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Economic Research Service  
U.S. DEPARTMENT OF AGRICULTURE

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Economic  
Information  
Bulletin  
Number 242

October 2022

# Foreign Direct Investment in Africa: Recent Trends Leading up to the African Continental Free Trade Area (AfCFTA)

Stephen Morgan, Jarrad Farris, and Michael E. Johnson





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### Recommended citation format for this publication:

Morgan, Stephen, Jarrad Farris, and Michael E. Johnson, October 2022. *Foreign Direct Investment in Africa: Recent Trends Leading up to the African Continental Free Trade Area (AfCFTA)*, Number EIB-242, U.S. Department of Agriculture, Economic Research Service.



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# Foreign Direct Investment in Africa: Recent Trends Leading up to the African Continental Free Trade Area (AfCFTA)

Stephen Morgan, Jarrad Farris, and Michael E. Johnson

## Abstract

The African Continental Free Trade Area (AfCFTA) connects 1.3 billion people across 55 countries and presents a significant opportunity for increased economic growth in Africa. AfCFTA may also spur increases in foreign direct investment (FDI) on the continent by reducing regulatory barriers and expanding market access. This report examines emerging trends in FDI in Africa that may further shift under AfCFTA. Particular attention is given to assessing the sources and destinations of private investment in Africa and sectoral investment patterns. European investors remain the most important source of FDI stock in Africa, but the relative share of Africa's FDI stock originating from Europe declined over the past decade, while Asia's share increased. The destinations of FDI in Africa also shifted, with Northern and Southern Africa—which made up the majority of FDI stock in the mid-2000s—losing FDI share to Eastern Africa. Additionally, industries related to natural resource extraction that once dominated the sectoral composition of newly created subsidiaries in Africa made up less than one-third of greenfield FDI in Africa in 2016–20.

## Keywords:

AfCFTA, Africa, African Continental Free Trade Area, free trade areas, trade integration, foreign direct investments, FDI, greenfield investments, U.S. Department of Agriculture, Economic Research Service, USDA, ERS

## About the Authors

Stephen Morgan, Jarrad Farris, and Michael E. Johnson are research agricultural economists with USDA's Economic Research Service.

## Acknowledgments

The authors thank Utpal Vasavada, Jayson Beckman, and Anne Effland, USDA, Economic Research Service (ERS), for review and comments. We also thank seven anonymous peer reviewers for their helpful comments to improve this report. The authors thank USDA, Foreign Agricultural Service (FAS) reviewers for valuable comments and country investment context. We also thank Christine Williams, Elaine Symanski, Jana Goldman, and Jeremy Bell USDA, ERS, for editorial and design assistance.

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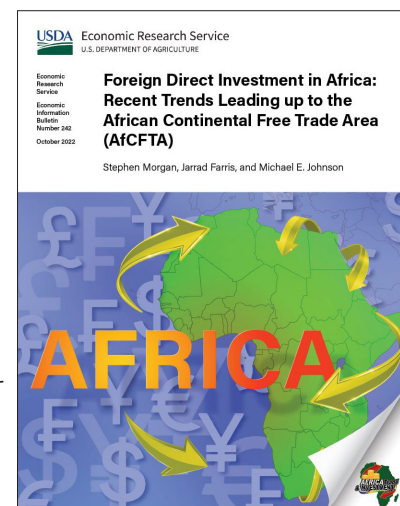
## What Is the Issue?

African countries have begun trading in the African Continental Free Trade Area (AfCFTA)—which will be among the largest free trade areas in the world when fully operational. AfCFTA may present significant opportunities for increased foreign direct investment (FDI) in Africa. By reducing tariff and non-tariff barriers to trade, investors in an AfCFTA member state may have access to an expanded market for goods and services across Africa. AfCFTA may also support harmonizing existing and new regulatory requirements across borders that lower the costs of doing business across the region. Given that Africa has lagged other regions as a destination for FDI, AfCFTA may provide investors with new investment opportunities that span multiple economic sectors.

## What Did the Study Find?

### Results of the study highlight important emerging trends:

- Africa's share of global FDI was low and stagnant over time. African FDI inflows averaged 3 percent of the global total between 2014–18 and 2 percent in terms of total accumulated investment, or inward FDI stock. While Northern and Southern Africa historically have been important sub-regions for FDI inflows, Eastern and Western Africa recently saw increasing FDI.
- Intra-African investment, an increasingly important source of FDI, may be enhanced under AfCFTA. Investors in South Africa, Mauritius, Kenya, Togo, and Nigeria accounted for more than 75 percent of intra-Africa FDI in 2014–18, although investment funds from Mauritius may represent investments from other sources channeled through the country to benefit from its favorable taxation policies.
- Natural resource extraction-related industries including mining, oil, and metals traditionally attracted a large share of greenfield FDI inflows to Africa. Greenfield investments refer to FDI made by a foreign firm to start a new venture or subsidiary in another country. However, greenfield FDI into extractive industries declined. From 2016–20, they accounted for \$109 billion or 31 percent of total greenfield investment.



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- China is a leading source of greenfield FDI in Africa, investing more than \$71 billion from 2016–20. U.S. investment was the fourth highest source of African greenfield FDI in 2016–20, totaling \$23 billion. Fifteen countries represented nearly 80 percent of greenfield FDI announcements in Africa in 2016–20.
- Greenfield FDI in Africa's food and beverage sector is primarily from investors in United Arab Emirates, Ukraine, and the United States. Within this sector, areas with the highest levels of investment included grains and oilseeds, sugar and confectionery products, and food and beverage stores.
- U.S. direct investments in Africa changed over time, with more new funds flowing to non-mining activities. This trend also applies to new greenfield investment announcements by U.S. firms. Within the food and beverages sector, key industries that U.S. firms targeted for greenfield investments include soft drinks and ice, sugar and confectionery products, grains and oil seeds, and snack foods.

## How Was the Study Conducted?

This report examines past and emerging FDI trends in Africa and discusses implications for future investment opportunities in the region in the lead-up to AfCFTA negotiations surrounding new investment protocols. Authors drew on three primary data sources due to limited details of sectoral coverage or bilateral investment flows:

- The World Bank Group Harmonized Bilateral FDI (HBFDI) Database combines global data on bilateral FDI stocks and flows from the United Nations Conference on Trade and Development (UNCTAD) with data from the Organisation for Economic Co-operation and Development (OECD), China, and the International Monetary Fund (IMF). HBFDI provides extensive coverage of external and internal FDI flows and stocks in Africa.
- For more detailed sectoral coverage of FDI in Africa, the authors analyzed deidentified project-level data on greenfield FDI provided by fDi Markets, Financial Times Limited. This database covers announced and opened greenfield FDI projects in Africa, providing information on the value and sector of the investment and the source and destination countries. While announced investments may not ultimately be fully implemented, this database provides the best estimate of intended firm investment flows.
- For the section on U.S. FDI in Africa, the authors drew on Balance of Payments and Direct Investment Position Data compiled by the U.S. Bureau of Economic Analysis to analyze sectoral trends in U.S. FDI positions in Africa.

# Introduction

Foreign direct investments (FDI) are flows of capital investments across national borders that can contribute to capital formation, economic growth, and development. Loungani and Razin (2001) reported that FDI in developing countries also may facilitate transfer of technology—particularly new varieties of capital inputs—that might not be achieved through financial investments or trade in goods and services. FDI can also support new jobs, improve human capital, and promote competition in domestic input markets. For the investor country, FDI provides investment opportunities for higher returns and could potentially secure a foothold to access larger markets and trade opportunities in partner countries.

Founded in 2018 and with trading started on January 1, 2021, the African Continental Free Trade Area (AfCFTA) provides a significant opportunity to promote international trade, economic growth, and increased market opportunities in Africa. AfCFTA signatories span the continent beyond the eight Regional Economic Communities recognized by the African Union. Negotiations surrounding AfCFTA were structured in phases. Phase I negotiations covered three protocols enacted in May 2020: Protocol on Trade in Goods, Protocol on Trade in Services, and Protocol on Rules and Procedures on the Settlement of Disputes. Issues related to competition policy, intellectual property rights, and investment are scheduled for Phase II negotiations.

While AfCFTA's framework guiding investment protocol remains to be written, significant opportunities exist for the agreement to promote private sector investment across the continent. By supporting more open markets, investors in one AfCFTA member country may enjoy greater access to consumers in other African member countries. AfCFTA may also result in harmonized regulatory requirements across borders that lower the costs of doing business across the region. Given that Africa has traditionally lagged other regions as a destination for FDI, investors may see AfCFTA's implementation as a reason to seek new opportunities spanning economic sectors and national borders. Gains may be especially large for the food and agricultural sector by providing new opportunities for investment in agri-food value chains across Africa as incomes and populations continue to rise.<sup>1</sup> Delays, costs, and administrative burdens associated with trade in perishable food products are linked to increased reliance on informal trade flows (Bouët et al., 2020). Recent studies estimate that AfCFTA could increase food exports by \$2.5 billion while deepening agri-food value chains (Fusacchia et al., 2022). Also, future AfCFTA negotiations may address non-tariff measures (NTMs) that may represent larger barriers to trade than tariff measures in Africa (Bouët et al., 2020).

Emerging changes in FDI flows and stock positions in Africa may further benefit from AfCFTA. For example, while a majority of FDI stock on the continent was in natural resource extraction including oil and mining, investments are increasingly diversifying from raw materials into manufacturing and services, according to greenfield investment announcements (Qiang et al., 2021). A similar pattern is also emerging for U.S. investments in Africa. U.S. investments in mining and oil in Africa experienced a decline as well, although this appears to have been partly driven by a shift to relying on U.S. domestic oil and gas reserves (United States International Trade Commission, 2020).

This report examines recent trends related to FDI in Africa and the sources and destinations of private investment in the region. This report also focuses on sectoral investment patterns to better understand where private investors identify new opportunities. Particular focus is on the food and beverage sector because it directly connects to the economic development strategies of many AfCFTA signatory states and has implications for deepening agricultural value chains and food security. Another focus is U.S. FDI in Africa.

The authors distinguish between two commonly reported types of FDI operations: greenfield investment and mergers and acquisitions (M&A). Greenfield FDI investment is when a parent company creates a new

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<sup>1</sup> Agricultural and food value chains are all the people, processes, and activities involved with producing agricultural products and getting them to the final consumer.

subsidiary in a different country. M&A are when a parent company purchases existing assets of a company in a different country. The authors' analysis focuses on total FDI and greenfield investment for two reasons. First, in developing economies, the value of M&A transactions is generally smaller than greenfield investment (Calderón et al., 2004). In 2019, the value of announced greenfield investment in Africa was nearly \$77 billion, while the value of net cross-border M&A was just under \$6 billion (United Nations Conference on Trade and Development, 2021). Second, greenfield FDI more likely involves an increase in the capital stock of a host country from establishing new operations, while M&A may be a transfer of ownership rather than a new in-country investment. Disaggregating these component effects, Harms and Méon (2018) found greenfield FDI was associated with the growth of real gross domestic product (GDP) per capita, while M&A investment was not associated with per capita GDP growth. The authors did not consider international portfolio investment, where foreign investors purchase non-controlling shares (under 10 percent) in a foreign company. Portfolio investment may be more closely associated with market speculation, and despite some association with economic growth (de Vita and Kyaw, 2009), these equity flows generally were smaller and more volatile than FDI in developing countries (Ahmed and Gooptu, 1993; Goldstein and Razin, 2006).

### **Defining and Measuring Foreign Direct Investment**

Foreign direct investments (FDI) occur when an entity in one country makes an investment in another country that involves a significant or lasting interest in the direct investment enterprise (Organisation for Economic Co-operation and Development, 2008). The two key components of measuring FDI from one country to another are flows and stocks. FDI flows record the net value of investment transactions each year. FDI stocks record the total level of direct investments at a given point in time and include the value of the share of their capital and reserves for the parent enterprise (United Nations Conference on Trade and Development, 2021). FDI stocks also account for capital gains, retained profits, depreciation, and other cumulative returns.

FDI is also described as having a direction since it represents funds flowing from an investor or firm in one country to a firm in another country. Inflows are investments that originate from another country. Outflows are investments made in a foreign destination. For example, over 2014–18 Africa's FDI inflows averaged \$57 billion annually and the value of FDI stock in Africa averaged \$734 billion (World Bank Group, 2021a). Over the same 2014–18 period, Africa's FDI outflows averaged \$17 billion per year and the value of Africa's outward FDI stock averaged \$335 billion (World Bank Group, 2021a).

