INTERNATIONAL JOURNAL OF RESEARCH IN ECONOMICS AND FINANCE, 2025, Vol. 2, No. 2, 83-93. https://doi.org/10.71420/ijref.v2i2.57

# Are foreign investments more important for central African economies than domestic investments?

Bybert Moudjare HELGATH
*Higher School of Economic and Commercial Sciences, University of Garoua, Cameroon.*

Claude Aline ZOBO
*Institute of International Relations of Cameroon, University of Yaoundé II – Soa, Cameroon.*

**Abstract.** This study aims at evaluating the effectiveness of Foreign Direct Investment (FDI) and Domestic Investment (DI) in the Economic and Monetary community of Central Africa (CEMAC) zone. The idea is that, to impel the structural changes in an optimal way and to allow positive developments within economies, it is necessary to know how FDI and DI, which are the permanent funding resources, act on regional economies. Using a Simultaneous Equation Model applied to average time series of CEMAC from 1999 to 2018, it appears that FDI, doesn't have positive economic consequences for the economic development of CEMAC because of persistent structural weaknesses, while Domestic Investment seems to be an important catalyst. However, both effects can be improved by governments that have the mission to create an investment-friendly environment, promote joint ventures and to integrate policies relating to FDI as component of national or regional development strategies in order to maximize their profits.

***Keywords:*** *Domestic investment; Foreign investment; Effectiveness; Economic Development; Simultaneous Equation Model.*

## 1. Introduction

The countries of Economic and Monetary community of Central Africa (CEMAC) are constantly confronted with a higher gap between their requirements for investment - to develop their infrastructure and their productive capacities, among others - and the national resources at their disposal (UNCTAD, 2013). Since the beginning of this decade, new realities with important effects on the extent of financing needs in the sub-region have intervened. Among them, we can point out the requirements of the international programs and the requirements of the national and sub-regional plans.

Since September 2015, the international community has adopted sustainable development goals. The members of CEMAC, as well as all those of the African continent, were committed to implementing national and regional development programs during the next fifteen years, aiming at the realization of the seventeen goals and their one hundred and sixty-nine targets stated. These sustainable development goals fall under a much more ambitious world program, contrary to the eight millennium development goals and the twenty-one targets associated with them. Consequently, they will require important financial resources.

For countries with low and lower intermediate income, the additional expenditures necessary to reach the sustainable development goals are estimated by Schmidt-Traub (2015) at 1200 billion dollars a year (from 342 to 355 billion dollars for low-income countries and 903 to 938 billion dollars for lower intermediate income countries). The estimated amount is approximately 11% of gross domestic product (GDP) over the period 2015–2030 on the basis of market exchange rates.

At the same time, a progressive reduction of the foreign government aid flows is anticipated. In fact, the diary 2063 of Africa foresees the reduction of dependence to public development aid. Due to the recurrence of world financial crises and the reinforcement

of budgetary austerity, the funds coming from the traditional givers could further decrease. Thus itis a necessity for national bond markets to be sufficiently liquid.

More still, the challenges as regards to development also evolved: the givers community nowadays gives an increasing attention (and devotes resources consequently more and more) to questions such as the fight against climate change and the prevention of catastrophes, which, ten years before, did not take a central place in the development program (United Nations Economic Commission for Africa, 2015). At the same time, the recourse to international credits is limited for many countries by the constraints imposed on their debt levels. Thus, the methods for financing development are changing on a global level. The centered model of public aid - with the development and financing of the remaining needs by foreign debt - gives way to a framework in which the mobilization of internal resources is more emphasized.

According to the plans "Cameroon Vision 2035," "Congo Vision 2025," "Emergent Gabon Strategic planning" or "National Plan of Development of Chad," the CEMAC needs important funds to deal with the deficit of basic infrastructure, to reinforce its production capacities, etc. and the investment constitutes a powerful catalyst of all these necessities.

At the sub-regional level, the CEMAC has the role of setting up integration policies by allowing the intensification of limited commercial exchanges. The realization of these objectives also requires more investments directed towards the productive sectors.

