

# GUIDE TO CHINESE PRIVATE INVESTMENT IN AFRICA

INSIGHTS FROM SME  
COMPETITIVENESS SURVEYS



International  
Trade  
Centre

TRADE IMPACT  
FOR GOOD



# Guide to Chinese private investment in Africa

Insights from SME  
competitiveness surveys

## About the paper

Private investment from China into Africa is significant but its potential for increasing local productivity largely underestimated. The main challenge for investors is finding information on the availability and quality of local suppliers.

This new ITC report aims to address this challenge. It uses data from its Small and Medium-sized Enterprises Competitiveness Surveys to provide information on the capability of firms and quality of business ecosystems in a range of sectors in five African countries: the Gambia, Ghana, Kenya, Morocco, and Zambia. These insights help Chinese private investors develop better partnerships and contribute to the development of local economies.

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## Foreword

To achieve the United Nations Sustainable Development Goals by 2030, development assistance, international investment and domestic investment need to work hand in hand. For Africa, this is particularly important; according to one estimate, the continent will face an \$11.4 trillion investment gap by 2040.

The good news is that Africa has huge potential to attract global investment. The African Continental Free Trade Area, agreed to by 44 African countries in 2018, offers new business opportunities. The area has a combined market of more than one billion people, a combined GDP of more than \$3.4 trillion, a growing middle class, and a dynamic young population.

Much of the investment gap relates to infrastructure, especially for transport and information and communications technologies. But African firms also need finance to expand production in manufacturing or services that will serve regional or global markets.

Private investment can play a major role in helping bridge such gaps. Chinese private investment into the continent stands out because it has increased significantly in recent years: today, 90% of Chinese firms operating in Africa are privately owned. The growth in quantity has come along with quality: Chinese private investment has brought diversification in Africa.

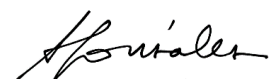
While public investment from China tends to focus on infrastructure, energy, construction and resource-related sectors, private investors tend to invest in less capital-intensive sectors such as manufacturing, retailing and logistics. Rising labour costs in coastal China have triggered the offshoring of several tasks. Chinese companies in labour-intensive industries such as textiles, leather and light manufacturing are looking to relocate production. This pattern could reinforce the growth of manufacturing and services in Africa.

Investment spillover effects should strengthen backward and forward linkages between Chinese private investors and African suppliers. The main challenge for investors is finding information on the availability and quality of local suppliers.

This report aims to address this challenge. With first-hand data from the ITC Small and Medium-sized Enterprises Competitiveness Survey, it provides potential investors with insights into the capabilities of firms and the strength of local business ecosystems in selected sectors in five African countries: the Gambia, Ghana, Kenya, Morocco and Zambia.

By linking this information to data on trade and investment flows between these countries and China, this publication identifies potential pockets of growth and investment opportunities. It also provides policymakers, business associations and investors with useful information to reduce or manage risks related to investment decisions.

We hope that this report contributes to demystifying the investment landscape in Africa. It uses firm-level data to contribute to 'investment impact for good', the other side of the coin of ITC's motto 'trade impact for good'.



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## Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

ECOWAS	Economic Community of West African States
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
GIEPA	Gambia Investment and Export Promotion Agency
ICT	Information and telecommunications technology
ITC	International Trade Centre
MEE	Metallic, electronic and electric products
MSME	Micro, small and medium-sized enterprise
R&D	Research and development
SME	Small and medium-sized enterprise

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