## **Literature Review**

A key feature of previous economic research on FDI flows focused on understanding variations in the level and timing of private investment across developing countries. Several major economic and policy drivers of FDI flows were consistently identified across different country contexts.

### **Macroeconomic Drivers**

Many studies identified market size as an important determinant of FDI inflows. Larger markets—often measured in terms of gross domestic product (GDP) or population size—have higher potential for local sales from FDI investments and are associated with increased inflows (Baltagi et al., 2008; Büthe and Milner, 2008; Chanegriha et al., 2017; Schneider and Frey, 1985). Using project-level data on FDI investments in the Southern African Development Community (SADC), Mhlanga et al. (2010) found that market size is positively associated with investment inflows across member states.

Rapidly growing markets measured via GDP growth can also indicate increased investment opportunities and returns on capital and are associated with greater FDI inflows. The relationship between economic growth and FDI is especially important in sub-Saharan Africa, which encompassed 10 of the world's top 25 economies with the highest annual rates of GDP growth in 2018 (United States International Trade Commission, 2020). Ergano and Rambabu (2020) found that a 1-percent increase in Ethiopia's growth rate would result in a 1.56-percent increase in FDI inflows from China.

Other macroeconomic drivers may include the rate of inflation and balance of payments (Apergis and Karkalidis, 1998; Schneider and Frey, 1985). Schneider and Frey (1985) found that high rates of inflation and balance of payments deficits are associated with reduced FDI inflows. The authors argued that high inflation might indicate economic tension while a balance of payments deficit may increase the risk of capital controls, which could make the transfer of profits from FDI activities more difficult.

However, Chanegriha et al. (2017), using panel data for 168 countries from 1970 to 2006, found weak evidence that inflation is associated with FDI inflows. In times of macroeconomic uncertainty, including the 2008 financial crisis, increased risk aversion can lead to decreases in FDI in Africa as investors shift toward more liquid or less risky assets (International Monetary Fund, 2009).

## Domestic Policy Drivers

Adopting domestic policies consistent with open markets and financial liberalization often have positive associations with FDI flows. Mexico adopted structural reforms in the 1980s to remove licensing and regulatory requirements in import sectors, which Graham and Wada (2000) argued contributed to a rapid rise in FDI flows beginning in 1989. Other domestic policy levers including high government spending as a proportion of GDP, high corporate tax rates, and high government debt are negatively associated with FDI inflows (Becker and Fuest, 2012; Chanegriha et al., 2017; Naudé and Krugell, 2007). Policies that increase the costs of doing business are more likely to be associated with decreases in overall FDI flows (Cherif and Dreger, 2018; Isik and Yoshino, 2010).

Trade openness and trade liberalization are broadly associated with increased FDI flows (Asiedu, 2002). However, Asiedu (2002) noted the marginal effects of trade openness appear to be lower for countries in sub-Saharan Africa, potentially because investors believe reforms could be temporary.

Commitment to policy changes may also affect FDI flows. Rodrik (1991) developed a model to explain how policy uncertainty can act as a tax on investment. Assuming positive policy reforms that increases investors' returns to capital, Rodrik (1991) demonstrated that investment flows fall as the probability that policy reforms are reversed rises. In other words, when private investors observe signals that macroeconomic or institutional policy changes might be temporary, FDI flows may be lower than they would be under more permanent changes. Obwona (2001) argued in the case of Uganda that policy consistency and political stability were much more important than the level of incentives provided to attract FDI flows.

Civil conflict or political instability are other domestic factors related to risk perceptions of investors and FDI flows. Asiedu (2006) found lower corruption, well-functioning legal systems, and political stability all promote FDI. Civil conflict may also be associated with political instability. This is particularly important for Africa where the World Bank classified 14 countries as having medium- or high-intensity conflict in 2022 (World Bank Group, 2021b). Conflict has a complex relationship to FDI flows for two reasons. First, violence or instability can disrupt key factors related to firm operation including market access, infrastructure, banking and financial services, government policy, and labor markets (Collier et al., 2019). Because any of these disruptions may lower the probability of success of new investments, countries with ongoing conflict or those viewed as having a high probability of conflict could receive smaller FDI flows. Second, conflict and instability may present investment opportunities in reconstruction and in establishing new markets, potentially

attracting new FDI (Flores and Nooruddin, 2009; Collier et al., 2019). Because of these opposing factors, differences can exist in FDI flows at the sectoral level. Li et al. (2017) found that conflict is associated with no change in FDI flows into primary sectors (e.g., natural resource extraction) but is associated with a reduction of FDI into secondary and tertiary sectors (e.g., services).<sup>2</sup> However, evidence exists that establishing post-conflict justice institutions (e.g., commissions, reparations) is associated with increased FDI flows by signaling commitment to domestic peace and stability (Appel and Loyle, 2012).

## International Trade and Investment Agreements

Other studies looked at the relationship between country participation in international trade agreements and foreign direct investment (FDI) flows. Bütte and Milner (2008) argued that signing international trade agreements should attract FDI by signaling commitments to open markets and market liberalization that are relatively costly to break when compared to unilateral domestic policy changes. Analyzing a panel of FDI flows for 122 developing countries from 1970–2000, the authors found that the cumulative number of trade agreements, General Agreement on Tariffs and Trades/World Trade Organization membership, and the number of bilateral investment treaties (BITs) have a statistically significant and positive association with inward FDI flows. However, Colen et al. (2016) found BITs may be more effective at attracting specific types of FDI (e.g., investments with large upfront costs that cannot be recovered later) that may not be as beneficial to development. At the same time, participation in trade agreements can expand market size and access, providing more opportunities for domestic sales. For example, member states in the Southern Africa Development Community (SADC) may receive preferential access to other regional markets making investment opportunities more attractive (Mhlanga et al., 2010). However, in some cases, trade agreements may reduce incentives for FDI designed to circumvent tariffs by establishing foreign affiliates in other countries (Belderbos, 1997).

Medvedev (2012) analyzed a panel of 53 countries from 1980–2004 and found that a 1-percent increase in the size of a country's extended market through a trade agreement is associated with an average increase in net FDI inflows of 0.05 percent. Kox and Rojas-Romagosa (2020) investigated the effect of regional trade agreements on inward FDI stocks. When partners join a trade agreement, regardless of the depth of integration, FDI stocks increase by 31 percent on average; when partners sign a BIT, FDI stocks increase by approximately 35 percent. Cherif and Dreger (2018) investigated how South-South trade agreements affect FDI flows. The authors found evidence of additional effects of GDP growth and trade openness when member states are also involved in a regional trade agreement. This suggests that membership in free trade agreements may result in positive interaction effects with other FDI determinants.

In addition to bilateral FDI effects, participation in regional trade agreements may lead to a reallocation of flows. Analyzing European regional trade agreements, Baltagi et al. (2008) found evidence of a reallocation of FDI away from Western European host countries and into Eastern European countries.

## Geography, Culture, and Distance

Geography may factor into FDI inflows in several ways. First, several studies found that coastal countries (non-landlocked) and countries with more than three bordering states attract higher levels of FDI (Changriha et al., 2017; Mhlanga et al., 2010). This association is likely due to market access and reduced transportation costs. Similarly, and related to domestic policies, good infrastructure that can reduce anticipated costs of transportation and facilitate market access was associated with increased FDI flows in Africa (Asiedu, 2006; Khadaroo and Seetanah, 2009). Second, close geographic proximity to an investor country can be associated

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<sup>2</sup> Additionally, foreign direct investment (FDI) flows may be related to the probability of conflict onset. Mihalache-O'Keef (2018) found that FDI in service sectors may reduce the likelihood of conflict events, while investment in primary sectors and resource extraction may increase the likelihood.

with increased investment. In the case of SADC, geographical proximity is a significant determinant in FDI flows between developing countries, especially from South Africa (Mhlanga et al., 2010; Kox and Rojas-Romagosa, 2020). Distance can also mitigate positive effects of joining a trade agreement, decreasing net FDI inflows as distance to other partners in the agreement increases (Medvedev, 2012). Third, Asiedu (2002) found evidence that sub-Saharan Africa may suffer from an adverse regional effect that reduces FDI flows. This could be due to investments in Africa being perceived as inherently riskier or to investment decisions being guided not on country-specific conditions but on broad regional inferences.

In addition to physical proximity, shared history or cultural ties can increase investment flows. In an analysis of FDI inflows into SADC member states, Mhlanga et al. (2010) identified that FDI investment often flows from former colonial powers (e.g., United Kingdom, Portugal). Kox and Rojas-Romagosa (2020) found that colonial ties and a common language are consistently associated with increased FDI.

Finally, relative abundance of different factors of production – including land, labor, and capital – may affect the opportunities that foreign investors view in a host country. Chanegriha et al. (2017) found oil or gas resources are negatively associated with FDI. Also, access to an educated population and potential workforce is associated with increasing FDI. Chanegriha et al. (2017) found that the share of the population enrolled in secondary and tertiary education are significant determinants of FDI flows. However, focusing on SADC alone, Markowitz (2020) found that countries with lower levels of secondary education enrollment are associated with higher FDI flows. This suggests that workforce skills may interact with the type of FDI, where the major investments in resource extraction in SADC do not require a highly educated workforce (Markowitz, 2020).

Dunning (1998) developed a framework to explain location decisions of foreign direct investment and how a country's specific endowments affect the type of FDI it is likely to attract. This model suggests that these factors may also determine how FDI is spread across sectors. Dunning identified four types of FDI: resource seeking, market seeking, efficiency seeking, and strategic asset seeking. For example, AfCFTA negotiations promising reduced tariffs and larger market size may be associated with market-seeking FDI. Also, within a sector, endowments may affect different types of investment differently. Some types of investment in the food and beverage sector are relatively resource intensive (e.g., crop production) while some are more market oriented (e.g., food retailing).

It is important to highlight that AfCFTA may have implications for some FDI determinants (e.g., macroeconomic and international agreements), while having a more limited effect on others (e.g., culture and geography). AfCFTA literature estimating the effects of the agreement on FDI flows is relatively thin. Most studies focused on simulating trade gains. Abrego et al. (2020) estimated welfare gains of 2.1 percent due to AfCFTA but did not include potential effects on increased investment. One exception is Shingal and Mendez-Parra (2020), who used a structural gravity model and general equilibrium analysis to analyze bilateral greenfield FDI under AfCFTA. They found that AfCFTA would have potentially increased 2018 intra-African greenfield FDI by 14 percent.

## Foreign Direct Investment Data Sources

To analyze FDI flows to Africa, the authors drew on three datasets. The first is the World Bank Group Harmonized Bilateral FDI (HBFDI) Database, which provides bilateral FDI flow and stock data from 2001 to 2018 (World Bank Group, 2021a) (see box, “Defining and Measuring Foreign Direct Investment”). Combining data from the Organisation for Economic Co-operation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), China, and the International Monetary Fund (IMF), the HBFDI Database constructs symmetric dyads and uses a linear imputation method to fill in missing

values under specific constraints.<sup>3</sup> The HBFDI Database was used to analyze the sources and destinations of FDI flows and stocks in Africa.

To assess sectoral FDI in Africa, the authors analyzed deidentified project-level data on greenfield FDI provided by fDi Markets, Financial Times Limited (2021). Greenfield FDI are investments made by a foreign firm to start a new venture or subsidiary in another country. This database covers announced and opened greenfield FDI projects in Africa, providing the value and sector of the investment, and the source and destination countries associated with the announcement.<sup>4</sup> Announced projects are those where a company has made an investment decision and is proceeding with implementation; opened projects reflect where a company has completed implementation and are operational. fDi Markets, Financial Times Limited (2021) identifies projects and project details from publicly available sources, emphasizing direct company information. If not available in public data sources, fDi Markets estimates the investment amount and revises estimates when new information is received.<sup>5</sup> A caveat of the data is that announced investments may not be implemented or could only be partially implemented. However, given that announcements likely reflect investor sentiment and planned spending, the data provide important insight into how private actors view opportunities in Africa.

Finally, the authors analyzed U.S. FDI in Africa at the industry level using the Department of Commerce, Bureau of Economic Analysis (BEA) U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Dataset (U.S. Department of Commerce, 2021a).<sup>6</sup> BEA measures direct investment when a U.S. person or entity owns or controls 10 percent or more of the nonresident entity's voting securities (U.S. Department of Commerce, 2021b). Direct investment positions report the accumulated stock of investment between entities; the authors used data calculated at historical cost or book value.

