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Investment in Africa: Some positive effects on growth and obstacles facing investment

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Abstract: **Any society can sustain long-term development without promoting investment that is,we can say the foundation of all economic growth. Indeed, investment which has a special role to play in economic growth is inescapable insofar as it can contribute effectively to the creation of jobs, the increase in the volume of capital, the financing of development projects and above all to strengthen the capacity of the sectors of economic activity. Investment has a very special role to play in economic growth in Africa since its countries lack the financial resources to promote their economic development. However, policy makers in African countries must ensure that Africa's investment can make a significant contribution to economic development. They must therefore make important policy decisions that not only promote investment but also encourage investors to invest in strategic and priority sectors that will help improving economic activity and also ensure that investment is beneficial To economic growth.**

Keywords: **Investment, economic growth, role, development, Strategic and priority sectors, financing, projects, financial resources, promote.**

1. INTRODUCTION AND BACKGROUND

Investment is an important driver of long-term growth and development. It is necessary to strengthen productive capacities, transform the structure of the economy, create jobs and reduce poverty[1]. Indeed, investment is seen as a key to growth because it makes human labor more efficient[2]. That is why the Ghanaian Minister said: "Capital markets are essential" for the growth and prosperity of African economies[3]. Indeed, the role played by investment in the economic growth of a country is all the greater because it seems essential for the promotion of a healthy and sustainable economic activity. For this reason, Africa, which has many developing countries, needs investment so that its economic growth can be maintained in stability and be a factor in development, job creation and the fight against unemployment which is one of the scourges contributing to the increase of poverty. Through investment, the host country can have the capacity to create jobs in the course of fighting unemployment which is one of the disadvantages of growth. Investment has a favorable effect on growth through its effects on supply and demand. Investment initially has favorable effects on the level of demand, amplified by the phenomenon called "multiplier".[4]

It is in this context that Africa, which is a continent of the future, needs more and more investment in order not only to diversify economic factors but also to offer new opportunities that can Framework for the promotion of sustainable.

[1] Economic development in Africa: catalyzing investment for transformative growth in Africa, 2014, page 1
[2] http://www.alternatives-economiques.fr/quel-role-joue-l-investissement_fr_art_964_51562.html
[3] http://www.un.org/fr/africarenewal/vol17no2/172inv1f.htm

[4] In the short term, private or public investment has a direct effect on demand, since capital goods purchased by some enterprises or by the state must be produced by others. The level of investment thus represents a part of the demand addressed to the companies of a country, in addition to the level of consumption. If the state favors private investment by lowering interest rates, for example, or by investing directly through public spending, it increases demand, hence the level of production.

According to some analysts, foreign investors are more interested in investing in Africa and risk financing certain sectors of its economic activities. This is already an asset insofar as it helps to promote its development.

Private financial flows thus tend to take an increasingly important place in the financing of the continent. They have increased from 63% of total external inflows at the start of the decade to 20% in 2014, according to the OECD (Organization for Economic Cooperation and Development) report on the economic outlook for Africa in 2015, The United Nations Development Program (UNDP) and the African Development Bank (ADB). Last year, however, portfolio investment made a shift from $ 21.5 billion to $ 13.5 billion, this report mainly due to a strong disengagement of investments on Nigeria and Ghana. Moreover, the money for these massive investments in Africa needs to be monitored with loan and ongoing monitoring of its use must be put in place so that it can be beneficial to economic growth.

The role of investment in economic growth is generally taken for granted. In 1960, the economist Walt Rostov asserted that the economic take-off phase is characterized by a shift from an investment rate of 5% to 10%.[5]

This statement by economist Walt Rostov is all the more interesting because it highlights the important role of investment in economic growth. In other words, the necessity of investment to boost economic momentum is all the more palpable because it can be said that investment is a guarantee of economic growth. Investment is thus a key that has the capacity to allow one or more developing countries to revive the economic sectors.

Thus, the statement of the Ghanaian Minister of Finance, quoted above, at the congress that brought together business executives and stock exchange leaders, was shared by a growing number of African leaders. Indeed, many sectors of public and private activities have an enormous need for capital. Thus, only foreign investment can support this need. As a result, some African countries are already offering attractive investment opportunities to potential investors, resulting in a slight increase in foreign capital inflows over the past decade.[6]

In an article titled "Towards Inclusive and Sustainable Growth in Africa", it is stated: "Africa's economic growth can not be inclusive at all by omitting the demographic, informal sector and persisting Subsistence agriculture. It is not growth that matters, but the implementation of the right kind of growth. "[7]