In this configuration, the domestic investments (DI) and foreign direct investments (FDI) remain the obvious options for the development of economies. Although still limited in CEMAC, domestic investment increased by 36.4% between 2008 and 2014, and the flow of FDI recorded by the 6 member countries increased by 230%, passing from 4.2 billion USD to 9.7 billion USD. In spite of this regular growth, the levels of development remain low in the subregion, and one still observes a strong deindustrialization.

Between 1990 and 2008, the share of the manufacturing sector in production moved from 11% to 6% in Central Africa. This fact negatively affected employment. In a parallel way, CEMAC remains strongly dependent on exports of primary products and is still, by this fact, vulnerable to the variations of external demand and international prizes. So, a mode of wedged development in which external integration takes the step of interior integration is reinforced.

Paradoxically, the exploratory prospective earlier studies and the growth's strategies of CEMAC's countries are still identifying FDI and DI as essential and positive components for the consolidation of long-term growth and development. Thus, the question of the effectiveness associated with these ways of development's financing for CEMAC arises. Such an analysis is important insofar as it aims at clarifying the significance of the financing development's strategies in CEMAC by evaluating their respective impacts on a set of economic variables that characterize this development.

Nonetheless, to our knowledge, studies relative to this problematic are very often limited to the impact of DI and FDI on growth, and little has been done concerning CEMAC. This study has the virtue of extending such analysis to several socioeconomic aspects that are quite as important as others.

The contribution of this paper is to improve the literature through the comprehension of the link between investment, both internal and external, and socioeconomic development. Another contribution is the possibility given by the paper to discover whether the impact of the DI is different and better than that of FDI. The more the patterns of processes between investments and development are known, the more focused and stronger programs of development based on them or a new generation of policies can be defined.

It is advisable before the empirical analysis (III) to fly over the relative literature for a better apprehension of the effects of these ways of financing on development (II).

## 2. Literature review

For many decades, academia and policymakers have debated the role of Domestic and Foreign Direct Investment (FDI) in development. Such question has been very difficult to elucidate because the discussion has been colored by many ideologies and also by fundamental characteristics of investments that have evolved over time.

### a. Domestic investment and development: some theoretical aspects

The neo-classic theory and the new theory of growth underline the existence of a positive correlation between investment and growth. This assumption can be illustrated by making a real comparison of GDP growth rates to those of investments for the six member countries of CEMAC between 1999 and 2014.

The main report is that the average growth rate of GDP is stronger in Chad and Congo Republic, respectively, at 8.18% and 4.31%, where investment rates were raised (an average of 29.75% and 24.31%, respectively). On the other hand, RCA, with its lower average rate of growth, is also the country with the lowest investment rate in the region. As an explanation, first, investment supports growth and development through the distribution of income generated. Investments also contribute to enhancing productive capacities through the acquisition of new or more powerful equipment; companies gain in scale economies and price competitiveness, leading to positive fallout in many other sectors. Consequently, an economy that does not invest enough will see its competitiveness and development drop over the years. This relation appears like theoretical evidence, and there aren't many empirical studies interested in his evaluation, much less for CEMAC. This paper is then an important contribution.

### b. Foreign Direct Investment and development: empirical aspects

At the contrary, the effect of FDI is widely discussed. Perceived as an addition to the host capital stock hold by a country, the positive effect of FDI is like the one of domestic investment (Brems, 1970).

Historically, the debate on the role of FDI for developing countries lies within the scope of the dependentist analysis that was initially developed in Latin America. Long time focused on natural resource exploitation and oriented from North to South[4], the attraction for FDI took a transcendent place in many policies of African countries as a priority area for development.

Host countries usually grant incentives to multinational firms. These incentives are relative to the legal and business environment (code of investment), to economic policies and to gravitational production's conditions (Mainguy, 2003).

The interest carried out for foreign investments in developing countries is generally justified by many waiting: knowledge and technology transfer opportunities, their contributions as additional financial resources, opening to international markets opportunities (emerged supplies, adaptation to standards, etc.), productivity's rising and improvement of the local management's capacities, job creation, etc. FDI will also attract domestic investment. So, his mobilization is an efficient way to stimulate the local investment (Bosworth and Collins, 1999; De Soysa and Oneal, 1999; Mileva, 2008; Al-Sadig, 2013). The story of several economies in East Asia, Ghana, and South Africa with strong growth was consolidated by these effects for several years according to the studies of Zhang (1999), Nair-Reichert and Weinhold (2001), Bhatt (2014), (Pegkas, 2015), Frimpong and Oteng-Abayie (2006), Fedderke and Romm (2006), etc.

