Innovations

Economic Policy Uncertainty and Foreign Financial Inflows to Sub-Saharan African Countries (1990 to 2024)

[1] Ilifu Kingsley; [2] Okoyeuzu Chinwe; [3] Lawal Faith Chidinma; [4] Anthonia Achu; [5] Ugwunta David Okelue; [6] Augustine Eloka Ajufo

[1,2,3,6] Department of Banking and Finance, University of Nigeria, Enugu Campus, Nigeria

[4] School of Business Studies and Management Technology, Federal Polytechnic Ohodo Nssuka Enugu State

[5] Department of Banking and Finance, Enugu State University of Science and Technology

Abstract: *Prior to this study, little was known about the relationship between foreign financial inflows and economic policy uncertainty in Sub-Saharan Africa from 1990 until 2024. The aim is to examine how uncertainty in economic policy affects key financial inflows such as Official Development Assistance, Balance of Payments, Foreign Portfolio Investment, crude oil revenue, and Foreign Direct Investment (FDI). The Institutional Quality theory and the Uncertainty-Induced Investment Hesitancy framework promote the adoption of an ex-post facto and analytical research design, using panel data of 48 SSA countries. Data were collected from the World Development Indicators and www.policyuncertainty.com. Conclusions of the Panel-ARDL show that economic policy uncertainty has significant effects on ODA, with a coefficient of 1.46 and a p-value less than 0.05; BoP, with a coefficient of 1.02 and a p-value less than 0.05; and FDI, with a coefficient of 0.59 and a p-value less than 0.05. Conversely, FPI (coeff. 0.34; p>0.05) and oil revenue (coeff. 0.30; p>0.05) do not respond significantly to economic policy uncertainty. These findings show that some financial inflows are very sensitive to economic policy shocks in the target region, while others are more resistant either structurally or marginally. The study recommends ODA investment efficiency, export diversification, a better regulatory environment for FDI, and support for oil exploration as policy strategies to strengthen the economy's resilience. The contribution to literature brings together various financial inflow types under one framework to provide a more comprehensive understanding of SSA's exposure to economic policy uncertainty and offer policy considerations to shield economic stability in volatile terrains.*

Keywords: *Economic policy uncertainty, Sub-Saharan Africa, foreign direct investment, official development assistance, balance of payments, financial inflows.*

Introduction

Economic policy uncertainty is an essential factor shaping financial stability and development potential across the world, particularly in emerging and developing economies. Uncertainty refers to unpredictable fluctuations in global markets arising from variables such as interest rate changes, geopolitical conflicts, trade wars, pandemics, and regulatory shifts. For Sub-Saharan African (SSA) countries, which are often more dependent on external financial inflows than on domestic resource mobilization, economic policy uncertainty presents a complex challenge to achieving sustainable development goals (World Bank, 2022). External inflows such as official development assistance (ODA), foreign direct investment (FDI), foreign portfolio investment (FPI), and crude oil revenue are vital for economic resilience. Yet, these flows are highly sensitive to global trends, leaving SSA exposed to external shocks and rapid shifts in investor sentiment (Krugman & Obstfeld, 2021).

Periods of heightened uncertainty, including the 2008 global financial crisis and the COVID-19 pandemic, provide clear evidence of these dynamics. The 2008 crisis prompted large-scale withdrawals from riskier markets, resulting in reduced inflows to SSA and other developing regions (Obstfeld, 2019). Similarly, the pandemic disrupted supply chains, depressed global demand, and triggered massive capital flight, with dire consequences for SSA economies reliant on crude oil, minerals, and agricultural exports (IMF, 2021). Such disruptions create unpredictable economic environments that discourage foreign investments while limiting SSA countries' access to critical resources for growth and development. The role of ODA in this context is complex. On the one hand, heightened uncertainty can lead donor countries and international organizations to expand aid to SSA in recognition of the region's vulnerabilities (Brown et al., 2020). In such cases, development assistance becomes both an economic stabilizer and a humanitarian intervention. On the other hand, critics argue that ODA is itself volatile, as donor commitments fluctuate with their own domestic economic conditions (Collier, 2021). Moreover, excessive dependence on aid without strengthening domestic revenue mobilization risks entrenching dependency and undermining long-term development prospects (Riddell, 2022). Recent turbulence illustrates this duality: while some donors increased aid during COVID-19, others redirected funds inward, thereby exposing the fragility of ODA as a stable financing source (OECD, 2021).

The balance of payments (BoP), which records a country's external transactions, also demonstrates SSA's vulnerability to shocks. During stable periods, SSA's BoP has benefited from strong inflows and favorable commodity prices, supporting fiscal stability and economic growth (Rodrik, 2018). However, uncertainty policy frequently disrupts these trends. Volatile oil prices, falling export demand, and rising borrowing costs have led to persistent BoP deficits across the region, pushing many countries into external debt dependence (Obstfeld, 2019). The

lack of export diversification exacerbates this situation, as many SSA economies remain dependent on a narrow range of primary commodities, leaving them highly exposed when external financing dries up during global downturns (IMF, 2021).FPI has emerged as another significant inflow, particularly in countries with established stock markets such as Nigeria and South Africa. FPI provides liquidity and supports the development of financial markets, but it is highly volatile and extremely sensitive to changes in global risk perceptions. During periods of uncertainty, investors often retreat from SSA markets to safer assets, triggering capital flight, currency depreciation, and financial instability (Sulaiman, 2021). While some scholars emphasize FPI's importance in deepening SSA's financial systems (Krugman & Obstfeld, 2021), others argue that its instability magnifies vulnerability during crises, weakening rather than strengthening financial resilience (Akinlo & Adejumo, 2022).

Crude oil revenue remains central to the economic stability of SSA's oil exporters such as Nigeria and Angola. Oil revenues fund public budgets, build reserves, and support foreign exchange stability. However, dependence on oil makes these countries extremely vulnerable to price volatility. The 2015–2016 oil price slump and the COVID-19-induced demand collapse created severe revenue shortfalls, widening fiscal deficits and increasing reliance on external borrowing (Olomola, 2022). As the economy policy transitions toward renewable energy, this dependency poses long-term risks to economic resilience (IMF, 2021). Scholars therefore stress the importance of diversification policies to reduce exposure to volatile commodity markets and enhance fiscal sustainability.FDI is often viewed as the most stable and beneficial form of inflow because it provides capital investment, technology transfer, and employment opportunities. SSA has benefited from FDI in sectors such as manufacturing, infrastructure, and services. However, uncertainty discourages multinational corporations from investing in riskier markets, often leading to project delays or cancellations (Obstfeld, 2019). Critics also highlight that FDI is frequently concentrated in capital-intensive sectors with limited spillover benefits to the wider economy, and profit repatriation can restrict the developmental gains for host countries (Sulaiman, 2021).

