96), "require the home state to assist host states in the promotion and facilitation of investment through capacity building, insurance programmes or technological transfer" (i.e. the China-Hong Kong, China Investment Agreement), and oblige "investors to respect human rights of the people involved […] and to promote the building of local capacities and the development of human capital" (i.e. the intra-MERCOSUR Agreement) (UNCTAD, 2018b, p. 98). This is in full harmony with Sen's capabilities approach and the SDGs view.

Despite this promising evolution in the IIAs universe, some scholars are still wondering whether the establishment of a multilateral investment agreement would further increase possibilities for achieving enhanced human development outcomes (Malhotra, 2004, p. 717). The UN's ESCAP argues that "an investment framework agreement with modern disciplines is […] both necessary and overdue" (United Nations ESCAP, 2017, p. 117), particularly for developing countries that have less bargaining power than their economic partners (United Nations ESCAP, 2017, p. 127). Other scholars, such as Malhotra (2004, pp. 732-735), further claim that it can be assumed neither that a multilateral agreement would overcome unequal bargaining power nor that it would negate the need for BITs, since, in many other areas, the two types of agreements coexist. On the one hand, BITs have the advantage "to attract FDI selectively and to govern it effectively" (Malhotra, 2004, p. 735), mostly in light of each country's specific characteristics, which appears interesting as far as the enhancement of human development is concerned. On the other hand, an MAI, if well formulated – in other

words, if taking adequate care of countries' development, political, and social needs and concerns (Chudnovsky & López, 1999, p. 22) – and if ratified by a significant number of States (as the OECD's MAI was intended to be), would represent an important binding instrument. Whatever the route for the enhancement of human development through FDI from an international law perspective, which is difficult to assess when strong and convincing argumentations are provided by both those in favour and those against, the recent shift in the IIAs regime nonetheless appears noteworthy and gives hope for the future, regardless of the establishment of a multilateral agreement, which could likely be done in the future.

The second fundamental premise to the "Action Plan for Private Sector Investment in the SDGs", discussed below, is represented by foreign aid's role as a premise to FDI, which is worth analysing. In fact, the international community has some responsibility as far as the absorptive capacity of the involved host countries is concerned. The creation of the aforementoned enabling environment for FDI appears difficult, if not impossible, when there are not enough domestic resources to mobilize in this sense. Despite all of the different evaluations that could be done with respect to the main topic of the present dissertation, foreign aid comes into play precisely because the absorptive capacity of the host country is often not developed enough to enable it to benefit from FDI (Bardy, Drew, & Kennedy, 2012, p. 6), particularly in a way that is consistent with the principles of human development. In fact, when private capital proves insufficient in this sense, governments can (and often do) seek support through loans, either from financial institutions such as the World Bank, the International Monetary Fund (IMF), or other donor institutions with their own development programmes (Bardy, Drew, & Kennedy, 2012, p. 6), or from foreign countries inclined to provide funds with different reasons behind, which can be ethical interests (see for example: Lumsdaine, 1993), strategic foreign policy concerns (see: Maizels and Nissanke, 1984) or from foreign countries inclined to provide funds for different reasons, which can include ethical interests (see: Lumsdaine, 1993), strategic foreign policy concerns (see: Maizels and Nissanke, 1984) or, more simply, economic interests. In the form of both bilateral official development assistance and multilateral development assistance, and despite the different interpretations on the motives behind them, these funds are recognized as fundamental

for the significant "infrastructure effect" they prompt, which is able to improve both the economic and the social infrastructure of the receiving countries – the main elements behind the fundamental premise of both the absorptive capacity and the enabling environment for FDI.

Foreign aid represents an important precondition for FDI, particularly in a region such as Africa, in which these improvements are still needed. In recent decades, Africa has been experiencing what some scholars define as a "shift from aid to investment" (ISPI, 2018, p. 7), with FDI inflows currently exceeding foreign aid flows in its countries' balances of payment. This phenomenon appears promising insofar as it demonstrates both that the role played by the continent on the international stage is not non-influential, but quite the contrary (ISPI, 2018, p. 8), and that the macroeconomic improvements discussed at the beginning of this work have decreased the region's dependence on foreign funds. However, a reduced degree of dependence does not mean self-sustainment; moreover, with all the foreign aid received by the continent in recent years, Africa should be performing much better as far as FDI spillovers are concerned, which raises doubts on the quality of the flows received thus far.

In this sense, some considerations are necessary. First, it appears evident that all of the evidence provided for FDI in terms of allocation, motives, control, and the like appear valid as far as aid funds are concerned, since history is filled with examples of failures in this sense (e.g. Mexico in the 1980s). Far from being the main concern of this dissertation, the original analysis provided by William Easterly (Easterly, 2010) on the issue could prove useful for the present arguments. In short, the American economist argues that the one of the main reasons behind the historical inability of aid loans to effectively improve the receiving countries' macroeconomic conditions lies in the conditionality of these loans. He asserts that, in fact, the conditionality clauses behind the 1980s–1990s IMF and World Bank's loans (to cite the most influential example) potentially had the advantage of obliging the receiving country to adopt policies better focused on improving the economic and social conditions of the country itself – indeed, "adjustment with growth" was the most influential slogan of the 1980s. However, these adjustments were often formulated despite the specific economic characteristics of

each receiving country and were rarely doublechecked once the financial transition occurred, which indicated, on the one hand, the inability of the country to keep up with the required adjustments, and, on the other hand, the absence of any incentive to implement the required policies (Easterly, 2010, pp. 125-152). Moreover, even more serious but interesting for this research is that foreign aid was given despite the accountability and the transparency of the governments involved (Easterly, 2010, p. 137) and was calculated to fill the so-called "finance gap" of the country, or the difference between domestic savings and required investments (Easterly, 2010, p. 45). As for the former, the provision of foreign aid to irresponsible and corrupt governments leads to their misallocation and negates the potential benefits of the funds themselves; as for the latter, it has been proved that providing an amount of aid funds equal to the finance gap disincentivises the host government to save and to properly manage the financial resources received (Easterly, 2010, p. 54). However, foreign aid can prove effective in regard to the absorption of FDI, insofar as it truly enhances the country's situation. The amount of funds, the conditionalities behind them, the targeted countries and their governments, and the follow-up process after the transaction are all part of the crucial elements that must be evaluated by the international community – consisting of the international organizations and the other states – before undertaking a loan.

Finally, having established the regulatory framework currently in force and this last important premise of what follows, it is appropriate to present what the UNCTAD provides as one of the most complete and comprehensive reviews of the solutions that the international community could undertake for the purposes investigated in this dissertation. Before introducing this action plan, it is important to specify at least three significant elements: first, as can be easily gathered from the name – and as a corollary to what it has previously been highlighted in this sense – the UNCTAD's Action Plan includes FDI within a broader range of private international flows that can, together with other external sources of finance, complement public finances in realizing the SDGs (UNCTAD, 2014, p. 137). Since foreign aid has already been analysed in the previous paragraph, and since the World Investment Report itself recognizes FDI as the most stable and significant external source of finance (UNCTAD, 2014, pp. 148-149), it has been decided here to overlook the other sources of finance and analyse only the specific

potential contribution provided by FDI. Second, the Plan specifically concerns the SDGs, which, as previously illustrated, include human development concepts but are not limited to them. In this regard, it has been decided here to overlook the provided environmental aspects to better focus on what is more suitable for this dissertation. Third, despite the presence of further elements, the researcher has decided to present only the policies and solutions strictly related to the "other actors" of the international community – thus, neither those concerning the host country nor the investor – leaving the option for the reader to return to the other two respective sections for the latter.

The UNCTAD's Action Plan was developed with the objective of recognizing "how the contribution of the private sector to investment in the SDGs can be increased through a *concerted push* by the international community"(UNCTAD, 2014, pp. 138-139). It provides a holistic strategic framework built on the fundamental premise that the priority placed on the realization of the SDGs must "shift the global economy onto a more sustainable trajectory of a long-term growth and development" (UNCTAD, 2014, p. 136) in which the private sector (and therefore FDI) can make its contribution in many forms, including commitment to the SDGs, as well as transparency and accountability in honouring development in economic and social practices and the responsibility to avoid negative externalities in this sense (UNCTAD, 2014, p. 137). The UNCTAD argues that, since the formulation of the MDGs, there have been three challenges faced by all of the initiatives in this sense, namely how to mobilize funds – i.e. how to increase resources; how to channel these funds towards concrete SDG-oriented investment projects; and how to maximize these funds' impact while mitigating drawbacks (UNCTAD, 2014, pp. 138-139). To address these challenges, the Action Plan provides four "policy responses" made of a mix of both tried and tested and recently-emerged and untested solutions, which are far from representing a "magic-bullet" (UNCTAD, 2014, p. 185) but nevertheless appear worth exploring. These policy responses include:

- A CALL FOR LEADERSHIP: the process of increasing, mobilizing and strengthening FDI to realize the SDGs (and therefore human development) requires strong leadership at the global level. The previously mentioned *concrete push*, indeed, appears efficient only insofar as it can coordinate all the different actors' efforts in this sense. Global leadership should provide a clear direction and clear basic

principles of action to create a collective sense of direction and purpose; it needs to be capable of setting specific objectives and targets, of course coherent with the ethical vison behind the SDGs and human development concepts; it should build consensus among all the involved stakeholders, perhaps through the institution of a multi-stakeholder platform of discussion that can overcome the current dispersion due to the existence of different organizations and institutions; finally, it must ensure the inclusiveness of the process, providing support and technical assistance to the more vulnerable countries, such as the African ones (UNCTAD, 2014, pp. 150-153).

- MOBILIZATION: as mentioned, FDI already represents the largest source of external finance for developing countries and is somehow also the most promising and efficient, due to the technological, managerial, and technical know-how it coveys, which appears (potentially) significant as far as the realization of human development-related investment projects is concerned. However, as previously seen, both FDI and the other private sector funds are seldom invested in the latter kinds of projects, from which it follows that policy responses are needed in this sense. The UNCTAD identifies at least three policy solutions:
    - The creation of a "fertile soil for innovative financial approaches" (UNCTAD, 2014, p. 158), for example through the support of innovative instruments such as the so-called social impact bonds (UNCTAD, 2014, p. 158) that ensure a safer return to the investor but, at the same time, guarantee a clearly defined human development/social/SDG impact.
    - The building-up of an SDG-supportive financial system (in other words, the adaption of the current global financial architecture towards a new system) able to stimulate the SDG investment chain through the development of investment prices that internalize social costs and benefits such that the negative externalities are factored into the price signals that the direct investors receive; the promotion of reporting

initiatives; and the introduction of a system of rewards for those who undertake socially responsible investments.

- CHANNELLING: the allocation of the FDI is as important as or even more important than its mobilization. Despite mainly being a host country's specific duty (as seen), the international community as a whole can make its contribution as well, such as through promoting further regional cross-border cooperation in the SDGs with specific development agencies and authorities, or through creating dedicated units within the international organizations that promote technical assistance for the LDCs (UNCTAD, 2014, pp. 171-165-175).
- IMPACT: as for enhancing the SDG/human development impact of FDI, the "concerted push by the international community" is part of the broader effort to maximize sustainable development both by the host countries, which must enhance their absorptive capacity in this sense, and by the investors, which promote CSR and impact investments. The international community's purpose may consist in:
    - The ensuring of coherence in the international policymaking of policy areas that go beyond the FDI itself, but which appear relevant for the investment, such as labour market and contract laws or safety regulations. The consistency of these policymaking areas across countries appears imperative for ensuring the sustainability and human development impact of FDI. For example, numerous already-existing conventions and principles on these issues provide crucial guidance on how to design and improve the domestic regulatory frameworks. The international community has the duty to promote their respect and application on the national scale (UNCTAD, 2014, p. 180).
    - The implementation of impact assessment systems that, through the monitoring of the investment's impact along social dimensions, can effectively ensure its beneficial effects. This can be done through either the development of a common set of SDG impact indicators or requiring reports from the private investors on their social performances (as

mentioned in the previous section). As for the latter, a useful example to follow is provided by the EU's Directive 2014/95/EU, which "requires large companies to disclose certain information on the way they operate and manage social and environmental challenges", which "helps investors, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business" (European Commission, 2019b)

In conclusion, it may be argued that the international community can follow different trajectories to play its part in the discussed issue; many other ideas, perhaps even better than those discussed, could be added to all of the suggestions provided here. What is important to note from this lengthy list of potential solutions is that, certainly, *something* should be done. The international community needs to modify its architecture in this sense. International investment agreements must take on a more human development perspective if an MAI focused on this is not going to be built; foreign aid should be promoted in such a way that LDCs can effectively benefit from it to enhance their performances; the NGOs, the international institutions, the other states, the regional institutions, and so forth should, as a framework, create the conditions for the main actors concerned in the investment to perform in the desired way. This is rooted in the strong belief that only a synergetic effort that involves the whole international community can and will make what now seems a utopia, a reality.

Foreign direct investment and human development: an overview table

1) **Investor's role:**
    - The undertaking of corporate social responsibility (CSR) and the related socially responsible investments (SRI), or of
    - Impact investing;
    - Direct Investments in education and health.

Host country's role:

- The enhancement of the attraction of SDGs-related FDI through:
    - Policies at the regional level: regional integration and infrastructure cooperation;
    - Policies at the national level: improvement of political determinants;
    - An improved role of IPAs;
    - SDGs-oriented incentives;
    - The upgrading in the GVCs.

- The establishment of an enabling environment for FDI to impact HDI through:
    - Efficient PPPs;
    - A reformed investment policy;
    - Appropriate non-FDI-directed policies and regulations;
    - Good governance and transparent institution reforms.

2) **International community's role:**
    - IIAs: introduction of SDGs-oriented provisions in BITs and TIPs;
    - Foreign aid: not indiscriminately provided;
    - Efforts towards a concrete push in:
        - The establishment of a global leadership (discussion forums, etc.);
        - Mobilization of FDI from specific investors;
        - Channelling of FDI in needed areas;
        - Enhancement of the social impact of FDI.

2.8 Lessons learned: an FDI-HDI diagram

All of the provided analyses and the related overview table appear rather discursive, a characteristic that accounts for the complexity of the theme itself but, at the same time, makes the topic less immediately understandable, which does not suitably fit with economics. In a sense, there is a lack of immediacy and ability to quickly obtain an idea of the overall situation that both measures such as the FDI inflows or stocks and indices such as the HDI carry. The necessity to somehow measure the degree of probability for the FDI-HDI relation to work positively is the reason behind the attempt here to present a sort of diagnostic diagram, a diagram in which the country's and the investors' efforts to implement virtuous and human development-oriented behaviours can be evaluated and, if necessary, improved. This is only a first attempt, and further improvements on the same diagram are urged and desired. However, the simple idea of trying to give substance to all of the presented studies represents an original perspective that has at least two advantages: first, it allows policymakers, scholars, and anyone else interested in it to collocate a selected country within a well-defined scale that suggests where the country is in relation to all the possible measures and manoeuvres that potentially benefit the FDI-HDI relation; second, and perhaps most importantly, it suggests to these same actors in which direction the country itself (or the investors) should proceed in order to improve the aforementioned relation. In a sense, just like HDI as an indicator shows where the country is better and worse performing and, therefore, what could be done in human development terms to see the indicator improving, the same could be done by this diagram – which may also represent the first step towards the introduction of an indicator or a numerical reference that quickly assesses the probability of the FDI-HDI link's success.