The analysis of this assertion tells us two important things: on the one hand, the inclusive nature of economic growth, which considers all factors contributing to development and, on the other hand, the type of growth that must be put in place in order to attract Investors. Indeed, from one region to another, the observation on economic growth in Africa has been very satisfactory for decades. However, the focus should be on the type of growth that can attract investors to invest in the various sectors of this growth. This is tantamount to saying that investors are more attracted when growth is better and that necessarily means putting in place a good type of growth. Much more investment would be required to accelerate growth, Kabbaj told us.[8]

Ultimately, we will say that investment has a significant role to play in economic growth and the promotion of this investment depends first and foremost on the "good" state in which it finds itself. It requires the diversification of growth sectors and good growth maintenance that is able to attract investors.

2. OBJECTIVES

The aim of this research is to try to highlight the role that investment can play in economic growth in Africa. In other words, it is a question of shedding light on the positive impacts of investment in growth insofar as it seems to be a major contributor to economic development. Neglecting the impact of investment on economic growth denotes ignorance in the sense that without investment no growth is feasible. Moreover, Africa is faced with inadequate resources for long-term financial development promotion. Given the limited resources available to finance the long-term development of Africa and the growing difficulties encountered in reducing poverty and achieving other Millennium Development Goals, the strategies for economic renewal advocated by policy makers at the national, regional and international levels, are now

[5] http://www.alternatives-economiques.fr/quel-role-joue-l-investissement_fr_art_964_51562.html
[6] http://www.un.org/fr/africarenewal/vol17no2/172inv1f.htm

[7] http://www.maliweb.net/contributions/aller-vers-croissance-inclusive-durable-afrique-1892382.html

[8] http://www.un.org/fr/africarenewal/vol17no2/172inv1f.htm

largely foreign direct investment (FDI). The experience of a small number of rapidly growing newly industrializing countries (NIEs) in East Asia, and more recently that of China, has contributed to the recognition that FDI plays a role Essential to address the lack of resources of low-income countries and avoid an increase in debt while addressing the root causes of poverty. Since the Asian crisis, if more attention is paid to not engaging in premature financial liberalization, more and more voices are demanding an acceleration of openness to FDI, which is Only stabilize capital inflows, but also increase technological know-how, better-paying jobs, entrepreneurial and professional skills, and export opportunities (Prasad et al., 2003).[9]

Indeed, investment makes it possible to finally resolve the problem of financial resources by helping to promote sustainable economic growth. And this foreign direct investment mentioned in this study has several impacts in the sense that it allows stabilization of capital, increased technological know-how, and good pay for jobs, entrepreneurial and professional skills and above all opportunities for export. All this contributes only to the long-term development of growth and beyond that it will be an asset especially in other areas, notably the transfer of the technological know-how Africa needs to stimulate sustainable economic growth.

That is why we will say that the role of investment in economic growth in Africa is very important. This is what many studies have shown: "Investments in Africa offer good returns ...; According to NEPAD, for Africa to achieve the Millennium Development Goals (adopted by world leaders in 2000 to halve the number of people living on at least one dollar a day, significantly higher ... "[10]

In addition, many research studies have been done on the role of investment in Africa's economic growth. Thus we will see some articles and books which, even with different themes, have approached the subject in the same direction.

3. LITERATURE REVIEW

The documents dealing with this theme of the investment role in Africa's economic growth have shown with evidence and clarity the importance of investing in Africa's economic growth. They have certainly been different according to themes on the subject, but they have approached in the same direction.

1. Economic development in Africa:

Rethinking the role of foreign direct investment

In this report published by the United Nations, this includes the impact of foreign direct investment on economic growth in Africa. In the introduction to the report, attention is drawn to the role that foreign direct investment can play in addressing the problem of inadequate financial resources for long-term development, Increase in foreign direct investment to maintain growth. The example was taken of some industrialized countries of East Asia and the analysis eventually accredited the idea that foreign direct investment played a key role in addressing the resource gap in low-income countries And avoid an increase in debt by tackling the causes of poverty directly. There is a very important point in the report: since the mid-1990s, several African countries have achieved a growth rate of at least 7%. However, this rate of growth has been episodic and rarely over a long period. Based on this observation, the report shows the important role of foreign direct investment: "FDI can play a constructive role in this area by promoting the transfer of capital, skills and expertise. That said, not only is it not synonymous with development, but, as the report concludes, its contribution to development depends on the macroeconomic and structural conditions prevailing in the host country. "[11]

On the other hand, it is important to emphasize that foreign direct investment allows for the development measures needed to stimulate growth, create jobs and diversify the economy.

