

Government Effectiveness, Public Investment and Economic Performance in Sub-Saharan Africa

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Abstract: This study examines the effects of government effectiveness and public investment on economic performance in Sub-Saharan Africa (SSA). Panel data from 22 selected countries covering the period 2007–2024 were utilized for the analysis. GDP per capita growth served as the proxy for economic performance, while government effectiveness and public investment were the main explanatory variables. Inflation, exchange rate, and trade openness were included as control variables. Data were obtained from the World Development Indicators (WDI) and Worldwide Governance Indicators (WGI) databases. Descriptive statistics, panel unit root tests, the Pedroni cointegration test, pooled ordinary least squares, fixed effects, and random effects estimation techniques were employed for the analysis. The Hausman test identified the fixed effects model as the preferred estimator, while White cross-section robust standard errors were used to test the robustness of the results. The findings revealed that government effectiveness exerts a positive and significant influence on economic performance, while trade openness also contributes positively to economic growth in the region. However, public investment, inflation, and exchange rate were found to have insignificant effects during the study period. The study concludes that effective governance remains a critical factor in improving economic performance in Sub-Saharan Africa. Therefore, policies aimed at strengthening institutional quality, enhancing public sector efficiency, and promoting greater integration into international trade are necessary for achieving sustainable economic growth in the region.

Keywords: Economic Performance, Government Effectiveness, Public Investment, Trade Openness, Fixed Effects Model, Sub-Saharan Africa.

1. Introduction

Improving economic performance remains a major developmental objective of countries in Sub-Saharan Africa (SSA). Despite the various economic reforms and development programmes implemented across the region, many countries continue to experience slow economic growth, high unemployment, widespread poverty, and infrastructural deficits (World Bank, 2024b; Fosu, 2019). Although some economies have recorded notable improvements, the overall economic performance of the region remains below expectations when compared with other developing regions (World Bank, 2025). This situation has generated growing interest among researchers and policymakers regarding the factors responsible for the differing economic outcomes across countries in SSA.

Institutional quality and public investment have received considerable attention in the development literature because of their potential to influence economic performance. Government effectiveness, which is a key indicator of institutional quality, reflects the ability of governments to formulate and implement sound policies, deliver quality public services, and maintain an efficient public sector (Kaufmann et al., 2010).

Countries with effective institutions are expected to achieve better economic outcomes through improved resource allocation, enhanced investor confidence, and a more conducive environment for productive activities (North, 1990; Beyene, 2021). Similarly, public investment contributes to economic development through the provision of infrastructure, education, healthcare facilities, and other productive assets capable of stimulating economic activities (Zhou et al., 2021; Achar et al., 2024). However, the benefits of public investment are often influenced by the quality of governance and the effectiveness of public resource management (Devarajan et al., 2001).

There have been studies on governance quality, public investment, and economic performance in the existing literature, but the findings remain mixed and inconclusive. While some studies reported positive effects of governance quality and public investment on economic growth, others found that such effects are weak, insignificant, or dependent on institutional quality and investment efficiency (Assoum & Alinsato, 2023; Kinyondo et al., 2021). In addition, many previous studies focused on individual countries or specific regions, thereby limiting the generalizability of their findings to the wider Sub-Saharan African context. The continuous economic challenges facing the region and the growing demand for institutional reforms therefore require further empirical investigation using recent and comprehensive panel data.

To fill this gap, the present study examines the effects of government effectiveness and public investment on economic performance in Sub-Saharan Africa using panel data from 22 selected countries covering the period 2007–2024. Specifically, the study investigates the extent to which government effectiveness and public investment influence GDP per capita growth, while inflation, exchange rate, and trade openness are included as control variables. The findings are expected to provide useful insights for policymakers in designing governance and economic policies aimed at achieving sustainable economic growth and development in the region.

2. Literature

2.1 Economic Performance

Economic performance explains the extent to which an economy is able to grow and improve the welfare of its citizens over time. It reflects how effectively available resources are utilized to achieve higher income, employment, and improved living standards. Common indicators of economic performance include Gross Domestic Product (GDP), GDP growth rate, GDP per capita growth, and employment level. However, GDP per capita growth is adopted in the present study because it reflects both economic growth and changes in population.

Government Effectiveness

Government effectiveness is an indicator of institutional quality that reflects the ability of governments to formulate and implement sound policies, deliver quality public services, and maintain an efficient public sector (Kaufmann et al., 2010). It also provides insight into the competence of public officials and the credibility of government commitment to policy implementation. Countries with effective governments are more likely to achieve better economic outcomes through improved resource allocation, enhanced investor confidence, and efficient service delivery (North, 1990; Beyene, 2021).

