INTERNATIONAL JOURNAL OF SOCIAL SCIENCE HUMANITY & MANAGEMENT RESEARCH

ISSN **(**print) 2833-2172, ISSN (online) 2833-2180

Volume 01 Issue 06 December 2022

Page No. 162-169

Foreign direct investment and job creation: empirical verification on data from the Democratic Republic of Congo from 2000 to 2016

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ABSTRACT: Using an error correction model, the ultimate objective of this paper was to investigate the influences exerted by foreign direct investment as well as those of other variables to which the theoretical literature gives some credit on the employment rate in DR Congo. The paper concludes that there is no or negligible relationship between foreign investment and unemployment during the period under review, regardless of the period of analysis. More concretely, the coefficient associated with FDI is positive in the dynamic relationship, but negative in the static relationship. In both cases, this coefficient is statistically not different from 0. It goes without saying that these investments contribute to job creation in the long term, but at a very marginal rate. In the short run, there is a substitution of FDI for domestic investment and thus an increase in the unemployment rate. Public capital expenditure and the accelerator effect, on the other hand, do not play much of a role in increasing the volume of employment in DR Congo. Moreover, the Phillips relationship is sufficiently robust in both the short and long run.

KEYWORDS: FDI, unemployment, error correction model

I. CONTEXT AND JUSTIFICATION

In the context of globalisation and capital mobility, the 1950 to 1970 were characterised by a mistrust of globalisation and foreign capital in developing countries. Moreover, this was the period during which the state conducted development policies autonomously. However, the almost general failure of these different policies during the 1970 has been the subject of several interpretations. For their part, some economists attribute this failure to massive state intervention in the design and conduct of development policies. In addition, the low degree of openness of developing economies to external trade and finance is a potential explanatory factor for the failure of these policies. It was only in the 1990 that several African, Asian and Latin American countries began to implement policies to attract foreign investment so that they could begin their industrialisation or development phase through the externalities of the latter. Not only should these investments contribute to the development of their economies and the resolution of population-related problems, but they should also promote job creation in the host country. Since then, foreign direct investment (FDI) has become the most sensitive economic concept in all countries of the world (all countries of the world are involved); it has become famous and is the epicentre of many debates among economists around the world. However, FDI is supposed to be beneficial for both home and host countries as it is part of the integration of an open and efficient international economic system; being one of the main catalysts for development.

Despite the efforts made by these countries, notably Africa in general and the DRC in particular, in terms of investment promotion and despite the many reforms undertaken in the various areas and sectors of the economy, FDI flows towards Africa in general and the DRC in particular remain disappointing. It should be noted that foreign direct investment (FDI) flows in the world approached their record of 1,833 billion dollars in 2007. According to the annual report of the United Nations Conference on Trade and Development (UNCTAD, 2008), they increased by 38% to 1,762 billion dollars, thanks mainly to mergers and acquisitions, which jumped by 67% to over 700 billion dollars.

It should be noted, however, that the growth in FDI flows peaked at $1400 billion in 2000. The amount of FDI contracted sharply following the bursting of the new technology bubble: $825 billion in 2001, and $566 billion in 2003 (UNCTAD, 2005).

Despite a recovery in the mid-2000s, the global financial crisis of 2008-2009 led to a further decline in global FDI flows, with a 31% drop in 2009. Despite the lingering effects of the crisis, global FDI inflows grew by 15% in 2010 and by 20% in 2014 (UNCTAD, 2014) to just over $1,612 billion. After declining by 18% in 2012, they rose again in 2013 by just over 3% to $1363 billion. The fragility of the global economy, uncertainty and geopolitical risks justify this drop of almost 8% in FDI inflows in 2014, which nevertheless rebounded by 36% in 2015 (UNCTAD, 2016). This unexpectedly large increase is mainly related to the growth of M&As targeting companies in developed countries given the fragility of the global economy, volatile financial markets, weak demand and the slowdown in several emerging economies.