Across recent decades, SSA has experienced repeated shocks from global turbulence. The Asian financial crisis of 1997, the crisis of 2008, and the COVID-19 pandemic all triggered sharp declines in capital inflows, weakening economic stability. For instance, FDI into SSA fell by more than 16 percent in 2020, while ODA commitments were diverted toward donor countries' domestic recovery (OECD, 2021). More recently, disruptions from the war in Ukraine, U.S. China trade tensions, and rising energy costs have further strained SSA's access to external finance (IMF, 2023).For economies characterized by weak fiscal buffers, heavy dependence on primary commodities, and fragile institutions, economic policy uncertainty remains a formidable challenge to stability. Scholars propose

different strategies to mitigate these vulnerabilities. Advocates of openness argue that regulatory reforms, financial sector strengthening, and export diversification could enable SSA to withstand external shocks (Rodrik, 2018). Conversely, critics stress that heavy reliance on external inflows exacerbate vulnerability and advocate for greater domestic resource mobilization and regional integration as more sustainable alternatives (Collier, 2021).Although extensive research has examined economic policy uncertainty and capital flows, little has been done to analyze the combined effect of ODA, BoP, FPI, crude oil revenue, and FDI over time in SSA. This gap underscores the need for deeper investigation into how uncertainty co-influences these inflows, with implications for policy resilience, stability, and long-term growth. By focusing on the period from 1990 to 2024, this study seeks to capture both short-run fluctuations and long-run structural trends, contributing to a broader understanding of SSA's adaptability in a dynamic global economy.

Foreign financial inflows are central to the growth and stability of sub-Saharan African (SSA) economies, yet they remain highly vulnerable to economic policy uncertainty. Such uncertainty stems from financial crises, geopolitical tensions, trade disputes, and commodity price fluctuations, all of which create disruptions that undermine the region's ability to achieve sustainable development (Rodrik, 2018; Collier, 2021). SSA countries rely heavily on inflows such as Official Development Assistance (ODA), Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), and crude oil revenues to finance public services, infrastructure, and balance of payments stability. However, during periods of heightened volatility, ODA budgets in donor countries are often cut or redirected, leaving SSA nations with reduced external support (Obstfeld, 2019; Brown, 2022). Similarly, FPI retreats during crises, leading to capital flight, currency depreciation, and financial instability, while oil-exporting countries face fiscal shocks from declining crude prices (Olomola, 2022).The main problem is that SSA's structural dependence on foreign financial inflows amplifies its vulnerability to external shocks. Despite vast literature on economic policy uncertainty, little research examines how multiple inflows collectively respond to turbulence and interact to shape SSA's fiscal health, growth prospects, and long-term economic resilience.

This study examined how economic policy uncertainty impacts foreign financial inflows to sub-Saharan African (SSA) countries between 1990 and 2024. The independent variable, economic policy uncertainty encompasses major events such as financial crises, shifts in trade dynamics, and geopolitical tensions that create unpredictability in international financial flows. The study will analyse its effects on key dependent variables: official development assistance (ODA), balance of payments, foreign portfolio investment (FPI), crude oil revenue, and foreign direct investment (FDI). The intent is to clarify the pathways through which uncertainty impacts the financial stability and growth prospects of SSA

economies within an interconnected global context. Therefore, the scope of this will be divided into three parts Economic policy uncertainty, which includes unpredictable shifts in global markets, trade policies, and macroeconomic conditions, is increasingly relevant due to events such as the 2008 financial crisis, trade tensions, and the COVID-19 pandemic (Lawal, Onwumere, Kalu, Onyejiaku, & Ukpere, 2024).These disruptions influence SSA economies, particularly because their structural vulnerabilities make them susceptible to external shocks (Ahmed et al., 2022). This study considers economic policy uncertainty as an independent variable, examining its impact on SSA countries' financial stability through channels like ODA, FPI, oil revenues, balance of payments, and FDI.
ODA remains a critical finance source for SSA nations, supporting essential development programs in healthcare, education, and infrastructure. However, donor contributions often fluctuate during recessions, when donor countries redirect funds to domestic priorities (OECD, 2021). By analyzing the impact of economic policy uncertainty on ODA, this study assesses how periods of financial stress influence SSA's access to stable development funding.

The balance of payments summarizes a nation's economic transactions with the world, including trade and capital flows, and is a crucial measure of SSA's economic stability (World Bank, 2023). Economic policy uncertainty can disrupt these balances by reducing export demand, altering commodity prices, and impacting exchange rates. The study investigates how volatility affects SSA's trade balance, which is highly dependent on primary commodity exports, thereby offering insights into regional resilience amid fluctuations.

FPI, representing investment in SSA's equity and debt markets, is volatile and sensitive to economic policy shifts (Bekaert & Harvey, 2020). During periods of uncertainty, investors may retract capital from emerging markets like SSA, intensifying financial instability. This study examines the effect of economic policy volatility on FPI flows, focusing on how changes in market confidence shape SSA's investment landscape.

In oil-exporting SSA nations, such as Nigeria and Angola, oil revenue is a primary income source for governments. However, economic policy uncertainty often induces price volatility in oil markets, affecting revenue stability and budget planning in these countries (Adom & Bekoe, 2022). This study evaluates how economic policy fluctuations impact SSA oil revenue, contributing to an understanding of economic sustainability under conditions of price instability.
FDI is essential for SSA's economic growth, supporting infrastructure, job creation, and technology transfer. Yet, global uncertainty frequently deters multinational corporations from investing in SSA, reducing FDI inflows. This study analyzes how economic disruptions influence FDI, focusing on SSA's ability to attract long-term investments amidst volatility (UNCTAD, 2022).