Public Investment

Public investment refers to government expenditure on infrastructure, education, healthcare, transportation, communication, and other productive assets intended to support economic development and long-term growth. It contributes to economic progress through capital formation, increased productive activities, and the provision of essential public goods (Zhou et al., 2021; Achar et al., 2024). However, the benefits of public investment largely depend on the quality of institutions responsible for planning, implementation, and monitoring of public projects (Devarajan et al., 2001).

2.2 Theoretical Review

The Institutional Theory of Economic Development is the anchored theory for this study. North (1990) states that institutions play a major role in shaping economic outcomes through the reduction of uncertainty and the facilitation of economic transactions. The theory maintains that countries with effective institutions are more likely to achieve better economic performance because of improved accountability, policy stability, efficient resource allocation, and a conducive environment for investment and productive activities. Government effectiveness is therefore important to economic growth because it reflects the ability of governments to formulate and implement sound policies, deliver quality public services, and maintain an efficient public sector (Kaufmann et al., 2010).

The theory further suggests that the effectiveness of public investment depends largely on the quality of institutions responsible for planning, implementation, and monitoring of public projects. Strong institutions ensure that public resources are efficiently utilized for economic development, while weak institutions may result in inefficiencies, corruption, and resource misallocation (Devarajan et al., 2001; Fosu, 2020). The theory is therefore relevant to this study because it explains how government effectiveness and public investment can influence economic performance in Sub-Saharan Africa.

2.3 Empirical Review

Existing studies have examined the effects of governance, public investment, and economic performance across developed and developing economies. On governance quality, Beyene (2021), Wang et al. (2022), and Abera et al. (2019) applied dynamic panel and other panel estimation techniques and found that improvements in governance quality, policy implementation, and institutional effectiveness enhance economic performance through efficient resource allocation and increased productive activities. Fosu (2020) also established the central role of institutions in Africa's economic development.

Similarly, Zhou et al. (2021), Okonkwo et al. (2023), and Achar et al. (2024) examined the relationship between public investment and economic growth using panel data, time-series, and econometric estimation techniques. The studies generally reported that infrastructure investment, capital expenditure, and capital formation positively contribute to economic growth and economic performance. However, Devarajan et al. (2001) and Omodero (2019) argued that the benefits of public investment depend on efficient resource allocation, effective project implementation, and proper management of public resources.

The findings on governance quality and public investment remain mixed and inconclusive. Kinyondo et al. (2021) argued that good governance alone may not guarantee economic development without complementary reforms, while Oppong (2023) and Assoum and Alinsato (2023) showed that the impact of institutional quality depends on policy effectiveness and governance thresholds. In addition, many previous studies focused on specific countries or shorter periods. The present study therefore provides additional evidence by examining the combined effect of government effectiveness and public investment on economic performance in 22 Sub-Saharan African countries covering the period 2007–2024.

3. Methodology

3.1 Research Design

This study examined the effects of government effectiveness and public investment on economic performance in Sub-Saharan Africa using annual panel data from 22 selected countries covering the period 2007–2024. The countries were selected based on data availability. Data were obtained from the World Development Indicators (WDI) and Worldwide Governance Indicators (WGI) databases. The description, measurement, sources of variables, and sampled countries are presented in Table 1.

3.2 Measurement of Variables

Table 1: Data Description and Sources

Variable	Description	Measurement	Source
GDPPC	Economic Performance	GDP per capita growth (annual %)	WDI
GOE	Government Effectiveness	Government Effectiveness Index	WGI
POI	Public Investment	Gross Fixed Capital Formation (% of GDP)	WDI
INF	Inflation	Inflation, Consumer Prices (Annual %)	WDI
EXR	Exchange Rate	Official Exchange Rate (LCU per US\$)	WDI
TRO	Trade Openness	(Exports + Imports)/GDP (%)	WDI

Source: Author's Computation (2026)

Note: Sampled countries are Angola, Benin, Botswana, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Gabon, Ghana, Kenya, Lesotho, Madagascar, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, and Togo