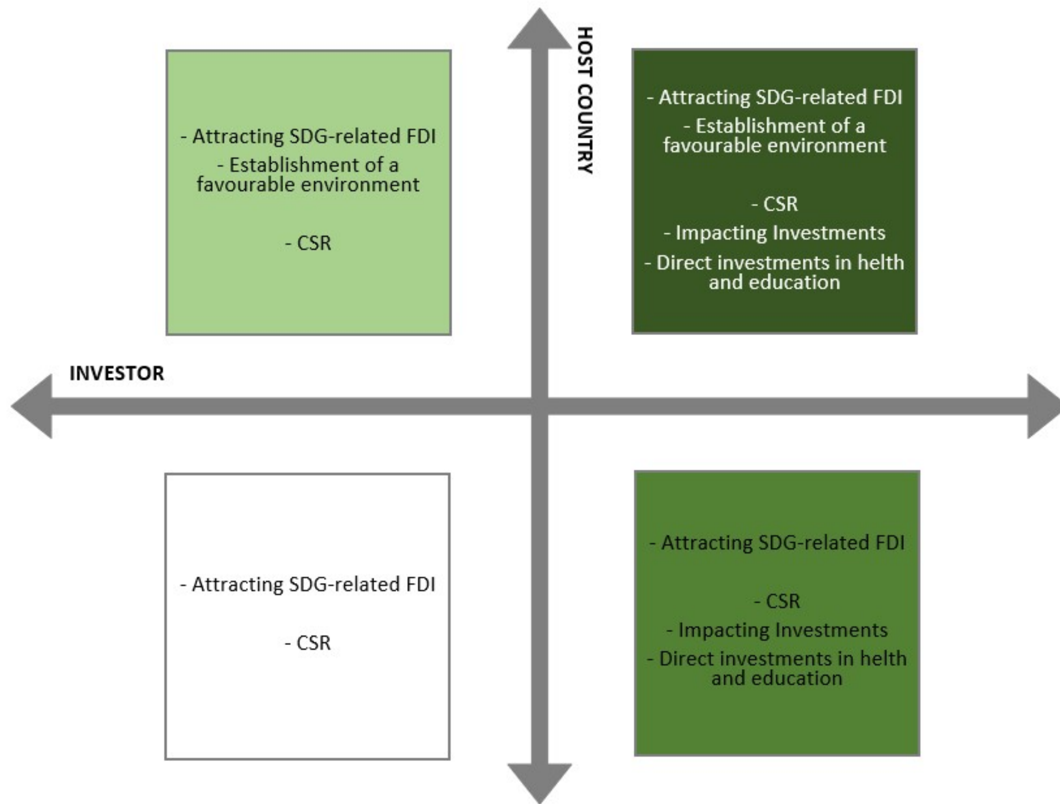

Figure 7 FDI-HDI Diagram (source: original)

As is clear, the axes respectively represent the investor and the host country – the two main actors involved in this context. As previously explained, the international community's role in the process, despite being fundamental, appears rather difficult both to evaluate and to influence, which explains the decision to set it aside at the moment. Further analyses and studies are expected to complete the picture in this sense, introducing the international community into the diagram, with all its different actors and areas of action.

On the investor's role axis, **CSR-SRI**, **impact investing**, and **direct investments in health and education** represent, in this precise order of importance, the three evaluated elements. On the host country's axis, the **attraction of SDG-oriented FDI** and the **establishment of a favourable environment for FDI** to impact human development represent, in order of importance, the analysed elements. The intersection of the two

axes creates the provided four-quadrant diagram, in which the intensity of the green colour accounts for the growing probability that the FDI positively impacts the sustainable human development dimension, which is near zero in the white quadrant and maximized in the dark green quadrant.

Proceeding from the clearest quadrant to the darkest, first, in the white quadrant on the lower left, **CSR-SRI** and **the attraction of SDG-oriented FDI** are the only established elements. Here, the probability of a positive outcome in the FDI-HDI relation is the lowest, since the investor confines itself to non-negative behaviours and the country limits itself to attracting SDG-oriented FDI, without focusing on its impact. Second, in the light-green quadrant on the lower right**, the attraction of SDG-oriented FDI** remains the only element on the host country's part, but it is coupled with the entire range of positive investor behaviours: **CSR-SRI**, **impact investing**, and **direct investments in health and education**. Here, the probability of a positive outcome from the FDI-HDI relation is higher than before, since the investor considers the positive impact of its investments, but is still low, being that the contribution of the host country remains limited. Third, in the green quadrant on the upper left, the host country does not only **attract the needed investments** but also provides **the needed environment** for these investments to positively influence the country itself. Here, the role played by the investor is again limited to the non-interfering **CSR-SRI**, which makes this quadrant the exact opposite of the analysed light-green quadrant. However, the likelihood of this combination of behaviours to impact HDI appears higher than in the previous quadrant. In fact, as previously mentioned, the host country seems to have more responsibility as far as the enhancement of the FDI-HDI relation is concerned, since a potentially positive investment requires proper allocation and management, which a country that is interested only in the attraction of the investment cannot ensure. Finally, in the dark-green quadrant on the upper right, **all the desirable practices** analysed in the previous pages are put into practice: here, the probability for the HDI-FDI relation to be positive is the highest.

Once having recognized which practices are implemented in a selected country, it becomes easy to place it in one of the quadrants and obtain both an idea of the degree of the possibility of human development to improve though FDI and of what kind of

measures should be taken to shift from one quadrant to a better one. It appears evident that a scheme like this represents an oversimplification of a much more complex and variegated reality, but it has the advantage of providing a clear and general idea of the status of the selected country (and its investors) and of being the first step towards the identification of the right moves to make with the anticipation of improving things. In a sense, the road is still long, but the direction has been casted.

PART 3 – FDI IN AFRICA: ARE WE PROCEEDING IN THE DESIRED DIRECTION? ETHIOPIA'S CASE-STUDY

3.1 FDI and human development: an empirical analysis

Having provided some suggestions on how things should be established to improve human development through FDI, particularly in some of the poorest regions of the world, it could be interesting to investigate from an empirical standpoint whether things are proceeding in this direction. This is therefore the aim of the following pages, in which, after introducing the literature review on the issue, a case study is provided. The decision to analyse an example appears useful, as it provides substance to the previously introduced arguments. In a sense, it aims at paving the way for and incentivising further research on the theme. In fact, the following pages and the literature on which they are based attest to the under-development of this strand of studies. Indeed, in trying to understand whether Ethiopia, which is the selected case study, indeed benefits from foreign inflows of FDI in trying to reconstruct to what extent the country itself and the investors (particularly from China) are acting in the desired way, and in trying to formulate some recommendations or considerations for the future, no paper nor book specifically focused on the theme has been used, since none has been found. This, on the one hand, explains the incompleteness of the information provided; on the other hand, and perhaps more importantly, it leaves room for further research by the future generations of academics and scholars.

3.2 Literature review

As previously stated, the academic literature on the FDI-HDI relation is poor, a situation that is reflected in the lack of empirical studies on the issue. Some scholars, such as Henisz (2009); Sun (2009); Letnes (2002); De Kumar and Pal (2011); and Klein, Aaron and Hadjimichael (2001) have studied the impact of FDI on a country's wellbeing, albeit either from a general point of view or focusing on different aspects of the issues. None have specifically drawn a connection between the two indicators (e.g. Letnes [2002]

studied the relationship between human rights and FDI, Klein *et al.* (2001) analysed FDI's impact on poverty reduction, and De Kumar and Pal (2011) included FDI among other "dimensions of globalization" and studied their impact both on economic growth and HDI). Although noteworthy, these studies have not addressed the main concern of this dissertation, nor have they used the same approach chosen here.

Alongside these studies, there is, nevertheless, a meagre but important body of research that also relates FDI and HDI from an empirical point of view, although mostly focusing on a specific geographical area or country. Most of these studies belong to the scholars mentioned and analysed in the previous chapter, namely those that have broken with the past and focused, for the first time ever, on the FDI-HDI relation, going beyond the mere economic aspect of the matter. The previously mentioned study by Sharma and Gani (2004), for example, represents the most significant example in this context and is likely also the only one not focused in a single area – the two academics, indeed, observed the positive effect on human development brought by FDI in worldwide countries from the low and middle-income categories (so, respectively, with a GDP per capita of US $785 or less and between US $785 and US $9,655). To do this, they performed a regression in which FDI net inflows as a percentage of GDP and HDI were respectively the independent and dependent variables, and in which several other variables potentially influencing human development were taken into consideration as well, namely economic growth, misery, and conflict. For both categories of countries, in which the coefficients of determination appeared quite high (0.87 for middle-income and 0.79 for low-income countries), the coefficient of FDI was positive, although statistically insignificant, which suggested that "FDI are associated with slight improvements in human development" (Sharma & Gani, 2004, p. 12).

Reiter & Steensma's (2010) sample, then, consisted of a panel data of 49 developing countries over the period of 1980–2005. The impact of FDI on HDI was estimated by a regression method in which the improvement in human development, improvement in life expectancy, and improvement in adult literacy (calculated from the adult illiteracy rate provided by the UNESCO data set) were the dependent variables; FDI inward flows, restricted sectors for foreign investors (namely the policy variables that reflect state

control over determined FDI), foreign investor discrimination (the treatment of foreign investors relative to domestic investors), and corruption were the independent variables; and foreign aid was the control variable. The results suggested that "when constraints are put on foreign investors, a country is more likely to see improvements in human development" (Reiter & Steensma, 2010, p. 1690), which confirms the considerations discussed here.

The work by Caetano and Galego (2009)in contrast, represents a study that focuses on a specific geographical area and is one of the few studies that specifically focus on Africa as a case-study region. Further, through a regression in which, for the 2000–2006 period, the UNCTAD inward FDI performance index was selected as an independent variable to measure FDI, and the UNDP's HDI as the dependent variable, they analysed the FDI-HDI relationship in the region. Along with these two main measures, they selected some relevant control variables of varying nature, namely the GDP growth rate, the degree of market openness (measured as the ratio between net exports and GDP), the legal framework, and the degree of stability, and selected a range of low and middle-income African countries. The results of the study revealed that the FDI inflows in the selected period positively contributed to improvement in the HDI levels (Caetano & Galego, 2009).

The study by Gökmenoğlu and Taşpınar (2018), in contrast, represented part of all the other studies on the issue that focus on a single country, in this case Nigeria. Here the long-term impact of FDI on the several dimensions of human development (life expectancy at birth, school enrolment, and gross national income [GNI]) for the period from 1972–2013 was analysed though three different methods: the Johansen (1988) co-integration test, the dynamic ordinary least squares (DOLS) for long-run coefficient estimations, and the Toda-Yamamoto (1995) long-run causality test (Gökmenoğlu & Taşpınar, 2018, p. 3). In particular, the Johansen (1988) co-integration test confirmed "the long-run equilibrium relationship" between FDI and the HDI dimensions; the DOLS approach demonstrated that FDI had an inelastic and statistically significant impact on all the HDI dimensions, which, however, appeared negative for life expectancy at birth (a 1% increase in FDI inflows decreased the life expectancy at birth in the country) but

positive both for school enrolment (an increase of 1% for FDI meant an increase of 0.829% in school enrolment in Nigeria) and GNI (a 1% increase in FDI meant a 0.851% increase in GNI); and, finally, the directions of the long-run relationship between the variables were estimated by the Toda-Yamamoto (1995) causality test, which revealed the existence of a bidirectional relationship between life expectancy at birth and FDI, a unidirectional relationship between FDI and GNI, and no relation between FDI and school enrolment (Gökmenoğlu & Taşpınar, 2018, pp. 6-8). The data provided by these empirical studies appear quite interesting for the present dissertation. Indeed, as the scholars stated at the end of their work:

> The striking message our empirical findings convey is that the effect of FDI on the HDI is a complicated issue, so to obtain optimum results policy-makers should be aware of and take into account the pros and cons of FDI inflows on several aspects of human development. […] This finding puts forwards the idea that FDI is not a black or white process […].Even though data of Nigeria is employed in our analysis, we believe that our findings could serve as a guide for other developing countries policymakers to develop better policies to attract FDI without letting people suffer from the possible negative consequences of FDI. (Gökmenoğlu & Taşpınar, 2018, p. 9)

3.3 FDI in Ethiopia: an overview

With a per capita income of $783, Ethiopia is one of the poorest countries, not only in Africa but in the world as a whole (World Bank, 2019b). Its vulnerability to economic and environmental shocks, low levels of human assets, and fragile infrastructure has earned the country its place in the UN list of Least Developed Countries since 1971 (UNCDP, 2019). However, despite these worrying general data, there is every indication that the government's ambition to drive Ethiopia to become a middle-income country by 2025 (Cheru, Cramer, & Oqubay, 2019, p. 12) is realistic. The country has indeed recently emerged as "one of the fastest-growing economies in the world" (Cheru, Cramer, & Oqubay, 2019, p. 3), capable not only of experiencing an impressive GDP growth in the last decade, but also of human development improvement and significant poverty

reduction (UNDP, 2018a, p. v), which has earned the country the nickname of “Africa’s lion” (Hauge, 2019, p. 1). As is further discussed in the following sections, these enhancements were possible due to heavy investments both in economic and social infrastructure, pro-poor activities such as education, health, and food security (Cheru, Cramer, & Oqubay, 2019, p. 10), and, foremost, the implementation of a set of specific policies and strategies, such as the Growth and Transformation Plans (GTP) I (from 2010/2011 to 2014/2015) and II (from 2015/2016 to 2019/2020), aimed at boosting the country’s growth through an ambitious process of industrialization (UNDP, 2018a, p. 58). In a country that still depends mostly on agriculture, which is the dominant economic activity and the sector that accounts for the highest share of Ethiopia’s GDP (with a significant 41% - 2016 data) and 90% of its export earnings (Chakrabarty, 2016, p. 226), industrial development has been identified as the priority, in the strong belief that “industrialization is absolutely decisive for sustainable development and the country’s renaissance” (Federal Democratic Republic of Ethiopia, 2016, p. 31).

Leaving aside, for the moment, the “sustainable developmental” part, the perhaps most noteworthy aspect of the industrialization process in the context of this dissertation is represented by the policy linked to it. In fact, unlike many other countries of the same region, Ethiopia has adopted “an active, state-driven industrial policy aimed at incentivising exports, attracting lead firms and foreign direct investment […], supporting local firms, and creating local linkages to promote priority sectors as apparel and textiles” (Staritz, Plank, & Morris, 2016, p. 1). Foreign direct investment, in this sense, has come to be seen “as a primary channel for accessing global markets, capital, technology and skills” (Staritz, Plank, & Morris, 2016, p. 12) and, together with export, has been identified as the main driving-force for the establishment of the desired economic transition. The shift towards FDI-oriented policies has been translated into a continuous and impressive increase in FDI inflows that, despite the ups and downs mainly due to the global financial crisis of 2008 and the war with Eritrea in 1998–2000 (Yimer, 2017, p. 125), has seen a general positive increase of FDI inflows in the country, from a mere US $12 million in 1990, to US $135 million in 2000, up to US $3,586 million in 2017 (UNCTAD, 2019d). This makes Ethiopia currently the second largest recipient of

FDI in its continent (second only to Egypt), alone absorbing nearly half of the amount of FDI received by Africa – despite being its eight economy (UNCTAD, 2018b, p. 41).

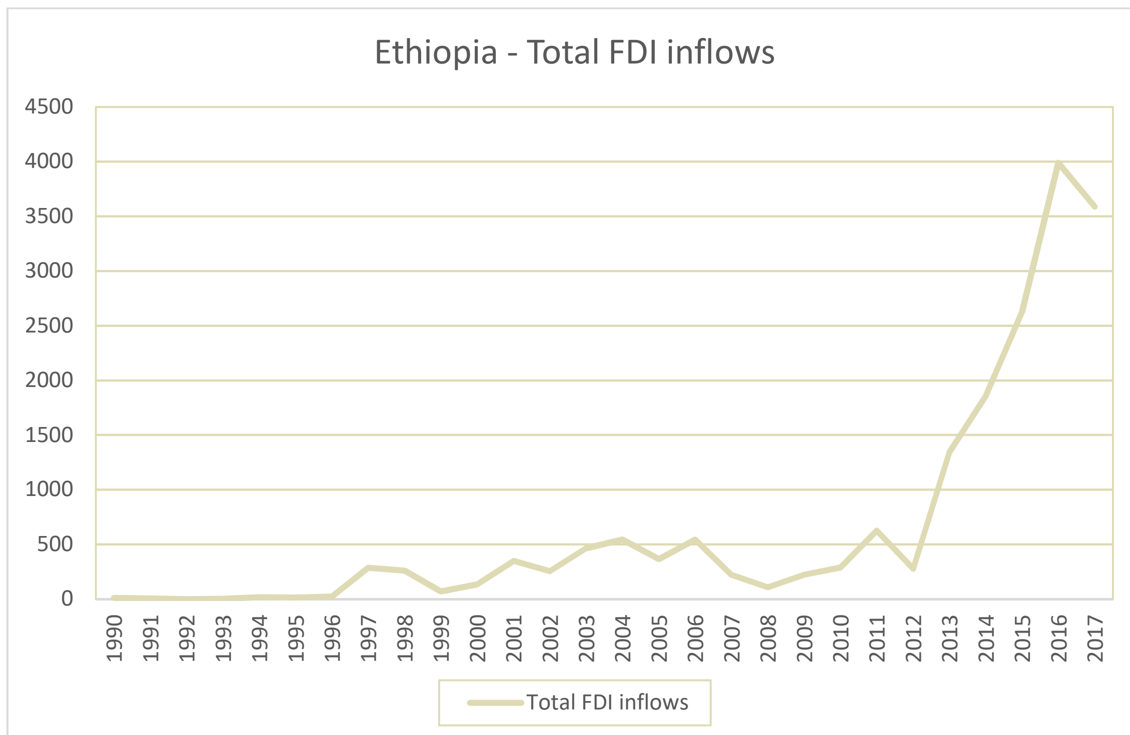

Figure 8 FDI inflows in Ethiopia, 1990-2017 – measured in millions of dollars (elaborated on: UNCTAD, 2019d)

Despite a sharp decline in 2017 (-3%), which, however, is in line with the rest of the world's trend as previously analysed, further FDI projects have been announced in the country, which indicates that the data for 2018 and 2019 will likely reveal a new upswing in the amount of FDI received by the country. These announcements include the United States fashion supplier PVH (Tommy Hilfiger and Calvin Klein), the Chinese Jiangsu Sunshine Group (Armani and Hugo Boss), and the Dubai-based Velocity Apparelz Company (Levi's and Zara), which all established their factories in the country during 2017 (UNCTAD, 2018b, p. 41) and are expected to invest strongly in the country. The Coca-Cola Company "is planning to set up a USD 70 million new factory in Ethiopia […] to expand its outlay and promote Ethiopia as a destination for other potential foreign investors" and is "also planning to invest USD 300 million in the country in the coming five years" (Ethiopian Investment Commission, 2019), and, and more generally speaking, Chinese and Turkish firms have announced investments in automotive and, mainly, in light manufacturing (UNCTAD, 2018b, p. 41) for the following years.