Overall, developed countries overtook emerging and developing countries as the largest recipient countries, accounting for a combined 55% of flows. This did not prevent FDI to developing countries from setting a new record at $765 billion. But not everyone in this latter group of countries was on the same page. Africa as a whole saw a 7% decline in flows to $54 billion. The same is true of the South American continent (-6% to 121 billion). This trend is linked to the fall in commodity prices, which affected Nigeria, Congo-Brazzaville, the DRC, Brazil, Chile, Colombia and Peru. The fragility of the global economy, weak demand, lack of growth in commodity-exporting countries and the fall in multinationals' profits to their lowest level since the crisis are all factors explaining this forecast.

In contrast, developing Asia, emerging and developing countries are taking the lion's share. FDI flows to these countries increased by 2% in 2014, reaching a record $681 billion, or 56.75% of total FDI inflows. Their share of FDI flows rose from 13% in 2007 to a record 35% in 2014. This paradox reflects, among other things, growth inequalities between regions of the world (UNCTAD, 2016)

In the 2015 edition of its annual World Investment Report, released on Wednesday 24 June in Geneva, UNCTAD estimates that FDI flows should reach $1.5 trillion in 2016 and $1.7 trillion in 2017. It notes that a third of multinational enterprises plan to increase their spending between 2015 and 2017 and FDI may break all-time records.

In addition, in sub-Saharan Africa, outward FDI increased by 5%, with different trends in different sub-regions. FDI inflows to West Africa declined by 10% to $12.8 billion due to the Ebola epidemic, security concerns and commodity price declines, which have been detrimental to several countries.

FDI flows increased by 11% to $6.8 billion in East Africa. They increased in the gas sector in the United Republic of Tanzania, and Ethiopia is becoming a production centre for multinational apparel and textile companies.

Central Africa received $12.1 billion in FDI in 2014, up 33% from 2013. FDI inflows almost doubled to $5.5 billion in the Republic of Congo, which became the second largest FDI destination in Africa as foreign investors were not deterred by falling commodity prices. The Democratic Republic of Congo continued to attract significant flows.

On the other hand, developing and sub-Saharan economies in particular face numerous internal and external imbalances. The insufficient growth of their production does not allow them to reduce the pool of unemployed individuals and make possible the redistribution of income to increase the opportunities for businesses. On this basis, external support in terms of investment and aid, while not ignoring the counterproductive effects that may be observed here and there, is a credible alternative to reducing the unemployed active population.

In view of the above, and given the efforts made by the countries of the South to attract foreign investment, the major question remains: what are the effects of this foreign investment on the volume of employment in the Democratic Republic of Congo? In other words, does FDI in the DRC enable significant job creation (direct, indirect and induced) whatever the time horizon? This is the main theme around which our research is oriented in order to find intelligible conclusions that will allow us to suggest economic policies.

From the outset, we formulate the hypothesis that FDI has a positive effect on jobs in host countries, in this case the DR Congo, in the sense that the foreign companies that set up shop or the funds they pay to their subsidiaries generate direct employment. In addition, through subcontracts and upstream and downstream links, indirect and induced jobs are likely to be created. Ultimately, a gradual reduction in unemployment is expected as FDI inflows increase. These results are only observed in the long run; in the short run the link is either non-existent or statistically insignificant.

The above question and the associated tentative answer symbolise the main objectives of this paper. While the examination of both short and long term linkages between the two variables is the ultimate objective, it is also a question of gaining insight into the sectoral distribution of foreign investment flows as well as the financial, legal, institutional and other measures put in place by the Congolese government to further attract this foreign capital

The period covered by this study is from 2000 to 2016. Far from being an accidental fact, this delimitation is well justified. Despite their widespread entry into developing countries in the late 1990s, the level of FDI in the DR Congo remained so marginal throughout the decade that data on it is almost non-existent. The post-2016 national accounts are so far unpublished, at least as far as the Central Bank of Congo is concerned.

Apart from these pages outlining the context of this study, without forgetting to justify its necessity, this paper is composed of four main points. A brief overview of the theoretical literature and empirical evidence is provided in the second point. The methodological approach and the source of the data are outlined in the next section. The processing of the data and the economic interpretation of the results are discussed in sections III and IV. A conclusion with policy recommendations ends the paper.