3.3 Model Specification

This study focused on the relationship between government effectiveness, public investment, and economic performance in Sub-Saharan Africa. Inflation, exchange rate, and trade openness were included as control variables. The functional equation is written below:

$$GDPPC = f(GOE, POI, INF, EXR, TRO)$$

The econometric model is expressed as:

$$GDPPC_{it} = \beta_0 + \beta_1GOE_{it} + \beta_2POI_{it} + \beta_3INF_{it} + \beta_4EXR_{it} + \beta_5TRO_{it} + \alpha_i + \mu_{it}$$

Where:

GDPPC = GDP per capita growth rate (proxy for economic performance)

GOE = Government Effectiveness

POI = Public Investment

INF = Inflation Rate

EXR = Exchange Rate

TRO = Trade Openness

β_0 = Constant term

$\beta_1 - \beta_5$ = Parameters of the explanatory variables

μ_{it} = Stochastic error term

i = Cross-sectional unit (country)

t = Time period

α_i = country-specific fixed effects.

3.4 Estimation Techniques

The estimation techniques include descriptive statistics, correlation analysis, and Variance Inflation Factor (VIF) for examining the properties of the data and testing for multicollinearity among the explanatory variables. Panel unit root tests, including Levin, Lin and Chu (LLC), Im, Pesaran and Shin (IPS), ADF-Fisher, and PP-Fisher, were conducted for stationarity of the variables (Levin et al., 2002; Im et al., 2003), while the Pedroni panel cointegration test was applied to verify whether the variables share a common long-run relationship (Pedroni, 1999). The study employed Pooled Ordinary Least Squares (OLS), Fixed Effect (FE), and Random Effect (RE) estimation techniques. The Hausman specification test was used to select the preferred estimator between the FE and RE models (Hausman, 1978), with the result favouring the Fixed Effects model. White cross-section robust standard errors were further applied to test the robustness of the findings.

4. Results and Discussion of Findings

4.1 Results

Table 2: Descriptive Statistics

	GDPPC	GOE	POI	INF	EXR	TRO
Mean	1.471166	-0.68668	23.11506	5.894615	660.4669	61.63618
Median	1.726974	-0.69477	22.0877	4.526002	493.8996	56.16542
Maximum	11.88009	0.53325	46.33157	47.64287	4525.425	165.0489
Minimum	-36.8246	-1.88091	6.349849	-16.8597	0.932619	21.25662
Std. Dev.	3.851429	0.514139	6.61678	6.319513	885.0043	25.6747
Skewness	-2.93177	0.220355	0.672979	2.136576	2.322347	1.673943
Kurtosis	28.12787	2.769632	3.509244	11.55012	8.131658	6.173531
Jarque-Bera	10985.55	4.080373	34.17038	1507.513	790.4671	351.1141
Probability	0	0.130004	0	0	0	0
Sum	582.5819	-271.924	9153.566	2334.268	261544.9	24407.93
Sum Sq. Dev.	5859.234	104.4138	17293.8	15774.82	3.09E+08	260380.2
Observations	396	396	396	396	396	396

Source: Author's Computation (2026)

The descriptive statistics in Table 2 show an average GDP per capita growth rate of 1.47%, indicating low economic performance in SSA. Government effectiveness has a mean value of -0.69, reflecting weak institutional quality, while public investment and inflation averaged 23.12% and 5.89%, respectively. The exchange rate exhibited substantial variation across countries, whereas trade openness averaged 61.64%, indicating moderate integration into international trade. The Jarque-Bera statistics suggest that the variables are not normally distributed

Table 3: Correlation Matrix

	GDPPC	GOE	POI	INF	EXR	TRO
GDPPC	1	0.196859	0.097614	-0.02434	0.013098	-0.01201
GOE	0.196859	1	0.17317	0.04205	-0.1304	0.147157
POI	0.097614	0.17317	1	-0.09902	0.154126	0.266969
INF	-0.02434	0.04205	-0.09902	1	-0.0582	-0.02164
EXR	0.013098	-0.1304	0.154126	-0.0582	1	-0.30964
TRO	-0.01201	0.147157	0.266969	-0.02164	-0.30964	1

Source: Author's Computation (2026)

Table 3 indicates that government effectiveness and public investment are positively associated with economic performance, while inflation exhibits a negative relationship. The correlation coefficients among the independent variables are generally low and below the threshold for multicollinearity, indicating the absence of serious multicollinearity in the study.