These last sentences alone warrant taking a step back and exploring the phenomenon more thoroughly. In fact, Saudi Arabia, Turkey, the United States, and China represent, together with India, Sudan, and the UK, the most important countries of origin of FDI flows; in addition, light manufacturing embodies the economic sector on which the Ethiopian government is currently focusing for the implementation of the aforementioned export and FDI-led industrialization process. **Figure 9** depicts the composition of investors in Ethiopia, as reported by the American Media Institute, which in turn derives its data from Ethiopian investment Commission, currently unavailable at *www.investethiopia.gov.et* due to technical problems; **Figure 10**, then, illustrates the sectors preferred by foreign investors in the country, as reported by Legese (2018, p. 41), who again used data from the same Ethiopian Investment Commission's official website.

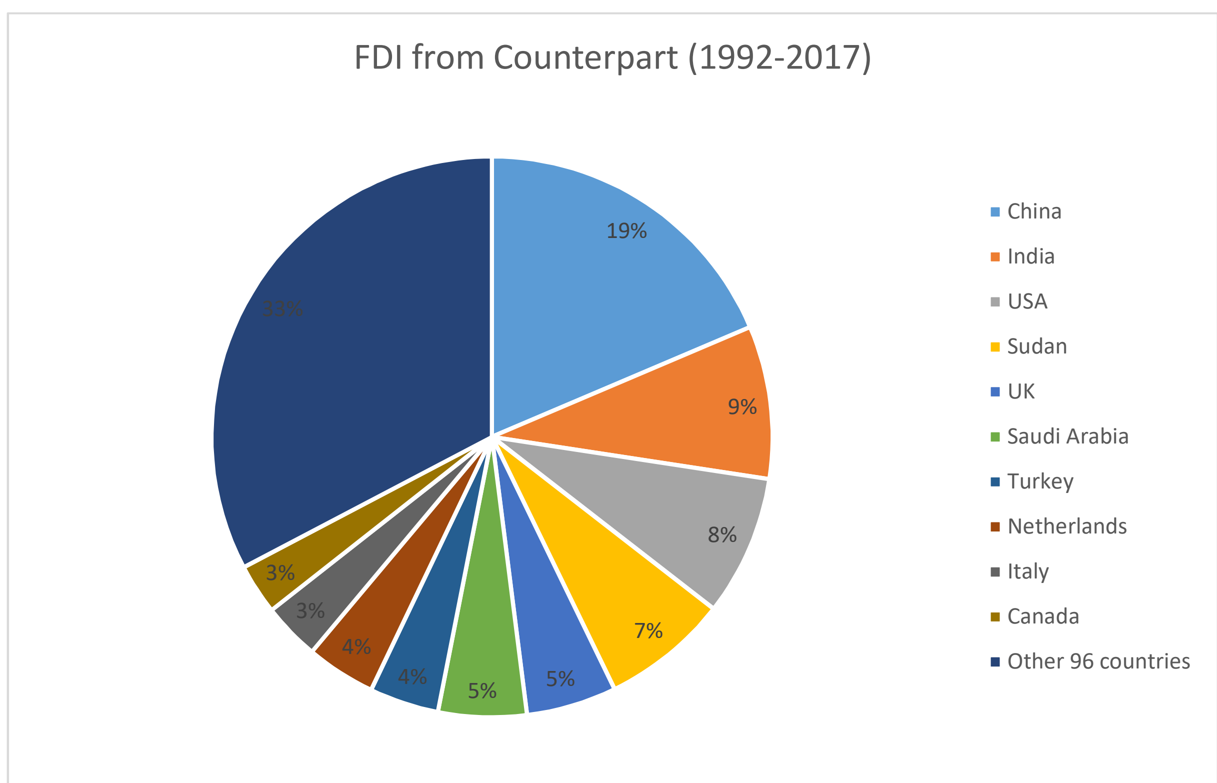

Figure 9 FDI projects in Ethiopia by counterpart – 1992-2017 period
(elaborated on: Ethiopian Investment Commission, as reported by American Media Institute, 2018)

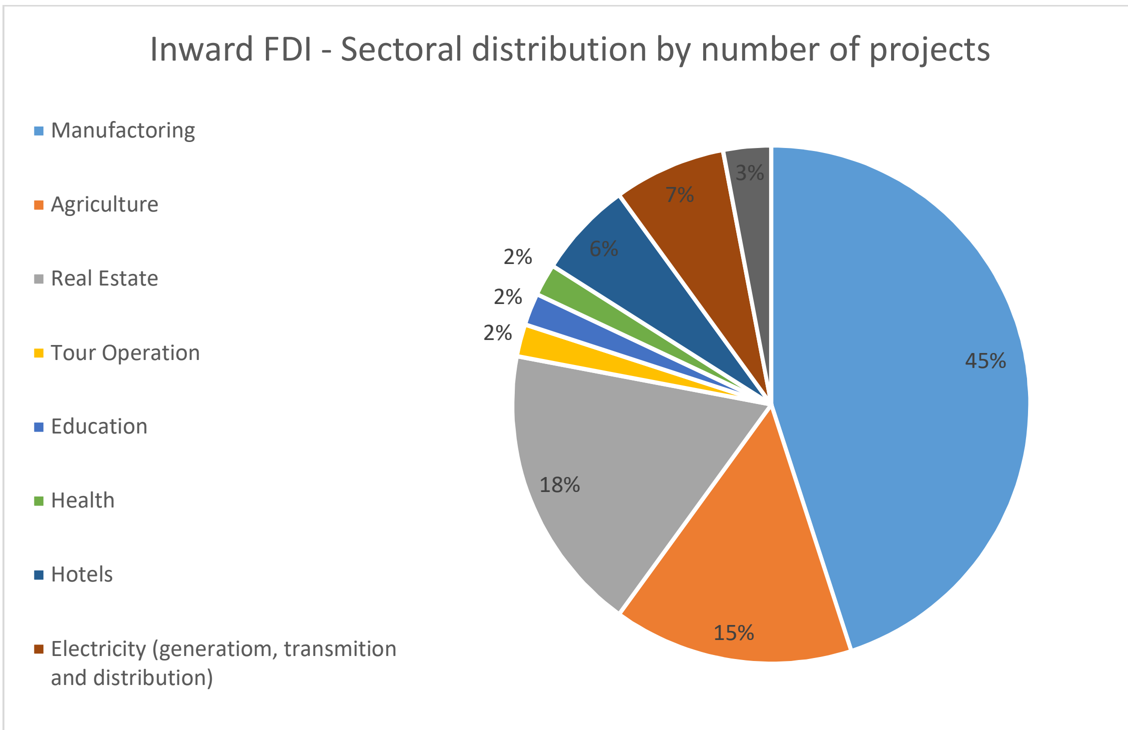

Figure 10 Inward FDI inflows in Ethiopia - sectoral distribution by number of projects, 1992 – 2017 (elaborated on: Ethiopian Investment Commission, as reported by Legese, 2018, p. 41)

As previously stated, the attraction of FDI into the manufacturing sector, especially in the leather and textile industries, is "one of the most important aspects of Ethiopia's industrial policy" (Hauge, 2019, pp. 1-2), on which the country has decided to base its economic renaissance. The sector, in fact, had emerged as the leading industry sector approximately 15 years ago, when "the government identified apparel as an industry that a number of other poor countries had entered because of strong global demand for inexpensive clothes, the relatively modest cost of setting up garment factories, and the abundance of low-skilled jobs the industry could create" (Barrett & Baumann-Pauly, 2019, p. 7) and decided to focus on it.

With the ambitious plan of kick-starting its manufacturing sector (Nicolas, 2017, p. 11) and boosting industrialization through FDI, the Ethiopian government has undertaken a variety of FDI-oriented industrial policies that are not limited to the establishment of financial incentives aimed at attracting further FDI (such as tax exemption, exemption from duties and other taxes on imports of capital equipment and raw materials,

guaranteed remittance of capital for foreign investors, and subsidised land and leases) or other similar measures (such as favourable access to infrastructures like rail transport). Rather, they also cover other important policies, like the expansion of the range of supporting governmental agencies designed to more efficiently prioritize industries (one above all, the Ethiopian Investment Authority, today called the Ethiopian Investment Commission), the establishment of state-owned banks (the Development Bank of Ethiopia and the Commercial Bank of Ethiopia) that provide credit to prioritized industries, and, most notably, the launching of an ambitious Industrial Park development programme (Hauge, 2019, pp. 6-7).

Identified by the UNIDO as one of the most effective and efficient instruments to stimulate a country's innovation and growth (Zhang, et al., 2018, pp. 3-4), the industrial parks (IP), or industrial zones/areas, can be defined as "geographically delimited areas that are administrated by a single body and aim to overcome investment barriers at the national level by offering services, infrastructures, and incentives for business that locate and operate within the site" (Nicolas, 2017, p. 11). The promotion of industrialization through the establishment of IPs is not new in economic history – indeed, China is one of the most representative examples in this sense – and actually represents a sort of global trend among the developing countries (Zhang, et al., 2018, p. 2). As the UNIDO Working Paper on the industrial park development in Ethiopia argues, the potentiality of IPs depends on the following:

> By attracting labor and capital-intensive domestic and foreign investment in manufacturing and service industries, industrial parks can not only increase job opportunities, wages and skills of local workers. Furthermore, they can also establish links to global value chains through participating in international competition, and making full use of comparative advantages to promote the upgrading of industrial structure, and constantly improve the country's position in the international division of labor. (Zhang, et al., 2018, p. 2)

The outcome of the ambitious program is, today (2019), the presence of 13 operational IPs and the construction of many others. In accordance with the Industrial Parks proclamation 886/2015, six of those already operational IP are fully developed by the

federal or regional government, while five are private and foreign-owned, the majority of those being under construction, which alone attests to the appeal that the establishment of these dedicated industrial areas has having on foreign investors. In common, both for private-owned and government-owned IP, the main industry on which they focus is garment and leather (Ethiopian Investment Commission, 2019; Zhang, et al., 2018, pp. 19-22).

No	Name	Location	Main Industry	Size
1	Bole Lemi Industrial Park	Addis Ababa	Garment	157ha
2	Hawassa Industrial Park	SNNPR	Garment	400ha
3	Mekelle Industrial Park	Tigray	Garment	1000ha
4	Kombolcha Industrial Park	Amhara	Garment	750ha
5	Jima Industrial Park	Oromia	Garment	1000ha
6	Adama Indistrial Parl	Oromia	Assembling, garment, food	2000ha

Table 3 Operational Federal developed parks
(elaborated on: Ethiopian Investment Commission, 2019; Zhang, et al., 2018, pp. 19-22)

No	Name	Location	Main Industry	Nationality of the owner	Size
1	Eastern Industrial Zone	Oromia	Various	Chinese	500ha
2	Huajian Light Industry City (Partially operational)	Addis Ababa	Shoes, garment	Chinese	138ha
3	Georg Shoe industry Park	Oromia	Garment	Taiwanese	50ha
4	Vogue Industrial Park	Oromia	Garment	U.S.A.	175ha
5	DBL Industrial Park	Mekelle	Garment	Bangladeshi	80ha

Table 4 Operational Private parks
(elaborated on: Ethiopian Investment Commission, 2019; Zhang, et al., 2018, pp. 19-22)

While a more general industrialization process represents perhaps the main premise and explanation for the striking rise of FDI inflows in Ethiopia, it does not mean that this is the only explanation behind the phenomenon, or, in other words, the only driving force behind it. In fact, the increased openness to FDI also forms part of a more general structural adjustment policy of market liberalization – supported by the World Bank and the IMF – that, since 1991, has moved the country from a command system towards a

free market system (Yimer, 2017, p. 125). This liberalization process is, indeed, also the first explanatory factor behind the aforementioned incredible economic performance that the country has experienced in recent decades and that has earned Ethiopia the nickname of “Africa’s Lion” – a reference to the more well-known “Asian Tigers”. Better economic performance and an enlarged market size can fully be attributed to what is referred to here as the economic determinants of FDI (analysed in the first chapter on pp. 7-8), factors that have played and are currently playing a determinant role in the creation of the favourable conditions for investments to enter into the country.

The whole picture is particularly complex and warrants a separate chapter, but it is worth mentioning further aspects, namely those that are succeeding in making Ethiopia an attractive destination country for international investors. First, alongside GDP growth and enhanced economic freedom, membership in regional integrated markets such as the Common Market for Eastern and Southern Africa (UNCTAD, 2018a, p. 6) and a significant process of urbanization that has increased the percentage of the urban population from 12% in 1990 to 20% in 2017 (World Bank, 2019a), represent the most influential improved “market characteristics” that complete the picture of a stable and well-performing economy. Second, both due to its large deposits of, among others, gold, platinum, and coal (UNCTAD, 2018a, p. 6) and due to having one of the largest (growing at the rapid rate of 2.3% per annum) and youngest (70% of people below 30 years old) populations in the continent (UNDP, 2018a, p. 45), Ethiopia boasts an extraordinary availability of resources that make the country particularly attractive for FDI, particularly the resource-seeking type. A third and final point of this brief review is the macroeconomic fundamentals: according to Yimer (2017, p. 144), the effects of changes in the exchange rates have been positively affecting FDI inflows, with the depreciation in Ethiopia’s exchange rate attracting larger flows to the country, as well as trade openness (Yimer, 2017, p. 140) that has improved due to the same liberalization process previously analysed.

Parallel to the implementation of the economic determinants, in recent decades, Ethiopia has experienced many enhancements as far as the political determinants of FDI are concerned (analysed on p. 8 ff.). First, it has a more stable political sphere. This was

possible due to the Ethiopian Revolutionary Democratic Front coming into power, the left-wing political coalition that marked the end of the centralized regime of Derg in the same year, 1991, and which has since been governing the country (Yimer, 2017, p. 125); Second, there has been an implementation of policies that can be included in what we have referred to here as “legal economic framework and policies”. These include, for example, the aforementioned creation of an Ethiopian Investment Commission (EIC) (previously known as the Ethiopian Investment Agency), with an almost total responsibility for FDI promotion; the establishment (and subsequent) revision of a transparent, attractive, and competitive investment code (UNCTAD, 2011c); the approval of a competition legislation that promotes fair competition in the domestic market, taking into account the peculiarities of the country’s market conditions (UNCTAD, 2018a, p. viii; p. 58); and all of the previously mentioned incentives to FDI (e.g. tax exemption).

Despite the improvements the country should further make on both of the determinants of FDI spheres, such as the covering of Intellectual Property Rights protection in its competition legislation (UNCTAD, 2018a, p. 59) and the improvement of the country’s physical infrastructure, it appears evident that the country’s attempt to attract FDI would not have been be successful without this improved background. In short, Ethiopia has worked on multiple fronts in this sense and has been able to create the conditions for investors to choose the country for their business.

Moreover, the country has also succeeded in reaping the economic benefits related to FDI, mostly in terms of economic growth, employment, and infrastructural spillovers. In fact, the aforementioned impressive hike of GDP, which has grown by an average of 11% per annum since 2004 (UNCTAD, 2018b, p. vii), is doubly tied to FDI. While a more stable and large market attracts FDI, it is also true that FDI can represent an important determinant of economic growth, which is particularly the case for Ethiopia, with a 1% increase in FDI bringing, on average, an increase of 0.07% in the growth rate of GDP increase in FDI brining on average an increase of 0,07% in the growth rate of GDP (Chanie, 2017, p. 58304). As for employment, it has been determined that the international firms’ tendency to employ local workers – except in management positions

– in their Ethiopian plants, mostly located in the IPs (Zhang, et al., 2018, p. 34), has had a significant and positive effect on job opportunities in recent decades: Chinese companies alone, for example, have created more than 28,000 jobs in Ethiopia in the 2012–2017 period (Ethiopian Investment Commission, 2019) and the forecasted new investment projects are expected to create at least 32,000 new jobs in the manufacturing sectors in the near future (UNCTAD, 2018b). These are substantial numbers for a country with one of the highest rates of unemployment in the world (World Bank, 2019a). Finally, in regard to FDI-led infrastructural development, despite the further efforts the country is expected to make as far as infrastructural development is concerned, as it is identified by many scholars as one of its main constraints to FDI at the moment (Staritz, Plank, & Morris, 2016, p. 7; World Bank, 2012, p. 10; p. 28), it is worth mentioning that much of progress made in recent decades on roads, rail, energy, telecommunications, and so forth (Federal Democratic Republic of Ethiopia, 2015, p. 4) is attributable to the foreign investors, particularly the Chinese. With patterns that are further analysed in the related section and parallel to a developmental assistance specifically concentrated in infrastructure (Chakrabarty, 2016, p. 238), the FDI brought by the Chinese have significantly contributed to the positive results in the field (Tadesse, 2014, p. 183), with positive implications for Ethiopia.