## Overall Foreign Direct Investment Trends in Africa

### FDI Flows and Stocks in Africa

Africa's share of total foreign direct investment flows and stocks have typically been low and stagnant over time relative to other regions. The World Bank's HBFDI Database shows Africa's share of FDI inflows averaged approximately 3 percent of the global total from 2014–18 (figure 1) and 2 percent in inward FDI stock (figure 2). In 2014–18, Europe accounts for nearly half of the world's total inward FDI stock, followed by Asia and Northern America (figure 2). Comparing 5-year averages, Asia's share of FDI inflows increased from 18 percent in 2004–08 to over 30 percent in 2014–18 (figure 1). Historically, FDI was concentrated in two subregions: Northern Africa and Southern Africa (figures 3 and 4). Together, these subregions accounted for almost 80 percent of Africa's inward FDI flows (average \$25 billion per year) and almost 60 percent of inward FDI stocks (average \$111 billion per year) in 2004–08. However, from 2009–18, some diversification occurred in African FDI by region. FDI flows in Eastern Africa increased from an average of \$4 billion annually in 2004–08 to \$32 billion annually in 2014–18. Average FDI flows in Western Africa increased from \$2 billion per year to \$9 billion per year (figure 3). Over the same period, FDI flows to Northern and Southern Africa declined, while flows to Middle Africa increased slightly. AfCFTA may further enable multiple Afri-

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<sup>3</sup> Missing values are imputed in the HBFDI database where the number of imputations is less than 50 percent of any specific country-pair series, the imputed value must represent less than 10 percent of a specific country-pair's total FDI flows, and the imputed value must be positive for stocks (World Bank Group, 2021a). Imputed values are included in this analysis.

<sup>4</sup> Sectoral definitions are unique to fDi Markets and do not directly correspond to other sectoral measures including the North American Industry Classification System (NAICS).

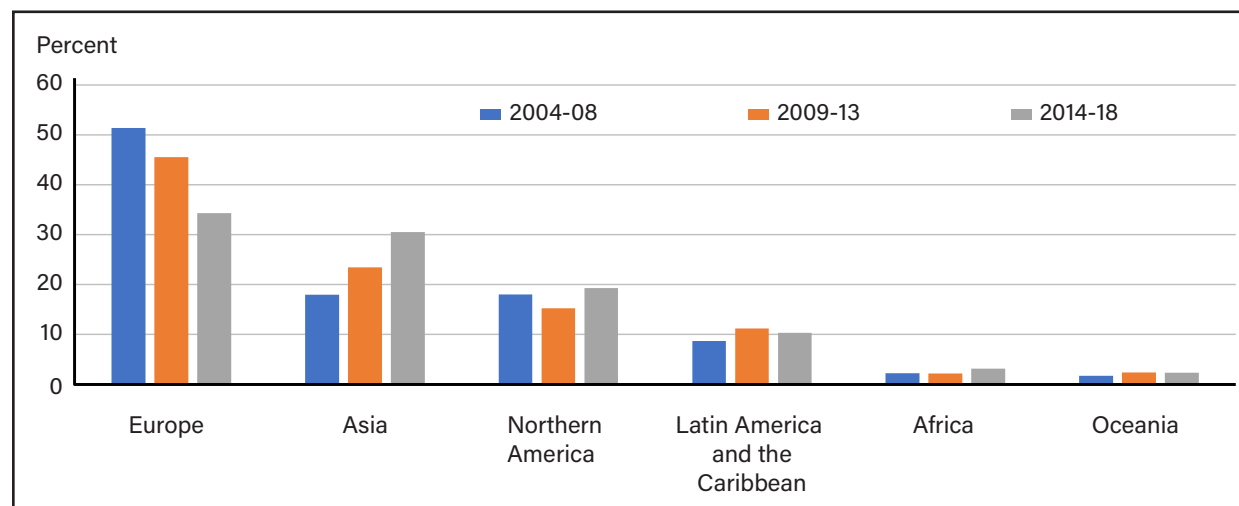
<sup>5</sup> See Loewendahl (2021) for a description of fDi Markets methodology.

<sup>6</sup> Uses North American Industry Classification System industry codes.

can subregions to benefit from investments through regulatory harmonization across countries, reductions in cross-border transactions costs, and broader intra-Africa market access.

Figure 1

**Percent of global inward foreign direct investment flows by region, 2004-18**

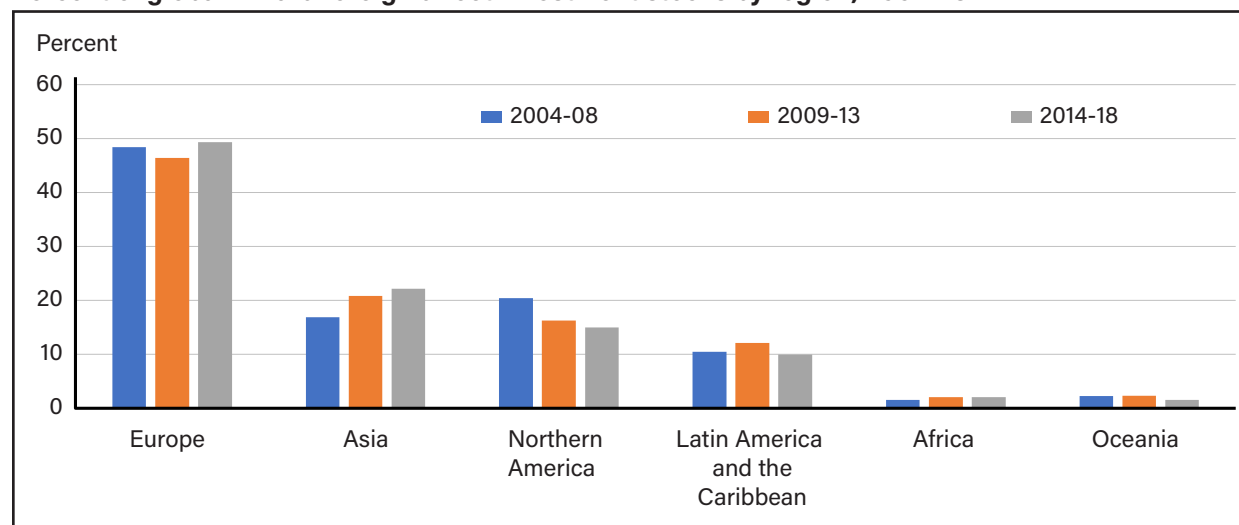


Note: Shares calculated as 5-year period averages. Region names follow the United Nations definitions, breaking out the Americas by subregion.

Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

Figure 2

**Percent of global inward foreign direct investment stocks by region, 2004-18**

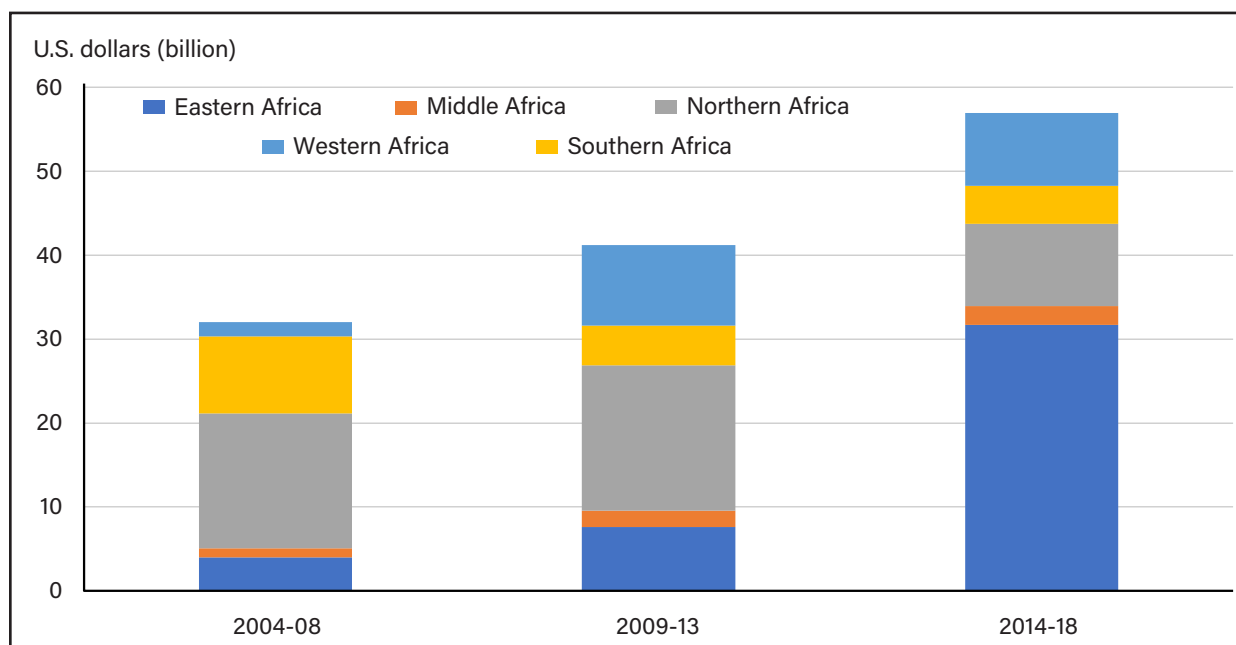


Notes: Shares calculated as 5-year period averages. Region names follow the United Nations definitions, breaking out the Americas by subregion.

Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

Figure 3

### Average annual inward foreign direct investment flows by African subregion, 2004-18

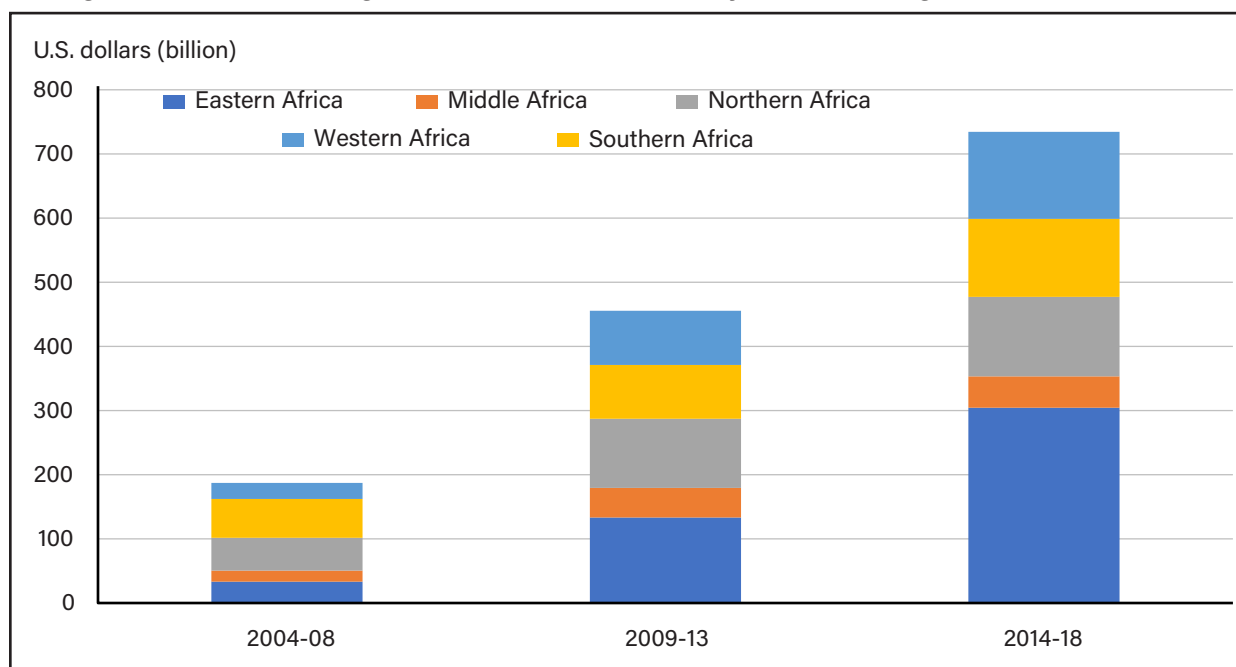


Notes: Average inward foreign direct investment (FDI) flows calculated over 5-year period. Subregions follow the United Nations geographic definitions.

Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

Figure 4

### Average annual inward foreign direct investment stocks by African subregion, 2004-18



Notes: Average inward foreign direct investment (FDI) stocks calculated over 5-year period. Subregions follow the United Nations geographic definitions.

Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

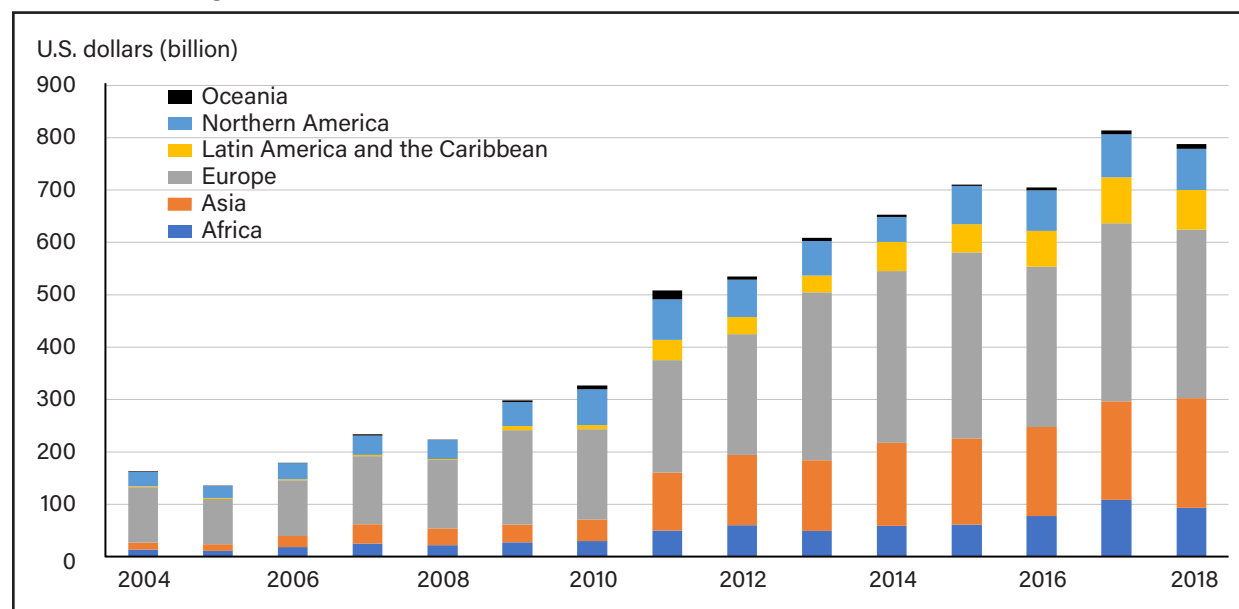
Among the top 30 African destinations for FDI, the countries with the largest average annual FDI stock values are Mauritius, South Africa, Nigeria, and Egypt. Together, they accounted for nearly 65 percent of average annual FDI stock on the continent in 2014-18 (table A1).

Mauritius has beneficial taxation policies related to investment and attracts a large share of FDI in Africa. By 2018, Mauritius signed Double Taxation Avoidance Agreements with 51 countries (U.S. Department of State, 2018).<sup>7</sup> These agreements and policies mean that Mauritius is a popular destination for investment funds that are then routed to third countries. Investment in Mauritius helps explain the large increase in FDI flows to Eastern Africa over 2004–18; however, only a fraction of FDI flows into Mauritius are invested back into projects in Africa. For example, in 2014–18, Mauritius was the destination for an average FDI stock of \$220 billion, while over the same period it was the source of an average of \$19 billion of FDI stock in Africa (tables A1 and A2).

South Africa's average annual inward FDI stock was \$56 billion in 2004–08 rising to \$114 billion in 2014–18. Nigeria experienced rapid growth as an investment destination, with average inward stocks increasing from \$18 billion in 2004–08 to \$90 billion in 2014–18. Egypt also experienced growth as an FDI destination; however, most of the growth was concentrated in 2009–13. Other African countries saw rapid growth in FDI stocks from 2004–18 although their stocks started from a relatively small base. For example, average inward FDI stock in Mozambique was \$1.5 billion in 2004–08 and increased to \$26.5 billion in 2014–18. Some countries in sub-Saharan Africa participate in international initiatives to increase FDI flows. For example, in 2017, the G20 Compact with Africa started with 11 African countries committing to increase FDI attractiveness through country-specific strategies and reforms (International Monetary Fund, 2018).

Where does FDI to Africa originate from? Figure 5 presents FDI stocks in Africa based on their source over time; figure 6 shows the share of FDI by region of origin. Investors in Europe were and are the most important sources of FDI stock in Africa, increasing in value from \$106 billion in 2004 to more than \$320 billion in 2018. This relationship is driven in part by colonial ties and cultural links between source and destination countries (Mhlanga et al., 2010; Kox and Rojas-Romagosa, 2020). However, FDI originating from Africa, Asia, and Latin America and the Caribbean increased over time and collectively account for 44 percent of Africa's FDI stock in 2014–18 (figure 6). In 2018, Asia was the second largest source of FDI stocks in Africa, behind only Europe. Qiang et al. (2021) found a similar pattern when restricting the analysis to FDI stocks in sub-Saharan Africa. The value of FDI stocks originating from other African countries increased significantly from an average of \$18 billion in 2004–08 to \$80 billion in 2014–18.

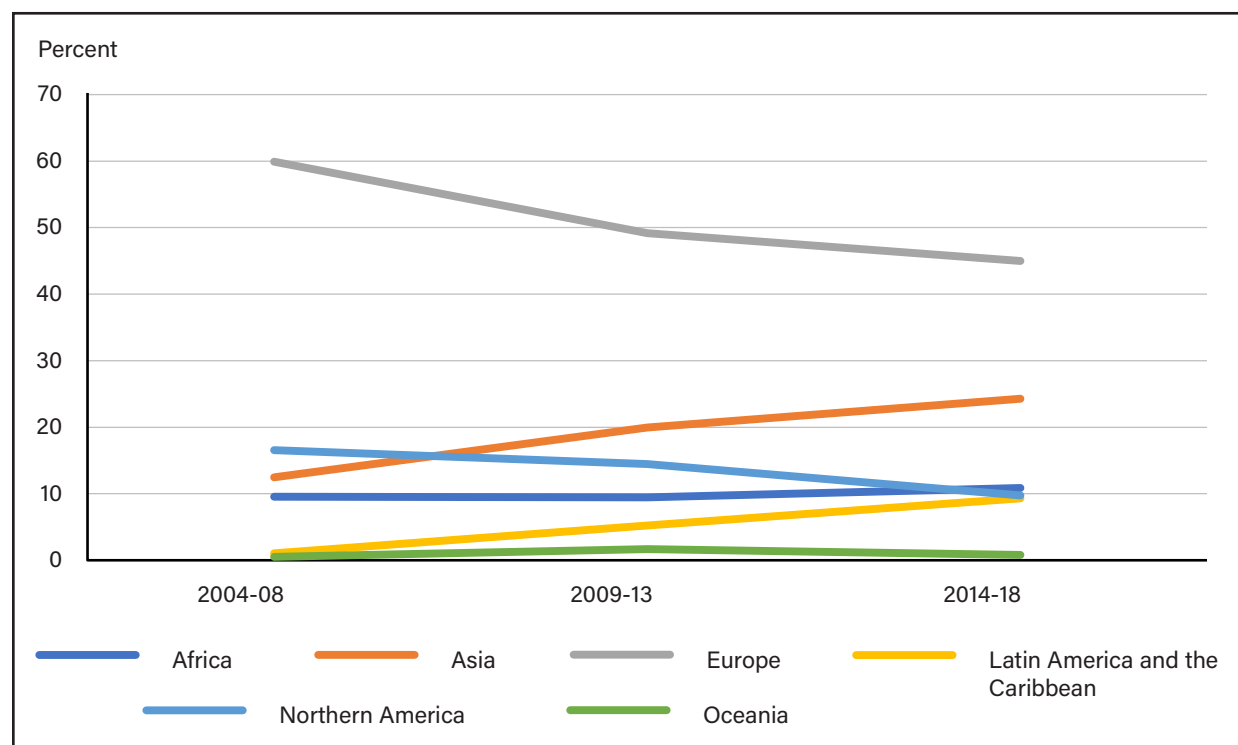
Figure 5  
**Sources of foreign direct investment stock in Africa, 2004–18**



Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

<sup>7</sup> The World Bank HBFDI Database flags Mauritius as an Organization for Economic Cooperation and Development tax haven (World Bank Group, 2021a)

Figure 6

**Share of foreign direct investment stock in Africa by region of origin, 2004–18**

Notes: Shares calculated as 5-year period averages. Regions follow the United Nations definitions, breaking out the Americas by subregion.

Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

Appendix table A2 presents the top 30 sources of inward FDI stocks in Africa averaged over three 5-year periods. The Netherlands and France accounted for just over 24 percent of the average value of FDI stocks from 2014–18. The Netherlands experienced a rapid rise as a major source—it led all countries with a 16-percent share of FDI stock in Africa in 2014–18, a 10-percentage-point rise from its 6-percent share in 2004–08. The three most important host countries for FDI stocks originating in the Netherlands are South Africa, Nigeria, and Egypt.

China also stands out as an increasingly important origin for FDI stocks in Africa, more than doubling its share from 2004–08 to 2014–18, from just under 2 percent to over 5 percent, respectively (table A2). However, large traditional origins of FDI in Africa, such as the United Kingdom (UK) and the United States, experienced reductions in shares of FDI stocks in Africa. The UK and the United States made up 17 percent and 15 percent of FDI stock in Africa in 2004–08, but each accounted for 6 percent in 2014–18.

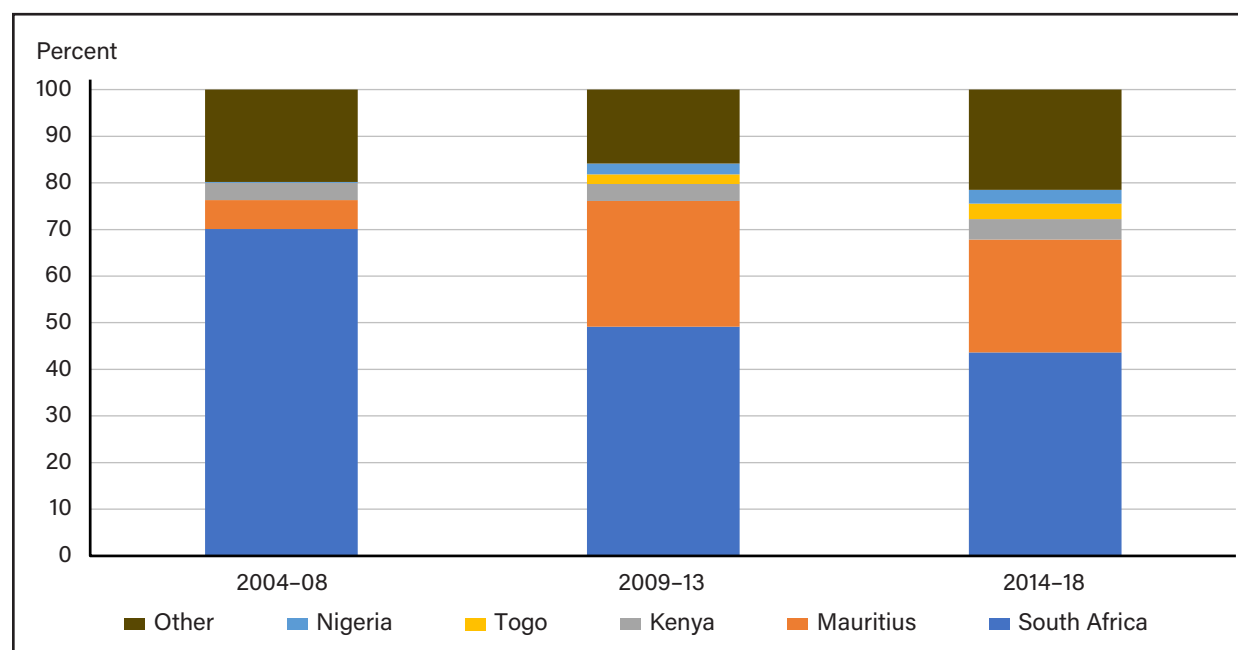
The emergence of cross-border investment flows originating in Africa is another trend. South Africa was traditionally the major source of intra-regional FDI flows, with FDI stock in other African countries growing from \$1.1 billion in 2001 (Isik and Yoshino, 2010) to an average of more than \$12 billion in 2004–08 and over \$34 billion in 2014–18 (table A2). Additionally, investment flows to countries in Africa tend to be more diversified across sectors (e.g., mining, agriculture, services, telecommunications) and targeted export-oriented business ventures, further deepening cross-border trade in the region (Isik and Yoshino, 2010). In 2018, the five largest hosts of South Africa's FDI stock in Africa included Mauritius, Mozambique, Ghana, Namibia, and Zimbabwe (World Bank Group, 2021a). Focusing on South Africa's intra-African investment flows, countries with higher incomes, larger labor forces, lower capital requirements, and lower taxes attracted higher FDI flows (African Development Bank, 2020).