Time wise, the study runs from 1990 till 2024, which represents 34 years. The covers its subject matter, formed around the plight of economic policy uncertainty on foreign financial inflows to sub-Saharan African (SSA) countries, between these years (1980 and 2024). Economic policy uncertainty arises from financial crises, trade disputes, geopolitical tensions, changes in commodity markets, among others, that have profound effects on developing economies, more so in SSA (Rodrik, 2018). As these SSA countries largely dependent on foreign financial inflows--such as ODA, foreign portfolio investments, and crude oil revenue seconomic uncertainty comes in with a heavy impact on their capacity to book these revenues on a stable basis (Collier, 2021). Any township in these fluctuations of revenues may heighten preexisting vulnerabilities in these economies while targeting concrete issues of economic stabilization like balance of payments (BoP), policy planning, and so on.

One important issue is the translation of economic policy uncertainty that exists among the major economic policyinto a direct variability of ODA and foreign investments to SSA (Brown, 2022). Uncertainty in donor country economies results in their ODA budgets being curtailed or redirected towards domestic priorities, thus depriving SSA countries of foreign funds (Obstfeld, 2019). Reduction in this assistance will strain public finances and increase poverty in SSA, as ODA is an important source of funds for the social and infrastructural development of SSA. Some scholars, however, say that reduction will induce self-reliance and initiatives toward fiscal reforms within SSA countries. Still, others believe that dependency on ODA has made these nations extremely vulnerable to shifting external economic conditions (Rodrik, 2018).

Economic policy uncertainty also matters for SSA's balance of payments in that the export earnings and import bills of these countries fluctuate more in times of crisis (Akinlo and Adejumo, 2022). The rapid capital outflow occasioned by increasing global risks can create sudden imbalances in SSA economies and exert downward pressure on local currencies, with the volatility of FPI considered as one of those causes (Akinlo & Adejumo, 2022). Those in favor of FPI maintain that these capital inflows bring market liquidity and promote economic growth, while the contrary view holds that volatility in these capital inflows destabilizes developing economies because capital withdrawals generate financial crises and intensify economic instability (Sulaiman, 2021). Despite FPI having been investigated significantly concerning SSA, it has not been fully understood yet how policy changes in these countries may alleviate the effects of uncertainty on capital inflows.

Crude oil revenues for oil-dependent SSA countries remain the backbone of their fiscal health. economic policy uncertainty, more so the volatility of oil prices, have a debilitating effect on the budgets of these countries such that they lose a chunk of their revenue in times of glum demand (Olomola, 2022). Nigeria and Angola, as examples, have lately been grappling with fiscal deficits and shrinkage in governmental expenditure occasioned by the volatility in oil

revenues. However, despite the huge literature on oil dependency, there exists very little on how SSA oil-exporting countries can prepare themselves to stabilize their economies vis-a-vis economic policy uncertainty while diversifying their revenue streams.

The study on economic policy uncertainty and its effect on foreign capital inflows in the Sub-Saharan African (SSA) countries has serious implications for uncovering vulnerabilities and opportunities in developing economies. In this interaction between economic policy shifts and economic stability in SSA, this research is key for a myriad of stakeholders, including government agencies, financial institutions and banks, international business scholars, policymakers, international organizations, students, and researchers as each group that stands to gain profound insights into how the SSA countries can organize themselves in economic policy uncertainty conditions for resilience and sustain development.

The study provides useful insights for government bodies concerned with finance, trade, and development on how SSA countries can respond to economic policy volatility. Since economic uncertainty threatens critical foreign inflows, such as ODA, FDI, and FPI, government bodies could use the study's findings in crafting appropriate fiscal policies with a view to diversifying the sources of foreign revenue. Knowing about these impacts will allow the government bodies to better predict times when foreign aid and investment may be lowered, so that more robust budgeting and planning strategies to keep the economy steady can be initiated. Given that economic policy shifts affect export revenues, especially in resource-rich countries, the insights from this study can help in long-term strategic planning necessary to forge resilient public finances.

Financial institutions and banks are the key players of capital market affected deeply by fluctuations in the economic policy. With volatility in the investment environment, these institutions neither maintain capital inflows nor extend credit for development projects. By assessing the impact of international economic shifts on the foreign portfolio investment, the study can offer solutions to financial institutions concerning risk mitigation strategies to safeguard assets from downturns while simultaneously ensuring investor confidence remains high. Additionally, when economic uncertainty affects foreign exchange rates and trade balances, financial institutions are guided to manage liquidity-risk exposure and enabling best investment opportunities from favorable market circumstances.

In international business literature, this study feeds into an expanding mass of work that investigates the linkages between economic policy, market behavior, and regional economic outcomes. Thus, by assessing the economic policy economic uncertainty arising from foreign investment, trade, and development assistance in SSA, this research fills the gaps in knowledge of how emerging markets react to economic policy shocks. Thus, scholars can employ these results to formulate theoretical frameworks that mimic the genuine intricate disparities in global interdependence. In addition, this study yields empirical evidence as a

foundation for comparative analyses and further examination of the differential impacts of international economic policy on developing economies depending on their degree of economic diversity and dependency.

The study offers policymakers evidence-based suggestions on how to design economic policies that safeguard SSA countries from the consequences of increased uncertainty. By grasping the connection between foreign financial inflows and economic performance, policymakers will be able to more critically weigh the trade-offs that come with different forms of foreign investment and aid. This knowledge will therefore serve as a foundation upon which those strategic policies can be developed, which reduce reliance on volatile international markets, emphasize diversification of economic activities, and improve self-sufficiency. Besides, it would be helpful for policymakers to use the study to find possible policy interventions reinforcing the strength of economies in SSA as stable investment destinations, even though an uncertain global environment.

The study provides data-driven insights important for international organizations to plan and implement development around the United Nations, the World Bank, and the African Development Bank. Such organizations usually undertake programs deemed warranted by the predicted level of foreign assistance, FDI, and ODA; however, there exist economic policy uncertainties that disallow such projections. The study would allow international organizations to build more robust aid frameworks that adjust according to economic policy conditions and can ensure sustaining development progress in SSA. The study also analyzed the balance of payments and export revenue vulnerabilities of some SSA countries; this can then be taken to justify recommendations for economic diversification strategies meant to lessen dependence on private single-resource exports with regional economic resilience.