In the end, however important, promising, and positive, none of these considerations account for what "makes life worthwhile", and they are not sufficient for this dissertation to claim that FDI has an overall positive impact on an LDC such as Ethiopia. Indeed, if this is the impact of FDI on the Ethiopian economy, it must also be questioned what impact it has on the other discussed dimensions of development, particularly education and health. In these sense, the pending questions are numerous and concern these working opportunities FDI is creating, their nature, the presence of eventual technological spillovers, the country's general collocation within the presented scheme, and, therefore, the policy agenda to establish to shift from one quarter to better one. As Tiwari (2015, p. 124) asserts, "Attracting FDI is no more a trophy to flaunt to a domestic population and its neighbours; it is now a critical component for the realization of lofty development goals"; this raises the question, is it happening in Ethiopia?

3.4 HDI in Ethiopia: human development in the country

Before attempting to give an answer to all of the aroused questions and to many others, and more generally to gather all of the necessary information for the proper execution of any further analysis, it appears appropriate to obtain an overview of the human development status in Ethiopia. For reasons of consistency with the previous pages, and due to the limited length of the present work, all of the further nuances of human development that the UNDP has recently been developing (i.e. the aforementioned gender inequality and environmental dimensions) will not be considered in this overview. In fact, despite being fundamental for a complete analysis of the country's condition, it has been decided here to focus only on the three main indicators of the HDI itself. The other dimensions can be explored in the UNDP Report on Ethiopia's National Human Development (2018), from which most of the following information has been derived.

Ethiopia's most recently available HDI value is 0.463 (2017), which places the country in the low human development category (those with an HDI value between 0.350 and 0.554) and in 173rd place out of 189 countries and territories around the world (UNDP, 2019b). Despite its low level of human development, the country is one of the low-HDI category countries that has sustained the strongest progress in the last 20 years (UNDP, 2018a, p. v) Indeed, between 2000 and 2017, this value had increased by 63.5%, jumping from a worrying 0.283 to the actual data, thanks to the improvements in all of the three main dimensions of the Index: +26.9% in Life Expectancy at Birth, which measures Health; +97% in Expected Years of Schooling and +80% Mean Years of Schooling, which together measure Education; and +179% in GNI per capita, which measures the Standard of Living (UNDP, 2018c). **Figure 11** illustrates the contribution of each component since 2000.

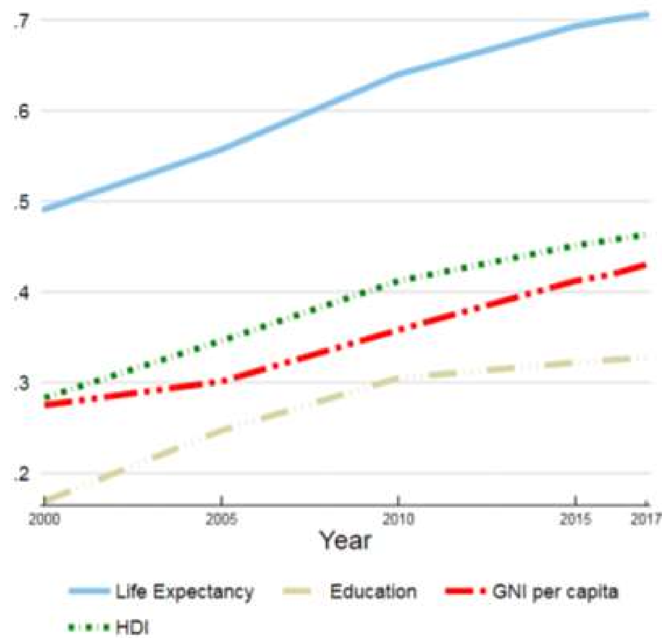

Figure 11 Trends in Ethiopia's HDI components Indices 2000-2017 (UNDP, 2018b, p. 2)

As the figure accurately depicts, once normalized, the **Health** sub-index has the highest value among the HDI's indicators. In fact, when ranked by the health indicator, with its 65.9 years of Life Expectancy at Birth, Ethiopia is among the top seven countries with low HDI values (UNDP, 2018a, p. 2). Representing the most significant explanatory facts behind this positive data are the government's success in achieving Millennium Development Goal 4 – to reduce child mortality (e.g. the under-five mortality rate fell from 166 deaths per 1,000 live births in 2000 to 67 in 2016) and the related child malnutrition rate (e.g. the prevalence of stunting children has decreased from 58% in 2000 to 38% in 2016); in promoting contraceptive use (increased from 6% in 2000 to 35% in 2016); and in reducing maternal mortality rates (decreased from 871 deaths per 100,000 live births in the seven years prior to 2000 to 412 deaths per 100,000 live births in the seven years prior to 2016)(UNDP, 2018a, pp. 31-34). These successes were enabled by important investments in this sense – for example, spending over 13% of Ethiopia's total government expenditure on health (UNDP, 2018a, p. 34). These data, however, should not mislead about their significance, both in relative terms and in absolute terms. Indeed, on the one hand, the fact that this is the better-performing dimension of the overall index does not mean that the country is performing well in the

sector; on the contrary, it simply stands out among two dimensions in which the country is considerably lacking. Moreover, it appears evident that the Life Expectancy at Birth indicator itself is more likely to be higher than GDP and Education, particularly when the overall level of HDI is low: for this indicator, the range of variation is smaller (as evidenced by the fact that growth in this dimension does not come close to the levels of the other two) and the corrective actions are likely simpler (e.g. a good awareness campaign, alone, can be the most efficient antidote to increase contraceptive use). On the other hand, in absolute terms, to be the seventh profile among the countries with low HDI on the Long and Healthy Life dimension does not mean to perform better than the countries on the superior category (HDI between 0.555 and 0.699): with a few exceptions (e.g. Cameroon), all of these countries have a higher value for Health (UNDP, 2019a), almost 70 years, which still leaves Ethiopia far from upgrading

Knowledge and education result as the worst-performing dimensions of the Ethiopian HDI: with respectively 2.70 mean years of schooling and 8.50 expected years of schooling, which, when normalized, result in an overall 0.33 out of 1 value on the Education index (UNDP, 2019a), Ethiopia places itself among the worst countries in terms of knowledge. The value appears particularly cautionary and representative of an alarming situation, with a high rate of adult illiteracy (almost half of the Ethiopian population unable to write or read), high unemployment, and segregation into low-skilled and informal work being the most critical constraints (UNDP, 2018a, p. 7). In fact, despite the reforms and investments brought about by the Ethiopian government mostly aimed at expanding access to education (however, with good results; i.e. the share of illiterate people decreased from 70% in 1999 to 42% in 2013), the overall level of education remains particularly low. This is both in terms of attendance, a statistic worsened by the presence of high gender and rural-urban disparity (UNDP, 2018a, pp. 25-26), and in qualitative terms, with both primary and secondary education considered to be quite poor and the students grasping only a small part of the expected skills and knowledge (UNDP, 2018a, p. 27). These problems have consequences that are also clearly evident in the employment world, with the country experiencing exceptionally high rates of unemployment, a lack of skilled workers, and a working population that is mostly employed in the agricultural sector (73% in 2017). Those working for the

emerging industrial sector are segregated into low-skilled and informal work positions with no opportunity for advancement (UNDP, 2018a, p. 7; p. 21).

Finally, a **decent standard of living,** as measured by **GDP per capita**, is the dimension on which more has previously been said. The poverty reduction and social development associated with the sustained and rapid economic growth experienced by the country in recent decades likely represent the most significant outcomes in terms of human development. The economic growth has resulted in a decline in the share of the population living below the national poverty line, from 45.5% in 1995/1996 to 23.5% in 2015/2016, as supported by the government's establishment of successful social protection programmes, such as the Productive Safety Net Programme (PSNP) and the Urban Safety Net. These programmes aim at helping the poor to maintain some minimum living standard and at reducing poverty while keeping inequality from increasing (UNDP, 2018a, p. 7; p. 21). As far as the latter – inequality – is concerned, in 2010, the HDRs introduced the inequality-adjusted HDI (IHDI), an index that considers inequality in all three dimensions of HDI by "discounting each dimension's average value according to its level of inequality" (UNDP, 2018c). Ethiopia's IHDI for 2017 was 0.331, 28.4% less than the HDI level of the same year. This index is significant to mention here since, despite also being strong in the other two dimensions, the increase in poverty inequality is a significant statistic that contrasts with an index that has been growing at double digits. In fact, in the context of the decent standard of living dimension, poverty inequality stands out for having gone against the tide and having demonstrated an increase from 1995–2015. The widening gap between the economic conditions in the rural (26% poor– based on national poverty line in 2015) and urban areas (15% poor in the same year) is the main explanatory factor behind this reality. As the UNDP (2018a, p. 39) argues, "In an economy that has high inequality and poverty levels, it is difficult to produce a healthy and well-educated labour force" since inequality and poverty do not allow for investments in physical and human capital, which in turn promote economic growth itself. These arguments not only show – again – the interconnection that exists between the three dimensions of human development, but they also demonstrate that only a small share of Ethiopians is effectively benefitting from this economic growth and transformation.

In conclusion, Ethiopia is still facing various challenges as far as human development is concerned, which is not surprising considering that the country is still ranked as an LDC by the UN (UN, 2019b). A demanding burden continues to be placed on Ethiopian policymakers – the same policymakers that have already been able of invest properly in all dimensions of HDI, as the growth of any single index and of the overall HDI testify. In a sense, they have been the architects of these limited, albeit important, improvements. However, returning to the main subject of this work, there is, strikingly, no reference to FDI in the UNDP Human Development Report on Ethiopia, except when analysing the GDP per capita indicator. Therefore, the role played by FDI seems to be depleted in spurring economic growth, a growth that has here been proven to be unequal and, therefore, not capable of impacting the lives and opportunities of the whole population, but of part of it. Translated in the language of this dissertation, this sounds an alarm on the effective impact led by FDI thus far in Ethiopia: the low Education and Knowledge index and the "segregation into low-skilled work" information, when compared to the mentioned job opportunities enhanced by FDI in the country, appear to be hiding a less rosy situation. Moreover, in Health, a dimension in which FDI potentially has many spillovers to establish, the inflows seem to have been powerless. The question arises of whether there is an effective relationship between FDI and HDI in the country: the following section finally analyses the correlation between the two, using the previously presented diagram as a reference and starting point.

3.5 Ethiopia's role in the FDI-HDI relationship

The identification of the quarter of the diagram to which Ethiopia belongs necessitates a separate analysis of the role played in the whole picture, respectively by the country itself and by the main investors previously mentioned. As stated, the recognition of the presence of those elements categorized here as fundamental for the FDI-HDI relationship to work does not only portray a veridical image of the status in the country, but mostly provides, if it is the case, a clear starting point for the implementation of the policies and manoeuvres necessary for the improvement of the situation, which is something that appears particularly imperative in Ethiopia.

As discussed, Ethiopia has great merit in regard to both the increment of FDI and the improvement of the HDI level. However, to summarize all of the provided information, the first oversimplified message that can be taken from these first paragraphs is indeed that, in the context of a more general industrial policy, Ethiopia has strongly focused on the attraction of FDI, which has, in turn, positively impacted the economic growth of the country. With a striking +179% in GNI per capita (from 2000 to 2017), this is the indicator to which the country owes the greatest credit for its improvements in human development. Since the attraction of SDG-oriented FDI represents the first element of the host country's axis, the picture provided here automatically raises the question of the type and the nature of these investments and, therefore, of their impact on HDI. This is, therefore, the first element analysed in this section.

The sectoral distribution of FDI has been presented on p. 91: setting aside for a moment the direct investments in education and health, which together account for only 4% of the total inflows in the country but that, nevertheless, represent a specific element of the investor's axis, it has already been mentioned that the majority of the investments in Ethiopia are directed in the manufacturing sector, with the IPs and their apparel and textile industries being the main destinations(Legese, 2018, p. 41). The Ethiopian IPs and the garment industry have recently become the subject of study and a matter of concern of many NGOs and institutes that deal with human rights and their violations. This is the case of the NYU Stern Center for Business and Human Rights, which, through the words of Paul M. Barrett and Dorothée Baumann-Pauly, has denounced the IP workers' conditions in the "Made in Ethiopia: Challenges in the Garment Industry's New Frontier" (2019) report.

The report argues that, despite being ranked only 159th of 190 in the World Bank's ease of doing business ranking, the tight labour markets in the Asian area have led Western and Chinese retailers to search for new places to invest (Barrett & Baumann-Pauly, 2019, p. 4), finding the perfect interlocutor in Ethiopia. Indeed, the absence of legally mandated minimum wage for the private sector, the limited market capacity and competition, and the presence of cheap land and of an expanding market (World Bank, 2012, p. vi), together with the eagerness of the Ethiopian government to jump on top of

the FDI inflows destinations in Africa (Barrett & Baumann-Pauly, 2019, p. 4), has made the country the perfect resource-seeking FDI destination for these investors. (Barrett & Baumann-Pauly, 2019, p. 17). As a result, Ethiopia is further promoting wage levels that are clearly inadequate to sustain workers: with an average wage of $26 per month – far lower than Myanmar and Bangladesh, which, with a $95-per-month average wage, are placed directly after Ethiopia in the ranking (Barrett & Baumann-Pauly, 2019, p. 9) – the country has the lowest average wage in the Global Garment Supply Chain. The questions aroused in the previous section, regarding the characteristics of the working opportunities led by FDI, now have their first attempted answer: a $26 wage does not cover workers' basic needs, even in the IPs (Barrett & Baumann-Pauly, 2019, p. 4), and clearly does not improve the living conditions of many workers (Barrett & Baumann-Pauly, 2019, p. 2). Moreover, a particularly high level of attrition within the IPs due to the worker's dissatisfaction with their compensation (Barrett & Baumann-Pauly, 2019, p. 4), the sense of alienation consequent to the many unfavourable aspects of the factory life (Barrett & Baumann-Pauly, 2019, p. 12), the living conditions of the rooms in which the workers live, their distance from the factories, the nearly null role played by unions (Barrett & Baumann-Pauly, 2019, pp. 12-13), and the near absence of both hard and soft skills training (Barrett & Baumann-Pauly, 2019, p. 2) complete a rather worrying picture, in which the reasons behind the low level of HDI in Ethiopia start to become clear.

In this context, all of the mentioned elements warrant further analyses and considerations. However, it appears evident that, in the context of a dissertation on FDI, the absence of training is the element that likely attracts the highest degree of interest and that deserves the greatest attention: as mentioned many times thus far, FDI's potential regarding the enhancement of development of the host country rests, also, in the technological and knowledge spillovers that it can spur. The NYU reports that in the Hawassa Industrial Park, for example, once hired, workers receive an average of only five days of coaching on soft skills and two on hard skills, which is not only translated in the lack of needed skills accumulation – needed not only to effectively work but also to establish the needed spillovers – but it also means that the jobs the workers are destined to are simple, alienating, and repetitive jobs, with numerous negative consequences

(Barrett & Baumann-Pauly, 2019, p. 19). In fact, a highly limited number of Ethiopians advance into supervisory and line management roles, and almost none become managers (Barrett & Baumann-Pauly, 2019, p. 19). Although official data on the percentage of greenfield investments over M&A do not exist, this information, together with all the data provided on the IPs, seems to unanimously argue that greenfield investments represent the prevalent entry mode of foreign investors. As previously discussed, it has been claimed that these investments, in theory, represent the entry mode that allows the most opportunity for positive spillovers that enhance HDI, particularly when the society, its infrastructure, institutions, and even business parties are not ready to do so (Bardy, Drew, & Kennedy, 2012, p. 7). However, it is also true that, when the conditions for this to happen and for the consequent gradual shift towards the establishment of JV or M&A are not met, which is the current case for Ethiopia, it becomes difficult for the host country to benefit from it.