[9] Economic development in Africa, rethinking the role of foreign direct investment, United Nations, New York and Geneva, 2005, Introduction page 1

[10] http://www.lemonde.fr/afrique/article/2015/05/25/les-investissements-en-afrique-offrent-une-bonne-rentabilite_4640123_3212.html
http://www.un.org/fr/africarenewal/vol17no2/172inv1f.htm

[11] Economic development in Africa, rethinking the role of foreign direct investment, United Nations, New York, Geneva, page 94

2. Promoting private investment for development:

The role of ODA; Organization for Economic Co-operation and Development:

In this report dedicated to analyzing the impact of private investment on economic development, the main focus is on the important role of private investment in promoting stable and sustainable economic growth. As highlighted in the Monterrey Consensus, private investment is a powerful catalyst for innovation, economic growth and poverty reduction. A considerable increase in investment is required for many developing countries to meet the Millennium Development Goals, including the target of halving the proportion of people living on less than one dollar a day. Public development assistance (PDA) has a key role to play in helping to improve the conditions of private sector activity and supporting enterprises in their efforts to which will pave the way for vigorous growth.[12]

This report seeks to encourage investment in the true sense of the term in order to promote stable economic growth that is projected in the long term. In other words, economic development depends first and foremost on promoting investment and entrepreneurial activity, which are the foundation for sustainable and sustained economic growth. Strong and sustained economic growth, fueled by investment and entrepreneurial activity, is necessary to give the private sector the opportunity to create more jobs and raise incomes for the poor, thus generating Governments can expand access to health care, education and infrastructure, thereby contributing to improved productivity.[13]

The report also highlights a factor that seems to be significant in stimulating sustainable economic growth. These include the establishment of a constructive dialogue between the public and private sectors, which are both contributors to development. Promote the establishment of a structured dialogue between the public and private sectors, both locally and nationally, in order to bring together managers of micro and small enterprises and entrepreneurs and Workers in the informal sector to take part in consultation and decision-making processes. This dialogue will help generate demand for reform and investment that will only improve the investment climate.[14]

Thus, in the report, the purpose of using PDA for investment promotion was defined: "To raise investment rates and increase productivity. In countries where growth is strong, total investment, both domestic and foreign, often exceeds 25% of gross domestic product (GDP). In sub-Saharan Africa, on the other hand, gross fixed capital formation has fluctuated around 18% of GDP over the past two decades.[15]

The report also discusses the implementation of an integrated and systematic approach to mobilizing ODA for investment needs to link the results and anticipated impacts to the actions taken to eliminate specific obstacles or Such an obstacle to investment. Development agencies often deploy a four-step strategy covering: 1) an analysis of the conditions of private investment: 2) definition of reform programs: 3) implementation of reforms: 4) measurement the impact of reforms on private investment and, ultimately, growth and poverty reduction. To maximize their comparative advantages, avoid duplication and ease the burden on developing countries, aid agencies should strive to further coordinate their efforts at each of the four Possible to undertake joint activities or to strengthen their collaboration.[16]

3. The environment of private investment in the countries of the Economic Community of Central African States (ECCAS)

This document, which constitutes the regional report on the environment of private investment in the ECCAS, gives a critical look at the direction of investment. Indeed, investments in these countries hitherto involved only raw materials. This is what the drafters of the report denounce. They advocate that investments should focus on trade rather than on commodities. That is why they say that achieving this goal requires investments directed towards the development of basic infrastructure and productive sectors. The investments made so far have been largely oriented towards the exploitation of raw materials, and very little towards the production of goods subject to intra-Community trade.[17]

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[12] Promoting private investment for development, the role of PDA, OECD 2006, page 4
[13] Promoting private investment for development, the role of ODA, OECD 2006, page 9
[14] Promoting private investment for development, the role of ODA, OECD 2006, pages 12, 13
[15] Promoting private investment for development, the role of ODA, OECD 2006, page 19

[16] Promoting private investment for development, the role of ODA, OECD 2006, page 37
[17] Environment of Private Investment in the Countries of the Economic Community of Central African States ECCAS 2012, page 7

The report also refers to the lack of inclusiveness of investments that could have positive impacts. In other words, investments must be inclusive in nature and have the ability to include all sectors that contribute to the strengthening of economic growth. Obviously, by setting up their big companies, foreign countries are helping to support investment. However, the impact of these investments needs to be analyzed, from the point of view of their effects on the region's economy, whose inclusiveness is still behind.[18]

Other papers deal with the role of investment in economic growth. These documents are concerned with private investment, which they mention as necessary. According to these documents, the private sector is the main catalyst for economic growth**. (*Mobilizing Private Investment for Development: The Importance of Private Investment for Development*, 2005).** In the market economy, the private sector is the main driver of growth. It nurtures and stimulates growth as a number of factors combine to provide an environment conducive to its expansion. Private investment is a prerequisite for economic growth: it is the engine that drives the machinery of the economy by enabling entrepreneurs to raise the resources needed to produce goods and services. Rapid and sustainable growth is fostered by a favorable conjunction in which entrepreneurship and investment induce an increase in productivity which in turn allows for increased investment in the future. This sequence is also conducive to job creation and the emergence of new technologies, in particular through international trade and investment.