II. BRIEF OVERVIEW OF THE LITERATURE

The existing literature linking FDI and jobs in host countries shows both positive and perverse effects of the former on the latter.

Beyond its initial macroeconomic impulse on the capital stock, FDI positively influences the growth of the host country by improving total factor productivity, thanks to the technology transfer accompanying FDI.

According to the OECD (2008), there are different forms of FDI that develop a network of subsidiaries abroad, the investor can intervene by :

- *The creation of an entirely new subsidiary* : *In this case, the direct investor materializes through the installation of new means of production and the recruitment of new employees. This is "creation FDI" which is also known as "greenfield investment";*
- *The acquisition of an existing foreign entity* : *This FDI takes the form of a transfer of ownership of the shares of the acquired subsidiary. This category is also known as "brownfield investment". Cross-border mergers and acquisitions belong to this form of FDI;*
- *The expansion of the production capacity of existing subsidiaries by contributing funds. This is known as expansion FDI;*
- *The injection of funds to support the activity of a subsidiary in financial difficulties. This is FDI for financial restructuring*

It should be noted, however, that job creation by FDI, whatever its form, is one of the major channels through which its effects pass. As P. Romer (1993), inward FDI can facilitate the transfer of technology and management know-how in the host country, not only in the invested subsidiaries, but also in the host country's enterprises as a whole through diffusion phenomena. This is thanks to the creation of direct or indirect jobs, of which it is one of the most remarkable factors, whatever its form.

The works of Barro and Lee (1994), Borensztein, De Gregorio and Lee (1998) specify that in countries where the level of human capital is very low, the effects of FDI will be negative. Studies have shown that MNEs are responsible for about 50% of the world's research and development expenditure, including expenditure on human capital formation.

The impact of FDI on labour markets is not limited to job creation. Indeed, FDI has an impact on labour compensation. In order to attract skilled labour, bring it into the corporate mindset and improve productivity, numerous studies have shown that foreign-owned subsidiaries pay higher wages to their employees than their local counterparts, particularly in developing countries.

In addition to the direct jobs created by FDI, countries can benefit from indirect jobs, the size of which will depend on the technological intensity and density of industrial relations. Local companies can benefit from improved labour productivity through the recruitment of ex-employees working in subsidiaries and having better working practices.

However, another part of FDI aims to take advantage of the existence of low wages or less favourable working conditions for employees in some foreign countries, and is blamed for turning a blind eye to human and labour rights violations in developing countries where the authorities do not effectively enforce these rights. At the same time, FDI can have effects on both host country wages and non-wage working conditions.

For several years, studies have suggested that foreign-owned subsidiaries pay higher wages to their employees than local companies, particularly in developing countries. For example, in a study of Mexico, the United States and Venezuela, B. Aitken et al (1996) found that the average wage in foreign companies tended to be about 30% higher than in local companies. The limitation of this study, however, is that it compares the wages of employees who may belong to different categories. For example, if foreign subsidiaries employ fewer blue-collar workers (traditionally paid less than other categories of workers) than local subsidiaries, it is normal to find higher average wages in the former.

A final element to be taken into account in this type of comparison is to neutralise the potential improvement in workers' qualifications (whatever the category to which they belong) that belonging to a foreign group may entail, which would result in an overestimation of the wage gap that must be measured for equivalent qualifications.

In a study of the social impact of FDI in host countries, the OECD (2008) analysed the effects of foreign takeovers on average wages for two emerging economies (Brazil and Indonesia) and three OECD countries (Germany, Portugal and the UK). It appears that foreign takeovers of local firms increase average wages in the firms concerned, with a larger increase in emerging economies (11% in Brazil, 19% in Indonesia) than in developed countries (where it is between 3% and 8%).

Results on individual wages following mergers and acquisitions also show that the positive effect of FDI is more about providing better job opportunities for new recruits than about providing better wages for remaining workers in firms that change ownership.