The likelihood for an increased inflow of FDI to positively impact the sustainable human development dimension depends not only on the sector in which the investments are directed, as discussed, but also on the position the host country occupies within the GVCs. As a "latest entrant in the global apparel supply chain" (Barrett & Baumann-Pauly, 2019, p. 5), Ethiopia currently runs the risk of becoming stuck at the lower end of the value chain without "upgrading into more profitable and sophisticated tasks and products" (Fessehaie & Morris, 2018) – a concern exacerbated by the absence of a clear plan in this sense on the part of the local government (Barrett & Baumann-Pauly, 2019, p. 18). In fact, Ethiopia has not yet experienced a significant process upgrading, a needed product upgrading process, or a functional upgrading process, nor has it has improved the local linkages, which, respectively, the low productivity level and the high production costs – once compared to similar economies such as that of Bangladesh – and the data on exports and imports have clearly demonstrated (Staritz, Plank, & Morris, 2016, pp. 17-18).

First, as far as process upgrading is concerned, while it is true that the technology used in the industry varies considerably depending on the investor, the government's decision to allow foreign investors to reallocate in the country their whole factories from

abroad, including second-hand machinery, sheds lights on Ethiopian responsibility on the matter (Staritz, Plank, & Morris, 2016, p. 18). In a situation in which "limited capacity utilisation, smaller scale operations, poorly trained workers, poor organization of firms" (Staritz, Plank, & Morris, 2016, p. 17) represent the main reasons behind a costly and low productive production system, it appears evident that the possibility to not invest in the technological upgrade has appealed to many investors and has contributed to exacerbating an already alarming situation.

Second, the data on the exports from the country reveal that the Ethiopian textile and apparel industry – again, the main sector in which foreign investors are focused and, therefore, the one that accounts for the bulk of the consequences related to FDI inflows in Ethiopia – produces basic products, such as cotton yarn, bed sheets, t-shirts, and trousers, among others. This reveals that the country has not progressed in product production and, therefore, that the majority of its firms are currently Cut, Make, Trim (CMT) firms: those that do not go beyond "sewing apparel, cutting the fabric, and providing simple trim" (Staritz, Plank, & Morris, 2016, pp. 4; 18-19). In short, exports reveal that the products Ethiopia sells abroad are "items to which relatively little value is added and from which profits are modest" (Barrett & Baumann-Pauly, 2019, p. 5).

The third and final element of this brief overview is represented by the absence of significant local linkages, an element that this dissertation has analysed as particularly important in the context of sustainable human development. The data on imports reveal, in fact, that the linkages established between foreign and local firms are minimal, with foreign firms usually not sourcing from local textile mills due to their price, quality, and delivery time, preferring, instead, their global textile mills or other suppliers nominated by buyers (Staritz, Plank, & Morris, 2016, p. 19), with an evident loss of opportunities for the local economy to benefit from FDI.

In conclusion, the strategic absence of a minimum wage law in an effort to appeal to investors, the working and living conditions within the IPs, the absence of process, product, and functional upgrading, the absence of established linkages with the local economy, and so forth, are all elements that do not allow for a discussion about an investment policy agenda oriented towards the attraction of SDG-oriented FDI. They

instead demonstrate that the political determinants and the other improvements the country has experienced, the regional integration the country has followed, the investments the country has directed towards infrastructure development, and the role the EIC has played, some of the elements that would have likely led to a different situation today, have not worked in the desired direction. The country's attention, in short, seems to have been placed mostly in the aggressive attraction of investments without considering the necessity of the inflows to enhance the opportunities of the locals. This appears to be additionally confirmed by the kind of "environment" the government has established.

The establishment of an enabling environment for FDI to impact HDI has here been described as the most challenging aspect of the host country's role in this context: in fact, the establishment of policies, institutions, and so forth, capable of improving the range of opportunities seized from foreign investments, usually accounts for areas that often do not concern only and mostly FDI. This premise is certainly also valid for Ethiopia, about which many aspects could be analysed and discussed and, consequently, improved in this context. However, the length of the present dissertation does not allow for a focus on any aspect which might prove interesting in this sense: the choice here, as before, would be that of briefly analysing only the those that appear to be the most significant aspects for the present resuming scheme, namely the presence of efficient PPPs and the establishment of appropriate polices, regulations, and institutions. In reading the following, the reader must bear in mind that the elements previously depicted, with reference to the attraction of FDI, are interconnected to and fundamental in regard to the enabling environment.

The UNDP recommendations regarding the necessity of establishing robust PPPs in Ethiopia, particularly in the infrastructure, education, and health sectors, comprised the main subject of an interesting report entitled "Prospects of a Public-Private Partnership (PPP) in Ethiopia", published in 2015. Despite not specifically covering the role played by foreign investments in the context, the report recognized that the efforts made until then for "public divestiture and privatization were not adequate in addressing the unmet demand for infrastructure and public services" (UNDP, 2015). The report

therefore suggested that the ambitious prospects of the GTPI and GTPII for the implementation of the industrialization process and the filling of the gap between "public service delivery and public service demand" (UNDP, 2015, p. 11) would have found PPP arrangements to be a good alternative to the lack of financial resources. In 2018, Ethiopia finally enacted a new Proclamation facilitating PPPs that set out a new PPP legislative framework, aimed at promoting and implementing infrastructure projects and enhancing transparency and efficiency through the institution of specific procedures (Brufal, 2018). Indeed, the development of a healthy private sector was part of a more general government policy oriented towards industrialization and attraction of FDI (UNCTAD, 2011b, p. 33), since, without a strong private sector, FDI is difficult to attract: in this sense, the openness to PPPs appears to be the predictable outcome of the already established process. It is too soon to evaluate the Proclamation's impact on infrastructure, health, and education, and consequently on HDI; likewise, it is impossible for the time being to understand whether it has allowed for the establishment of the aforementioned virtuous links between the latter and FDI. However, it is possible to forecast that, as far as the FDI-HDI relationship is concerned, the ideal outcome of this renewed legislative framework would be twofold: on the one hand, PPPs would assist Ethiopia in enhancing its infrastructural status with all the related consequences in terms of FDI; on the other hand, they would also improve the HDI dimensions, finding in FDI a new, significant financial resource.

Similar to what has been said regarding the attraction of FDI, the enabling environment for investments in Ethiopia seems to have been conceived as an investment-friendly environment, rather than a human development-friendly environment. Indeed, the claim finds confirmation in the set of investment policies and incentives the EIC refers to, in what itself calls the FDI enabling environment (Ethiopian Investment Commission, 2019), which include, among others (Ethiopian Investment Commission, 2019; UNCTAD, 2018, p. 29):

- The guarantee against nationalization or expropriation;
- The privilege to full repatriation of profits, dividends, and so forth;
- The right to employ expatriate managers and staff;

- Double taxation avoidance;
- Investment credit support;
- Tax holidays for priority sectors;
- Duty-free import of capital goods;
- Income tax exemption;
- Possibility to invest, with income tax exemptions and/or costumes duty exemptions, in some sectors (manufacturing, tourism, agriculture, and so forth).

The possibility to employ expatriate managers – i.e. the investor is therefore responsible for replacing qualified experts with locals within a limited period but does not have the same duty towards expatriated managers (U.S. Department of State, 2018) – the possibility to fully repatriate profits, and the presence of particularly significant fiscal incentives comprise three elements that, alone, testify that the Ethiopian regulatory system on FDI does not go in the direction this dissertation supports. This, together with the absence of any formal imposition of performance requirements on foreign investors, to which "no forced localization or data storage" (U.S. Department of State, 2018) and no "local content in terms of hiring, products, and services" (U.S. Department of State, 2018) is required, demonstrates that the environment provided by the Ethiopian policymakers is not SDGs oriented; rather, it is the opposite.

The aforementioned investment policy seems to be inconsistent with the World Bank's evaluation of the country in terms of Ease of Doing Business. However, the 159th place out of 190 (Barrett & Baumann-Pauly, 2019, p. 4) of a country with such a particularly appealing investment framework warrants an introduction and analysis of the final element of the present scheme, namely the institutional framework of the country, which explains this apparent contradiction. In particular, despite the establishment of a welcoming policy for investment, the Ethiopian government still retains tight control over the country's economy (GIIN, 2015, p. 19), which provides evidence for an ongoing transition process towards liberalization and free market. In this sense, the incentives for investment represent an exception in an economic system that is still affected by the past and in which investors still find it essential to create close relationships with the governmental bodies before placing capital in the country (GIIN, 2015, p. 19). The

incentives are part of a more general economic reform this thesis has previously recalled, and which includes the 2013 introduction of a Trade Practice and Consumer Protection Proclamation that has opened up competition in the country, again aiming at the liberalization of the economy with the objective of attracting more FDI. However, there is still a long way to go in this sense, and what is likely the most worrisome is the apparent lack of intent to orient this process in a more human-development-oriented way on the part of the government.

The control over economy is not the only residual effect of more than 20 years of dictatorship and a further 20 years of a repressive one-party state. Indeed, "weak rule of law and pervasive corruption" (The Heritage Foundation, 2019) today represent two particularly serious challenges for the country to overcome, with enormous potential outcomes in terms of HDI. Despite the positive reputation of the new government, established in 2018 and led by Prime Minister Abiy Ahmed Ali (see for example: Allison, 2018), the public sector corruption in the country, as rated by Transparency International (2018), is still particularly high (34/100, with 0 indicating high corruption and 100 indicating cleanness). This, together with the weak rule of law, represents a significant warning sign of a difficult and slow transition towards a democratic system. Further disruptive elements for the establishment of the FDI-HDI relation could be identified, for example, in the high levels of political – as recently as February 2018, the country imposed a State of Emergency, which lifted after Prime Minister Hailemariam's resignation (U.S. Department of State, 2018) – and ethnic tension, particularly in the Oromia region (U.S. Department of State, 2018) Together, these represent challenges the country must overcome for the human development level of the country to finally break from the low ranking at which it is classified, since there is no human development without a democratic and healthy government. In the context of this dissertation, these also represent challenges the country must overcome to strengthen its FDI-HDI relationship. Indeed, the same conditions that consent people to improve their possibilities consent FDI to impact the latter as well.

Overall, it seems that none of the analysed elements allows for a positive evaluation of the role played thus far by the Ethiopian government, specifically in regard to human

development through FDI. The elements analysed here, for both the host country's elements in our axis, highlight a situation in which, on the contrary, the government seems to be largely responsible for the negative relation FDI and HDI seem to have established. Therefore, it becomes imperative and interesting to shift the attention to the investors' role to understand how the latter interface with the depicted situation. This is the topic of the following section.

3.5 Foreign investments in Ethiopia: a focus on Chinese investments

Contrary to what has been done for the country's role, to separately analyse the three elements of the investor's axis (CSR/SRI, impact investing, and investments in health and education) appears dispersive and likely too complex, considering the wide range of investors, their different countries of origin, and, foremost, how difficult is to obtain information on an investor's activity, at least when not obtained directly from their official channels. Precisely for this reason, it has been decided in this context to begin the analysis of the investor's role using the data on investments as a whole, then shift to the tracing of the responsibilities, and therefore the role, played by the investors in the country, focusing on the country that is emerging as the main Ethiopian interlocutor: China.

In fact, to provide general statements for investors would represent a mere repetition of what this dissertation has already discussed in Part 2. What would add to this dissertation would be the capability of identifying the shortcomings of each investor and providing customized solutions for each of them. However, the limited length of the work, and further reasons which are later explained, render an effort in this sense overly ambitious and compel the author to focus on the main investors. China, since 2008, has taken over the scene from all other investments, beginning with Turkish investments, becoming the first provenience country of the Ethiopian FDI inflows.

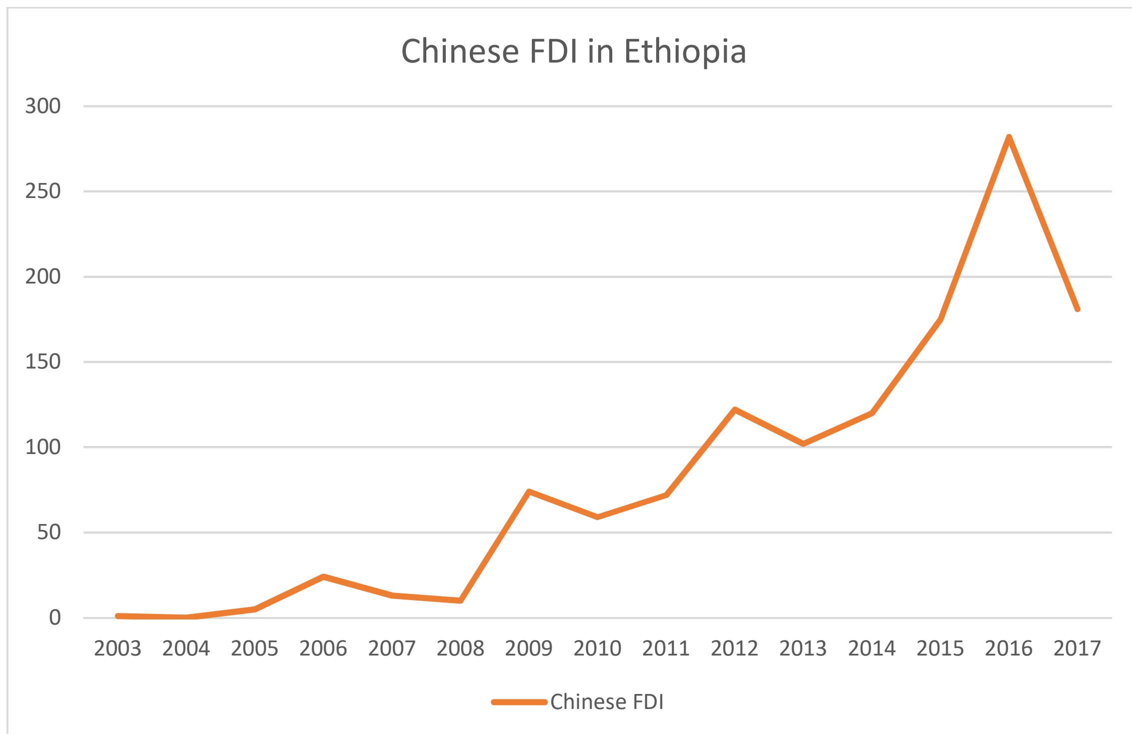

Figure 12 Chinese FDI in Ethiopia – measured in billions of dollars
(elaborated on: CEIC, 2019; UNCTAD, 2019d)

The analyses provided in the previous pages should be utilized to understand the context in which all of the following discourses need to be considered; to separate investors and countries is a useful tool insofar as it helps to separate their different responsibilities, but it is a stretch. Indeed, it is impossible to talk about the former without considering the latter, and vice versa.

With an approach that slightly deviates from the conventional (if that) literature on the FDI-HDI relation, the analysis of the relation between FDI and HDI is entrusted to a simple correlation coefficient calculated between the two dimensions for the 2003–2017 period, respectively the earliest and the most recent available data on Chinese-Ethiopian bilateral FDI in the country.

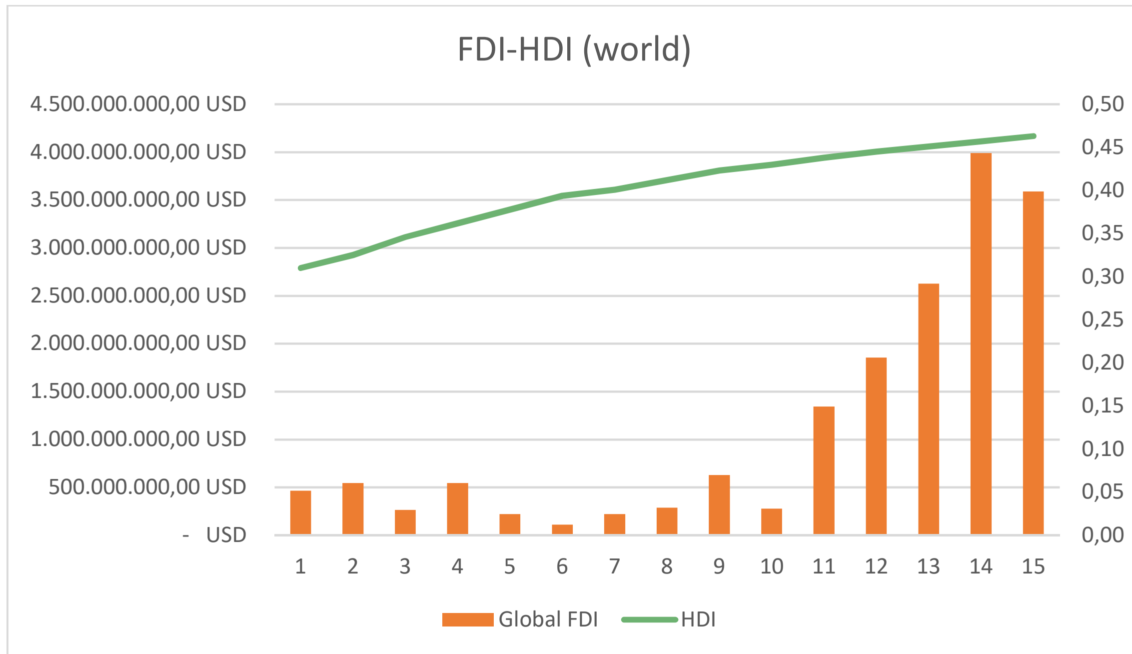

Figure 13 Correlation between Global FDI (measured in billions of dollars) and Ethiopian HDI (elaborated on: UNCTAD, 2019d; Countryeconomy.com, 2019; UNDP, 2019a)

With a correlation coefficient of **0.664084**, the FDI inflows directed to Ethiopia in the 2003–2017 period reveal a positive correlation with the HDI of the country in the same time period. In contrast, when applied to the Chinese FDI inflows of the same period, the correlation coefficient increases to **0.838546706**, which makes the correlation between the Chinese FDI and the Ethiopian HDI more positive, and consequently stronger, than the latter (global FDI-Ethiopian HDI).