This is particularly the case for developing countries, especially in Africa, to stimulate private investment according to an appropriate timetable and modalities.

Some articles, such as (***the Conjuncture, the Expertise of the Savings Fund, Public Investment: What Economic Role)***, analyze the public investment that they think play a crucial role in economic growth. The increase in public investment has an immediate effect on economic growth as it is one of the components of GDP.

This is also the case for a documentary summary that focuses on the impact of public investment on economic development. Local public investment, because of its importance and the challenges it faces, places public decision makers on the need to reflect on the performance of their interventions.

4. METHODOLOGY

The main research method for this essay is the literature review, which enabled us to take stock of the effects of investment on economic growth in Africa and the obstacles it faces and make that it cannot be useful to the national economies. Through an analysis of the articles and other documents that have dealt with the same theme, we have been able to elaborate on investment or investment in Africa since it has several types. The reading of these documents allowed us to engage in a light discussion that shared our views on the gaps to be filled and the positive consequences to be improved. Then we were pleased to give some recommendations that may have their importance.

5. RESULTS

During our research, we were able to discover some anomalies which, according to our analysis, make the investment do not give satisfactory results. First, investment does not reach priority and strategic sectors. This means that it does not give satisfactory results insofar as these sectors are very vital in economic growth. Second, there is no close link between local and foreign firms that could make the investment benefit the economic machine. There will need to be a close link, coherence and ongoing collaboration between local and foreign companies. Third, investment is often not inclusive. This too is a major problem in that this lack of inclusiveness can be a hindrance to investment to play the expected role in economic growth. Finally, the lack of transparency in the management of capital invested and the increase in taxes. These are major problems that African policy-makers must tackle to find appropriate solutions. There is a need for maximum transparency so that Africa's investment can play a major role in economic growth. It is also necessary to lower the taxes and the taxes which increase is a major obstacle to the attraction of the investors.

These various major problems are all the more worrying because they constitute obstacles to economic growth in African countries. Policymakers will have to find ways and means to eradicate these problems so that investment is useful for

[18] Environment of Private Investment in the Countries of the Economic Community of Central African States ECCAS 2012, page 8

economic growth in African countries. This is to say that they must make important policy decisions that support the establishment of mechanisms for investment to reach the strategic and priority sectors of the economy on the one hand and On the other, to ensure that the money invested can be used for economic growth and that the investment can be inclusive in terms of its beneficial contribution to the national economy.

Assuming that the investment does not reach the strategic and priority sectors of the national economy, it will be a total failure insofar as investment can not play its role in economic development. And desperately this is the case in Africa where the report on the state of the place of investment gives only bitter results. There are many sectors that are very important to economic development in Africa and play very significant roles in economic growth, but these sectors do not benefit or benefit little from investment. The same goes for taxes and the lack of transparency in the management of the money invested. It is obvious that it is very difficult for a country where taxes are raised to attract investors and promote investment. This is also the case for transparency where a state that manages investment money poorly will never benefit from this investment. Overall, we will say that there are many obstacles that prevent investment from playing its role in economic growth in Africa.

6. DISCUSSION

It is clear that investment is an important driver of short- and medium-term and long-term growth of economic development, especially as it strengthens productive capacities, transforms the structure of the And especially to create jobs by stemming unemployment, which is one of the scourges of poverty. Indeed, investment is a quantitative and qualitative condition of growth and the various types of investment, which are complementary, contribute in particular to food and to enriching growth by increasing the volume of capital Productive, replacing worn or obsolete means of production and integrating innovations to increase productivity.[19]

