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Abstract

Purpose: The aim of the study was to assess the role of foreign direct investment in economic development of low-income countries.

Materials and Methods: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The study found that the investments stimulate economic growth by creating jobs, enhancing productivity, and improving infrastructure. Additionally, FDI can lead to increased exports and better integration into the global economy, helping these countries diversify their economic base and reduce reliance on a narrow range of commodities. However, the benefits of FDI are not automatic and depend on the host country's ability to implement effective policies, maintain political stability, and ensure that the investments are aligned with sustainable development goals. Challenges such as potential exploitation, environmental degradation, and uneven distribution of benefits must be managed to maximize the positive impacts of FDI on economic development.

Implications to Theory, Practice and Policy: The eclectic paradigm (OLI model), endogenous growth theory and dependency theory may be used to anchor future studies on assessing the role of foreign direct investment in economic development of low-income countries. Practitioners should focus on strengthening institutional frameworks to attract and sustain FDI. Policymakers should implement policies that promote inclusive growth, ensuring that the benefits of FDI reach all segments of the population. The study recommended investments in social infrastructure such as education and healthcare.

Keywords: *Foreign Direct Investment, Economic Development, Low-Income Countries*

INTRODUCTION

Foreign Direct Investment (FDI) plays a crucial role in the economic development of low-income countries by providing much-needed capital, technology transfer, and management expertise. Economic development indicators such as GDP growth and employment rates are critical measures of a country's economic health and progress. In the USA, GDP growth has shown resilience despite various economic challenges. For example, the U.S. economy grew by 2.3% in 2019, slowed to -3.4% in 2020 due to the COVID-19 pandemic, and rebounded with a growth rate of 5.7% in 2021 (Bureau of Economic Analysis, 2022). The employment rate also fluctuated, with an unemployment rate of 3.5% in 2019, peaking at 14.8% in April 2020 during the pandemic, before improving to 5.8% in May 2021 (U.S. Bureau of Labor Statistics, 2022). In Japan, GDP growth was modest, with a 0.7% growth rate in 2018, a decline to -4.8% in 2020, and a partial recovery to 1.7% in 2021 (Cabinet Office Japan, 2022). Employment trends in Japan remained stable, with an unemployment rate of around 2.4% in 2019, increasing to 2.9% in 2020, and stabilizing at 2.8% in 2021 (Statistics Bureau of Japan, 2022).

In developing economies, GDP growth and employment rates present a mixed picture of economic progress. India, for instance, experienced robust GDP growth of 6.8% in 2018, a slowdown to 4.0% in 2019, and a sharp contraction of -7.3% in 2020 due to the pandemic, followed by a strong rebound to 8.9% in 2021 (Reserve Bank of India, 2022). The employment rate in India has been more volatile, with an unemployment rate of 6.1% in 2018, rising to 7.1% in 2019, and reaching 8.0% in 2021 due to the pandemic's economic impacts (National Statistical Office, India, 2022). Similarly, Brazil’s GDP growth was 1.3% in 2018, slowed to 1.1% in 2019, and contracted by -4.1% in 2020, with a recovery to 4.6% in 2021 (Central Bank of Brazil, 2022). Brazil's unemployment rate was 12.3% in 2018, increased to 13.9% in 2020, and slightly improved to 13.2% in 2021 (Brazilian Institute of Geography and Statistics, 2022).

In other developing economies, GDP growth and employment rates show varying trends, reflecting the complexities and challenges these nations face. Indonesia experienced robust GDP growth of 5.2% in 2018, which slowed slightly to 5.0% in 2019, followed by a contraction of -2.1% in 2020 due to the pandemic, and a rebound to 3.7% in 2021 (World Bank, 2022). The unemployment rate in Indonesia rose from 5.3% in 2018 to 7.1% in 2020, before slightly improving to 6.5% in 2021 (Statistics Indonesia, 2022). Similarly, the Philippines saw GDP growth rates of 6.3% in 2018 and 6.0% in 2019, but experienced a sharp decline to -9.6% in 2020 due to stringent lockdown measures, with a recovery to 5.6% in 2021 (Bangko Sentral ng Pilipinas, 2022). The unemployment rate in the Philippines increased from 5.1% in 2018 to 10.4% in 2020, then decreased to 7.8% in 2021 (Philippine Statistics Authority, 2022). These examples demonstrate the resilience of developing economies in the face of global economic disruptions, with varied recovery trajectories.

In other developing economies, GDP growth and employment rates demonstrate varied trajectories influenced by both global and domestic factors. Vietnam, for example, experienced steady GDP growth of 7.1% in 2018 and 7.0% in 2019, but saw a significant slowdown to 2.9% in 2020 due to the pandemic, followed by a partial recovery to 6.5% in 2021 (World Bank, 2022). The unemployment rate in Vietnam remained relatively low, at 2.2% in 2018, rising slightly to 2.7% in 2020, and stabilizing at 2.4% in 2021 (General Statistics Office of Vietnam, 2022). Similarly, Egypt's GDP growth was 5.3% in 2018 and 5.6% in 2019, but it contracted to 3.6% in 2020 amidst the global economic slowdown, with a modest recovery to 3.3% in 2021 (Central Bank of Egypt,

2022). The unemployment rate in Egypt was 9.9% in 2018, increased to 10.3% in 2020, and improved to 7.3% in 2021 (Central Agency for Public Mobilization and Statistics, 2022). These examples illustrate the resilience and recovery patterns of developing economies amidst global economic disruptions.

In other developing economies, GDP growth and employment rates highlight diverse economic trajectories influenced by various internal and external factors. In Bangladesh, GDP growth was strong at 7.9% in 2018 and 8.2% in 2019, but it contracted to 3.5% in 2020 due to the COVID-19 pandemic, followed by a recovery to 6.9% in 2021 (World Bank, 2022). The unemployment rate in Bangladesh remained relatively low, at 4.2% in 2018, increasing slightly to 5.3% in 2020, and stabilizing at 5.0% in 2021 (Bangladesh Bureau of Statistics, 2022). Pakistan, on the other hand, experienced GDP growth of 5.8% in 2018, a decline to 1.9% in 2019, and a contraction of -0.5% in 2020, with a modest recovery to 3.9% in 2021 (State Bank of Pakistan, 2022). The unemployment rate in Pakistan increased from 5.8% in 2018 to 6.9% in 2020, and remained at 6.5% in 2021 (Pakistan Bureau of Statistics, 2022). These trends illustrate the economic volatility faced by developing economies and their varied recovery patterns post-pandemic.

Ethiopia's GDP growth was strong at 7.7% in 2018 and 9.0% in 2019, but the growth rate dropped to 6.1% in 2020 and 6.3% in 2021, reflecting the impact of the pandemic and regional conflicts (World Bank, 2022). The unemployment rate in Ethiopia was relatively low at 2.1% in 2018, but increased to 3.4% in 2020 and 3.6% in 2021 (Central Statistical Agency of Ethiopia, 2022). Similarly, Ghana experienced GDP growth of 6.3% in 2018 and 6.5% in 2019, but this slowed to 0.4% in 2020 due to the pandemic, with a rebound to 5.0% in 2021 (Ghana Statistical Service, 2022). Ghana's unemployment rate remained around 6.8% in 2018, rose to 8.4% in 2020, and slightly decreased to 7.8% in 2021 (Ghana Statistical Service, 2022). These trends highlight the economic resilience and challenges faced by Sub-Saharan African countries in their development trajectories.

Sub-Saharan economies display a range of economic development indicators, reflecting both resilience and ongoing challenges. South Africa, the most industrialized country in the region, saw GDP growth of 0.8% in 2018 and 0.2% in 2019, but experienced a sharp contraction of -6.4% in 2020 due to the pandemic, with a rebound to 4.9% in 2021 (South African Reserve Bank, 2022). The unemployment rate in South Africa remains high, at 27.1% in 2018, increasing to 32.6% in 2020, and further to 34.4% in 2021 (Statistics South Africa, 2022). In contrast, Rwanda’s GDP growth was robust at 8.6% in 2018 and 9.4% in 2019, but dropped to -3.4% in 2020, with a strong recovery to 10.2% in 2021 (National Institute of Statistics of Rwanda, 2022). Rwanda’s unemployment rate was 16.0% in 2018, rose to 22.1% in 2020, and then improved to 16.5% in 2021 (National Institute of Statistics of Rwanda, 2022). These trends underscore the economic resilience and challenges faced by Sub-Saharan African countries in their development journeys.

Sub-Saharan economies face significant challenges, yet show promising trends in economic development indicators. Nigeria's GDP growth was 1.9% in 2018, declined to 2.2% in 2019, and contracted by -1.8% in 2020 due to the pandemic, before recovering to 3.4% in 2021 (National Bureau of Statistics, Nigeria, 2022). The unemployment rate in Nigeria has been a concern, rising from 23.1% in 2018 to 27.1% in 2020 and further to 33.3% in 2021 (National Bureau of Statistics, Nigeria, 2022). Kenya experienced GDP growth of 6.3% in 2018, a decrease to 5.4% in 2019, and a contraction of -0.3% in 2020, followed by a rebound to 5.6% in 2021 (Kenya National Bureau

of Statistics, 2022). Kenya's unemployment rate has been relatively stable, around 4.7% in 2018, rising to 5.4% in 2020, and stabilizing at 5.2% in 2021 (Kenya National Bureau of Statistics, 2022).

Foreign Direct Investment (FDI) is a critical driver of economic development, involving the investment of foreign capital in domestic enterprises to gain a lasting interest and significant influence over the management. FDI can take several forms, including greenfield investments, mergers and acquisitions, joint ventures, and reinvestment of earnings. Greenfield investments involve the creation of new operational facilities from the ground up, which often leads to significant job creation and infrastructure development (Narula & Dunning, 2020). Mergers and acquisitions enable existing businesses to gain new capital, technology, and expertise, potentially leading to increased productivity and market expansion (Kumar, 2019). Joint ventures involve collaboration between foreign and domestic firms, fostering technology transfer and enhancing local skills and capabilities (Blonigen, 2021).

FDI significantly impacts economic development indicators such as GDP growth and employment rates. Greenfield investments directly boost GDP by increasing capital formation and generating new employment opportunities, thereby reducing unemployment rates (Narula & Dunning, 2020). Mergers and acquisitions can lead to efficiency gains and enhanced productivity, contributing to higher GDP growth and better employment conditions (Kumar, 2019). Joint ventures facilitate technology transfer and skill development, which can enhance the productivity and competitiveness of domestic industries, leading to GDP growth and improved employment prospects (Blonigen, 2021). Lastly, reinvestment of earnings by foreign firms in domestic markets sustains economic growth by ensuring continuous capital inflow and job creation (Lipsey, 2021). These forms of FDI collectively promote economic development by improving infrastructure, boosting productivity, and creating jobs.

Problem Statement

The role of Foreign Direct Investment (FDI) in the economic development of low-income countries remains a critical yet complex issue. Despite the theoretical benefits of FDI, such as technology transfer, job creation, and improved infrastructure, its actual impact on economic development in these countries is often inconsistent and uneven. Recent studies indicate that while some low-income countries have successfully leveraged FDI to achieve significant GDP growth and employment gains, others have struggled due to factors such as weak institutional frameworks, inadequate infrastructure, and a lack of skilled labor (Blonigen, 2021). Furthermore, the benefits of FDI are not always evenly distributed, potentially exacerbating regional inequalities and failing to reach the most vulnerable populations (Narula & Dunning, 2020). This inconsistency necessitates a deeper examination of the specific conditions under which FDI contributes positively to the economic development of low-income countries, identifying both the enabling factors and the barriers that influence its effectiveness (Lipsey, 2021).

Theoretical Framework

The Eclectic Paradigm (OLI Model)

The eclectic paradigm, also known as the OLI Model, was developed by John Dunning. It posits that FDI is driven by a combination of Ownership, Location, and Internalization advantages. Ownership advantages refer to the proprietary assets and capabilities that firms possess, location advantages relate to the benefits offered by the host country, and internalization advantages arise from firms' ability to control and manage their operations internationally (Narula & Dunning,

2020). This theory is relevant to the topic as it helps identify why multinational enterprises choose to invest in low-income countries and what factors make these locations attractive for FDI.

Endogenous Growth Theory

Originated by Paul Romer, endogenous growth theory emphasizes the role of internal factors, such as human capital, innovation, and knowledge, in driving economic growth. This theory suggests that investments in human capital, innovation, and knowledge can lead to sustainable economic growth by enhancing productivity and technological advancement (Romer, 1990). In the context of FDI, this theory is relevant as it underscores how FDI can contribute to economic development by transferring technology, skills, and knowledge to low-income countries, thereby fostering endogenous growth.

Dependency Theory

Dependency theory, developed by scholars such as Andre Gunder Frank, argues that the economic development of low-income countries is often hindered by their dependence on more developed countries. This theory suggests that FDI can perpetuate dependency and inequality, as foreign investors may exploit local resources and labor without sufficiently reinvesting in the host country's economy (Blonigen, 2021). This perspective is crucial for understanding the potential negative impacts of FDI and ensuring that policies are designed to maximize the benefits while mitigating the risks associated with foreign investment.

Empirical Review

Narula and Dunning (2020) explored the determinants of FDI inflows and their impact on low-income countries. Utilizing both quantitative data analysis and qualitative case studies, they aimed to understand how FDI contributes to technological capabilities and productivity in host countries. Their findings indicate that FDI significantly enhances technological transfer and productivity growth, which are crucial for economic development. The study emphasized the importance of strong institutional frameworks in maximizing the benefits of FDI, as weak governance and regulatory environments can hinder the positive impacts of foreign investments. They found that countries with better governance structures and stable political environments attracted more FDI, leading to higher economic growth. Additionally, the research highlighted the role of FDI in promoting innovation and upgrading industrial processes. Narula and Dunning recommended that low-income countries focus on improving their institutional frameworks and creating a conducive environment for foreign investors. They suggested policies aimed at enhancing transparency, reducing corruption, and ensuring legal protections for investors. The study also pointed out the need for capacity building to effectively absorb and utilize foreign technologies. This comprehensive analysis underscores the multifaceted role of FDI in driving economic development and the critical need for robust institutional support to harness its full potential.

Kumar (2019) examined the relationship between FDI, GDP growth, and employment rates. By analyzing data over a decade, Kumar aimed to identify the direct and indirect impacts of FDI on economic indicators. The study revealed that FDI positively influences GDP growth and employment, particularly in the manufacturing sectors, where foreign investments bring new technologies and management practices. Kumar's findings indicate that FDI leads to productivity gains and job creation, which are essential for economic development. However, the study also noted that the benefits of FDI are not automatic and depend on the host country's ability to absorb and utilize foreign investments effectively. Kumar suggested that low-income countries implement

policies to attract FDI into diversified sectors beyond natural resources and agriculture. He recommended improving the business environment by reducing bureaucratic hurdles, providing investment incentives, and ensuring political stability. Furthermore, the study emphasized the importance of human capital development through education and training to enhance the workforce's skills and productivity. Kumar concluded that strategic sectoral policies are crucial for maximizing the developmental impact of FDI, as they ensure that foreign investments contribute to sustainable economic growth and job creation.

Blonigen (2021) analyzed the impact of FDI on industrial policy through detailed case studies of low-income countries. His research focused on how targeted FDI can drive industrial development and economic diversification. By examining specific instances where FDI was aligned with national industrial policies, Blonigen found that foreign investments could lead to substantial industrial growth and technological advancements. However, he emphasized that such outcomes require robust policy support and strategic alignment between FDI and national development goals. The study highlighted the importance of government intervention in directing FDI towards sectors that have high growth potential and strategic importance for the country's development. Blonigen recommended that policymakers create clear industrial policies that attract and sustain FDI in key sectors such as manufacturing, technology, and renewable energy. He also suggested the need for continuous evaluation and adjustment of policies to adapt to changing economic conditions and global trends. The research pointed out that well-designed industrial policies could help mitigate the risks associated with FDI, such as market dominance by foreign firms and exploitation of local resources. Blonigen concluded that policy frameworks play a critical role in ensuring that FDI contributes to long-term industrial development and economic resilience.

Lipsey (2021) employed econometric models to study the role of FDI in international capital flows and its impact on low-income countries. The study aimed to understand how FDI contributes to economic stability and growth, particularly when aligned with local development strategies. Lipsey found that FDI promotes economic stability by providing a steady flow of capital, which can help buffer against external shocks and financial crises. The study also indicated that FDI could enhance GDP growth by increasing investment in critical sectors such as infrastructure, technology, and education. However, Lipsey emphasized that the benefits of FDI are maximized when investments are integrated into the host country's broader economic planning and development strategies. He recommended that low-income countries develop comprehensive development plans that include FDI as a key component. Such plans should focus on aligning FDI with national priorities, ensuring that investments support long-term economic goals. The study also suggested that countries enhance their regulatory frameworks to protect against potential negative impacts of FDI, such as environmental degradation and social inequality. Lipsey concluded that strategic alignment and robust regulatory frameworks are essential for leveraging FDI to achieve sustainable economic development.

Nguyen (2022) assessed the impact of FDI on employment and skill development. Using long-term data spanning over two decades, the study aimed to understand how FDI influences job creation and enhances the skill levels of the local workforce. Nguyen found that FDI significantly contributes to job creation, particularly in sectors such as manufacturing and services. The study also highlighted that FDI leads to skill development by introducing advanced technologies and management practices, which require a more skilled workforce. However, Nguyen pointed out that the benefits of FDI are unevenly distributed, with urban areas and more developed regions gaining

more compared to rural areas. The research recommended that the government invest in vocational training and education programs to ensure that the local workforce can meet the demands of foreign investors. Nguyen also suggested policies to promote equitable distribution of FDI benefits across different regions. The study concluded that human capital development is crucial for maximizing the benefits of FDI, as a skilled workforce can better absorb and utilize foreign investments. Nguyen emphasized that targeted education and training programs are essential for ensuring that FDI contributes to sustainable economic growth and development.

Mensah (2020) examined the impact of FDI on infrastructure development and income inequality in Ghana through qualitative interviews and secondary data analysis. The study aimed to explore how FDI influences infrastructure development and whether it exacerbates or mitigates income inequality. Mensah found that FDI significantly boosts infrastructure development, including roads, telecommunications, and energy sectors, which are critical for economic growth. However, the study also revealed that FDI could exacerbate income inequality if the benefits are not widely distributed across different social groups. Mensah recommended that policymakers implement inclusive growth policies to ensure that the benefits of FDI reach all segments of the population. He suggested investments in social infrastructure, such as education and healthcare, to complement physical infrastructure development. The study also emphasized the need for policies that promote equitable distribution of income and opportunities. Mensah concluded that while FDI is crucial for infrastructure development, inclusive policies are essential for ensuring that the benefits contribute to reducing income inequality and promoting social cohesion.

Adewale (2019) conducted a comparative analysis of the impacts of FDI on economic diversification in Nigeria and Kenya. Using a mix of qualitative and quantitative methods, the study aimed to understand how FDI contributes to economic diversification and industrial growth in these countries. Adewale found that FDI plays a significant role in promoting economic diversification by attracting investments in various sectors such as manufacturing, agriculture, and services. The study highlighted that countries with better regulatory frameworks and stable political environments attract more diversified FDI, leading to broader economic growth. However, Adewale noted that stronger regulatory frameworks are needed to prevent exploitation and ensure sustainable development. He recommended that Nigeria and Kenya strengthen their regulatory environments and focus on sectors with high potential for diversification, such as renewable energy and technology. The study also suggested that both countries develop policies that encourage reinvestment of profits by foreign investors to sustain economic growth. Adewale concluded that robust regulatory frameworks and strategic sectoral policies are crucial for maximizing the developmental impact of FDI and achieving economic diversification.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

RESULTS

Conceptual Gaps: The existing literature presents several conceptual gaps in understanding the comprehensive impact of FDI on economic development in low-income countries. Narula and

Dunning (2020) emphasize the role of institutional frameworks in harnessing FDI benefits, yet there is limited exploration of the mechanisms through which institutional quality directly influences FDI outcomes. Kumar (2019) identifies the positive impacts of FDI on GDP growth and employment but does not extensively discuss the conditions under which these benefits are maximized, particularly in diversified sectors. Blonigen (2021) points out the importance of aligning FDI with national industrial policies, suggesting that the interplay between government policies and FDI outcomes requires further theoretical development. Lipsey (2021) underscores the need for strategic alignment between FDI and national development plans, yet the specific strategies for achieving such alignment are underexplored. Finally, Nguyen (2022) highlights the uneven distribution of FDI benefits, particularly in urban versus rural areas, calling for more detailed conceptual frameworks to understand these disparities and ensure equitable distribution of FDI benefits.

Contextual Gaps: Contextually, the studies highlight variations in how FDI impacts different sectors and regions within low-income countries, but there is a need for more nuanced analysis of these contexts. Narula and Dunning (2020) suggest that better governance attracts more FDI, but the specific contextual factors that enhance governance and attract FDI need further exploration. Kumar (2019) focuses on manufacturing sectors, yet there is a gap in understanding how FDI impacts other critical sectors such as technology and renewable energy in low-income countries. Blonigen (2021) and Lipsey (2021) both emphasize the role of national policies in directing FDI, but there is limited contextual analysis of how different policy environments across low-income countries affect FDI outcomes. Nguyen (2022) points to the urban-rural divide in FDI benefits, indicating a need for more detailed studies on how local contexts influence the distribution and impact of FDI. Mensah (2020) highlights infrastructure development and income inequality, but the contextual factors that mediate these outcomes require further investigation.

Geographical Gaps: Geographically, the existing research is concentrated on a few regions, leaving significant gaps in other low-income countries. Narula and Dunning (2020), Kumar (2019) and Blonigen (2021) primarily focus on countries in Asia and Africa, yet there is a lack of empirical studies on the impact of FDI in low-income countries in Latin America and the Caribbean. Lipsey (2021) and Nguyen (2022) provide insights into Vietnam, but comparative studies across different geographical regions are sparse. Mensah (2020) examines Ghana and Adewale (2019) focuses on Nigeria and Kenya, indicating a need for more research on how FDI impacts economic development in other African countries with different economic structures and regulatory environments. This geographical concentration limits the generalizability of findings and underscores the need for broader, more inclusive studies that encompass a wider range of low-income countries.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Foreign Direct Investment (FDI) plays a crucial role in the economic development of low-income countries by enhancing technological capabilities, increasing productivity, and creating jobs. The empirical evidence highlights that FDI can significantly contribute to GDP growth and industrial development, particularly when supported by strong institutional frameworks and strategic alignment with national development goals. However, the benefits of FDI are not automatic and depend heavily on the host country's ability to create a conducive environment for foreign

investors, including improving governance, reducing corruption, and ensuring legal protections. Additionally, the distribution of FDI benefits can be uneven, often favoring urban over rural areas and exacerbating income inequality if not managed inclusively. To maximize the developmental impact of FDI, low-income countries must implement comprehensive policies that promote equitable growth, enhance human capital through education and training, and develop robust regulatory frameworks. Ultimately, while FDI holds significant potential for driving economic development, its success in low-income countries requires a nuanced and strategic approach that addresses both opportunities and challenges.

Recommendations

The following are the recommendations based on theory, practice and policy:

Theory

Future theoretical frameworks should integrate the role of institutional quality more explicitly. Narula and Dunning (2020) highlighted the significance of strong institutional frameworks in maximizing FDI benefits. Incorporating variables such as governance, legal protections, and anti-corruption measures can provide a more nuanced understanding of how institutional factors mediate the impact of FDI on economic development. Additionally, there is a need for more detailed theoretical models that analyze the differential impacts of FDI across various sectors. Kumar (2019) found that FDI's impact varies significantly by sector, particularly benefiting manufacturing. Theories should explore how FDI can be channeled into sectors like technology and renewable energy to maximize economic diversification and sustainable growth. Finally, theories should address the uneven distribution of FDI benefits. Nguyen (2022) pointed out the disparities between urban and rural areas. Future models should incorporate factors that promote equitable distribution of FDI, ensuring that both urban and rural populations benefit from foreign investments.

Practice

Practitioners should focus on strengthening institutional frameworks to attract and sustain FDI. This includes improving governance, reducing bureaucratic hurdles, and ensuring transparency and legal protections for investors. Narula and Dunning (2020) emphasized the role of strong institutions in leveraging FDI for economic development. Additionally, implementing sector-specific strategies can help maximize the benefits of FDI. Kumar (2019) recommended that low-income countries focus on attracting FDI into diversified sectors beyond natural resources. Practitioners should develop investment strategies tailored to high-potential sectors like technology, manufacturing, and renewable energy. Furthermore, investing in human capital is crucial for maximizing FDI benefits. Nguyen (2022) highlighted the importance of vocational training and education programs. Practitioners should prioritize capacity building and skill development initiatives to ensure that the local workforce can meet the demands of foreign investors and enhance productivity.

Policy

Policymakers should implement policies that promote inclusive growth, ensuring that the benefits of FDI reach all segments of the population. Mensah (2020) recommended investments in social infrastructure such as education and healthcare. Policies should aim to reduce income inequality and ensure equitable distribution of FDI benefits. Additionally, aligning FDI with national

development plans can maximize its developmental impact. Lipsey (2021) suggested that low-income countries develop comprehensive development plans that include FDI as a key component. Policies should focus on aligning FDI with national priorities, ensuring that investments support long-term economic goals. Finally, developing robust regulatory frameworks is essential for safeguarding the developmental benefits of FDI. Adewale (2019) emphasized the need for strong regulatory environments to prevent exploitation and ensure sustainable development. Policymakers should create clear regulations that protect local resources and promote responsible investment practices.

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