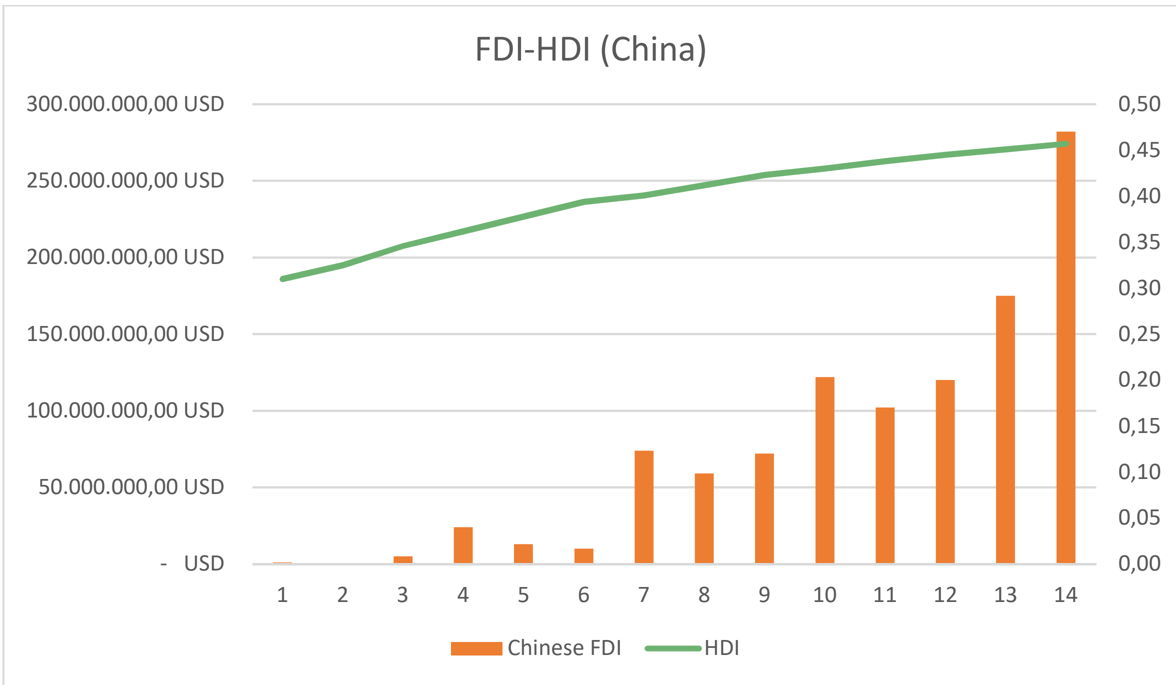

Figure 14 Correlation between Chinese FDI and Ethiopian HDI (elaborated on: CEIC, 2019; UNCTAD, 2019d; Countryeconomy.com, 2019; UNDP, 2019a)

In the same period, the three dimensions of HDI have varied respectively:

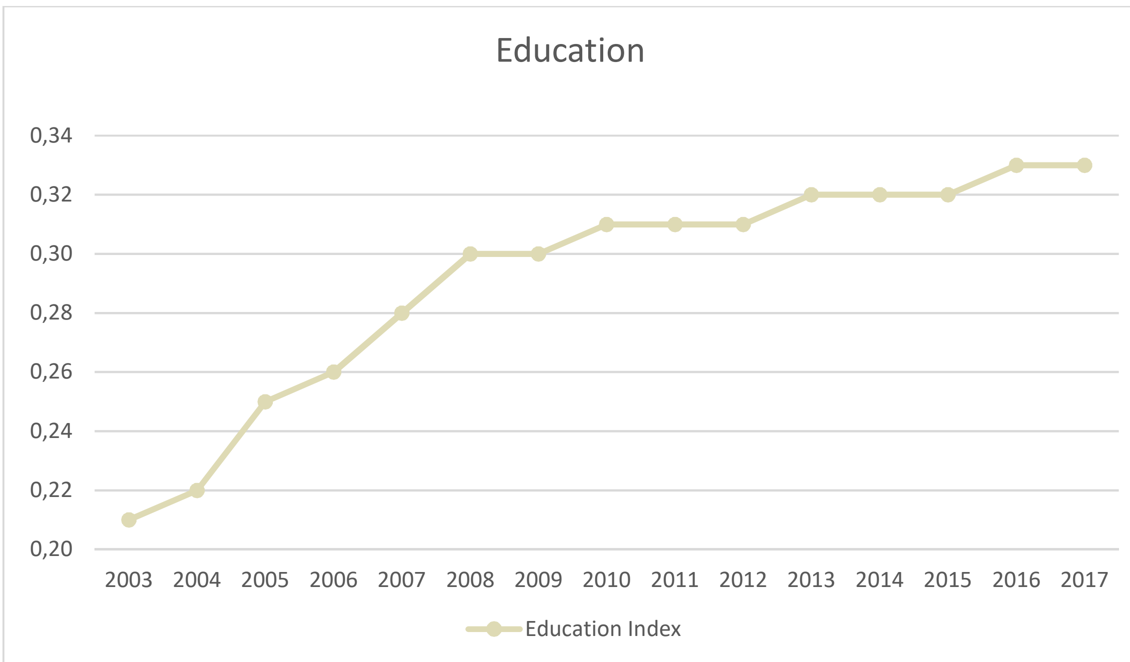

Figure 15 Education dimension of the Ethiopian HDI, 2003-2017 period (elaborated on: UNDP, 2019a)

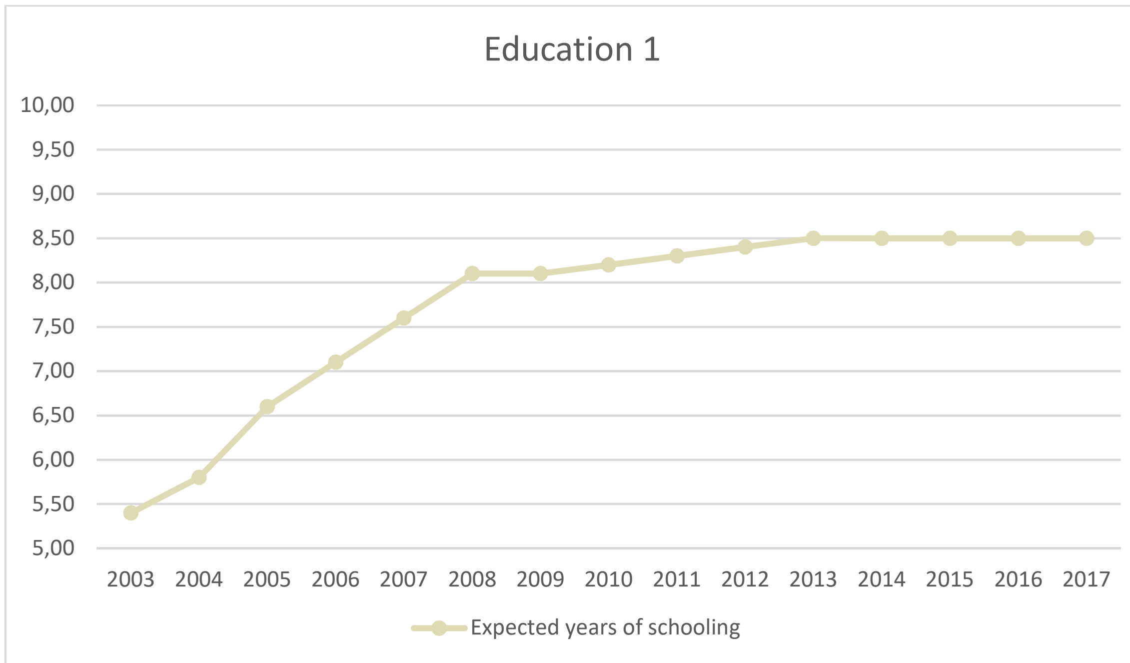

Figure 16 Expected years of schooling in the Ethiopian HDI, 2003-2017 period (elaborated on: UNDP, 2019a)

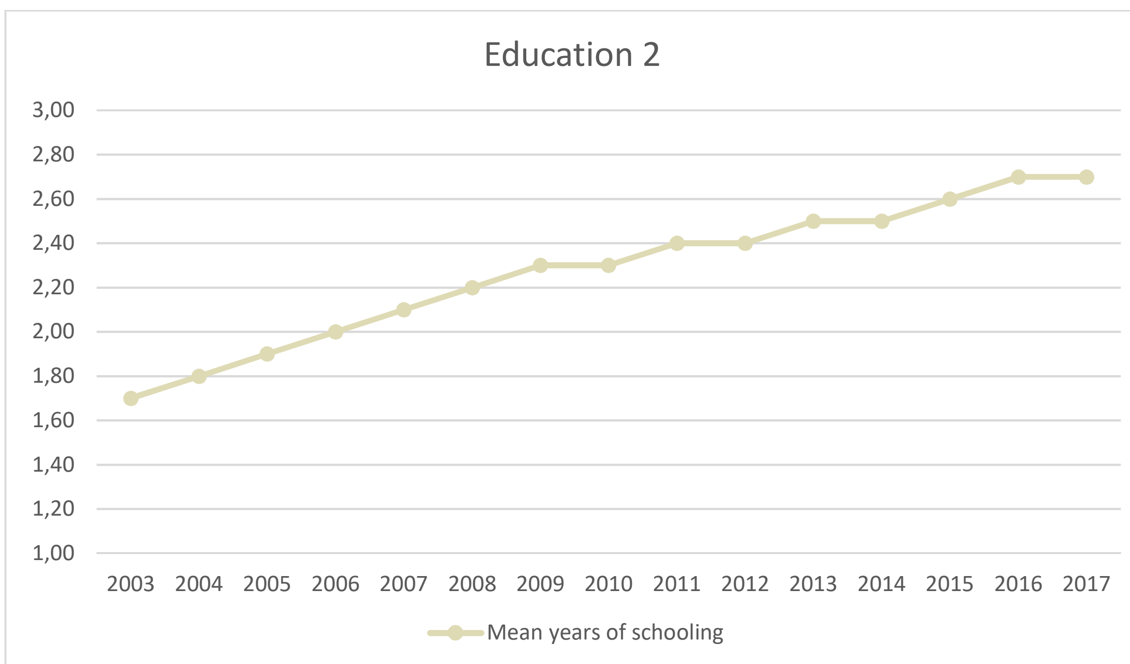

Figure 17 Mean years of schooling in the Ethiopian HDI, 2003-2017 period (elaborated on: UNCTAD, 2019a)

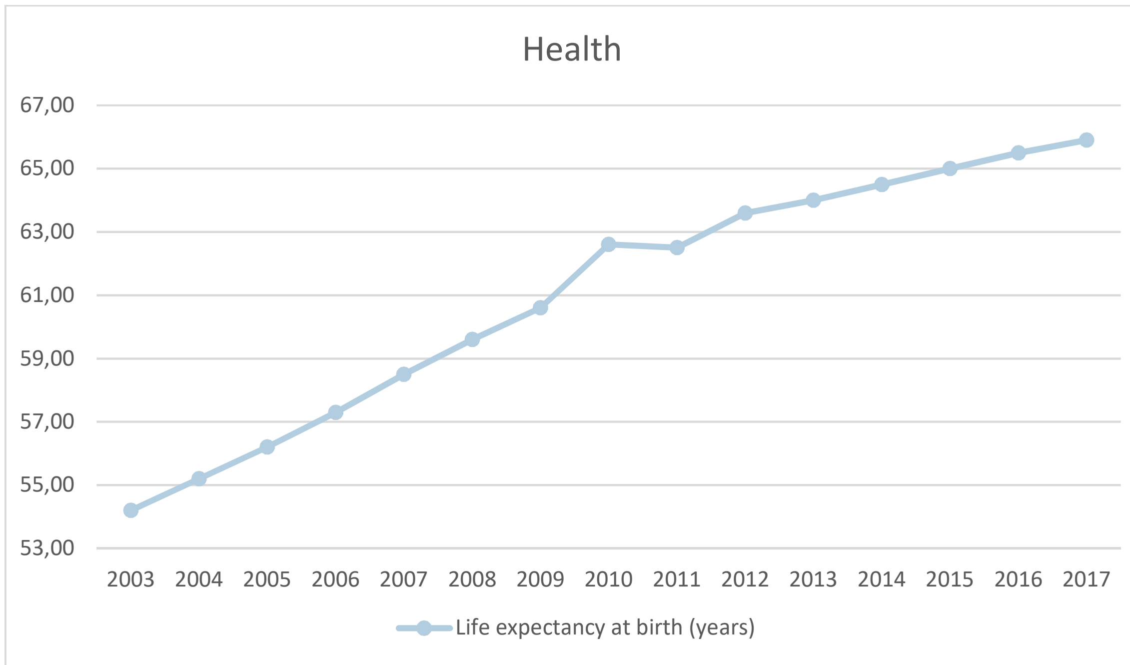

Figure 18 Health dimension of the Ethiopian HDI, 2003-2017 period (elaborated on: UNDP, 2019a)

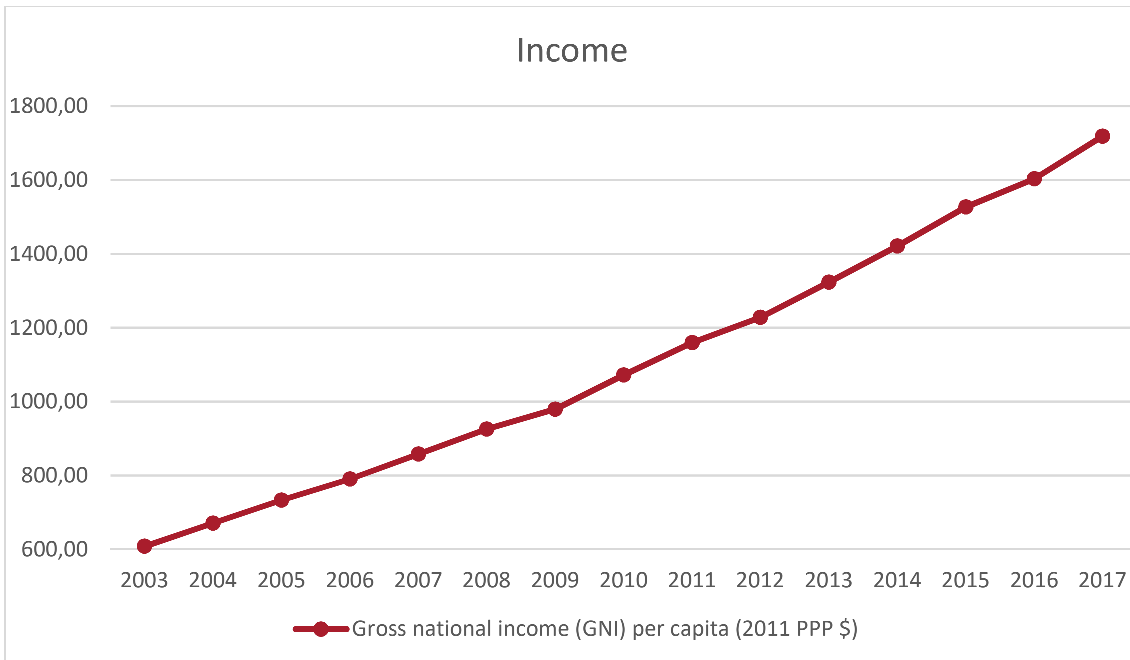

Figure 19 Income dimension of the Ethiopian HDI, 2003-2017 period (elaborated on: UNDP, 2019a)

With the exception of the Income curve, any HDI dimension's curve alters its trajectory in correspondence with the 2008 data. Consistent with the data on the 2000–2017

period, provided in the Ethiopian Human Development overview, the overall HDI value had increased by 49.4% in the 2003–2017 period; the Education indicator had increased by 57.2% (in particular, the Main Years of Schooling sub-indicator had increased by +58.8% and Expected Years of Schooling by +54.4%); Health had increased by +21.6%; and GDP by +182.7%. However, what is striking is the slower pace at which, from 2008 on, HDI itself, Education, and Health have grown. In particular, the HDI average annual growth rate for the 2003–2008 period was **+4.9%**, but it was only **+1.8%** for the 2009–2017 period; the Education average annual growth rate for the 2003–2008 period was **+7.4%** but only **1%** for the 2009–2017 period; and the Health average annual growth rate for the 2003–2008 period was **1.9%** but only **+1.1%** for the 2009–2017 period.