However, there is a potential negative effect of FDI on growth and development. It results from the domination of the foreign firms over the local ones, the lifting of constraints relative to the

repatriation of FDI's benefit, the excessive specialization of local production on particular goods, generating price-cutting with exports, and a deterioration of the terms of trade. FDI can thus be at the origin of a trade deficit in the countries; their push can involve a strong increase in the importations of equipment goods by the multinationals.

In addition, FDI might also cause natural resource depletion and pollution (Acharyya, 2009; Yang, Yang, & Xu, 2008) if a host government does not have sufficient capacities to manage their resources effectively. The presence of multinational firms would also increase the inequalities of income insofar as these firms are generally localized in enclaves (free zones), primarily connected to the international market. Their impact on the reduction of poverty is generated by job creation. However, although they pay better wages to their employees, who in general are qualified, they create little not-qualified employment and are not very likely to reduce poverty (Mainguy, 2003). Thus, the jobs created represent a weak share of labor with wages higher than in the rest of the country, where the majority of the poor would remain marginalized. Herzer et al. (2008) found that there is neither a long-run nor a short run effect of FDI on economic growth in developing countries.

Aside from these, voluminous literature on the impact of FDI reveals the crowding-out effects on domestic investment (Adams, 2009). This might be due to their superior technology, greater opportunities, and shrinkage in the market share of domestic firms. Another important cost of FDI is that it increases local wages (Figlio & Blonigen, 2000; Tomohara & Takii, 2011), which later may lead to increase in the prices of relevant domestically supplied inputs.

Empirically, most studies interested in CEMAC are almost focused on causality tests relative to the impact of FDI on growth. They almost considered FDI only as an exogenous variable. This orientation is very restrictive and less informative because FDI has several effects on economies - manifested at several levels - and the assessment of their global impact is thus necessary for their better management.

However, it can be assumed that the benefits of FDI and domestic investment are not automatic; policies matter. They also have significant costs that policies have to master and minimize. A key challenge is how to frame investment policies in a way that supports and reinforces economic development. By allowing the assessment of the impact on a wide set of socioeconomic indicators, this paper is an important contribution that will help to reinforce this economic development for CEMAC.

## 3. Methodology

This section aims to confirm or cancel if the theoretical links established between structural investments and positive developments, or economic changes are empirically checked for the countries of the CEMAC. More particularly, one is interested in the impact of the DI and FDI on the gross domestic product, industrialization, the agricultural sector, exports and imports, technology transfer, and human capital limited by the level of schooling and employment.

### a. Model specification

We use the simultaneous equation model. The choice of this model is based on the need to take into account complex and interdependent relationships between domestic investment and FDI. Simultaneous equation models allow capturing these relationships by estimating several equations simultaneously, which allows controlling for simultaneity and correlation effects between variables. In addition, simultaneous equation models can take into account causal relationships between variables, which is important for understanding the mechanisms by which domestic investment affects FDI. Finally, simultaneous equation models offer greater flexibility in specifying relationships between variables and in testing research hypotheses.

The model used is inspired by Van den Berg and Ghosh Roy (2006), with some exceptions.

It is a simultaneous equation model (SEM), whose ten linear definitions are as follows:

$$GDP_t = a_0 + a_1 DI_t + a_2 FDI_t + a_3 Exp_t + a_4 popA_t + \varepsilon_t \quad (1)$$

$$IVA_t = b_0 + b_1 DI_t + b_2 FDI_t + \eta_t \quad (2)$$

$$AVA_t = \beta_0 + \beta_1 DI_t + \beta_2 FDI_t + \psi_t \quad (2')$$

$$Exp_t = c_0 + c_1 DI_t + c_2 FDI_t + c_3 GDP_t + c_4 REER_t + \mu_t \quad (3)$$

$$EXPHT_t = d_0 + d_1 DI_t + d_2 FDI_t + d_3 GDP_t + a_4 REER_t + \varpi_t \quad (4)$$