Finally, FDI inflows are likely to increase wage inequality in the host country (especially when it is a developing country), by pushing up the relative wages of skilled workers.

III. METHODOLOGICAL APPROACH AND DATA SOURCES

The examination of the likely effects of FDI on employment in the DR Congo is carried out through a hypothetical-deductive approach coupled with an analytical approach. In a factual manner, the search for results led us to construct a theory, formulate hypotheses, verify them and confirm or refute these hypotheses in the specific framework of the DR Congo. For its part, the analytical method was useful in the systematic analysis of all the data collected in order to draw conclusions that make our research object intelligible.

Furthermore, the examination of the links in the short and long term is done through Engle and Granger's two-step cointegration

As mentioned above, we restrict ourselves to the two-step algorithm of Engle and Granger (1987).

Step 1: Test the order of integration of the variables

A necessary condition for cointegration is that the series must be integrated in the same order. If the series are not integrated of the same order, they are not cointegrated.

Step 2: Estimation of the long-term relationship

If the necessary condition is verified, the long-run relationship between the variables is estimated by OLS. For the cointegration relationship to be accepted, the residual from this regression must be stationary.

In addition, when the series are non-stationary and cointegrated, it is necessary to estimate their relationships through an error correction model. For Valéry (2008), one of the fundamental properties of cointegrated series is that they can be modelled in the form of an error correction model. This result has been demonstrated in the framework of Granger's (1981) representation theorem, valid for CI (1,1) series. Such models make it possible to model the adjustments that lead to a long-term equilibrium situation. These are dynamic models that incorporate both short-term and long-term changes in the variables.

Let Xt and Yt be two CI (1,1) variables. Assuming that Yt is the endogenous variable and Xt is the explanatory variable, the error correction model is written as follows:

$$\Delta \boldsymbol{Y_t} = \boldsymbol{\gamma \hat{z}_{t-1}} + \sum_i \boldsymbol{\beta_i}\, \Delta \boldsymbol{X_{t-i}} + \sum_j \boldsymbol{\delta_j}\, \Delta \boldsymbol{Y_{t-j}} + \boldsymbol{d(L)\varepsilon_t} \qquad \textbf{(3)}$$

Where Ɛt is white noise. . $\hat{z}_t = Y_t - \hat{\beta} X_t$ is the residual from estimating the cointegrating relationship between Xt and Yt. d(L) is a finite polynomial in L. In practice, we frequently have d(L)=1 and the error-correction model is more simply written:

$$\Delta \boldsymbol{Y_t} = \boldsymbol{\gamma \hat{z}_{t-1}} + \sum_i \boldsymbol{\beta_i}\, \Delta \boldsymbol{X_{t-i}} + \sum_j \boldsymbol{\delta_j}\, \Delta \boldsymbol{Y_{t-j}} + \boldsymbol{\varepsilon_t} \qquad \textbf{(4)}$$

The coefficient γ associated with z ̂(t-1) represents **the recall force towards** the long-run target, given by the cointegration relation. The coefficient γ must be significantly different from zero and negative for the error correction mechanism to exist. If this is not the case, there is no return to equilibrium. The error-correction model makes it possible to integrate short-term fluctuations around the long-term equilibrium. According to Valéry (2008), it describes an adjustment process and combines two types of variables:

-Variables in first difference (stationary) which represent the short-term fluctuations,

-Level variables, in this case a variable $\hat{z}_t$ a stationary linear combination of non-stationary variables, which ensure that the long term is taken into account.

In support of the two methods described above, data collection was made possible by the available literature containing both the figures and the theory related to the topic. Thus, the various statistics are extracted from the publications of the Central Bank of Congo from 2006 to 2017.