The study provides an integrated view of the factors that influence economic stability in SSA, thus facilitating academic inquiry and learning for students and researchers. An empirical approach adopted in the study supports the wider international finance and development economics literature, especially the more intricate effects of economic policy uncertainty on the developing regions. On the basis of this study, further studies may be undertaken regarding some other aspects, including responses of individual SSA countries to economic uncertainty or the effect of regional trade agreements on economic resilience. Students would get an added dimension under their belt as far as the relationship between the world economy and SSA economies is concerned in their economic, international relations, and development studies.

Related Literature

In evaluating economic policy uncertainty, two prominent theoretical dimensions dominate literature: the Uncertainty-Induced Investment Hesitancy (UIIH) Theory and the Institutional Quality Theory. Together, they provide a comprehensive

framework for understanding how uncertainty affects foreign investment inflows in Sub-Saharan Africa (SSA).

The Uncertainty-Induced Investment Hesitancy Theory, introduced by Bernanke (1983), posits that heightened uncertainty increases the cost of capital and diminishes expected returns, prompting investors to delay or withdraw investments. This "option value of waiting" reflects investors' preference to postpone commitments until stability is restored. For SSA, whose economies rely heavily on FDI, FPI, and ODA, the effects are acute. Episodes such as the 2008financial crisis and the COVID-19 pandemic accentuated capital flight to safer markets (Ahmed et al., 2022). While the theory effectively explains capital outflows during instability, it oversimplifies investor behaviour by assuming uniform responses and neglects the role of long-term or speculative investors.

Institutional Quality Theory, advanced by North (1990), emphasizes the role of robust institutions in reducing transaction costs and mitigating uncertainty. Strong institutions characterized by rule of law, investor protection, and effective governance enhance investor confidence and attract steady capital inflows, even amid shocks (Acemoglu & Robinson, 2012). Countries such as Botswana and Rwanda illustrate this resilience (World Bank, 2021). Nonetheless, the theory's application in SSA is limited by entrenched corruption, political instability, and socio-historical complexities that constrain reforms (Collier, 2021). Thus, while both theories illuminate investment behaviour under uncertainty, they are constrained by assumptions that inadequately capture SSA's diverse realities.

Table 1: Tabular Presentation of Theoretical Framework for the Study.

S/No	Variable	Relevant theory
1	Economic policy Uncertainty as the Independent Variable	**Uncertainty-Induced Investment Hesitancy Theory**
2	Official Development Assistance (ODA) as a Dependent Variable	**Dependency Theory**
3	Balance of Payments as a Dependent Variable	**Dependency Theory**
4	Foreign Portfolio Investment (FPI) as a Dependent Variable	**Dependency Theory**
5	Foreign Direct Investment (FDI) as a Dependent Variable	**Dependency Theory**
6	Revenue from Crude Oil Exports as a Dependent Variable	**Dependency Theory**

Source: Author's Compilation, 2025

Ncube and Acheapong (2023) analyzed how economic policy uncertainty affects foreign aid flows to sub-Saharan Africa. Covering the period from 1990 to 2022,

the study employed a time-series research design and used the ARDL model to evaluate the impact of economic policy shocks on foreign aid. The study found that economic policy uncertainty led to a 12% reduction in foreign aid, with the most significant declines occurring during financial crises. However, aid from multilateral organizations remained relatively stable. Adekunle and Okafor concluded that while uncertainty affects foreign aid, multilateral institutions play a stabilizing role.

Sulaiman and Oladipo (2023) explored the role of economic policy uncertainty in shaping donor behaviour toward SSA countries with abundant natural resources. Focusing on the period from 2011 to 2022, the study examined how resource-rich countries fared in attracting ODA amidst high levels of policy uncertainty. The authors used a panel data research design and applied a Fixed Effects (FE) model with interaction terms to explore the relationship between ODA and EPU. The findings revealed that resource-rich countries with high policy uncertainty received significantly less ODA than resource-poor countries with more stable policies. The authors concluded that good governance and policy stability are crucial for ensuring that resource wealth translates into development aid.

Akinlabi and Musa (2023) studied economic policy uncertainty and foreign portfolio investment flows within Nigeria. The area of study covered the period 2000-2022 and was investigated through the lens of a longitudinal research design. The VECM method was applied for the study of time series data. Their study found that policy uncertainty diminished FPI inflows by 11%. The effect, however, was greater during election years or times of high inflation. The authors therefore suggested that decreasing policy volatility would increase investor confidence.

Oke and Yusuf (2023) gave their attention to Nigeria and tax policy uncertainty vis-à-vis FPI between 2000 and 2022. The time series analysis, using the VAR framework, came to a conclusion that tax-policy uncertainty causes an outflow or a reduction in FPI inflows by about 8%. However, they added that with simple countries turning to tax reforms, these consequences can be somewhat averted, thereby increasing investor confidence.

Alabi and Ibe (2023) focused on the effects of exchange rate policy uncertainty on foreign portfolio investment inflows in Nigeria and Ghana from 2000 to 2022. Utilizing a time-series econometric model, the study found that instability and unpredictability in exchange rate policies such as frequent currency devaluations, multiple exchange rate regimes, and inconsistent foreign exchange controls resulted in a 7% decrease in FPI inflows. The authors emphasized that exchange rate stability is crucial in maintaining investor confidence, as volatility in currency value can erode returns and complicate repatriation of investment profits. They concluded that policymakers should prioritize exchange rate stabilization measures to create a more conducive environment for foreign portfolio capital.

Bassey and Udo (2023) investigated the effects of trade policy uncertainty on crude oil revenues in Nigeria from 1995 to 2022. Using a time-series econometric framework based on the Generalized Method of Moments (GMM) estimator, the authors examined the sensitivity of oil revenue performance to volatility in trade-related policies such as export tariffs, customs enforcement, and trade agreement negotiations. The results indicated that trade policy uncertainty led to a 13% decline in crude oil revenues during the study period. The authors explained that uncertainties in Nigeria's trade policy environment discouraged foreign buyers, delayed export transactions, and created inefficiencies in revenue collection. Bassey and Udo concluded that fostering clarity and stability in trade policies is vital for the sustainability of oil revenues.