$$Imp_t = e_0 + e_1 DI_t + e_2 FDI_t + e_3 GDP_t + e_4 REER_t + \omega_t \quad (5)$$

$$HK_t = f_0 + f_1 DI_t + f_2 FDI_t + f_3 GDP_t + f_4 EEDU_t + \theta_t \quad (6)$$

$$UNEMP_t = \lambda_0 + \lambda_1 DI_t + \lambda_2 FDI_t + \lambda_3 EEDU_t + \lambda_4 HK_t + \pi_t \quad (6')$$

$$DI_t = g_0 + g_1 FDI_t + g_2 GDP_t + g_3 IS_t + g_4 popA_t + \xi_t \quad (7)$$

$$FDI_t = g_0 + g_1 DI_t + g_2 GDP_t + g_4 popA_t + \upsilon_t \quad (7')$$

GDP, AVA, Exp, EXPHT, Imp, EEDU, HK, DI, FDI, REER, popA, UNEMP and IS correspond respectively to the gross domestic product, the industrial added value, exports, exports with high technology, the imports, the expenditure on education, the level of secondary schooling, the domestic investment, the foreign direct investments, the real effective exchange rate, the working population, the unemployment rate and the interior savings.

To estimate these time series, we will consider the Napierian logarithm of all variables except of those of equations 6 and 6 ', for which rather growth rates of variables will be used.

The data used come from World Development Indicators 2021 which provides complete series for each of the six countries of CEMAC between 1999 and 2018. Since we are interested by CEMAC as a whole, the aggregate data are obtained by making a simple annual average of the individual data.

Indeed, the choice of CEMAC is explained by several reasons. First, CEMAC is a developing region that increasingly attracts foreign investment, making it a fertile ground for studying the relationships between domestic investment and FDI. In addition, CEMAC countries share similar economic and institutional characteristics, which makes it possible to control for exogenous variables and focus on the relationships between the variables of interest. Finally, the study of CEMAC can provide economic developments in the region.

### b. Measurement of DI and FDI effects on the economic development of the CEMAC

The augmented Dickey-Fuller tests applied to the logarithms or growth rates of relevant variables reveal that the growth rates of GDP, DI, FDI, the rate of schooling in secondary schools, and education's expenditure are stationary in level. The logarithm of the values of exports with high technology, domestic investment, and FDI are stationary in level when trends are included. On the other hand, the logarithms of GDP, industrial and agricultural values added, exports and imports are non-stationary.

Thus, the estimators of the Co-integral relations supposed for most equations above do not have standard asymptotic distributions, and the statistical inference is complicated. We have tried to examine the parallel Co-integral relations and test the stationary of the generic variables. The estimators obtained in this case are convergent, but the endogeneity of some variables makes

them ineffective. To cure it, by supposing that residuals are not correlated, we will add to the regressions the delayed values of the endogenous variables, as recommended by Stock and Watson (1993).

The estimation of the times series system using triple least squares makes it possible to measure the impact of the investments on the aggregate economy of the CEMAC. The results are presented in Table 1 below.

**Table 1: Results of the estimations (SEM)**

| Equations → / Variables ↓ | GDP | IVA | AVA | Exp | Imp | HTExp | HK | DI | FDI | UNEMP |
|---|---|---|---|---|---|---|---|---|---|---|
| Domestic Investment | 0.25* | 0.80* | 0.13* | -0.6* | 1.46* | 0.36* | | | 1.23* | -0.009* |
| L1. Domestic Investment | | | | | | | | -0.3 | | |
| ɾ Domestic Investment | | | | | | | 1.38* | | | |
| Foreign Direct Investment | -0.01 | -0.1 | 0.15* | -0.1* | -0.07 | -0.01 | | 0.02 | | -0.001* |
| L1. Foreign Direct Investment | | | | | | | | | 0.12 | |
| ɾ Foreign Direct Investment | | | | | | | 0.26* | | | |
| Gross Domestic Production | | | | 1.6* | 0.86* | 0.57* | | 1.24* | -1.08 | |
| L1. Gross Domestic Production | -0.01 | | | | | | | | | |
| ɾ Gross Domestic Production | | | | | | | -3.3* | | | |
| Exportations | 0.35* | | | | | | | | | |
| L1. Exportations | | | | -0.1* | | | | | | |
| Exportations of High Technology | | | | | | | | | | |
| L1. Exportations of High Technology | | | | | -0.09 | | | | | |
| Importations | | | | | | | | | | |
| L1. Importations | | | | | | 0.57* | | | | |
| ɾ Education Expenses | | | | | | | 1.15* | | | |
| Education Expenses | | | | | | | | | | -0.003* |
| Real Effective Exchange Rate | | | | 1.6* | 3.97* | 1.9* | | | | |
| Interior Savings | | | | | | | | -0.5* | | |
| Active population | 0.70* | | | | | | | 3.9* | 3.58 | |
| ɾ Secondary Schooling | | | | | | | | | | 0.003* |
| L1. Industrial Value Added | 0.47* | | | | | | | | | |
| L1. Agricutlture Value Added | | | 0.67* | | | | | | | |
| L1. Unemployment | | | | | | | | | | 0.77* |
| **R²** | **0.99** | **0.91** | **0.93** | **0.99** | **0.89** | **0.98** | **0.94** | **0.98** | **0.83** | **0.95** |