It is in this line of thinking that we say that investment is an important and strategic choice insofar as it benefits both the investor and the beneficiary of this investment. It is important to underline the fact that Africa, which has many developing countries, needs investment in order to stimulate its economic growth, which in particular contributes to its financing, but also to ensure that this investment Is projected in the long term. That is why it is necessary for African investors and policy-makers to be involved in making the investments that the African continent benefits in the productive and priority sectors. According to a report: "***Economic development in Africa: catalyzing investment for transformative growth in Africa*.** Average investment rates on the continent remain low compared to what is deemed necessary to achieve development objectives. These average rates are also low compared to the average rate of developing countries. It would be both desirable and necessary for investors to invest more, but also and above all to diversify these investments and to ensure that they reach strategic, priority and productive sectors so that they are as beneficial as possible. If these investments reach the strategic and priority targets, they will undoubtedly have lasting, structural effects that will have the capacity to change the economic and social environment. This is how they can contribute to economic development. For example, a country where agriculture is the engine of economic development, it is of course desirable that the State should encourage investors to invest in this sector not only to promote the improvement of the agricultural sector but also to make a Sense of promoting economic activity. This goes without saying for the creation of jobs in the agricultural sector and also the increase in the labor force. For a country whose mining sector plays a major role in economic development, the state must encourage investors to invest in this sector in order not only to boost the national economy but also to create jobs in this sector for young people That the unemployment rate, which is one of the scourges contributing to the increase in poverty, can be reduced. We can say that these two sectors are considered almost in many African countries as strategic and important sectors in economic growth. Therefore, investing in these sectors will not only be a great opportunity for African countries to boost their economies but also create jobs for young people. It should also be emphasized that investment in sectors such as livestock raising, tourism, hotel, education, training, health and social protection is very important as these are very important and strategic sectors that play significant roles in African economies.

In addition, African states and donors must ensure that investment is inclusive so that African economies can benefit from it. The situation where taxes are raised is a deplorable situation and a major obstacle for investors. This can be a fatal

[19] http://keepschool.com/fiches-de-cours/lycee/economie/investissement-progres-technique.html

blow to African economies as investment significantly contributes to economic growth. It should be emphasized that the lowering of taxes is a call to investors and constitutes an investment promotion. A State that reduces taxes for the benefit of investors is a state that wants to promote the improvement of its economy insofar as the role played by investment in economic growth is considerable. As far as transparency in the management of investment money is concerned, it involves both African States and investors. They must be involved in putting mechanisms in place so that the money from the investment can be used in a transparent way.

Ultimately it is important and necessary to underline the fact that investment has a very important role to play in Africa's economic growth, hence the need for African leaders to ensure that investment rates National requirements are acquired and that these investments go to the strategic and priority sectors of the national economy. This includes the establishment of social and political mechanisms that operate on an ongoing basis. It is up to African investors and leaders to be actively and permanently involved so that investments benefit national economies and respond positively to local needs and requirements.

Recommendations

First, we urge African policy-makers to create an environment conducive to investment. This requires first and foremost the establishment of a well-secured social environment. Indeed, investors must feel safe first of all. Investors will also need to be sure that their assets are secure. We mention this because one of the major problems of the African continent is the security problem.

Secondly, we urge African policy-makers to put in place mechanisms and strategies for continuous monitoring of investment money because one of the scourges of Africa is corruption. For investors to be confident that the money spent on investment is used properly and to prevent the money from being affected by the phenomenon of corruption, continuous and rigorous monitoring is needed. African policy-makers must also ensure that the investments Africa receives go towards the strategic and priority sectors so that economic growth benefits. They must also encourage investors to ensure that investments are not only diversified but also inclusive.

Third, we urge African policy-makers to lower taxes which can be a major impediment to attracting investors. There is also a need for transparency in the management of investment capital because corruption is a brake on all development.

Finally, there must be coherence between policies at national and international levels; Policy makers and investors need to pool their efforts so that economic growth benefits from investment.

7. CONCLUSION

The African continent, which has a large number of developing countries, certainly needs the financial resources not only to promote its economic development but also to boost its economic growth, which has increased somewhat in recent years. Thus, investment that is vital to any economic development can play a very important role in this economic growth. Indeed, through investment, African countries can have the capacity to create jobs, to finance development projects and above all to ensure that the economic machine works at a steady pace in all sectors of development. This amounts to saying that economic growth in Africa is conditional on investment insofar as Africa finds itself in inadequate financial resources to support long-term economic development. The African continent has certainly benefited from investments, but these investments have sometimes failed to reach priority and strategic targets or have often been poorly managed. This is why it is up to African policy-makers and investors to put in place mechanisms and strategies in order to overcome these two major problems cited above. Investment has a major role to play in economic growth in Africa and to support long-term economic development; it is in the interest of African leaders to appeal not only to investors but also and above all to ensure that investment responds Local requirements.

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[21] Economic development in Africa: catalyzing investment for transformative growth in Africa, 2014, page 1