Alabi and Ibe (2021) investigated the impact of EPU on FDI inflows in Nigeria and Angola from 1995 to 2022. In their analysis, the study used the GMM estimation method to address the issue of potential endogeneity, offering more credible evidence on causal relationships. They found that EPU led to a 10 percent drop in FDI inflows in the two countries. The two authors posited that contradictory policies, particularly in extractive sectors that grossly dominate the economies of Nigeria and Angola, would increase investor apprehensions due to uncertainties in regulations, licenses, and taxes. Alabi and Ibe strongly urged for improvements in policy severity and regulatory consistency so as to minimize uncertainties and encourage steady foreign investments, especially in resource-dependent areas where investments tend to be huge and long-term.

Although considerable scholarship exists on the effects of economic policy uncertainty (GEU) on developing economies, limited attention has been devoted to Sub-Saharan Africa (SSA) and the specific mechanisms through which shocks affect its financial inflows. Many studies address emerging markets broadly, thereby overlooking SSA's structural vulnerabilities and institutional fragility (Ahmed et al., 2022). In addition, research often focuses on a single inflow, such as FDI or ODA, neglecting the interplay among multiple inflows and their combined impact on economic stability. This study bridges that gap by comprehensively analyzing ODA, balance of payments, FPI, crude oil revenue, and FDI between 1990 and 2024. By disaggregating these variables, it offers insights into both short-run fluctuations and long-run trends, thereby deepening understanding of SSA's resilience in a volatile global environment.

Nature and Sources of Data

This study used secondary data that are longitudinal in nature. The secondary datasets were collected from the World Development Indicator (WDI) and the economic policy uncertainty variable follows the form calculated and published globally and was extracted fromwww.policyuncertainty.com/all_country_data. The coverage in terms of time is 34years form 1980 to 2024 while the geographical spread is 48 SSA countries as defined by the World Bank Statistical

Bulletin, 2024. The combination of cross section (SSA) and time dimension (1980 to 2024) clearly defines the data for this study as panel.

This study is anchored on the dependency theory and the investment uncertainty hesitancy theory. This is a theory that creates a linkage between economic uncertainty and the influence it exerts on foreign inflows. The theory shows the functional dependence of foreign inflows on economic policy uncertainty. This is functionally expressed thus:

$$FINFLOW = f(EPU)$$

Where foreign inflow (FININFLOW) is disaggregated into Official Development Assistance, Balance of Payment, Revenue from Crude Oil, Foreign Direct Investment and Foreign Portfolio Investment.

The basic relationship modelled in this study is expressed thus:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} \text{---------- } + \beta_n n_{1it} + \varepsilon_{it}$$

Where explanatory variables are: -

Y = Foreign inflow indicators (ODA, FDI, CrudeRev, BOP, FPI)

β_0 = Constant term

β_1, β_2, ---Bn =represent estimated coefficient for the regressors

ε = Error term

The variables for the estimation of the models for this study are described in the table 3.1.

Table 2: Description of Model Variables

S/No	Name of Variable	Proxy	Notation	Source	Role	Expected Outcome
1	Economic Policy Uncertainty	Economic Policy Uncertainty Index	EPUI	www.policyuncertainty.com	Explanatory Variable	+ or -
2	Official Development Assistance	Official Development Assistance	ODA	World Development Indicator	Outcome Variable	NA
3	Balance of Payment	Balance of Payment	BOP	World Development Indicator	Outcome Variable	NA
4	Revenue from Crude	Revenue from Crude	REVC	World Development Indicator	Outcome Variable	NA
5	Foreign Direct Investment	Foreign Direct Investment	FDI	World Development Indicator	Outcome Variable	NA
6	Foreign Portfolio Investment	Foreign Portfolio Investment	FPI	World Development Indicator	Outcome Variable	NA
7	Foreign	Dollar to	EXR	World Development	Control	+ or -

	Excahnge Rate	Domestic Currency Exchange Rate		Indicator	Variable	
8	Inflation	Inflation rate	INFR	World Development Indicator	Control Variable	+ or -

Author's compilation, 2025

The following estimation processes will be followed in this study:
These set of tests will prove the goodness The adequacy of the datasets for the estimation of this study will be confirmed using the following set of tests. These will include

- Panel Descriptive Statistics
- Panel Correlational Analyses
- Panel Unit Root tests
- Panel Test for Cross Sectional Dependence

Panel Autoregressive Distributed Lag Model (PARDL) forms the main estimation technique for this study. This will follow the Mean Group (MG), Pooled Mean Group(PMG) and the Dynamic Fixed Effect (DFE). The Haussmann Test will be used as a selection criterion from the three Autoregressive Lag Models. This is to say that the most efficient of the three estimators will be chosen based on the results of the Haussmann tests.
Applying a panel estimation technique such as the Panel-ARDL presents the specific models for the study as follows:

Economic policy uncertainty versus Official development assistance in in Sub-Saharan African countries

$$ODA_{it} = \delta_o + \sum_{t=1}^{k} \delta_1 \Delta ODA_{it-n} + \sum_{t=1}^{k} \delta_2 \Delta EPUI_{it-n} + \sum_{t=1}^{k} \delta_3 \Delta INF_{it-n} + \sum_{t=1}^{k} \delta_4 \Delta EXR_{it-n} + \varphi_1 ODA_{it} + \varphi_2 EPUI_{it} + \varphi_3 INF_{it} + \varphi_4 EXR_{it} + \mu_{it}$$

Economic policy uncertainty versus Balance of Payment in Sub-Saharan African countries

$$BOP_{it} = \delta_o + \sum_{t=1}^{k} \delta_1 \Delta BOP_{it-n} + \sum_{t=1}^{k} \delta_2 \Delta EPUI_{it-n} + \sum_{t=1}^{k} \delta_3 \Delta INF_{it-n} + \sum_{t=1}^{k} \delta_4 \Delta EXR_{it-n} + \varphi_1 BOP_{it} + \varphi_2 EPUI_{it} + \varphi_3 INF_{it} + \varphi_4 EXR_{it} + \mu_{it}$$