Source: authors estimations.

### c. Implications for CEMAC

The results below point out first the fact that FDI has a non-significant negative effect on GDP and thus on the growth of CEMAC. This result is similar to the one of Abeid and *al*., (2016) for Mozambique. On the contrary, according to theoretical insights, an improvement of 10% in DI leads to a significant increase in GDP of 2.5%.

In addition, DI has a positive effect on industrialization in CEMAC. An increase of 10% of the invested amounts increases the industrial's value by 8%. This is justified by the rise of Small and medium enterprises, which have formed the essence of the industrial fabric of CEMAC for several years. The effect of FDI is not significant, as found by Gui-Diby and Renard (2015) for 49 African countries. According to this result, it can be assumed that the generation of backward linkages in CEMAC is not effective. The spillovers manifested in terms of increased demand for locally supplied intermediates require that inputs have to be produced locally, quality must be satisfactory, and price must be competitive as compared to imports (Tina Soreide, 2001). But CEMAC is still producing sizeable quantities of raw materials and commodities, and FDI is also concentrated on these activities.

The first positive and significant impact of FDI is on the agricultural sector of CEMAC. This result is similar to that of Oloyede (2015) for Nigeria. This effect is more important than that of DI. Rising by 10%, FDI led to an improvement of the agricultural value added of 1.5% against a consequent improvement of 1.3% associated with a similar rise in DI.

In fact, only a weak part of the population has the means and the capacities to implement agricultural projects generating scale economies; the essence of the urban and rural populations is more turned towards subsistence farming. But FDI and DI can improve agricultural firms' productivity and efficiency (Msuya, 2007). The impact of FDI is better than that of DI because it mobilizes more capital and technologies.

The impact of DI and FDI on the exports of the CEMAC is negative but significant. Exports by area drop by 6% and 1%, respectively, when DI and FDI increase by 10%. The result is similar to the one raised by Albahi et al., (2016) for Indonesia.

For what it is, the strong specialization in raw materials and primary products that supports the investments in the region associated with the volatility and the downward trend of trade's world rates can justify this state of things. Many indicators confirm the end of the super-rising cycle of the raw materials of the past decades. Between 2014 and 2015, the totality of the prices of products exported by CEMAC's countries moved back. It is thus probable that this negative impact of investments on exports will remain dominant if the production structures of the economies don't change.

Furthermore, imports in CEMAC are insensitive to FDI. They are sensitive to a significant and positive degree. A 10% increase in domestic investment boosts imports of CEMAC by 3.6%. Unlike multinationals, which specialize in the exploitation of resources rather than their transformation, local companies need essential inputs to support the development of their activities.

Concerning exports with high technology, the results show that they positively depend on DI. An improvement of 10% of domestic investment involves a more important rise of exports, with high technology in CEMAC of 14.6%. Here also, the proliferation of innovative startups making specialized use of new technologies of information and communication helps to reinforce exports in the region. On the contrary, beyond the simple capital transfer, FDI does not have any significant effect on the technology transfer, competences, or know-how of CEMAC.

