

# Promoting SME Competitiveness in Africa

Data for de-risking investment



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**Street address:** ITC  
54-56, rue de Montbrillant  
1202 Geneva, Switzerland

**Postal address:** ITC  
Palais des Nations  
1211 Geneva 10, Switzerland

**Telephone:** +41-22 730 0111

**Fax:** +41-22 733 4439

**E-mail:** [itcreg@intracen.org](mailto:itcreg@intracen.org)

**Internet:** <http://www.intracen.org>

# PROMOTING SME COMPETITIVENESS IN AFRICA

DATA FOR DE-RISKING INVESTMENT

## ABOUT THE PAPER

Most investors seek information about local suppliers before making decisions to invest. This report uses ITC data on small and medium-sized enterprise (SME) competitiveness at macro, meso and micro-level to de-risk investment decisions.

Survey results show: high-tech potential among youth, with two-thirds of IT firms run by youth in the Gambia; fast logistics development making a difference, with two-thirds of Moroccan SMEs rating quality as high; export certification importance, with more than 25% of companies in French-speaking African countries meeting international standards; and a financial literacy role for institutions, with Nigerian SMEs holding a bank account understanding loan applications better than non-account owners.

**Publisher:** International Trade Centre

**Title:** Promoting SME competitiveness in Africa: Data for de-risking investment

**Publication date and place:** Geneva, September 2018

**Page count:** 78

**Language:** English

**ITC Document Number:** CEES-18-35.E

**Citation:** International Trade Centre (2018). Promoting SME competitiveness in Africa: Data for de-risking investment. ITC, Geneva.

For more information, contact: Valentina, Rollo, [rollo@intracen.org](mailto:rollo@intracen.org)

For more information on SME Competitiveness Survey, see: <http://www.intracen.org/SMEBenchmarking/>

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## FOREWORD

Africa has tremendous scope to become one of the most attractive investment destinations in the world. Foreign and domestic investment will be critical in closing the development gap, lifting incomes and creating jobs. However, the current level of investment – 23.5% of Africa's gross domestic product – is insufficient to meet spending needs for growth factors such as infrastructure, education and technology.

For investment to contribute to sustainable development and growth in Africa, there is a need to demystify the investment landscape on the continent and centre the discourse on the role of small and medium-sized enterprises (SMEs). SMEs employ the vast majority of any local labour force and have an integral role in any sustainable growth trajectory. At the International Trade Centre (ITC), we often refer to SMEs as 'the missing link' for inclusive growth. These enterprises generate more and better jobs when they can access new investments and build trade capacity and skills, and are empowered to become more competitive and connect to international markets.

Private sector investors face substantial uncertainty when investing in SMEs, especially in developing countries. The 2018 World Bank Global Investment Competitiveness Report highlights the appeal of investors for 'information about the availability of local suppliers'. They need to know which suppliers can meet quality, quantity and time requirements, and which are financially stable and/or may be able to expand or move up the value chain.

In times when transparency and availability of data are at a premium, greater efforts have to be made to ensure that national stakeholders in African countries have the necessary information to signal SME reliability and attractiveness to potential international investors.

ITC is helping to fill this gap by setting up a network of chambers of commerce, industry associations, trade and investment promotion agencies, government ministries and other national players to collect and analyse crucial data on local SME competitiveness. Results are regularly published in our SME Competitiveness Outlook. For the first time, findings for African countries are pulled together in this report.

The ITC SME Competitiveness Surveys, designed to assess the strengths and weaknesses of enterprises and their business ecosystem, build on more than 50 years of on-the-ground experience helping SMEs enter global markets. As illustrated in this report, these assessments can play a key role in diagnosing problems, highlighting strengths, aiding evidenced-based decision making and gauging the effectiveness of those decisions.

The data generated through the SME Competitiveness Surveys can also be used to assess the viability of individual businesses and their potential to grow. This is valuable intelligence for foreign firms seeking suppliers or foreign investors looking for investment projects. As such, surveys provide a vital link between the development community and private sector investors that will enable them to work together to realize the United Nations Sustainable Development Goals.



Arancha González  
Executive Director  
International Trade Centre

## ACKNOWLEDGEMENTS

The International Trade Centre expresses its deepest gratitude to the enterprises across Africa that agreed to be interviewed about competitiveness.

A team led by Marion Jansen and under the supervision of Dorothy Tembo prepared this report. Valentina Rollo coordinated the report. The authors in the chief economist and export strategies sections include Nicolas Borzykowski, Mario Filadoro, Ruat Lalruatpuii, Dalal Moosa and Jasmeer Virdee. Eleonora De Falcis and Antonina Popova provided statistical assistance. The report has benefited from the input and comments of Olga Solleder.

We thank the institutions that contributed to data collection: the Association of Ghana Industries, the Ministry of Food and Agriculture of the Republic of Ghana and the Ministry of Trade and Industry of the Republic of Ghana; the Association Marocaine des Conseillers à l'Export and the Ministère de l'industrie, du commerce, de l'investissement et de l'économie numérique, chargé du commerce extérieure in Morocco; the Gambia Investment and Export Promotion Agency and the Gambia Ministry of Trade, Industry, Regional Integration and Employment; and the Permanent Conference of African and French-Speaking Consular Chambers and all their partners.

Natalie Domeisen and Evelyn Seltier oversaw quality and production management. Jennifer Freedman edited the report. Jesus Alés provided graphic design, with support from Kristina Golubic. Serge Adeagbo and Franco Iacovino provided digital printing services.

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