Economic policy uncertainty versus Crude Oil Revenue in Sub-Saharan African countries

$$CrudeRev_{it} = \delta_o + \sum_{t=1}^{k} \delta_1 \Delta CrudeRev_{it-n} + \sum_{t=1}^{k} \delta_2 \Delta \mathrm{EPUI}_{it-n} + \sum_{t=1}^{k} \delta_3 \Delta \mathrm{INF}_{it-n} + \sum_{t=1}^{k} \delta_4 \Delta \mathrm{EXR}_{it-n} + \varphi_1 \mathrm{CrudeRev}_{it} + \varphi_2 \mathrm{EPUI}_{it} + \varphi_3 \mathrm{INF}_{it} + \varphi_4 \mathrm{EXR}_{it} + \mu_{it}$$

Economic policy uncertainty versus Foreign Direct Investment in Sub-Saharan African countries

$$\mathrm{FDI}_{it} = \delta_o + \sum_{t=1}^{k} \delta_1 \Delta \mathrm{FDI}_{it-n} + \sum_{t=1}^{k} \delta_2 \Delta \mathrm{EPUI}_{it-n} + \sum_{t=1}^{k} \delta_3 \Delta \mathrm{INF}_{it-n} + \sum_{t=1}^{k} \delta_4 \Delta \mathrm{EXR}_{it-n} + \varphi_1 \mathrm{FDI}_{it} + \varphi_2 \mathrm{EPUI}_{it} + \varphi_3 \mathrm{INF}_{it} + \varphi_4 \mathrm{EXR}_{it} + \mu_{it}$$

Economic policy uncertainty versus affect Foreign Direct Investment in Sub-Saharan African countries

$$\mathrm{FPI}_{it} = \delta_o + \sum_{t=1}^{k} \delta_1 \Delta \mathrm{FPI}_{it-n} + \sum_{t=1}^{k} \delta_2 \Delta \mathrm{EPUI}_{it-n} + \sum_{t=1}^{k} \delta_3 \Delta \mathrm{INF}_{it-n} + \sum_{t=1}^{k} \delta_4 \Delta \mathrm{EXR}_{it-n} + \varphi_1 \mathrm{FPI}_{it} + \varphi_2 \mathrm{EPUI}_{it} + \varphi_3 \mathrm{INF}_{it} + \varphi_4 \mathrm{EXR}_{it} + \mu_{it}$$

Inferences are based on 0.05 level of significance and the conclusions and recommendations.

Results

The full data for this study is presented as Appendix One. It contains panel datasets for the studied 48 SSA countries with proxies for Economic policy uncertainty (EPU), Foreign direct investment (FDI), Balance of Payment (BOP),

Official development Assistance (ODA), Oil Revenue (OR), Foreign Portfolio Investment (FPI) with Real Interest Rate (RINTR) as control variable.
Table 3 contains the panel descriptive statistics. This shows the central tendency and dispersion of the variables.

Table 3: Panel Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera
EPU	26970.88	24522.00	59208.00	9776.00	14817.86	0.73	2.52	164.87
FDI	1.62	5947114.	7.69	-3.51	7.98	6.24	54.16	194104.2
BOP	7.48	1.87	1.23	6289675.	1.82	3.93	18.89	22019.22
ODA	7.56	5.00	1.27	-2.00	9.55	5.00	51.37	170747.1
OR	3.32	0.00	82.78	0.00	9.50	3.70	18.37	20378.87
FPI	-7.90	-247995	1.43	-1.96	1.89	-0.99	41.27	102786.6
RINTR	11.19	7.57	67.43	0.00	10.65	1.68	6.32	1567.31

Source: Authors' Computation (2025)

The mean value of the economic policy uncertainty is shown with a standard deviation showing the departure from the mean value. The mean of the independent variables is also reported with their associated standard deviation. The normality test of the series indicates that the variables are largely leptokurtic while the skewness figures are largely positive. The overall Jarque Bera statistics show that the variables are not normally distributed, which agrees with the features of economic variables/series.
Table 4 reports a directionless bivariate panel correlational matrix of economic policy uncertainty and international financial flows. This is necessary in checking not just linear association but the likelihood of multicollinearity.

Table 4: Panel Correlational Matrix

Variables	EPU	FDI	BOP	ODA	OR	FPI	RINTR
EPU	1	0.12	0.14	0.1	0.01	0.008	-0.01
FDINO	0.12	1	0.61	0.1	0.04	-0.01	-0.02
BOP	0.14	0.61	1	0.29	0.01	-0.06	0.01
ODA	0.1	0.1	0.29	1	0.01	-0.06	0.001
OR	0.01	0.04	0.01	0.01	1	0.05	0.05
FPI	0.008	-0.01	-0.06	-0.06	0.05	1	-0.05
R INTR	-0.01	-0.02	0.01	0.001	0.05	-0.05	1

Source: Authors' Computation (2025)

The panel correlational results indicate that the variables are not highly correlated with the dependent variables. Also, the independent variables are not identically distributed neither do they appear to have perfect collinearity. This provides sufficient support for the combination of the series as a model in a panel framework.

Table 4. presents a summary of the variables unit root test following the panel-specific unit root models.

Table 5: Panel Unit Root Tests

Variables	LLC	Breitung	IPS	ADF	PP
EPU	-5.81(0.00)	-2.57(0.01)	2.52(1.00)	41.48(1.00)	120.11(0.05)
FDI	-10.41(0.00)	-3.43(0.00)	-19.62(0.00)	563.68(0.00)	4764.32(0.00)
BOP	-14.18(0.00)	-4.06(0.00)	-13.16(0.00)	454.81(0.00)	1099.97(0.00)
ODA	-5.08(0.00)	-0.82(0.21)	-4.26(0.00)	160.07(0.00)	275.40(0.00)
OR	-14.60(0.00)	-7.65(0.00)	-17.22(0.00)	455.51(0.00)	1073.36(0.00)
FPI	-22.46(0.00)	-6.91(0.00)	-19.72(0.00)	666.12(0.00)	1104.20(0.00)
RINTR	-13.39(0.00)	-13.75(0.00)	-18.49(0.00)	488.49(0.00)	2424.08(0.00)

Source: Authors' Computation (2025)

The result of the panel unit root test shows that the variables are a combination of I(0) and I(1). This provides sufficient justification for the adoption of the Panel-ARDL as the suitable estimation technique. The Panel-ARDL not only models long and short-run elasticities simultaneously, it also allows a combination of I(0) and I(1) variables excluding I(2) series.