In addition to South Africa, Mauritius recently became an increasingly important African source of FDI. Together, South Africa and Mauritius accounted for approximately two-thirds of average intra-African FDI stock (figure 7). However, Mauritius' favorable taxation policies on investment flows are likely a way to route funds from investors in third-party countries to other destinations in Africa. India, for example, receives a large share of FDI inflows from Mauritius that originate from multinationals registered in the UK, European Union (EU), or the United States (Jaiswal, 2017). For the same reason, foreign firms (including from India) may also invest in Africa through Mauritius.

Figure 7 also highlights the growing share of intra-African FDI. In 2004–08, 24 percent (\$5 billion annually) of intra-African FDI stocks originated outside of South Africa and Mauritius, rising to 31 percent (\$25 billion annually) in 2014–18. Of other African countries, Kenya, Togo, and Nigeria were the largest sources of intra-African FDI stocks.

Figure 7

#### Top African origin share of foreign direct investment stock in Africa, 2004–18



Notes: Shares calculated as 5-year period averages. The “Other” category contains all other countries in Africa contained in the World Bank Group Harmonized Bilateral FDI Database (2021a).

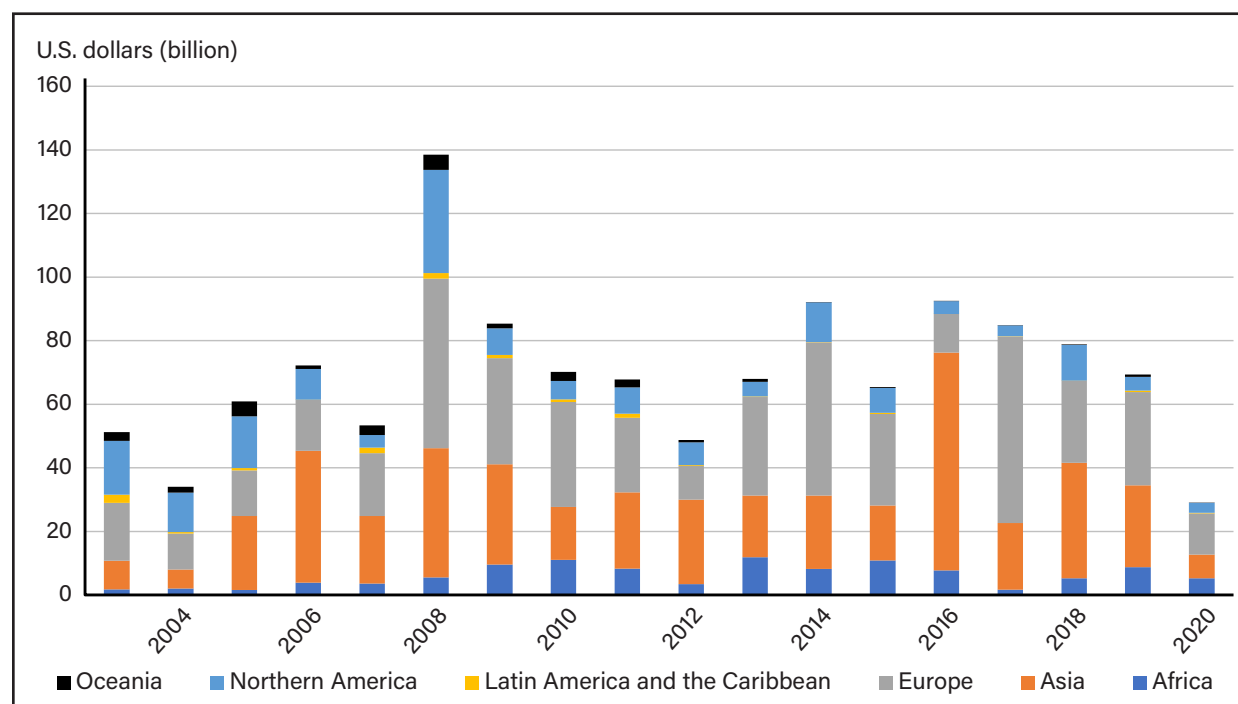
Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

## Delving Deeper into Industry Specific FDI

Which sectors and industries in Africa have been the largest FDI destinations? Figure 8 presents the total value of greenfield FDI announcements and openings in Africa by region of origin using data from fDi Markets (Financial Times Limited, 2021). Europe and Asia have been the largest sources of greenfield FDI in Africa over time, with Northern America and Africa representing smaller shares. Over 2003–20, the value of total greenfield FDI was relatively volatile, ranging from a high of \$139 billion in 2008 to a low of \$29 billion in 2020, likely associated with the Coronavirus (COVID-19) pandemic.<sup>8</sup> The increase in greenfield FDI in 2008 was primarily driven by energy investments coinciding with higher crude oil prices.

<sup>8</sup> The most recent United Nations Conference on Trade and Development World Investment Report (2021) noted that 2020 foreign direct investment flows to Africa fell by 16 percent, with greenfield project announcements falling even more dramatically.

Figure 8  
**Total greenfield investments in Africa, 2003–20**



Notes: Regions follow the United Nations definitions, breaking out the Americas by subregion. Totals include estimated project-level investment values from fDi Markets.

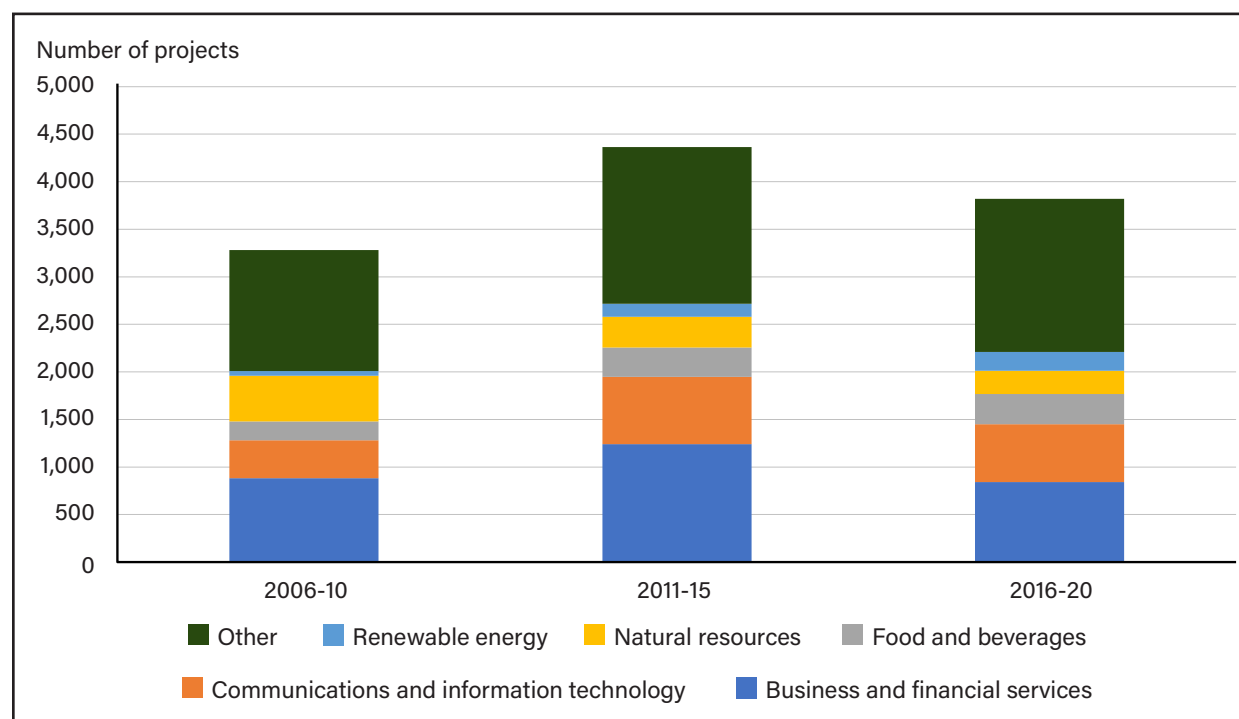
Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

Figures 9 and 10 summarize greenfield FDI in Africa by sector by the number of projects and the value of investments, respectively.<sup>9</sup> Industries related to natural resource extractions including mining, oil, and metals traditionally attracted a large share of greenfield FDI flows into Africa. Although these projects are relatively few, they represent large capital inflows and account for a large share of total greenfield investment. From 2006–10, 480 projects in the natural resources sector in Africa accounted for \$197 billion or 47 percent of total announced and opened greenfield investment. However, greenfield FDI into extractive industries is declining and, from 2016–20, accounted for \$109 billion or 31 percent of greenfield investment. Over the same period, investment in other sectors grew, including in renewable energy, which increased from 2 percent in 2006–10 to 8 percent of greenfield FDI in 2016–20. The food and beverages sector consistently attracted 3–5 percent of greenfield FDI, with investments totaling \$14 billion over 2016–20. The food and beverages sector includes agribusiness investments in crop production, grain marketing, and retail. Also, communications and information technologies investments were relatively stable over time, increasing from \$21 billion in 2006–10 to \$22 billion in 2016–20.

<sup>9</sup> Figures 9 and 10 aggregate several closely related sectors from fDi Markets, Financial Times Limited (2021). For example, business services and financial services sectors are combined into one group. Additionally, coal, oil, and gas are combined with the metals and minerals sectors to create the “natural resources” group. The communications and information technology group comprises greenfield projects in communications, software, and IT services. Food and beverages, as well as renewable energy, use the fDi Markets coding. All other fDi Markets sectors are grouped in the “Other” category, including, among others, investments related to real estate, transportation and warehousing, chemicals, and building materials.

Figure 9

### Number of greenfield foreign direct investment projects in Africa, by sector, 2006–20

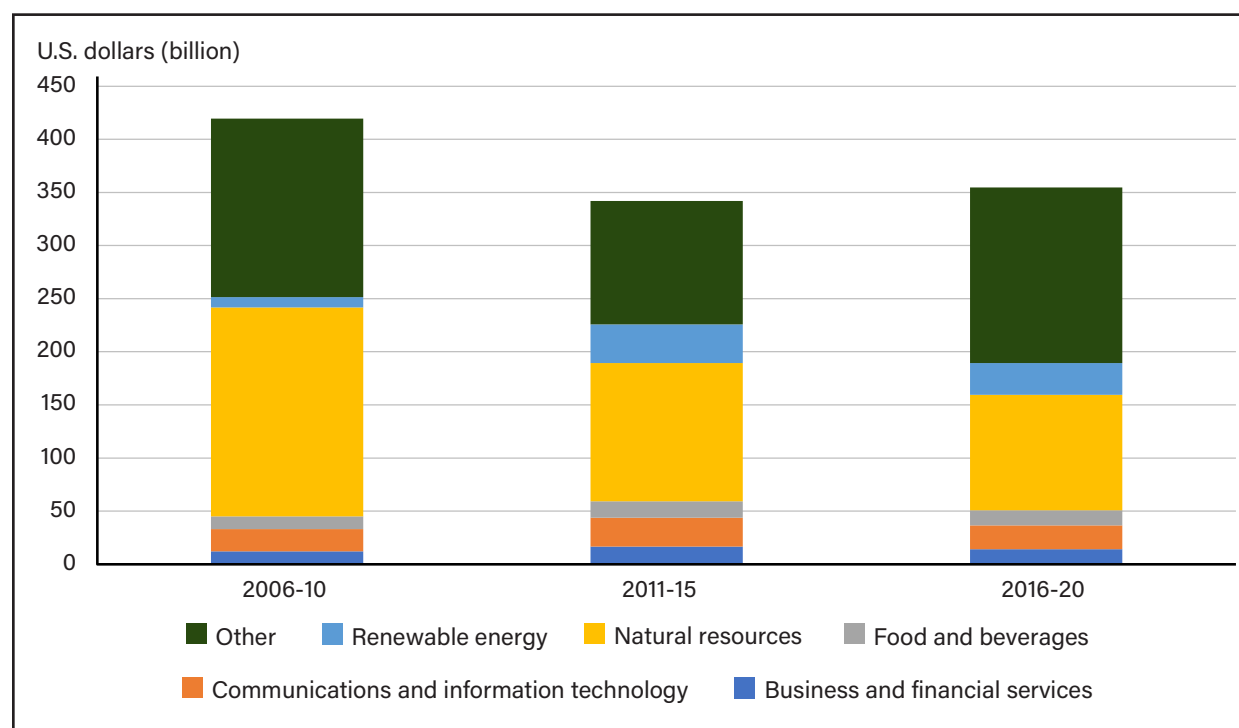


Notes: Project counts reflect 5-year period totals. Sectors defined by fDi Markets. "Other" includes real estate, transportation and warehousing, chemicals, and building materials.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

Figure 10

### Value of greenfield foreign direct investment in Africa, by sector, 2006–20



Notes: Values reflect 5-year period totals. Sectors defined by fDi Markets. Totals include estimated project-level investment values from fDi Markets. "Other" includes real estate, transportation and warehousing, chemicals, and building materials.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

Table 1 shows the major source of greenfield project investments over time in Africa. China is a leading source of greenfield FDI, amounting to more than \$71 billion during 2016–20, accounting for nearly 20 percent of total greenfield FDI. Russian investment was high during 2016–20 due to a one-time announced \$30 billion investment in 2017 for nuclear power generation in Egypt. Greenfield FDI announcements and openings became more concentrated among investors from the top 15 source countries over time (table 1). In 2006–10, these 15 countries represented nearly 58 percent of greenfield FDI announcements and openings in Africa; by 2016–20, this share rose to nearly 80 percent.