Table 4: Unit Root Result

Variable	Level	1st Difference	Order
GDPPC	LLC = -7.000 (0.00); IPS = -6.883 (0.00); ADF = 127.550 (0.00); PP = 322.307 (0.00)	–	I(0)
GOE	Non-Stationary	LLC = -9.783 (0.00); IPS = -9.382 (0.00); ADF = 167.477 (0.00); PP = 573.168 (0.00)	I(1)
POI	Non-Stationary	LLC = -12.923 (0.00); IPS = -10.919 (0.00); ADF = 193.113 (0.00); PP =	I(1)

		312.338 (0.00)	
INF	LLC = -10.907 (0.00); IPS = -7.372 (0.00); ADF = 136.493 (0.00); PP = 136.791 (0.00)	–	I(0)
EXR	Non-Stationary	LLC = -7.608 (0.00); IPS = -9.267 (0.00); ADF = 179.022 (0.00); PP = 585.374 (0.00)	I(1)
TRO	LLC = -4.164 (0.00); IPS = -2.816 (0.00); ADF = 76.127 (0.00); PP = 60.749 (0.05)	–	I(0)

Source: Author's Computation (2026)

Table 4 reveals that GDPPC, INF, and TRO were stationary at level, implying integration at level I(0). However, GOE, POI, and EXR were non-stationary at level but became stationary after first differencing, meaning that they are integrated at order one, I(1). Panel estimation techniques are therefore appropriate for variables with mixed orders of integration. The order of integration not exceeding one provides additional confirmation that the variables are suitable for further econometric analysis.

Table 5: Pedroni Panel Cointegration Test Result

Test Statistic	Statistic	Probability	Decision
Within-Dimension Statistics			
Panel v-Statistic	-5.1968	1	Not Significant
Weighted Panel v-Statistic	-3.4325	0.9997	Not Significant
Panel rho-Statistic	6.5826	1	Not Significant
Weighted Panel Rho-Statistic	4.0916	1	Not Significant
Panel PP-Statistic	7.798	1	Not Significant
Weighted Panel PP-Statistic	0.7809	0.7826	Not Significant
Panel ADF-Statistic	12.22	1	Not Significant
Weighted Panel ADF-Statistic	5.3225	1	Not Significant
Between-Dimension Statistics			
Group rho-Statistic	5.3367	1	Not Significant
Group PP-Statistic	-1.9723	0.0243	Significant
Group ADF-Statistic	3.8745	0.9999	Not Significant

Source: Author's Computation (2026)

Table 5 reports the Pedroni panel cointegration test results. Most of the within-dimension and between-dimension statistics are insignificant at the 5% level, except for the Group PP-Statistic. Therefore, the null hypothesis of no cointegration cannot be rejected, indicating the absence of a long-run cointegrating relationship among the variables. This suggests that the relationship among the variables is largely short-run in nature.

Table 6: Comparative Regression Results (Pooled OLS, Fixed Effects and Random Effects)

Variables	Pooled OLS	Fixed Effects	Random Effects
C	–	-2.5105 (-1.364)	1.1212 (1.020)
GOE	1.0630*** (3.097)	3.3345*** (2.899)	1.5217*** (3.036)
POI	0.0911*** (3.781)	0.0359 (0.818)	0.0510 (1.469)
INF	0.0052 (0.180)	-0.0504 (-1.278)	-0.0244 (-0.737)
EXR	0.0001 (0.418)	-0.00008 (-0.121)	0.00008 (0.280)
TRO	-0.0015 (-0.198)	0.0940*** (4.788)	0.0049 (0.470)
R²	0.0343	0.2023	0.0361
Adjusted R²	0.0244	0.1461	0.0237
F-statistic	3.472	3.5994	2.9209
Prob(F-statistic)	0.0044	0	0.0133
Durbin-Watson	1.8788	2.2048	2.0176
Observations	396	396	396

Source: Author's Computation (2026)

Note: Figures in parentheses are t-statistics. *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level.

Table 6 presents the OLS, FE, and RE estimation results. Government effectiveness remained positive and significant across the models, while trade openness became significant under the Fixed Effects model. The Hausman test carried out suggested the Fixed Effects model as the preferred estimator for the study

Table 7: Hausman Specification Test Result

Test Summary	Chi-Sq. Statistic	d.f.	Prob.
Cross-section	31.5957	5	0.0000
Random			

Source: Author's Computation (2026)

Table 7 presents the Hausman specification test result. The probability value of 0.0000 suggested the Fixed Effect model as the preferred estimator for the study. This implies that country-specific characteristics are related to the explanatory variables

Table 8: Robustness Check Using Fixed Effects with White Cross-Section Robust Standard Errors