Panel Autoregressive Distributed Lag Model Result

The pooled mean group and mean group variants of the Panel-ARDL were used for this study and the results are as reported in table 6 below:

Table 6: Summary of the Panel-ARDL Result

	Coeff	Std. Error	t-Stat	Hausmann	Preferred Model
Foreign Direct Investment					
C	-0.69	0.31	-2.23**	25.70	Mean Group
EPU	0.59	0.25	2.36**		
RINTR	-0.36	0.33	-1.09		
ECM	-0.48	0.054	-8.76**		
Oil Revenue					
C	0.23	2.30	0.10	5.17	Pooled Mean Group
LEPU	0.30	0.37	0.81		
RINTR	-0.36	0.40	-0.90		
ECM	-0.65	0.25	-2.60**		
Portfolio Investment					
C	-0.41	0.50	-0.82	5.50	Pooled Mean

EPU	0.34	0.50	0.68		Group
LTNRR	0.10	1.25	-0.08		
ECM	-0.63	0.20	-3.15**		
Official Development Assistance					
C	0.40	0.30	1.33	33.69	Mean Group
EPU	1.46	0.25	5.84**		
TNRR	1.31	0.20	6.55**		
ECM	-0.13	0.03	-4.36**		
Balance of Payment					
C	-0.61	0.25	-2.44**	6.97	Pooled Mean Group
EPU	1.02	0.20	5.10**		
OR01	-0.90	0.23	-3.93**		
ECM	-0.60	0.24	2.50**		

Source: Authors' Computation (2025)

The result shows that the mean group test is more efficient for the models with foreign direct investment and official development assistance as dependent variables respectively. The models for oil revenue, foreign portfolio investment and balance of payment were shown to be more efficient using the pooled mean group variant of the Panel-ARDL estimation. In all the models, the error correction representation with the relevant adjustment profiles is shown. All the error correction terms entered with a correct sign, implying that they are all negatively significant. This indicates that all the dependent variables return to long-run equilibrium from short run disequilibrium at various speeds. This further strengthens the existence of long-run relationship between the financial inflow indicators and economic policy uncertainty. Foreign direct investment has a 48% adjustment speed in percentage and around 2years in frequency, oil revenue is 65% with around a year and half in frequency, foreign portfolio investment iis 63% with around a year and half in frequency, official development assistance is 13% in percentage and seven and half years in frequency and balance of payment is 60% in frequency and a year and 7months in frequency. All the error correction terms fall within predictable limits as they are all less than 100%. All the other indicators confirm the estimates as good for inference.

Economic policy uncertainty's coefficient is 1.46 with a significant t-statistic of 5.84 which has a p-value that is less than 0.05. This means that a percentage change in economic policy uncertainty changes official development assistance by 146%. This means that in times of heightened uncertainty, aids may increase to bail out countries in need.

Economic policy uncertainty's coefficient is 1.02 with a significant t-statistic of 5.10 which has a p-value that is less than 0.05. This means that a percentage change in economic policy uncertainty changes official development assistance by 102%.

Economic policy uncertainty's coefficient is 0.34 with a non-significant t-statistic of 0.68 which has a p-value that is greater than 0.05. This means that a percent change in economic policy uncertainty changes foreign portfolio investment by 34%. This change is not found to be significant.
Economic policy uncertainty's coefficient is 0.30 with a non-significant t-statistic of 0.81 which has a p-value that is greater than0.05. This means that a percentage change in economic policy uncertainty changes non-significantly affect oil revenue. Economic policy uncertainty's coefficient is 0.59 with a significant t-statistic of 2.36 which has a p-value that is less than 0.05. This means that a percent change in economic policy uncertainty changes foreign direct investment by 59%.

Conclusion

This study was set to explore the impact of economic uncertainty on financial inflows in 48 SSA countries using the Panel-ARDL technique. Five relevant objectives, questions and hypotheses were raised and answered using the chosen methodology.
Motivated by the need to see how SSA financial inflows increase or decrease due economic uncertainty in the global space, this study made some key findings.
Foreign direct investment, official development assistance and balance of payment were found to significantly respond to economic policy uncertainty while oil revenue and foreign portfolio investment were not significantly affected by economic policy uncertainty.
This study is a vital contribution to the conversation on the exposure of SSA to the economic policy environment while pointing out its structural vulnerability or otherwise as the world gets exposed to uncertainties of varied dimensions.
It is believed that this study will stimulate further investigation on this area for other economies like SSA while helping policy in protecting the SSA economies to external shocks and uncertainties.

Recommendation

Based on the findings arising from this study, the following are recommended:

- That SSA countries should build buffers against shocks through a proper investment of the ODA that are made higher by the response of donor nations to economic policy uncertainty. Palliatives and foreign assistance inflow were at the high level during COVID-19 but questions were raised about proper deployment of such aids.
- Export diversification and promotion should be enhanced so that the positive relationship between economic policy uncertainty and balance of payment in SSA countries will help boost domestic production. This will aid home grown economic growth and development initiatives.
- The non-significant impact of economic policy uncertainty on foreign portfolio investment in SSA countries speaks to the size of FPI in SSA countries.

Corporate organizations in SSA countries should seek foreign listing and be made more attractive to foreign investors to make FPI size in SSA more appreciable.

- Oil price regulation and output enhancement is necessary to cushion the possible revenue inflow impact of Economic policy uncertainty in SSA countries. The non-significant impact can be attributable to the reduced number of oil exporting countries in SSA. Oil exploration can also increase such number of countries and enhance possible revenue inflow from oil exportation.
- As it was found that Economic policy uncertainty significantly affects foreign direct investment in SSA countries, the business climate should be made better through proper regulation, control of corruption and enhanced ease of doing business. This will make SSA countries attractive for FDI regardless the extent of economic uncertainty.

The study is among the few that shows the impact of economic policy uncertainty on developing economies focusing specifically on SSA countries with their high level of vulnerability to shocks from developed economies. This study expands the forms of financial inflows. While other studies have concentrated on financial inflows such as FDI or ODA, without analyzing the interconnectedness of these inflows and their cumulative effects on economic stability. This study addresses this gap by comprehensively examining how global economic uncertainty affects multiple financial inflows in SSA countries, including ODA, balance of payments, FPI, revenue from crude oil exports, and FDI.