Table 1

**Total value of greenfield investment projects by origin, 2006–20**

Country	Total period investment U.S. dollars (billion)			Share of total greenfield foreign direct investment (percent)		
	2006–10	2011–15	2016–20	2006–10	2011–15	2016–20
China	17	19	71	4.1	5.7	19.9
Russia	5	3	33	1.1	0.8	9.2
UAE	48	20	24	11.5	5.8	6.8
United States	36	28	23	8.5	8.3	6.6
Italy	12	14	23	2.9	4.0	6.4
France	34	33	20	8.0	9.8	5.6
UK	46	25	16	11.0	7.4	4.6
Saudi Arabia	3	3	13	0.7	1.0	3.5
Germany	9	10	10	2.2	2.9	2.7
Hong Kong	1	5	9	0.1	1.5	2.6
Japan	7	5	9	1.7	1.4	2.5
Morocco	1	4	9	0.1	1.3	2.4
South Africa	14	16	8	3.3	4.8	2.4
Switzerland	11	7	7	2.6	2.1	2.1
Cyprus	0	0	6	0.0	0.0	1.8
Other	177	149	74	42.2	43.4	20.9
Total	420	342	355	100.0	100.0	100.0

UAE = United Arab Emirates. UK = United Kingdom.

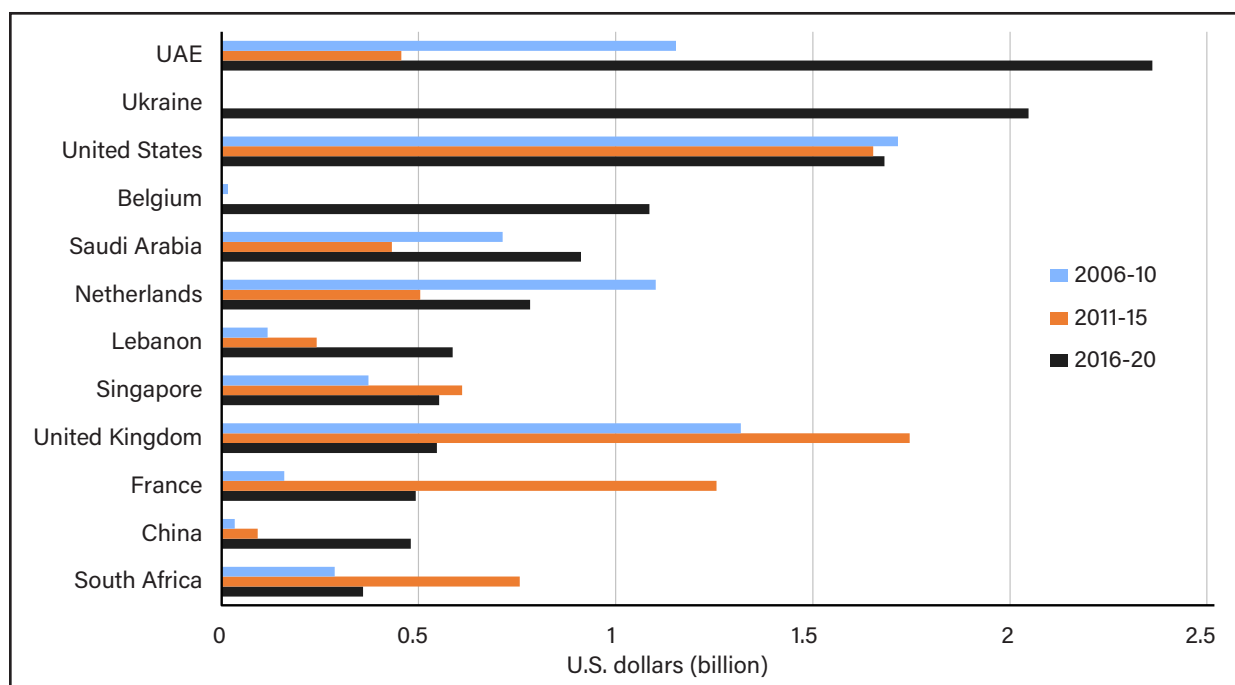
Note: All values are rounded. Totals may not add due to rounding.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

Investments in the food and beverage sector are important for several reasons. Many African countries rely heavily on agriculture as a key part of their economic development and food security strategies. Although FDI flows in the food and beverage sector are a small part of total greenfield FDI flows (3–5 percent), investment in the sector is one mechanism to establish and expand forward and backward linkages in agricultural value chains (United Nations Conference on Trade and Development, 2009). Backward linkages connect a firm or activity with actors earlier in the value chain (e.g., input suppliers), while forward linkages connect a firm or activity with actors closer to consumers in the value chain (e.g., retailers). AfCFTA trade and investment provisions may also help facilitate cross-border opportunities for production, processing, marketing, and wholesale/retail activities that benefit producers and consumers in the region.

Figure 11 presents total greenfield FDI flows in the food and beverage sector by country of origin. In 2016–20, the United Arab Emirates, Ukraine, the United States, and Belgium were the largest investors in this sector. United Arab Emirates (UAE) increased investment in the food sector, representing a large share of investments in crop production, food and beverage stores, and sugar and confectionery products (table A3). The lack of arable land and sufficient irrigation water domestically is one motivating factor behind UAE's investment in agriculture (United Nations Conference on Trade and Development, 2009). U.S. food and beverage greenfield FDI has been particularly consistent over time, ranging between \$1.5–2 billion during each 5-year period. Notably, China's greenfield FDI activity in this sector was relatively small compared with the United States, reaching just under \$500 million in 2016–20.

Figure 11

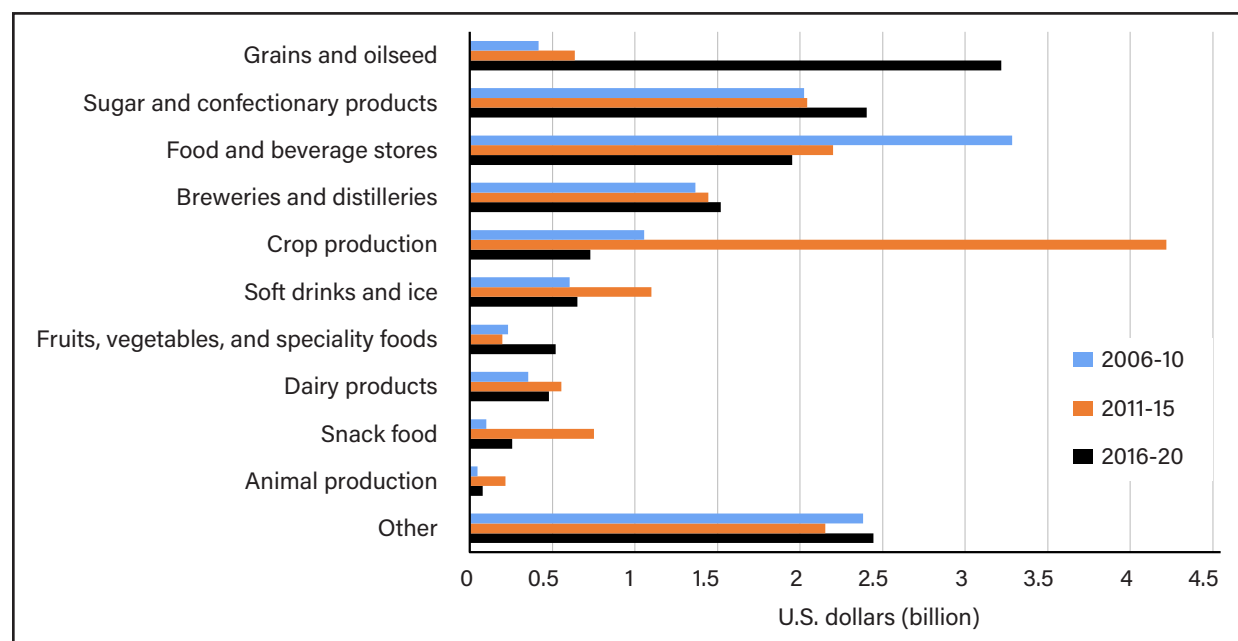
**Major sources of greenfield food and beverage foreign direct investment in Africa, 2006–20**

UAE = United Arab Emirates.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

Figure 12 shows food and beverage greenfield FDI in Africa by sub-sector. In 2016–20, the grains and oilseed sub-sector had the largest volume of investment, totaling over \$3 billion. Sugar and confectionery products followed at over \$2.4 billion and food and beverage stores at just under \$2 billion. Appendix table A3 provides additional details on the source and destination countries by food and beverage sub-sector. In the grains and oilseeds subsector from 2016–20, Ukraine and the United Arab Emirates were sources for 62 percent and 12 percent of greenfield FDI in Africa, respectively, while Egypt and Ethiopia were the destination of 69 percent and 16 percent, respectively, of announced investment in that subsector.

Figure 12

**Greenfield food and beverage foreign direct investment by sub-sector in Africa, 2006–20**

Note: Sub-sectors classified by fDi Markets.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

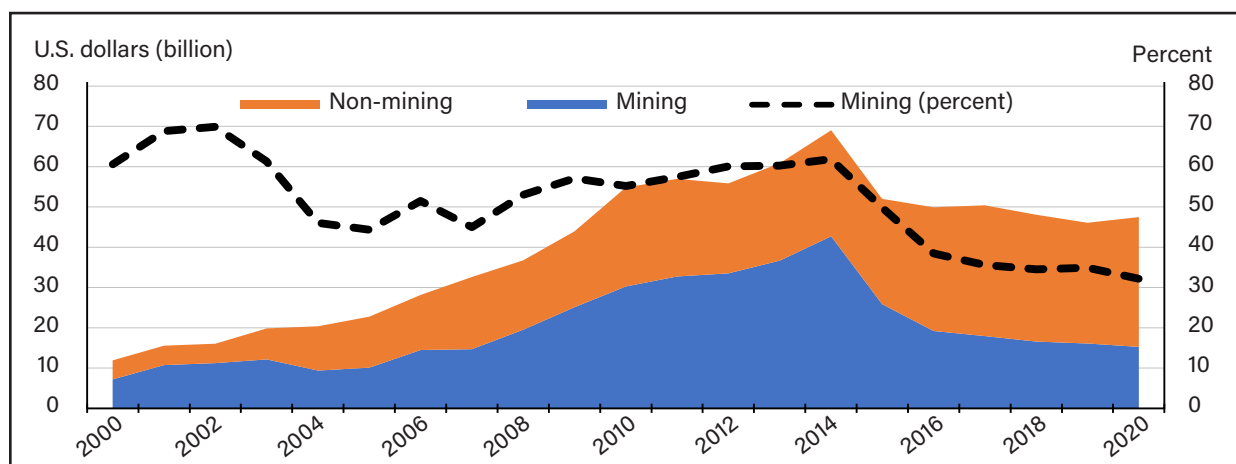
## Trends in U.S. FDI in Africa

This report also investigates U.S. direct investment positions in Africa to better understand where U.S. investors have taken positions relative to investors from other countries and what industries or sectors might present future AfCFTA opportunities. The cumulative value of U.S. direct investment positions abroad gradually increased over time, reaching over \$6 trillion in 2020. The largest U.S. investment positions are in Europe, which grew from nearly \$687 billion in 2000 to over \$3.6 trillion in 2020 (Bureau of Economic Analysis, 2021). Two other regions, Asia and the Pacific and Latin America and other Western Hemisphere countries, each accounted for more than \$960 billion of U.S. FDI positions in 2020. Canada is another important destination for U.S. FDI, with cumulative investment totaling more than \$422 billion in 2020.