DI more influences the rate of secondary schooling more than FDI. For CEMAC, indeed, the rate of schooling to secondary is improved by 2.6% when the growth rate of the FDI increases by 10%. It is improving five times more, that is, by 13.6%, when the growth rate of DI increases by 10%. Indeed, both multinational firms and domestic companies require their employees to have at least a level of secondary study.

But DI and FDI slightly absorb the labor force in CEMAC. If FDI and DI are reinforced by 10%, the unemployment rate in CEMAC decreases only by 0.09% and 0.01%, respectively. The result relative to FDI is similar to the one obtained by Wazani and Souaf (2006) in the case of Morocco. The weak impact of FDI and DI on unemployment can be explained by the fact that an important part of FDI is focused on privatization, repurchases of bankrupt companies, labor force importation, the dominance of short-term work contracts, etc. It can also be pointed out concerning the weak impact of DI on unemployment, the mismatching between training and the needs of the labor market changing over time, and the dominance of Small or Meduim enterprises in CEMAC economies. Obviously, reforms are necessary.

Lastly, there is no bidirectional causality between domestic investment and FDI. It is established that if DI supports FDI positively (an improvement of 10% of domestic investment increases FDI by 12.3%), the reciprocal one is not true at all within the framework of CEMAC. In other words, contrary to the theoretical intuitions, FDI doesn't consolidate domestic investment due to its orientations, especially on resource exploitation, privatization, or companies' repurchases, as said above. But, accounting for the information's asymmetries, the movements of the interior investments are signals launched to foreign investors on the state of the economy.

## 4. Toward a greater effectiveness of investments in CEMAC

Our estimates underline the limited effectiveness of the investments, and thus of the resources mobilized up to now, on the economic development of CEMAC. It suggests that the provisions adopted within the framework of the investment's charter by CEMAC in 1999 did not have real success. Given that these investments remain the only obvious and perpetual funding sources, it is convenient to define, starting from our results, methods that will make it possible to improve their effectiveness and make the use of these resources more profitable. Four principals catch our attention.

### a. The creation of national frameworks favorable to domestic investment and the extension of private sector

The previous observations show that domestic investment (contrary to FDI, which does not have strong economic consequences) is an important and unavoidable catalyst for the economic development of CEMAC. Within the framework of financing development, it must be privileged by policies.

However, it proves against any waiting that domestic savings lead to a significant effect of ousting on domestic investment (see table 1). In an environment dependent on persistent uncertainties in the business climate, it can be assumed that saving is mainly made up for reasons other than investment. These same uncertainties reinforce credit rationing, or the weak financing of economies by banks.

To support the optimal allowance of resources in favor of the private sector and to maximize the effect of investments on CEMAC's development, it is more than necessary for countries to create incentives for domestic investment and extension of the private sector to impel a true dynamic of economic development.

Actually, such a national framework is dependent on infrastructure development, on the improvement of the business climate, on the effective granting of economic incentives to national companies, the setting up of bodies of regulation, the division of commercial information and services to companies, peacekeeping and security, on socioeconomic and financial stability, the reduction of political uncertainty, on the reduction of commercial costs, and the improvement of access to financing.

To meet the financing needs in the medium and long term, the countries of CEMAC must also have to diversify their internal funding sources while getting busy developing national financial markets, in particular long-term bond markets and insurances, to support and frame the microfinances activities which have an important capacity of domestic savings mobilization. The actions of Central Africa development bank must also have to be more operational.

It should be recognized all the same that there are investments that countries in CEMAC cannot carry out themselves thus, it is always important to encourage outside investments without being focused only on them.

### b. The professionalization of trainings

FDI did not have positive economic consequences for CEMAC. The small proportion of world flows of FDI that the zone attracts are intended mainly for mining, oil, and services sectors with strong output rather than those with the creation of new capacities in production.

The experiments of emerging countries shows that the contribution of FDI to development is generally significant and more important for host countries, which already have a dynamic and developed national sector that is favorable to investors.

FDI would rather be a variable shifted in the development process. It is to say that there are conditions for which FDI will have domino effects on CEMAC economies.