References

1. *Acemoglu, D., & Robinson, J. A. (2012). Why Nations Fail: The Origins of Power, Prosperity, and Poverty. Crown Publishing.*
2. *Adekunle, A., & Okafor, T. (2023). The impact of economic policy uncertainty on foreign aid flows to sub-Saharan Africa. Journal of Development Studies, 58(4), 145-162.*
3. *Adom, P. K., & Bekoe, W. (2022). The impact of oil price shocks on oil-exporting countries in Sub-Saharan Africa. Journal of African Economies, 31(2), 156–174.*
4. *Ahmed, A., Mensah, A., & Peters, J. (2022). Institutional quality and foreign direct investment in Sub-Saharan Africa: A review. African Economic Studies Journal, 19(3), 212-229.*
5. *Akinlabi, A., & Musa, T. (2023). The impact of economic policy uncertainty on foreign portfolio investment flows in Nigeria (2000-2022). Journal of Economic Studies, 45(2), 155-175.*
6. *Akinlo, A. E., & Adejumo, O. (2022). Impact of foreign portfolio investment on economic growth in Nigeria. Journal of Economic Studies, 49(3), 561–575.*

7. *Alabi, A., & Ibe, E. (2023). Exchange rate policy uncertainty and foreign portfolio investment: A case study of Nigeria and Ghana. Journal of Economic Policy and Development, 20(1), 45-64.*
8. *Amin, S. (1976). Unequal Development: An Essay on the Social Formations of Peripheral Capitalism. Monthly Review Press.*
9. *Baker, S. R., Bloom, N., & Davis, S. J. (2016). Measuring economic policy uncertainty. Quarterly Journal of Economics, 131(4), 1593–1636.*
10. *Bekaert, G., & Harvey, C. R. (2020). Emerging markets finance: A survey. Emerging Markets Review, 46, 100–115.*
11. *Bernanke, B. S. (1983). Irreversibility, uncertainty, and cyclical investment. The Quarterly Journal of Economics, 98(1), 85-106.*
12. *Bello, F., & Yusuf, A. (2023). Impact of global economic uncertainty on foreign portfolio investments in sub-Saharan Africa. Global Financial Journal, 67(5), 278-293.*
13. *Bassey, E., & Udo, A. (2023). Monetary policy uncertainty and foreign portfolio investment in Nigeria: An ARDL approach. Nigerian Journal of Monetary Economics, 27(1), 79- 98.*
14. *Brown, D., et al. (2020). Aid effectiveness in Sub-Saharan Africa: The role of governance and policy frameworks. International Journal of Development Studies, 8(2), 101–118.*
15. *Collier, P. (2021). The future of aid: Global uncertainties and development strategies in Africa. World Development Review, 27(1), 78–93.*
16. *IMF. (2022). World economic outlook: Managing external pressures in developing economies. International Monetary Fund.*
17. *Krugman, P. R., & Obstfeld, M. (2021). International economics: Theory and policy. Pearson.*
18. *Lawal, F. C., Onwumere, J. U. J., Kalu, E. U., Onyejiaku, C., & Ukpere, W. I. (2024). Responsiveness of the stability of the financial system to fiscal shocks: A Sub-Saharan Africa (SSA) perspective. Innovations, (78), September 2024. www.journal-innovations.com.*
19. *Musa, A., & Salami, Y. (2023). The effects of global financial volatility on sovereign bond inflows to sub-Saharan Africa. Journal of International Financial Markets, 54(2), 67-89.*
20. *Ncube, M., & Acheampong, F. (2023). Policy uncertainty, exchange rate volatility, and balance of payments in Sub-Saharan Africa. African Economic Review, 19(2), 78-98.*
21. *North, D. C. (1990). Institutions, Institutional Change and Economic Performance. Cambridge University Press.*
22. *Obstfeld, M. (2019). Global economic uncertainty and its impacts on emerging economies. Journal of International Economics, 29(4), 351–378.*
23. *OECD. (2022). Development aid at a glance: Statistics by region – Africa. Organisation for Economic Co-operation and Development.*

24. *OECD. (2021). Official Development Assistance (ODA) in times of global uncertainty. OECD Publications.*
25. *Okafor, C., & Chukwu, L. (2023). Portfolio investment inflows underl uncertainty: Evidence from sub-Saharan Africa. African Journal of Economic Policy, 38(2), 89-102.*
26. *Oke, M., & Yusuf, L. (2023). The influence of tax policy uncertainty on foreign portfolio investments in Nigeria: A VAR approach. Journal of Tax Policy and Economics, 28(2), 123-142*
27. *Olatunji, A., & Ahmed, S. (2023). Governance structures and the moderating role of economic policy uncertainty on ODA disbursement patterns in Sub-Saharan Africa. Journal of Public Policy, 30(4), 255-271.*
28. *Olomola, A. (2022). Oil dependency and economic diversification in Africa: Case studies from Nigeria and Angola. African Economic Journal, 44(2), 156–169.*
29. *Rodrik, D. (2018). The global trade and development dilemma: Africa's future in a volatile world. Journal of African Trade, 6(1), 67–81.*
30. *Sanni, L., & Okafor, E. (2023). The influence of economic policy uncertainty on humanitarian aid in Sub-Saharan Africa. Journal of International Development, 45(4), 520*
31. *Slovic, P. (1987). Perception of risk. Science, 236(4799), 280-285.*
32. *Sulaiman, I. (2021). Economic policy uncertainty and foreign investment in Sub-Saharan Africa. Journal of Financial Economics, 38(4), 215–230.*
33. *Sulaiman, M., & Oladipo, A. (2023). Economic policy uncertainty and donor behavior in resource-rich Sub-Saharan Africa. Resource Policy, 81, 102231.*
34. *UNCTAD. (2022). World Investment Report: Regional Trends in Foreign Direct Investment. United Nations Conference on Trade and Development.*
35. *UNCTAD. (2023). World investment report 2023: Financing sustainable development in Africa. United Nations Conference on Trade and Development.*
36. *United Nations Conference on Trade and Development. (2021). World Investment Report 2021: Investing in Sustainable Recovery.*
37. *World Bank. (2021). World Development Report: Trading for Development in the Age of Global Value Chains.*
38. *World Bank. (2023). Sub-Saharan Africa's economic outlook and impact of global shocks.*