	Overall growth (2003-2017)	**AAGR (2003-2008)**	**AAGR (2009-2017)**
HDI	+49.4%	+4.9%	+1.8%
Education	+57.2%	+7.4%	+1%
Main years of schooling	+58.8%	+5.2%	+2.3%
Expected years of schooling	+54.4%	+8.5%	+0.5%
Health	+21.6%	+1.9%	+1.1%
GDP per capita	+182.7%	+8.8%	+7.1%

Table 5 Overall growth and average annual growth rate of HDI and its sub-indicators in Ethiopia (elaborated on: UNDP, 2019a)

The fact that a slowdown in the growth pace of HDI and its sub-indicators has coincided with the beginning of the rise of the Chinese inflows of investments directed to the country (2008) allows for a formulation of the first few considerations on the kind of FDI arriving in Ethiopia. The first automatic conclusion that should be drawn is that the global investments in general, and the Chinese in particular, do not contain the set of elements that would have increased the human development level of the country – thus, no CSR/SRI, nor impact investing, and weak investments in education and health – and that, on the contrary, they have impacted on the opportunities and living conditions of the locals in a negative way (with the only exception being their average income per capita).

In fact, as for the investments in education and health, it has already been demonstrated that the percentage of FDI directed to the two sectors represents a particularly small (4%) share of the overall investment's projects directed to the country, which confirms the statement. However, there are at least two other elements that should be considered to make a judgment on the other two dimensions: first, the correlation coefficient, which has proved to be more positive when the investments investigated were the Chinese ones; and second, the fact that 2008 also coincides with the opening of the first Ethiopian Industrial Park, the Eastern Industrial Zone. As far as the latter element is concerned, having explained and demonstrated that the IPs represent a grim reality in which Ethiopia itself has its responsibilities cannot distract from the main contributor to the low levels of human development noticeable there, and therefore, in the country: of course, the investors. This, linked to the fact that the bulk of the projects done and forecasted in these parks are Chinese, as it is the Eastern Industrial Zone, leads to a confirmation of the premise, according to which the responsibility for the slowdown falls primarily on the Chinese investors. The correlation, however, seems to suggest something slightly different, namely that the impact of the Chinese investments has not been that negative but, on the contrary, has somehow offset the other FDI and its less positive contribution to HDI. In short, it seems to indicate that, without the Chinese investments, the HDI curves would have been even flatter.

By definition, the statistical relationship investigated with a correlation does not imply causation and does not provide information as significant as, for example, a regression. In addition, it is also true that the correlation coefficient calculated for global FDI and Ethiopian HDI has proved positive as well, albeit less close to the unity. In a sense, it could be argued either that the significance level of the provided data is low, or that the high value of the Chinese correlation coefficient is driven from the same dimension that likely drives the other coefficient, namely the economic dimension. This latter, indeed, would probably have a great deal of importance when the considered investor is the main investor of the economy. However, from whichever angle it is analysed, it is evident that this information on the Chinese investors, when added to the fact that nearly 20% of the FDI projects in the country come from there, has earned China this dissertation's focus of attention.

Although the establishment of diplomatic relations between the People's Republic of China and Ethiopia dates back to the 1970s, the Chinese engagement in the Ethiopian economy is a much more recent phenomenon whose beginning coincided with the 1992 introduction of the market-oriented economic system in Africa's Lion (Geda, 2008, pp. 3-5). Indeed, despite some economic ties in the form of "minimal aid and manpower training" (Geda, 2008, p. 5), the Chinese commitment in the Ethiopian economic arena had begun to intensify from there, reaching its peak from 2008 onward. Today, as mentioned, China represents the first investor in the country, but it is also its largest import and export trading partner (World Bank, 2012, p. v): the expansion of the economic cooperation between the two is not only a reflection of the Chinese ability to replace the Western economies and economic interlocutors after the 2008 financial crisis (Adisu, Sharkey, & Okoroafo, 2010, p. 6), but it is also the result of the simultaneous structural changes occurring in both economies, with China graduating from a low-skilled manufacturing production economy and creating enormous opportunities for low-income countries, and Ethiopia expanding its economy and preparing to step into these opportunities (World Bank, 2012, pp. 3-4).

As Tadesse (2014, p. 183) claims in his article on the Chinese FDI in Ethiopia, "What makes the Chinese FDI unique in Ethiopia is almost 60% of these investments are concentrated in the manufacturing sector and infrastructural development, which is different from what happened in other African countries where the Chinese FDI is pretty much resource seeking". In fact, although part of a more general network of trade, investments, and aid that China has been establishing in the last decade with almost 50 African countries (Tadesse, 2014, p. 194), Chinese investments in the African Lion have the original feature of being particularly interested in the infrastructural development of the country. Infrastructural interventions in other African, mostly Sub-Saharan, countries have been undertaken (e.g. Angola or South Africa), but not with the magnitude and the scope of Ethiopia. Moreover, oriented in the same direction are important official aid flows China is supplying and which are playing a significant and positive role in the infrastructural development of the country, mostly in roads, telecommunications, railways, and power (Tadesse, 2014, p. 207).

Although official data on the nature and volume of the Chinese aid are not easy to estimate, given that China does not publish its official aid statistics (Chakrabarty, 2016, p. 238), many scholars agree on the fact that the bulk of Chinese developmental assistance in Africa is concentrated in infrastructure, as previously stated, but also in health and education (see for example: Shajalal, et al., 2017; Martorano, Metzger, & Sanfilippo, 2019), with significant results in the three areas. Tadesse also demonstrated in regard to health and education that, despite being one of the less important FDI destination sectors in Ethiopia, from 1998–2012, 22% of the total cancelled Chinese investment projects in the country were those in the service sector, the sector in which the scholar included education and health (Tadesse, 2014, p. 207)An official justification for the cancellation of these projects being untraceable, and as it would perhaps be naïve to attempt to hypothesise one, the only concrete information that comes with it is that a concrete effort for the enhancement of the direct investments in education and health from China has at least been drafted. For the sector that accounts for only 4% of the total inflows of FDI directed towards Ethiopia, these investments coming from the most important investor in the region would have been particularly significant. In short, the concrete support China is providing through its official aid channels seems to confirm the presence of a real willingness to improve upon the two non-economic dimensions of HDI, restrained in some way by other factors. Among these factors, however, the investor's acknowledgment of the probable low profits coming from the sector (Tadesse, 2014, p. 207) cannot be excluded *a priori*, which would depict a less favourable picture of the whole story.

Another element seems to at least suggest a justification for the positive correlation coefficient in the Chinese FDI-Ethiopian HDI relationship: the growing Chinese attention towards the automotive sector in Ethiopia. In fact, the Chinese Ministry of Commerce indicates, as reported in the 2018 "Belt and Road Summit" in Shenzen (The European House, 2018, p. 47), that one of the main sectors in which the country is investing in Ethiopia is the automotive assembly, a sector with a high technological and value-added potential. In this sense, the construction of the upcoming Dire Dawa Industrial Park, focused on multiple sectors, including vehicle assembly (Ethiopian Investment Commission, 2019), and entirely financed by the China Civil Engineering Construction

Corporation (CCECC), accurately symbolises the growing attention given by China to this important sector – important insofar as it represents a sector more prone to the establishment of the needed technological spillovers, at least when compared to the garment sector, and insofar as it would increase the investment opportunities of a country in which the bulk of FDI is interested in the apparel sector. Again, Chinese FDI demonstrates original and specific features, since the contribution of the other countries in this sector on the country appear negligible.

In regard to the training opportunities provided by the Chinese firms, reality does not differ from the picture provided: low-quality and short training courses that are not conducive to the formation of a qualified workforce in the country. However, in 2009, China established an ambitious training and vocational education centre that it operates jointly with Ethiopia and that has a capacity to enrol 3,000 students. The centre provides training in the areas of textiles, computers, construction, and so forth (Tadesse, 2014, p. 211), aims at overcoming the lack of specialized workers, and demonstrates a clear willingness, at least on paper, of the Chinese investors to improve the capacity building of the country they are investing in. Nevertheless, the establishment of a single educational centre by one investor, which is the principal but still just one of about 100 investors, and, as Tadesse (2014, p. 211) claims, the absence of a clear strategy and policy for the maximization of the capacity building and technological transfer from the Chinese companies and other FDI, seem to stymie the Chinese efforts in this sense. The same kinds of considerations could be applied to the three Sino-Ethiopian Agreements for Economic and Technological Cooperation, ratified in 1971, 1988, and 2002 (Geda, 2008, p. 240), which sealed, at least on paper, a cooperation in the technology field that has not proved to be sufficiently meaningful in reality.

It is evident, though worth repeating, that the elements presented here do not have the final objective of absolving China from its (serious) responsibilities on the overall *modus operandi* it has established in Ethiopia and that, along the same lines of all the others countries investing there, has become a matter of concern among scholars, NGOs, and international organizations. Chinese investors, indeed, “show harsher working conditions, lower minimum wages, longer working hours, more overtime, and show less

concern for safety of their workers than the local or other foreign-invested firms do and, in addition, prohibit trade unions and are not prepared to follow local rules and regulations" (Thorborg, 2017, p. 70). Moreover, many concerns have additionally been expressed regarding the financial aid provided to Ethiopia, guilty of being politically "tied" and therefore of enabling China to leverage trade and investment interests from the country (Chakrabarty, 2016, pp. 239-240); the Chinese habit to "excessively employ Chinese professionals" (Chakrabarty, 2016, p. 239), with all the negative implications for the Ethiopian job opportunities; and the quality of the projects themselves, established and completed as cheaply and quickly as possible (Chakrabarty, 2016, p. 240). In a sense, it appears clear that the bulk of the Chinese contribution to the enhancement of the Ethiopian HDI lies, as for the other investments, in the economic growth to which it has led. However, the previously calculated positive correlation seems to hide exactly what has been proved here, namely that, among others, significant investments in infrastructure, supported by official financial aid in this sense; attempted investments in health and education; the provision of training centres; and the opening of IP focused in more value-added sectors, such as the automotive sector, somehow make China a better investor for Ethiopia, as it stands out for its efforts, though scarce, to undertake more human-development-oriented FDI, which somehow offsets a situation that would otherwise be even worse.

3.6 FDI-HDI in Ethiopia: which quarter of the diagram?

Given the previous information, it does not sound particularly difficult to place Ethiopia in the presented diagram, or, better said, not to collocate it at all. In fact, neither the government's efforts nor the role played by the foreign investors seems to comply with any of the requirements the current dissertation has identified as necessary to enter in the diagram itself. Something different could be said if the selected investors were only the Chinese: in that case, as the previous pages have already demonstrated, a placement in at least in one of the two quadrants on the lower section could best depict the Ethiopian situation as far as the FDI-HDI relation is concerned. In fact, Chinese investors seems to have somehow offset a situation that could have potentially been worse,

accounting for slightly positive outcomes in human development terms. However, with it being particularly difficult and ambitious to evaluate the number and the scope of eventual SRI initiatives or of impact investors' contributions, not only in China but elsewhere as well, and being impossible to find a completed overall review of the latter, this research is limited to the observation that the Chinese investors alone would place the country somewhere in the lower part of the diagram, though not on the far right-hand side, due to the few investments in education and health.

The impossibility of placing the country in one of the quadrants does not preclude the possibility of providing a set of policy recommendations in this sense, but rather makes it particularly imperative and important. The following section therefore attempts to draw conclusions on what has been demonstrated about Ethiopia and, consequently, to provide some recommendations for the country to enter and to slowly ascend the provided diagram. Indeed, the effort is ambitious, and the length (and the knowledge) do not allow for a comprehensive and detailed guidance in this sense. While this review provides an interesting starting point, further studies in this area are encouraged.

3.7 How to enhance HDI through FDI: policy recommendations for Ethiopia

As mentioned, the final scope of trying to place a selected country within a diagram like that presented here is that of providing some specific suggestions for policymakers to improve, if necessary, the FDI-HDI relation in the selected economy. In short, the objective is to point to the desired direction for the country to follow to improve its probability of success quarter. It appears evident that all of the elements analysed in this third part, though notably limited and incomplete, as well as the general evaluation given to the country itself, allow for a draft of some recommendations for Ethiopia to better position itself within the diagram. These recommendations could prove wrong or incomplete, but, as has been stated for all of the general suggestions this dissertation has drawn, they should be given a chance, and they can always be implemented and improved following what the experience demonstrates.

As far as the host country's role is concerned, Ethiopia undoubtedly needs to change directions if it wants to improve the non-economic aspects of sustainable human development. First, the country would likely need to incentivize further investments in value-added sectors, primarily in education and health. If it is true that the *modus operandi* that the Chinese forecasted for the next years gives reasons to be positive in this sense, it is also evident that, without any action on the part of the Ethiopian government, success in this context would hinge only on the foreign counterpart's goodwill. For example, a concrete action in this sense could be played by a reinforced investment commission, oriented not only towards the promotion of the country as an FDI destination but also aiming at targeting those sectors for which the impact on HDI would probably be higher. Again, the prospective regarding the Chinese investors seem particularly promising (i.e. the growing importance given to the automotive sector); nevertheless, it appears necessary for the government to take a position in this sense, with the objective of shifting the composition of the inward inflows of investments towards a more value-added range of sectors.

Second, the establishment of a minimum wage ensuring decent living conditions in Ethiopia appears imperative today. An average wage of $26 dollars per month in the apparel sector epitomizes an alarming situation that goes against improvement in the human development conditions of the country. Today, Ethiopia mainly attracts resource-seeking FDI, the category of FDI that targets the destination country due to the availability of, in this case, cheap labour force and that, therefore, is in the interest of keeping wages at this low level. In this context, the government's responsibility becomes twofold: on the one hand, as mentioned, it must establish a minimum wage that allows locals to lift out of the ranks of the working poor (Barrett & Baumann-Pauly, 2019, p. 18); on the other hand, it must be able to raise the wage without driving away the suppliers (Barrett & Baumann-Pauly, 2019, p. 18), reinventing itself as a favourable destination for market-seeking, strategic-asset, or even efficiency-seeking FDI. While the presence of a young population and the strategic position of the country already represent two examples of what Ethiopia should focus on for the promotion of its economy in the FDI arena, it is also true that a raised average wage – once assisted by the reforms and other interventions mentioned later – is the first step for the

improvement of the economic productivity of the country, which also represents a fundamental and strategic determinant of FDI. In fact, a dissatisfied working population working in a tense atmosphere has been identified as one of the main reasons behind the low productivity level of the Ethiopian economy, particularly in the apparel sector (Barrett & Baumann-Pauly, 2019, p. 4). The responsibility is twofold, but the outcome would be twofold as well: both in social and economic terms.

Third, as far as the apparel industry and others are concerned, Ethiopia should implement a long-term economic plan. For the main FDI sector to effectively impact human development, the establishment of linkages with the local industry is necessary. In this sense, the implementation of a plan aiming at the improvement of the local Ethiopian supply chain for garments and textiles, through the targeting of investments and the creation of incentives to promote the formation of domestic textile mills, accessory suppliers, and so forth, seems to be the desired prerequisite for FDI to better impact HDI (Barrett & Baumann-Pauly, 2019, p. 18). With the prospect of many other IP opening soon, the necessity of being more ready to reap the benefits of this opportunity appears evident. Moreover, despite being the prioritized sector, Ethiopia would need to replicate these efforts in all other industries so as not to run the risk of remaining stuck at the end of the various GVCs in which the country is entering, which is the topic of the following recommendation. In this sense, a stronger role could be played by the Ethiopia and the Addis Ababa Chambers of Commerce and Sectoral Associations, which have already developed programmes targeting the development of linkages between international local suppliers and new investors but without the expected results (UNCTAD, 2011b, p. 38).