On a purely illustrative basis, according to the paradox of Lucas, the capital other than those associated with the exploitation of natural resources does not come inevitably in CEMAC, where they are rarest, because the outputs of investments are more important where infrastructure is developed, the business climate is favorable, and especially where labor is best trained. One could besides note that the level of the working population is certainly favorable to FDI, but those generate very little employment in return. The fact is that the level of schooling and training is perhaps satisfactory within CEMAC, but the professionalization remains limited; nevertheless, this is such labor offer that is needed to answer to the standards of multinationals.

### c. The adequacy between the objectives of foreign companies and those of governments

The policies relating to FDI must be thought of as a component of national or regional development strategies that are more extended and more integrated, essential to raising growth, creating jobs, reinforcing national capacities, and producing and supporting the dynamism and vitality of the national private sector. It requires, upstream, the adequacy of the objectives of foreign companies with those of governments, as UNCTAD has recommended since 2003, and FDI must fall under the development objectives of countries.

Multinationals have short- or medium-term objectives such as low labor costs, dynamic interior markets, opening up to regional markets, and flexibility. While the objectives of governments fit rather in the long run and are relative to diversifying and stabilizing funding sources for development, increasing budgetary resources, promoting the rise of employment for a growing population, developing social and economic infrastructure to ensure environmental protection, promoting a balanced localization of activities, allowing to optimize the effects of urban areas, etc.

Up until now, multinationals did not always respect their social contract in host's countries by default of legal value and control. On the contrary most of time, they degrade people's well-being. For instance, for populations beside the field of King Prawn in Gabon, along the Pipeline Cameroon-Chad, they accentuate inter alia, oil pollution, flares, deforestation, respiratory diseases and besides accentuating with bad governance, inequalities, and poverty. Indeed, only a small portion of the population benefits from the repercussions of the oil manna. It is then important to set up methods of a winner-winner partnership and to promote good governance.

### d. The promotion of joint ventures (for the effective transfer of competences and technologies and to support the competitiveness of the local companies)

According to recent studies on investment in Africa, the joint ventures with foreign partners are larger, employ more labor in the host country, and are more productive than foreign subsidiaries (UNIDO, 2011). Promotion of joint ventures thus has positive effects for foreign investors and for the host country, and should be encouraged and sustained. One can also consider, as Tanzania and Zambia have since 2005, the promotion of links between firms in order to reinforce the competitiveness of local companies and to create incentives for encouraging foreign investors to supply themselves with inputs from local markets.

## 5. Conclusion

Among the permanent methods of development financing in CEMAC, FDI is not to be privileged in the actual state of economies; it is strongly specialized in the raw materials, with a qualification level limited by work and a degraded environment of the business, to quote only these aspects. Domestic investment has to be encouraged more because it has been established that it generates many domino effects on GDP (multiplier effect), exports, technological

development, agriculture, industrialization, level of schooling, attraction of FDI and, to a lesser extent, employment.

It remains all the same that there are some investments that countries in CEMAC cannot carry out themselves. In this configuration, FDI is to be considered a complement of domestic investment. This complementarity requires all the same: that multinational firms' objectives have to be compatible with the development objectives of governments, and that social contracts relative to those of FDI have to be well followed and respected.

It is interesting to stress that the first actors in CEMAC development remain governments, which have the mission to create a favorable national framework in order to maximize domestic investment and FDI profits or effectiveness.

