

# International Investment Agreements and FDI inflows in Africa

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Using investment-level data, we study the location choice of 9,622 greenfield investments in 43 African destinations from 119 origin countries over the 2003-2017 period, focusing on the role of International Investment Agreements (IIAs). Differently from previous literature, we jointly disaggregate investments by the kind of activity localized abroad (i.e. manufacturing, services and resource-related) and assess the role played by the quality of host country institutions. We document a positive relation between the existence of these agreements and the location of FDI into African countries. This overall effect appears to be stronger for investments in services activities. We also show that destinations with better functioning institutions are those that benefit more from IIAs, documenting a complementary relationship between IIAs and institutional quality in attracting FDI. Looking at the different investment activities, this complementarity appears to be driven by FDI in manufacturing and services, while for resource-seeking FDI IIAs appear to act as substitutes for effective institutions. These findings show that African countries, especially those with well functioning institutions, are expected to benefit from signing IIAs.