Africa represented approximately 1 percent of total U.S. investment positions abroad from 2000–20, totaling just under \$48 billion in 2020. Despite these low levels relative to other regions, total U.S. investments in Africa increased over time in absolute terms, from \$12 billion in 2000 to as much as \$69 billion in 2014.

As figure 13 shows, U.S. investments in Africa were historically heavily concentrated in the mining sector; however, diversification has increased in recent years. While the share of total U.S. direct investment positions abroad in mining represented more than 50 percent of the value of total positions in Africa for much of 2000–14, it declined to 32 percent in 2020. Mining investments explain much of the decline in total U.S. direct investment in Africa between 2014 and 2020. The drop in investment in the African mining sector is largely due to a recent shift by U.S. investors to domestic sources of oil and gas reserves (United States International Trade Commission, 2020).

Figure 13  
**Total U.S. direct investments in Africa, 2000–20**

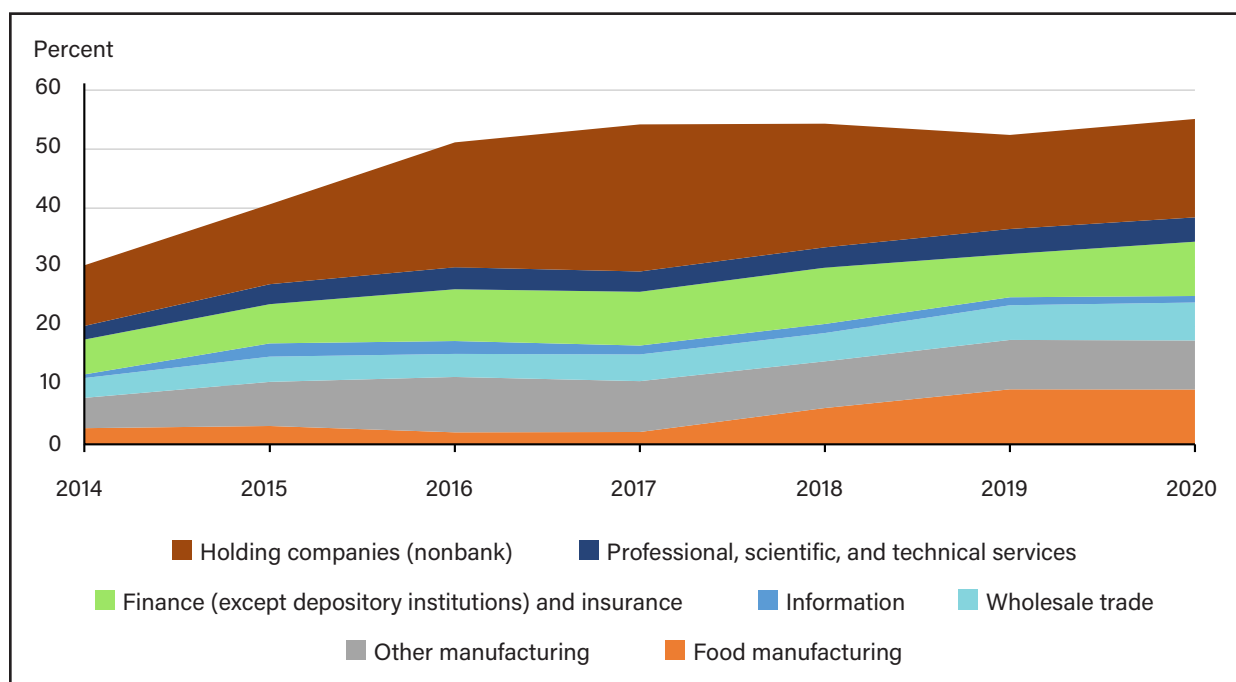


Notes: The orange and blue series reflect the levels of U.S. direct investment positions in Africa for non-mining and mining sectors (left axis). The dashed line reflects the share of U.S. direct positions in Africa in the mining sector (right axis).

Source: USDA, Economic Research Service using Bureau of Economic Analysis Balance of Payments and Direct Investment Position Data, 2021.

Investment in most sectors in Africa, besides mining, appears to have grown, increasing the shares of total U.S. investment positions in Africa (figure 14). For example, manufacturing investments in the food sector rose from less than 3 percent in 2014 to more than 9 percent by 2020 and slightly above the share for other manufacturing industries.

Figure 14  
**Non-mining shares of total U.S. direct investment positions in Africa, 2000–20**



Notes: Shares exclude U.S. investment positions in the mining sector in Africa. Some values of other industries (e.g., depository institutions) are not represented because the data are not available or have been suppressed to avoid disclosure of individual companies' data.

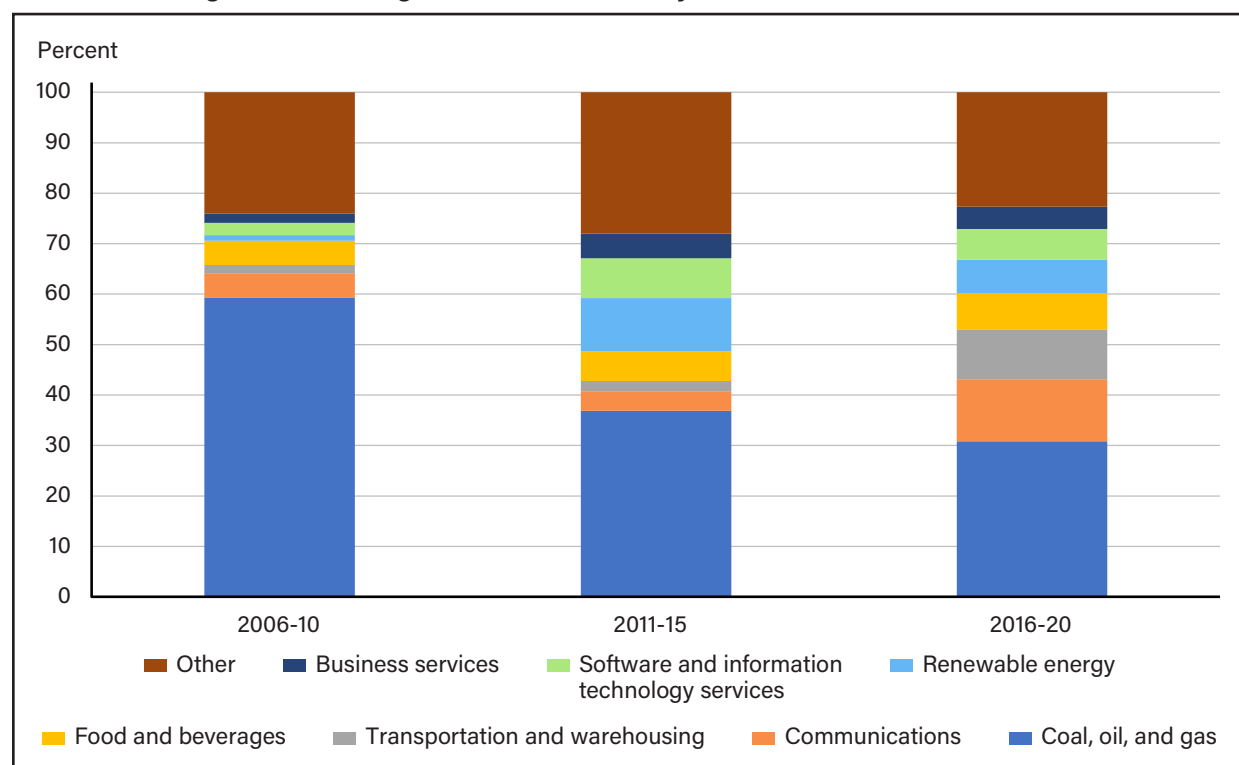
Source: USDA, Economic Research Service using Bureau of Economic Analysis Balance of Payments and Direct Investment Position Abroad Data, 2021.

Analysis of U.S. greenfield FDI in Africa by industry shows declining U.S. investments in extractive industries. Figure 15 illustrates the declining share of total U.S. greenfield investments in the coal, oil, and gas sector; while still significant, its share declined from an average of 60 percent between 2006 and 2010 to 31 percent in 2016–20.

In contrast to coal, oil, and gas, new greenfield investments in the food and beverage sector attracted a rising share of U.S. FDI investments, from just under 5 percent in 2006–10 to more than 7 percent in 2016–20 (figure 15). The United States has been a consistent investor in the African food and beverage sector (figure 11). Relatively high levels of historic investment suggest that U.S. firms and investors may have a competitive advantage in the food and beverage sector to build on existing capital investments should AfCFTA further expand investment opportunities.

Figure 15

**Percent of U.S. greenfield foreign direct investment by sector in Africa, 2006–20**



Notes: Shares calculated as 5-year period averages. Totals include estimated project-level investment values from fDi Markets.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

The top destinations for new U.S. greenfield FDI in 2016–20 were Ethiopia (\$4.6 billion), South Africa (\$3.4 billion), and Nigeria (\$3 billion). This is consistent with global patterns of investing in the top growth markets in Africa. Table 2 aggregates all announced and opened greenfield FDI projects by 5-year periods. In the food and beverages sector, the largest recipients of announced and opened U.S greenfield investment in 2016–20 were South Africa (\$460 million), Egypt (\$450 million), Kenya (\$220 million), and Ethiopia (\$210 million).

Table 2

**U.S. greenfield foreign direct investment to Africa by country of destination, 2006–20**

Total U.S. greenfield FDI U.S. dollars (billion)					Total U.S. greenfield food and beverage FDI U.S. dollars (billion)				
Rank		2006–10	2011–15	2016–20	Rank		2006–10	2011–15	2016–20
1	Ethiopia	0.71	0.20	4.56	1	South Africa	0.03	0.27	0.46
2	South Africa	5.11	4.55	3.38	2	Egypt	0.87	0.15	0.45
3	Nigeria	3.54	3.82	2.96	3	Kenya	0.08	0.18	0.22
4	Mozambique	0.14	0.30	2.88	4	Ethiopia	0.16	0.00	0.21
5	Morocco	1.22	1.16	2.24	5	Cote d'Ivoire	0.02	0.01	0.10
6	Kenya	0.19	1.47	1.27	6	Ghana	0.18	0.06	0.06
7	Egypt	3.98	1.58	1.06	7	Zimbabwe	0.00	0.00	0.05
8	Libya	0.58	0.03	1.02	8	Eswatini	0.00	0.00	0.05
9	Uganda	0.03	0.09	0.62	9	Nigeria	0.00	0.16	0.04
10	Rwanda	0.01	0.20	0.53	10	Zambia	0.00	0.10	0.04

FDI = foreign direct investment.

Notes: Values calculated as 5-year period totals. All values are rounded. Totals include estimated project-level investment values from fDi Markets. Sectors defined by fDi Markets.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

Within the food sector, key target investment industries for U.S. firms include soft drinks and ice, sugar and confectionery products, grains and oil seeds, and snack foods (appendix table A4).

Considering the relatively high share of U.S. FDI flowing into the food and beverages sector, U.S. firms may be strategically positioned to increase investment and pursue new market opportunities under AfCFTA. Awokuse and Reardon (2018) noted that new agri-food investments in Africa may benefit from growing demand for dietary diversity (including meat, fish, dairy, and produce) and processed foods. Meanwhile, costs to operate may be declining due to urbanization and improved infrastructure. Over 2016–20, only a few countries accounted for the bulk of new U.S. greenfield investments in the food sector—South Africa, Egypt, Kenya, and Ethiopia.

AfCFTA has the potential to further expand market access to allow U.S. firms to sell products in the host country as well as to export to the broader AfCFTA market. Because AfCFTA harmonizes regulations and standards across markets, the costs of doing business and exporting to AfCFTA countries may further decline. However, it is important to note that U.S. firms will likely face increased competition in all sectors from investors in other regions (e.g., Europe and Asia). During early waves of FDI, investment by one European firm was often quickly followed by an influx of other firms, suggesting that early investor signaling may occur again (Awokuse and Reardon, 2018).

## Conclusion

While Africa has represented a small share of global foreign direct investment (FDI), aggregate investments increased with recent changes in the sources of investment and the country and sectoral destinations of new investments. Given increased attention to FDI due to AfCFTA negotiations, investors may soon find investment opportunities in Africa with expanded market sizes and potentially new agreements related to investments, competition, and intellectual property. For agriculture and agri-business, AfCFTA may present opportunities for deepening agricultural value chains and new opportunities for agri-food investments from input markets to retailing across borders.