Variables	Coefficient	Robust Std. Error	t-Statistic	Probability
C	-2.5105	2.7408	-0.9159	0.3725
GOE	3.3345***	0.9473	3.52	0.0026
POI	0.0359	0.0619	0.5791	0.5701
INF	-0.0504	0.0395	-1.2766	0.2189
EXR	-0.00008	0.000569	-0.1394	0.8908
TRO	0.0940***	0.0252	3.731	0.0017
R²	0.2023			
Adjusted R²	0.1461			
F-statistic	3.5994			
Prob(F-statistic)	0			
Durbin-Watson Statistic	2.2048			
Observations	396			

Source: Author's Computation(2026)

Note: White cross-section (period cluster) robust standard errors were applied to account for possible heteroskedasticity in the panel data. Figures marked ***($p < 0.01$) are significant at the 1% level.

Table 8 presents the robustness test result. Government effectiveness and trade openness remained positive and significant, while public investment, inflation, and exchange rate remained insignificant. This indicates consistency of the findings.

4.2 Discussion of Findings

The analysis reveals that government effectiveness contributes positively to economic performance in the sampled Sub-Saharan African countries. It is an indication that improvements in public service delivery, policy implementation, and institutional efficiency can enhance economic growth in the region. The finding supports the Institutional Theory, which maintains that strong institutions promote economic activities through efficient resource allocation and improved governance. The outcome agrees with Beyene (2021) and Wang et al. (2022), who reported that effective institutions support economic performance through better governance and productive activities.

Another finding is that public investment positively affects economic performance, though the effect is not statistically significant. This may suggest that increased public spending alone does not automatically translate into improved economic outcomes because its benefits depend on effective project implementation and efficient utilization of resources. The finding supports Devarajan et al. (2001), who argued that the contribution of public investment to growth depends largely on the efficiency of resource allocation. In addition, trade openness positively and significantly impacts economic performance, indicating that greater participation in international trade promotes economic activities through improved market access and productivity. Inflation and exchange rate were found to insignificantly affect economic performance during the study period.

Lastly, the robustness result revealed that government effectiveness and trade openness remained significant under the robust Fixed Effect estimation. This confirms the consistency of the estimated relationships and further highlights the importance of institutional quality and trade integration in improving economic performance in Sub-Saharan Africa.

5. Conclusion

The study examined the effects of government effectiveness and public investment on economic performance in Sub-Saharan Africa using panel data from 22 selected countries covering the period 2007–2024. The study employed Pooled Ordinary Least Squares (OLS), Fixed Effect (FE), and Random Effect (RE) estimators. The Fixed Effect model was adopted for the estimation analysis based on the Hausman test result. The study found that government effectiveness and trade openness positively and significantly affect economic performance, while public investment, inflation, and exchange rate recorded insignificant effects.

Equally, the study showed that government effectiveness plays an important role in improving economic performance in the region through better policy implementation, efficient public service delivery, and improved institutional quality. Trade openness also contributes positively to economic performance, indicating that greater participation in international trade supports economic activities and growth in Sub-Saharan Africa. Public investment positively influenced economic performance, though the effect was not statistically significant, suggesting that increased public spending alone may not guarantee improved economic outcomes. On a final note, the study concludes that sustainable economic performance in Sub-Saharan Africa depends largely on effective governance and greater integration into international trade. Governments in the region should therefore place priority on strengthening institutional quality, improving public sector efficiency, and promoting policies that support trade expansion and long-term economic growth.

5.1 Recommendations

The outcome of the analysis suggests that governments in Sub-Saharan Africa should strengthen institutional quality through improved public sector efficiency, effective policy implementation, and stronger accountability mechanisms. Since government effectiveness was found to positively influence economic performance, efforts

should be directed towards improving governance structures capable of supporting productive economic activities and sustainable growth within the region.

Trade liberalization policies that promote regional and international trade integration should equally be encouraged because increased trade openness was found to support economic performance. Governments should focus on reducing trade barriers, improving trade-related infrastructure, and creating an environment that enhances access to international markets. In addition, greater attention should be given to the efficient utilization of public investment through proper project selection, implementation, monitoring, and evaluation. This will ensure that public resources are effectively utilized and contribute meaningfully to economic development.

Finally, policymakers should continue to maintain stable macroeconomic policies capable of supporting investment and economic growth. Although inflation and exchange rate were found to be statistically insignificant, stable macroeconomic conditions remain important for reducing uncertainty, attracting investment, and promoting long-term economic development in Sub-Saharan Africa.

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