IV. DATA ANALYSIS AND PROCESSING

In this section, we describe the various variables of interest in our study (IV.1). These are mainly the unemployment rate (TCH), measured as a percentage of the active population, foreign direct investment (FDI), the production indicator GDP adjusted for price growth, the inflation rate (TINFL) measured by the increase in the consumer price index, and public capital expenditure (PCE). All variables, apart from the rates, are expressed in millions of Congolese francs. Next, we perform the unit root test on the different variables just listed (IV.2), which allows us to identify cointegrated variables through their order of integration. Once this step is completed, we estimate the cointegration relationship and carry out tests on the assumptions underlying the estimation method (IV.3). The residuals resulting from this relationship are also subjected to a level stationarity test; the same applies to their one-period lagged value which is introduced into the dynamic relationship (IV.4).

IV.1. Description of the variables

Table 1. Evolution of the unemployment rate, foreign direct investment, capital expenditure and real gross domestic product from 2000 to 2016

Years	TCH	FDI	PCE	GDPR
2000	74,0	1601,1	2809,1	4602626,4
2001	63,2	16689,3	22799,7	4505970,9
2002	49,1	47729,1	54735,8	4662260,0
2003	48,5	778228,8	178474,2	4932264,5
2004	45,4	845949,4	140407,2	5259764,4
2005	49,6	255651,7	429756,6	5670065,0
2006	48,2	710763,0	298075,5	5971768,0
2007	47,2	447747,9	477424,4	6345569,5

2008	53,2	489913,9	758460,0	6740637,9
2009	60,8	812498,4	1388198,8	6933087,5
2010	50,1	1058217,0	1228190,7	7425889,7
2011	51,4	1273023,0	1375570,3	79363952,0
2012	53,2	3866238,0	1924107,7	8498839,5
2013	46,1	3684782,0	1394396,6	9219707,4
2014	43,0	3179087,0	1899120,3	10092840,0
2015	39,6	4701967,0	1746314,9	10790880,0
2016	41,7	275139,7	1644672,7	11049794,1

Source: Central Bank of Congo, Annual reports from 2006 to 2017

Comments on the trend of each variable are provided below.

- **Evolution of foreign direct investment in DR Congo from 2000 to 2016**

We see that the volume of FDI entering the country is low until 2002. This is typical of many developing countries, which saw FDI and other types of investment from the North as a way of strengthening political and economic dependence. The change of attitude is observed thereafter and FDI is perceived, under certain conditions, as a vector of growth and emergence. They naturally increase until 2012, before dropping considerably in 2016. The trend is still upwards. The economic, cultural and legal environment continues to improve in order to attract foreign investors as much as possible.

- **Evolution of the GDP of the DR Congo from 2000 to 2016**

We can see from the figure above that the GDP of the DR Congo is on the rise as time goes by. The year 2011 is particularly marked by a very significant increase. Indeed, after the country reached the completion point leading to the cancellation of about 90% of the external debt, the funds previously used to service the debt were injected into several development projects, especially social projects. It is likely that the volume achieved by domestic production is partly explained by this finding.

- **Evolution of the inflation rate between 2000 and 2016**

The very high level of inflation in 2000 is due to the monetary and economic disorders of the 1990s, which caused prices to increase at a high rate of over 500%. The following period was characterised by a relatively moderate evolution of prices; the macroeconomic environment being somewhat stabilised and the constant recourse to monetisation of public deficits limited. However, this does not hide the overheating of prices following shocks of an exogenous nature. This was the case in 2008 and 2009, which were affected by a comparatively high price index following the so-called subprime crisis. The DR Congo and many other developed and developing economies were not spared.

- **Unemployment rate in DR Congo from 2000 to 2016**

It can be seen that the level of unemployment is very high, around 75% in the 1990. This is quite logical. The fall in production following the disorders of those times was accompanied by a fall in employment. Subsequently, the resumption of economic growth accelerates somewhat, according to Okun's law, the volume of employment and reduces, at the same time, unemployment.

