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Title: Determinants of foreign direct investment in agribusiness sector in Africa: a spatial analysis.

In this paper, we analyze the determinants of foreign direct investment (FDI) in the agribusiness sector in Africa. Growing food demand as well as food system transformation, both a consequence of growing per capita incomes, urbanization and new export opportunities, present great potential for investment by private sector, with implications for agricultural development and poverty reduction. Using a unique dataset on all the publicly announced investment projects in all African countries between 2003 and 2017, we employ spatial econometrics methods to investigate the main factors affecting the location of agribusiness FDI and the underlying business models, referring to various strands of FDI theories. Our results point to the importance of local market potential, proxied by GDP per capita and population size, natural endowments, especially agricultural land, as well as physical infrastructure, regulatory quality and tax incentives. Furthermore, we find evidence of spatial dependency between FDI in destination country and neighboring countries, and the impact of neighboring countries’ market potential on FDI inflows. These findings suggest that foreign investment in agribusiness in Africa in this period took form of complex vertical FDI with agglomeration. Additionally, since we were able to geographically locate each investment project, we also conduct a similar analysis at the spatial pixel level, in order to account for the potential agglomeration forces not only across, but also within countries. Indeed, the results confirm concentration of FDI around local markets with high potential. These findings, apart from giving evidence of how private investment is responsive to new markets and growing food demand, also suggest ways in which countries or locations can improve their attractiveness for foreign investment, i.e. through better infrastructure, regulatory quality or tax incentives.