Results from the assessment of the data on FDI flows and stock highlight important emerging trends in Africa:

- Africa's share of global FDI has been low and stagnant over time. African FDI inflows averaged 3 percent of the global total between 2014 and 2018 and 2 percent in terms of inward FDI stock. European investors remain the most important source of FDI stock in Africa. However, FDI inflows from Asia are increasing.
- FDI in Africa was concentrated among two sub-regions: Northern Africa and Southern Africa. Together, these subregions accounted for almost 80 percent of Africa's total inward FDI flows (average \$25 billion per year) and almost 60 percent of total inward FDI stocks (average \$111 billion per year) in 2004–08. However, FDI flows in Eastern Africa increased from an average of \$4 billion annually in 2004–08 to \$32 billion annually in 2014–18, and average FDI flows in Western Africa increased from \$2 billion per year to \$9 billion per year.
- Among the top 30 African destinations for FDI, the 4 countries with the largest average annual FDI stock values are Mauritius, South Africa, Nigeria, and Egypt. Together they accounted for nearly 65 percent of FDI stock on the continent in 2014–18.
- Intra-African investment is an increasingly important source of FDI that may be enhanced under AfCFTA. Investors in South Africa, Mauritius, Kenya, Togo, and Nigeria accounted for more than 75 percent of intra-Africa FDI in 2014–18. However, investment funds from Mauritius may be channeled from third parties due to the country's favorable taxation policies.
- Industries related to natural resource extractions, including mining, oil, and metals, traditionally attracted a large share of greenfield FDI flows into Africa. From 2006–10, 480 projects in the natural resources sector accounted for \$197 billion or 47 percent of greenfield investment. However, greenfield FDI into extractive industries declined and, from 2016–20, accounted for \$109 billion or 31 percent of total greenfield investment.
- China is a leading source of greenfield FDI in Africa, investing more than \$71 billion from 2016–20. Russian investment was high during 2016–20 due to a one-time \$30 billion investment in 2017 for nuclear power generation in Egypt. U.S. investment was the fourth leading source of African greenfield FDI in 2016–20, totaling \$23 billion. Fifteen countries represented nearly 80 percent of greenfield FDI announcements in Africa in 2016–20.
- Greenfield FDI in Africa's food and beverage sector is primarily from investors in the United Arab Emirates, Ukraine, and the United States. Sectors with the highest levels of investment included grains and oilseeds, sugar and confectionery products, and food and beverage stores.

- U.S. direct investments in Africa changed in composition over time, with new funds increasingly flowing to non-mining activities. Mining traditionally accounted for as much as 70 percent of total U.S. investment positions in Africa, but this share declined to 32 percent. This trend also holds true with new greenfield investment announcements by U.S. firms. The key food industries U.S. firms target for greenfield investments include soft drinks and ice, sugar and confectionery products, grains and oil seeds, and snack foods.

These findings have important implications for future U.S. investments in Africa. However, it is important to acknowledge that AfCFTA benefits will likely accrue to all firms seeking to invest in Africa or already invested there, not just those based in the United States or U.S. foreign affiliates.

As shown with Phase I negotiations, AfCFTA can provide an opportunity for African countries to deepen their regional integration and foster greater intra-Africa agricultural trade. Phase II negotiations may offer the same opportunities to increase intra-African investment and provide additional incentives to firms based in the United States and other countries. Expanded market access may provide U.S. firms with incentives to invest in the region to reach consumers across the continent, with more immediate benefits to foreign affiliates already operating in Africa. Additionally, AfCFTA may provide opportunities for a reallocation of current FDI investments to lower costs. For example, firms may relocate production activities across AfCFTA countries to take advantage of lower input costs, more specialized labor markets, or specific transportation infrastructure that could lower costs while still allowing firms to sell products in all member countries. AfCFTA could reduce transaction costs associated with vertical integration within a firm operating across borders. Regulatory harmonization may reduce compliance costs for firms operating in multiple African markets.

The ongoing shift in intra-Africa agricultural trade toward higher value consumer goods creates opportunities for U.S. and other external investment partners to help meet Africa's rapidly growing demand for higher value goods. Opportunities for investments in agri-food processing and food retail industries are emerging on the continent. Growth is evident in FDI stock in food and beverages, communications, and renewable energy, among other sectors. If regulations and standards for trade and investments are streamlined across countries, this could reduce regulatory compliance costs for firms already operating in Africa, in addition to benefits for foreign affiliates from reduced tariffs. Although we find some evidence that the United States has been investing more heavily in the food and beverage sector compared with other countries, the benefits of AfCFTA could generate increased competition for U.S. investors in all sectors.

As AfCFTA implementation continues to develop, understanding how the opportunities for FDI, especially in food and agriculture sectors, will be shaped by expanding market access and regulatory harmonization will remain an important issue. As AfCFTA Phase II negotiations on investment, competition, and intellectual property continue to develop, more research is needed to understand how provisions of any agreement will shape or change future investment trends.

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## Appendix: Additional Tables

Table A1

### Top 30 African countries by value of foreign direct investment stock, 2014–18

Country	Average annual FDI stock U.S. dollars (billion)			Average share of African FDI stock (percent)		
	2004–08	2009–13	2014–18	2004–08	2009–13	2014–18
Mauritius	19.5	88.1	219.6	10.4	19.4	29.9
South Africa	55.8	75.7	113.8	29.9	16.6	15.5
Nigeria	17.9	55.4	89.8	9.6	12.2	12.2
Egypt.	15.6	49.6	52.6	8.4	10.9	7.2
Morocco	20.7	26.9	30.9	11.1	5.9	4.2
Angola	8.8	28.4	27.6	4.7	6.2	3.8
Mozambique	1.5	8.6	26.5	0.8	1.9	3.6
Algeria	9.6	18.2	23.7	5.1	4.0	3.2
Zambia	2.4	10.0	17.0	1.3	2.2	2.3
Ghana	1.1	9.6	10.9	0.6	2.1	1.5
Tanzania	4.1	8.6	9.4	2.2	1.9	1.3
Uganda	1.6	4.8	8.7	0.9	1.1	1.2
Liberia	2.3	9.8	8.6	1.3	2.2	1.2
Libya	3.2	6.3	8.6	1.7	1.4	1.2
Kenya	1.4	4.0	7.7	0.7	0.9	1.1
Congo, Rep.	2.3	6.6	6.8	1.3	1.4	0.9
Congo, Dem. Rep.	0.1	2.4	6.5	0.1	0.5	0.9
Côte d'Ivoire	1.3	3.0	6.5	0.7	0.7	0.9
Tunisia	1.7	4.3	6.3	0.9	0.9	0.9
Senegal	1.0	2.4	5.0	0.6	0.5	0.7
Zimbabwe	0.4	1.8	4.4	0.2	0.4	0.6
Botswana	0.4	1.3	3.4	0.2	0.3	0.5
Namibia	3.9	5.9	3.3	2.1	1.3	0.5
Gabon	2.3	3.9	3.3	1.2	0.9	0.4
Mali	0.1	1.5	2.9	0.1	0.3	0.4
Madagascar	1.2	3.2	2.5	0.6	0.7	0.3
Niger	0.1	0.8	2.4	0.1	0.2	0.3
Burkina Faso	0.3	0.9	2.3	0.2	0.2	0.3
Ethiopia	0.2	0.8	2.3	0.1	0.2	0.3
Togo	0.0	0.6	2.2	0.0	0.1	0.3
Other	5.8	12.0	18.7	3.1	2.6	2.5
Total	186.7	455.4	734.1	100.0	100.0	100.0

FDI = foreign direct investment.

Notes: Values are in nominal terms and are rounded. Totals may not add due to rounding. Includes tax havens identified in World Bank (2021a).

Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

Table A2.

**Top 30 sources of foreign direct investment stock in Africa, 2014–18**

Country	Average annual FDI stock in Africa U.S. dollars (billion)			Average share of African FDI stock (percent)		
	2004–08	2009–13	2014–18	2004–08	2009–13	2014–18
Netherlands	11.0	42.9	118.3	5.9	9.4	16.1
France	27.4	55.4	59.3	14.7	12.2	8.1
Cayman Islands	0.0	13.7	47.1	0.0	3.0	6.4
United States	27.3	51.3	44.0	14.6	11.3	6.0
United Kingdom	32.1	38.9	42.2	17.2	8.5	5.8
China	3.5	17.3	39.3	1.9	3.8	5.3
South Africa	12.5	21.2	34.8	6.7	4.7	4.7
India	0.8	12.6	31.0	0.4	2.8	4.2
Singapore	10.6	17.9	24.5	5.7	3.9	3.3
United Arab Emirates	1.4	5.3	24.2	0.8	1.2	3.3
Italy	4.7	13.7	24.0	2.5	3.0	3.3
Bermuda	0.9	9.7	19.4	0.5	2.1	2.6
Mauritius	1.1	11.6	19.3	0.6	2.6	2.6
Hong Kong SAR, China	0.4	9.8	18.7	0.2	2.2	2.5
Luxembourg	0.7	11.5	17.4	0.4	2.5	2.4
British Virgin Islands	0.1	4.2	15.7	0.1	0.9	2.1
Germany	7.1	10.6	11.0	3.8	2.3	1.5
Switzerland	6.3	9.2	10.3	3.4	2.0	1.4
Malaysia	1.4	5.8	8.7	0.7	1.3	1.2
Japan	1.8	3.2	8.5	1.0	0.7	1.2
Canada	2.7	5.0	8.3	1.5	1.1	1.1
Portugal	3.0	6.1	8.0	1.6	1.3	1.1
Jersey	0.0	0.5	6.8	0.0	0.1	0.9
Norway	7.6	9.3	6.4	4.0	2.0	0.9
Spain	6.6	7.9	6.0	3.5	1.7	0.8
Australia	0.9	7.7	5.0	0.5	1.7	0.7
Kuwait	0.5	5.3	4.4	0.3	1.2	0.6
Thailand	0.4	2.3	4.4	0.2	0.5	0.6
Kenya	0.7	1.6	3.5	0.4	0.3	0.5
Sweden	1.8	2.8	3.4	1.0	0.6	0.5
Other	11.6	41.2	60.0	6.2	9.0	8.2
Total	186.7	455.4	734.1	100.0	100.0	100.0

FDI = foreign direct investment. SAR = Special Administrative Region.

Notes: Values are in nominal terms and are rounded. Totals may not add due to rounding. Includes tax havens identified in World Bank (2021a).

Source: USDA, Economic Research Service calculations using World Bank Group Harmonized Bilateral FDI Database (2021a).

Table A3

**Total greenfield foreign direct investment in food and beverages sub-sectors, 2006–20**

Food and beverage sub-sectors	Total greenfield FDI U.S. dollars (billion)			Share (percent)			Top 5 countries 2016–20 (percent)	
	2006–10	2011–15	2016–20	2006–10	2011–15	2016–20	Source	Host
Animal food	0.05	0.20	0.65	0.4	1.3	4.6	China (26.0), Singapore (23.0), Netherlands (13.1), Denmark (9.2), France (7.0)	Nigeria (33.3), Kenya (21.7), Egypt (18.4), Uganda (7.7), Rwanda (7.4)
Breweries and distilleries	1.36	1.44	1.52	11.5	9.3	10.7	Belgium (51.2), Netherlands (28.3), United Kingdom (14.9), France (5.2), Ghana (0.3)	South Africa (21.4), Nigeria (20.9), Mozambique (19.8), Kenya (13.0), Tanzania (7.4)
Crop production	1.06	4.22	0.73	8.9	27.2	5.1	UAE (40.0), Israel (12.4), Netherlands (10.9), Hong Kong (9.1), United States (6.1)	Sudan (30.9), Nigeria (18.3), Zambia (16.0), Zimbabwe (10.7), Egypt (7.1)
Dairy products	0.35	0.55	0.48	3.0	3.6	3.4	Denmark (23.2), Poland (17.4), France (15.3), Saudi Arabia (11.8), Netherlands (11.3)	Nigeria (29.9), Egypt (29.2), Libya (10.0), Cote d'Ivoire (5.8), Ghana (5.7)
Food and beverage stores	3.29	2.20	1.95	27.7	14.2	13.7	UAE (31.8), Saudi Arabia (24.0), Lebanon (18.0), South Africa (10.5), Botswana (8.7)	Egypt (66.9), Kenya (8.0), Nigeria (4.1), Zambia (4.0), Zimbabwe (3.0)
Grains and oilseed	0.42	0.64	3.22	3.5	4.1	22.6	Ukraine (62.2), UAE (12.3), Saudi Arabia (5.5), United States (5.0), Singapore (4.0)	Egypt (69.2), Ethiopia (16.3), South Africa (2.9), Nigeria (2.1), Gabon (1.5)
Other	2.61	2.36	2.39	22.0	15.2	16.8	United States (19.2), Singapore (10.5), