

## **Private Investment In Sub-Saharan Africa: A Dynamic Panel Approach**

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### **Abstract:**

We use both the first difference and the System GMM to model private investment in Sub-Saharan Africa. Results show that the private investment rate is persistent and that, current account deficit, inflation, per capita income, per capita income growth, population growth, public investment rate, real interest rate, total debt service/GDP, debt stock/GDP, terms of trade growth, trade openness, and the political environment jointly exert a significant impact on private investment. Based on the results, a broad range of policies has been suggested including, inflation reduction, improvement in infrastructure, efficient utilization of domestic resources, export promoting policies, and conflict resolution mechanisms to create political environments that attract private investment. The policy framework should also take into account the persistent nature of the private investment rate, bearing in mind the important adjustment effects of the private investment rate.