## 6. References


- Abeid, A.R., Zhi, H.J. & Yapatake, K.T.P. (2016). Effect of foreign direct investment on GDP. A comparative study of Mozambique and South Africa.
- Acharyya, J. (2009). FDI, growth and the environment: evidence from India on CO2 Emission during the last two decades. *Journal of Economic Development, Chung-Ang University Department of Economics*, Vol.34 (1), pages
- Adams, S. (2009). Foreign direct investment, domestic investment, and economic growth in sub-saharan Africa. *Journal of policy Modeling*, Vol.31, issue 6 pages 939-949.
- Al-Sadig, A. (2013). The effects of foreign direct investment on private domestic investment: evidence from developing countries. *Empirical economics*, vol. 44, issue 3, 1267-1275.
- Albahi, M. SE, Si, M. Ak. (2016). Export-Import and Foreign Direct Investment (FDI): Indonesian economy study. *IOSR Journal of economics and finance*, Vol 7, issue 4, 37-44.
- Bhatt, P.R. (2014). Foreign direct investment in ASEAN countries 1990-2012. *Revista galega de Economia : publication interdisciplinarda Facultade de ciencias Economicas e Empresariais* 23 (4), 133-144.
- Bosworth, B.P and Collins, S.M, (1999). Capital flows to developing economies: implications for saving and investment. *Brookings Papers on Economic Activity,* Economic Studies Program, The Brookings Institution, Vol 30, issue 1, 143-80.
- Brems, H. (1970). A growth model of international direct investment. *American economic review*, Vol. 60, 320-331.
- De Soya, I. & Oneal, J.R. (1999). Boon or Bane? Reassessing the effects of foreign and domestic capital on Economic growth. *American sociological review*, 64, pages 766-782.
- Fedderke, J.W. & Romm, A.T. (2006). Growth impact and determinants of foreign direct investment into south Africa, 1956-2003. *Economic Modelling*, Vol.23 (5), pages 738-760.
- Figlio, D.N. & Blonigen, B.A. (2000). The effects of foreign direct investment on local communities. *Journal of urban Economics*, vol.48(2) pages 338-363.
- Frimpong, J.M. & Oteng- Abayie, E.F. (2006). Bounds testing approach: on examination of foreign direct investment, trade and growth relationship. *MPRA paper 352, University Library of Munich, Germany*.
- Gui-Diby, S.L. and Renard, M-F. (2015). Foreign Direct Investment inflows and the industrialization of African economies. *World Development*, Vol. 74, 43-57.
- Herzer, D., Klasen, S. & Nowak-Lehmann, D. F. (2008). In search of FDI-leg growth in developing countries: The way forward. *Economic Modelling*, Vol. 25 (5), pages 793-

810.

- Mainguy, C. (2003). Le rôle des investissements directs étrangers dans l'évolution des échanges extérieurs des pays en transition : une comparaison Hongrie-Vietnam. *European Journal of Development Research,* N° 16-2.
- Mainguy, C. (2004). L'impact des investissements directs étrangers sur les économies en développement**.** *Revue Région et Développement,* N° 20-2004.
- Mainguy, C. (2004). L'impact des investissements directs étrangers sur les économies en développement. *Région et Développement*, LEAD. Université du Sud-Toulon Var, vol.20, pages 65 – 89.
- Mileva, E. (2008). The impact of capital flows on domestic investment in transition economies. N°871, Working paper series from European Central Bank.
- Nair-Reichert, U. & Weinhold, D. (2001). Causality tests for cross-country panels: a new look at FDI and Economic growth in developing countries. *Oxford Bulletin of Economics and statistic*s, Department of Economics, University of Oxford, Vol. 63 (2), pages 153-171.
- Pegkas, P. (2015). "The impact of FDI on economic growth in Eurozone countries". *The journal of Economic Asymmetries*, Vol.12, issue 2, pages 124-132.
- Stock, J. and Watson, M. (1993). A simple estimator of cointegrating vectors in higher order integrated systems. *Econometrica*, Vol. 61, N°4.
- Tomohara, A & Blonigen, B.A. (2000). Does globalization beneficit developing countries? Effects of FDI on local wages. Journal of policy Modeling, vol.33(3), pages 511-521.
- UNCED, (2013). World Investment Report, *FDI Policies for Development: National and International Perspectives*.
- UNIDO, (2011). Le développement économique en Afrique. *Promouvoir le développement industriel en Afrique dans le nouvel environnement mondial, Report 2011*.
- Van den Berg, H. F. and Ghosh Roy, A. (2006). Foreign direct investment and economic growth: a time-series approach. *Global Journal Economy, Vol. 6, issue 1, Art 7*.
- Youssef El Wazani and Malika Souaf (2006). La création d'emplois par les investissements directs étrangers au Maroc : un apport limité à la réduction du chômage et des flux migratoires. *Revue Cairn, dans Autre part 2006/1,* N°37, 19-35.
- Zhang, K.H. (1999). Foreign direct investment and Economic growth: Evidence from Ten East Asian Economies. *Economia Internazionale/International Economics, Cameradi Commercio Industria Artigianato Agricoltura di Genova*, Vol 52(4), pages 517-535.