- **Evolution of public capital expenditure**

This evolution shows an increasing trend in public capital expenditure, particularly from 2006 onwards. Indeed, the five building sites of the Republic initiated by the government at that time is an explanation for this acceleration. Several areas were concerned: education, health, water, infrastructure, etc. The modernity revolution programme implemented in 2011 also explains the increase in the volume of public spending on various infrastructures

IV.2 Analysis of the stationarity of variables

Table 2. Unit root test

Variables	Statistique ADF	1%	5%	10%
PCE	0,647	3,959	3,081	2,681
PCE,1	6,327	3,959	3,081	2,681
FDI	1,544	4,059	3,119	2,70
FDI,1	3,332	4,059	3,119	2,70
INFR	2,234	3,920	3,065	2,673
INFR,1	26,79	3,920	3,065	2,673

GDPR	2,554	3,920	3,065	2,673
GDPR,1	3,854	3,920	3,065	2,673
TCH	1,987	3,920	3,065	2,673
TCH,1	3,417	3,920	3,065	2,673

Source: Our calculations on Eviews 9.0

From reading the above table one can quickly realise that the variables are not stationary at level. They become so after applying the first difference. It goes without saying that the variables are integrated of order 1 and are therefore cointegrated.

IV.3 Estimation of the cointegration relation and hypothesis tests

Table 3. Estimation of the long-term relationship

Variables	Values	Variables	Values
C	49,030 (20,127)	**Coefficient of determination**	0,716
INFR	-0,05 (4,244)	**R^2 ajusted**	0,622
GDP	1,94E (0,246)	**Prob (F-statistic)**	0,0027
FDI	-1,26E (0,974)	**DW Statistic**	1,32
PCE	6,46E (0,220)		

The residuals resulting from the estimates of the static relationship must verify the hypotheses of normality, absence of autocorrelation with their past values, and constancy of variance regardless of the observation period in order to validate the use of ordinary least squares in the estimation of many parameters. The results of these tests are given in the table opposite:

Table 4. Tests on the residuals of the long-run relationship

Probabilités	Valeurs
Prob Jarque-Bera	0,755
Prob Breusch-Godfrey Serial	0,723
Breusch-Pagan-Godfrey	0,115
Ramsey Test	0,234

Source: The authors on Eviews 9.0

The probabilities associated with the different statistics are clearly above the 5% significance level. Symmetrically, the residuals are Gaussian, i.e. they follow the normal distribution. They are also uncorrelated with their past values and do not vary with time. The Ramsey specification test indicates a good specification of the model, with a probability of 23.4%.

The necessary condition of cointegration, the series being integrated of the same order through the ADF test, being satisfied, it remains to apply the unit root test to the residuals resulting from the long-term relationship. These residuals must be stationary at level.

This condition, if met, makes the dynamic or short-term relationship permissible. The following table provides more information on the prerequisites for the validation of the error correction model.

IV.4 Error correction model and dynamic relationship

Table 5. Stationarity of cointegrating residuals and short-term relationship Residuals Stat ADF

Variables	Values			
Résidus	**Stat ADF**	**1%**	**5%**	**10%**
	5,342	**3,920**	**3,065**	**2,673**
C	**-0,337**			
	(0,767)			
D(FDI)	**3,34E**			
	(0,691)			
D(GDPR)	**-2,49E**			
	(0,955)			
D(INFR)	**-0,039***			
	(0,0048)			

RESID (-1)	**-0,863***
	(0,0089)
R^2	**66,7%**
R^2 ajusté	**54,5%**
F-Stat	**5,509**
Durbin-Watson stat	**1,68**

Source: Authors' estimates on Eviews 9.0

(.) is the Student's t probability associated with the variable while * indicates that the variable is significant at the 5% level

From the data contained in the table above, it appears that the residuals generated by the long period relationship are stationary at level; the calculated ADF statistic is higher than its theoretical value at all significance levels. These two observations lead us respectively to confirm the cointegration relationship between the predetermined variables and the endogenous value and to validate the Granger representation theorem. There is an error correction mechanism. Any deviation between the short-run level of different variables and their long-run target is corrected within about one year and two months.

As the error correction model has already been specified and estimated, it remains to interpret the results found. This is the subject of the next section.

V. ECONOMIC INTERPRETATION OF THE RESULTS

This paper investigates the influence of foreign direct investment and other variables that are credited in the theoretical literature on the employment rate in DR Congo and concludes that there is no or negligible relationship between foreign investment and unemployment during the period under review, regardless of the period of analysis. More concretely, the coefficient associated with FDI is positive in the dynamic relationship, but negative in the static relationship. In both cases, this coefficient is statistically not different from 0. It goes without saying that these investments contribute to job creation in the long term, but at a very marginal rate. In the short run, there is a substitution of FDI for domestic investment and thus an increase in the unemployment rate.

Furthermore, public capital expenditure, however large it may have been in the period from 2006 to post-2011, has not been sufficiently effective in increasing the level of employment in the domestic economy. This may be the case when a large part of this spending is carried out for the benefit of foreign countries where the bulk of materials are purchased, the spillover effects are less apparent in the domestic economy than in partner economies. This is also true for the level of output, which does not have a robust relationship with employment. The expansion of economic activity reduces unemployment only to a negligible extent. In other words, the acceleration effect does not fully materialise during the period under review.

Finally, inflation remains negatively and significantly correlated with unemployment in both the short and long run. This result means that A. Phillips' relationship holds on the double time horizon and this, in contradiction with M. Friedman's hypothesis of natural unemployment, non-accelerating unemployment or unemployment rate compatible with a stable inflation.

VI. CONCLUSION AND POLICY RECOMMENDATIONS

The literature on foreign direct investment has been particularly abundant in recent decades. The extent to which foreign direct investment affects certain variables in host economies is examined using a variety of methodological approaches. Using an error correction model, the ultimate objective of this paper was to investigate the influence of foreign direct investment as well as other variables to which the theoretical literature gives some credit on the employment rate in DR Congo. The paper concludes that there is no or negligible relationship between foreign investment and unemployment during the period under review, regardless of the period of analysis. More concretely, the coefficient associated with FDI is positive in the dynamic relationship, but negative in the static relationship. In both cases, this coefficient is statistically not different from 0. It goes without saying that these investments contribute to job creation in the long term, but at a very marginal rate. In the short run, there is a substitution of FDI for domestic investment and thus an increase in the unemployment rate.

Furthermore, public capital expenditure, however large it may have been in the period from 2006 to post-2011, has not been sufficiently effective in increasing the level of employment in the domestic economy. This may be the case when a large part of this spending is carried out for the benefit of foreign countries where most of the materials are purchased, the spillover effects are less apparent in the domestic economy than in partner economies. This is also true for the level of output, which does not have a robust relationship with employment. The expansion of economic activity reduces unemployment only to a negligible extent. In other words, the acceleration effect does not fully materialise during the period under review.

Finally, inflation remains negatively and significantly correlated with unemployment in both the short and long run. This result means that A. Phillips' relationship holds on the double time horizon and this, in contradiction with M. Friedman's hypothesis of natural unemployment, unemployment not accelerating inflation or unemployment rate compatible with stable inflation.

The sectoral distribution of FDI in developing countries, particularly in the DR Congo, is particularly favourable to the primary or extraction sector. In such a situation and in the absence of any internal transformation, the effects on the production of domestic enterprises and, consequently, on employment are far from being significantly perceptible. A renewed interest in other sectors such as industries or services or the local transformation of primary products could constitute a credible alternative in the search for the virtuous effects of foreign investment in the country.

Moreover, the repatriation of a significant fraction of the profits generated by the activities of multinationals, the main vector of FDI, cannot fail to deprive the Congolese economy of the essential ingredients for its revival. This capital flight, if limited, would increase the level of employment to some extent.

Government capital spending must also benefit local businesses if it is to have a significant impact on national activity. Otherwise, the multiplier effect of public works will be externally directed.

This paper has been restricted to disaggregating foreign investment flows into the different sectors in which they are deployed. There is no doubt that a similar study, this time based on a decomposition according to several criteria, would lead to variously rich conclusions. The same applies to the measurement of FDI, where in this study the only component taken into account is inflows. A measure based on the gap between inward and outward FDI or on their share in the overall output indicator would be interesting. These are some of the shortcomings inherent in the present study. Their exploitation by our epigones in order to enrich the issue is very necessary.

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