Fourth, as stated, both for upgrading within the GVCs and for the implementation of technological and knowledge spillovers, which are distinct but interconnected processes, Ethiopia should focus on skill training for a more sector-specific education system centred on the managerial and technical skills provided though specific programmes (Staritz, Plank, & Morris, 2016, p. 26). Moreover, Ethiopia should also intervene in the in-firm training process; as Staritz, Plank, & Morris (2016, p. 26) argue, the government could develop and extend its support for in-firm technological and

production upgrading both financially and through the creation or expansion of apposite institutes (the report specifically refers to the necessity of expanding the range of tasks of the already-existing Ethiopian Textile Industry Development Institute) that "facilitate the setting up of clusters, learning networks, and benchmarking clubs to assist firms" of the sector of reference. More generally, the government and its institutions should somehow require foreign firms to provide the necessary training and education programmes, identifying this as a prerequisite for allowing the foreign company to start doing business in the territory. The same could be said in regard to the technological upgrade, namely one of the cross-processes that need to be implemented for the other to be established as well. Here, as mentioned previously, the possibility for foreign investors to reallocate in the country their entire factories from abroad represents a strategic decision to attract FDI into the country, but it is also a serious obstacle to the establishment of the necessary technological upgrade. In short, despite perhaps mainly being an investor's duty, the responsibility to create a skilled and educated working class also falls on the government.

Fifth, the African Lion needs to target strategic investors, namely those "willing to operate differently from the usual transnational producers and not only depend on CMT production, but also invest in higher value added activities and build linkages to local input providers in Ethiopia" (Staritz, Plank, & Morris, 2016, p. 27). The aim must become that of attracting those firms that allow the moving an upward move through a vertically integrated value chain, such as through specific incentives. This would be the first step towards the implementation of the desired process, product and functional upgrading processes, which would also certainly benefit from a well-educated and well-paid workforce and from the establishment of a local supply chain, since it is only through a comprehensive implementation of all of these elements that a significant outcome in human development terms could be experienced.

Sixth, the infrastructure and the administrative processes in the country must be streamlined. As the NYU argues in its aforementioned report, despite significant advancements, the infrastructure "progress has stalled" in Ethiopia, which has led to increased freight costs and has, therefore, deterred other potential investors from

choosing Ethiopia for their business (Barrett & Baumann-Pauly, 2019, p. 18). An improved infrastructure would not only increase the international appeal of Ethiopia as an FDI destination, therefore opening doors to the possibility for the country to select and target the most favourable kinds of investments, but it would also redefine the type of investments coming into the country, such that they would no longer be focused on the cheap labour force. Moreover, and most notably, it would enhance the human development level of the country, since it would allow the economy to become more competitive and better able to treat workers humanely (Barrett & Baumann-Pauly, 2019, p. 18) and would more generally enhance the living conditions and opportunities of the citizens. In this sense, the role played by the institutions again becomes particularly important. On the one hand, it is primarily a responsibility of the government to invest in infrastructure: Ethiopia should pick up from where it left off and dedicate attention to this particular aspect. On the other hand, filling the resource gap between targeted or desired investments and locally mobilized savings represents one of the main reasons behind one country's opening to FDI: once the country is not able to finance infrastructural development alone, the government's duty becomes, once again, to canalize the significant economic outcomes of FDI in this sense, as well as to target those investors that, while investing in the country, provide aid and parallelly invest in electricity, transportation, water provision, and so forth. Again, China has already proved and can further prove to be the most favourable interlocutor of the country in this sense.

The seventh and final element of this section is represented by the reform of the Ethiopian Investment Commission (EIC). Created in 1991, the EIC (previously known as the Ethiopian Investment Agency) "is an autonomous government institution accountable to the country's Investment Board" (Ethiopian Investment Commission, 2019) that is responsible for attracting FDI and providing services to the investors (Ethiopian Investment Commission, 2019). Although a determinant for Ethiopian success in attracting FDI, the EIC does not display any of the properties the UNCTAD has recently listed for the IPAs to become "SDG investment development agencies" (UNCTAD, 2014, p. 166). In fact, the EIC rather represents the typical scheme of the old-generation IPAs focused on promotion without criteria and, therefore, an

exemplification of the priority the Ethiopian government has given to the mere attraction of FDI. In fact, as the EIC itself indicates on its official website, its main services include the promotion of the country's investment opportunities, the provision of investment permits, and the negotiation of bilateral investment promotion and protection treaties (Ethiopian Investment Commission, 2019), and gives no reference to incentives and facilitation for SDG projects, joint monitoring, or impact assessment (UNCTAD, 2014, p. xii). Moreover, as the official website of the EIC (www.investethiopia.gov.et) demonstrates, both the incentives and the services are open to every potential investor interested in choosing the country for its business. In fact, the main concern of the EIC appears to be that of persuading the investor of the opportunities provided by the country through both the provision of positive data on the economy and the enumeration of the potential financial and regulatory incentives from which they would benefit. In this sense, no reference to a preferred type of investor, a specific sector, or required social (or environmental) performances is present – which again goes against the recommendation provided by the UNCTAD and the patterns established by the AfrIPANet, again shedding light on another aspect Ethiopia should improve upon for the FDI-HDI relation to work properly. The EIC's winning of the 2017 United Nations Awards for "Promoting Investment in the Sustainable Development Goals", attributed to it during the UNCTAD's Investment, Enterprise and Development Commission in Geneva "for its instrumental role in facilitating the development of Hawassa Industrial Park as an eco-friendly textile and apparel facility with efficient use of water and energy, waste treatment, and renewable energy" (UNCTAD, 2017a), leaves scholars optimistic for the future. Through the application of the Climate-Resilient Green Economy (CRGE) strategy, the country "champions a model industrialization that is environmentally sound" (Fessehaie & Morris, 2018, p. 25) in which the country's engagement is particularly strong, with the government monitoring environmental compliance on water, mineral, and toxic dispatch (Fessehaie & Morris, 2018, p. 25). The possibility for the government to apply a similar pervasive role to the investors' social behaviours is what makes academic researchers and the author optimistic in this sense; however, beyond that, it must be noted that, despite not being the main focus of this thesis, the environmental discourse is both part of and background to all of the

argumentations on human development. A good result in this area can represent a first step towards the implementation of further, more HDI-oriented changes, as well as a result in human development terms. However, the EIC still has a long road ahead to prove these hopes true.

While the seven previously analysed elements represent some important steps Ethiopia could focus on for both the attraction of human development-oriented FDI to increase and the enabling environment for FDI to be established, specific recommendations for the latter, on necessity, cannot be as specific as desired. As mentioned, the complexity and size of the topic does not allow for a complete set of recommendations. However, it appears evident that the country has significant duties for the near future as far as both the enabling environment and the political situation are concerned. What the EIC itself defines as the "enabling environment" for FDI lacks all of the fundamental elements this dissertation encourages, namely those elements that "put in place a policy framework geared not only to attract more FDI but also to enhance its quality, increase its social spillovers and contribute to domestic technological capacity-building and national competitiveness" (Chudnovsky & López, 1999, p. 10). The targeting of specific investors, the requirement of social performances, and the evaluation of investors' performances have previously been mentioned in this conclusive review and must be included along with further elements in the legal framework that forms the backdrop to the investments themselves. Further, in regard to the political situation, it appears clear that high expectations are placed on the new government and on the positive new course it may establish, but this kind of comment would result in themes that have little to do with the main topic of this thesis. Finally, as far as PPP establishment is concerned, the introduction in 2018 of a new proclamation facilitating a public-private partnership leaves no room for any further recommendation in this sense: only the future will tell whether this provision represents a positive manoeuvre for the implementation of the FDI-HDI relationship.

The recommendations for investors could be represented by a simple copy and paste of the dedicated paragraph in Part 2: indeed, as mentioned many times thus far, once the contribution to HDI enhanced by the inward FDI is assessed, the three elements of the

investor’s axis seem to be too weak or even non-existent in Ethiopia. In this sense, incentives from the government must be placed on the top of the priorities of the political agenda of the near future, departing from the current regulatory silence that, for example, “encourages CSR programs for both local and foreign direct investors but does not maintain specific guidelines for these programs, which are inconsistently applied and not controlled or monitored” (U.S. Department of State, 2018). The same kind of recommendation can be applied in regard to the enhancement of investments directed to health and education, with the prospective of raising the share of FDI in these sectors from the low current share of 4%.

A special reference to the potentially positive impact of the Chinese inflows appears imperative in this context. In fact, in addition to all of the previous considerations provided regarding the slightly different approach and attitude of the Chinese investors in Ethiopia in the last decade, further grounds for optimism appear to be offered by the tied relationship Ethiopia is signing with the new Belt and Road Initiative (BRI). Also referred to as the “One Belt, One Road” initiative, the BRI is the Chinese initiative proposed in 2013 that, along the lines of the ancient Silk Road, aims at promoting activities such as infrastructure construction, trade, and investment between China and 65 countries along the Belt and Road in Africa, Asia, and Europe (Chen H., 2016, p. 178; Tang, Li, Li, & Chen, 2017, p. 2595). Although not an integral part of the map of the BRI, though the map passes near the country and has the nearby Djibouti Port as one of its focal points, Ethiopia is among those countries that have signed cooperation documents related to the BRI and has therefore reinforced its diplomatic relations with China in this sense (see for example: Yu, 2019). The grounds for optimism related to this enriched cooperation between the two arise from the fact that China is promoting itself through the BRI not only as a primary economic actor but also as a significant global actor in health and education development. As testified by many recent articles and scholars (e.g. Tang, Li, Li, & Chen, 2017; OBOReurope, 2017), health and education are among the priorities the country is posing in the initiative itself, with potential positive implications both for the countries directly included in the map and for those, like Ethiopia, that have nevertheless decided to cooperate with China in this sense. As for health, the commitment made by the Chinese government is testified by numerous

initiatives, such as the National Health and Family Planning Commission (NHFPC)'s strategic plan for the promotion of health and health security on the BRI, as well as the High-Level Meeting to promote health cooperation that the country hosted in 2017 with representatives of the largest multilateral health agencies (i.e. The World Health Organization and the Vaccine Alliance), in which many bilateral memoranda of understanding were adopted with health ministers and health agencies (Tang, Li, Li, & Chen, 2017, p. 2596). Further, education represents one of the main areas of focus of the Chinese heads of states that have approved many projects to enhance education cooperation along and beyond the BRI (Australian Government - Department of Education, 2017).

More generally speaking, through the BRI, China is emerging in the global stage as a potential "accelerator for the SDGs" (Horvath, 2016, p. 3), with the ambitious opportunity to align the BRI with the 2030 Agenda and, therefore, to take charge of using the BRI as "an important instrument for furthering sustainable human development across a range of countries" (Horvath, 2016, p. 3). It appears evident that all of these future developments are still in an embryonic stage that does not allow for any judgement in this sense: ambitious programmes such as those announced by China in the context of the BRI are not guaranteed successes and do not automatically align the initiative to the SDGs. However, at this stage, there is reason to adopt a positive attitude towards the enriched engagement of Ethiopia with the BRI and, more generally, the enhanced Sino-Ethiopian cooperation. In fact, despite the improvements that must be made on the part of the Chinese investors, the undertaken Chinese FDI overall appears positively related to the human development growth of the country, at least more than the other inward flows. The new scenario the BRI is expected and encouraged to introduce allows further approval of the Chinese-Ethiopian cooperation: this appears to be the only extra recommendation, or suggestion, for the Ethiopian government to follow.

Finally, there is an element, which was not included in either of the previous macro-sections but has been discussed in the "international community's role" discourse, that nonetheless deserves attention: the bilateral investment treaties (BITs). In fact, because

of their nature, BITs represent the only arena in which both the investor (more specifically, their country of provenience) and the destination country share a near-equal responsibility towards the FDI-HDI relation, and, therefore, represent the perfect closing of the circle. Thus far, Ethiopia has signed 34 BITs, of which two were terminated (with Germany and with India) and only 21 entered into force (UNCTAD, 2019c). Among all of them, the Brazil-Ethiopia BIT of 2018, which was signed but has not yet entered into force, is the only BIT Ethiopia has signed thus far in which a specific "corporate social responsibility" article is included. Here, important and strong duties for investors are provided, including that of "*contributing* to the economic, social and environmental progress, aiming at achieving sustainable development" and of "*promoting* the knowledge of and the adherence to, by workers, the corporate policy, through appropriate dissemination of this policy, including programs for professional training" (The Federative Republic of Brazil and The Federal Democratic Republic of Ethiopia, 2018). The existence of this article in this particular BIT is proportionate to the importance of Brazil as an investor in the country, which is little. However, it also ensues at least two separate logical conclusions, which appear particularly important in the present argumentations: on the one hand, it follows that Ethiopia must modify its already existing, outdated BITs, particularly those existing with the top investors' countries (starting with the Sino-Ethiopian BIT of 1998). This is because it is unacceptable, in 2019, to establish the legal framework of investment relations without a reference to the sustainable human development dimension. On the other hand, it implies that, despite being of relative importance, the Brazil-Ethiopia BIT represents the first sign of a changed attitude towards FDI in the country. As previously stated, it is not the task of this thesis to argue where change must begin, and it is not in its scope to try to understand it: what this BIT indicates, however, is that the beginning of a new era has been established, at least on paper.

In conclusion, not much should be expected from this case study, as it is an initial and brief attempt at applying the aforementioned considerations to a concrete reality. Further studies along similar lines are encouraged here, in the strong belief that a more comprehensive set of recommendations for Ethiopia or another selected country may be achieved. In sum, this study can be viewed as an initial snapshot of the country's

position and potential implications for its future in a hypothetical FDI-HDI diagram, upon which other academic researchers or scholars may draw for an in-depth study on the potentialities of the country regarding the enhancement of the selected relationship. What the reader can draw from this research is its scope, the method, the focus, and perhaps the idea that much must be done in Africa for the establishment of a successful FDI-HDI pattern, though noting that there is reason for positivity in this sense.

Foreign direct investment and human development: recommendations for Ethiopia

1) **Investor's role:**
   - To incentivize, control, and further evaluate CSR/SRI and impact investing behaviours on the investor's part;
   - To attract more FDI specifically directed to health and education;
   - To maintain, and eventually reinforce, economic ties with China (particularly in the BRI context).

2) **Host country's role:**
   - The enhancement of the attraction of SDG-related FDI through:
     - The incentivization of further investments in value-added sectors;
     - The attraction of non-resource-seeking FDI;
     - The moving up within the GVCs:
       - focusing on skill training;
       - targeting strategic investors;
       - implementing a long-term economic plan to create a local supply chain;
     - The infrastructure development
     - The transformation of the Ethiopian Investment Commission into an "investment development agency".

   - The establishment of an enabling environment for FDI to impact HDI through:
     - The establishment of effective PPPs;
     - Improvement of political accountability and institutional transparency.

3) **IIAs:**
   - The modification of existing BITs or establishment of new BITs, following the example of the Brazil-Ethiopia BIT.

CONCLUSIONS

The current dissertation has highlighted that the opportunities offered by FDI are not limited to the well-known positive effects that these inflows of capital can offer in economic terms, prompting the GDP per capita growth of the country that receives it. On the contrary, this research has demonstrated that, through the implementation of virtuous behaviour on the part of both the investor and, mostly, the host country – with the international community as an important background as well – it can also positively impact the other dimensions of a concept of development conceived with a more people-centred approach: human development.

In an area such as Africa, in which the levels of human development (measured in HDI terms) are particularly low but in which the inflows of FDI are growing on average, the necessity of implementing these behaviours appears particularly interesting, but demanding at the same time. In this sense, the present work has attempted to recognize those behaviours that would enhance the likelihood of these economies to benefit from FDI: the undertaking of socially responsible investments and/or impact investing, on the part of the investor; the ability to attract human development-oriented FDI and of creating a regulatory national framework capable of enhancing the former's impact on the human development dimensions, on the part of the host country; and a renewed international landscape capable of imposing a more human development-oriented investment framework, on the part of the international community.

With these considerations in mind, the current state in FDI-HDI terms of one of the African economies that is focusing the most on FDI for its economic renaissance, Ethiopia, has been assessed. The results revealed that, despite the positive insights provided almost exclusively by the Chinese investments towards the country, neither the investors nor the host country is performing as recommended in the current research. In a sense, the case study has confirmed, once again, the necessity to shift the direction the region is following and therefore to follow, for example, the suggestions provided here.

In connection with this and as said many times throughout this paper, this dissertation does not presume to be complete nor to have the truth, and its recommendations are not necessarily the only possible ways for the FDI-human development relation to be improved. The lack of literature on the theme has motivated the author to work in this direction, but it also leaves a gap that the limited length of this dissertation was not able to fill, and which further research is expected and encouraged to bridge. This work, indeed, can be considered as a first step towards the establishment of solid strand of academic literature that sets aside the economic impact of FDI to focus on its impact on what "makes life worthwhile", just as has happened with the conception of development. This is rooted in the strong and perhaps overly ambitious belief that, when the approach is changed in the intellectual landscape, and therefore when issues are investigated, reported, and spread, a change in the reality becomes at least more probable. As Amartya Sen claims in the book that has inspired this dissertation the most:

> In line with the importance that I attach to the role of public discussion as a vehicle of social change and economic progress […], *if* my arguments arouse any interest, and lead to more public discussion of these vital issues, I would have reason to feel rewarded. (Sen, 1999, p. xiii-xiv)

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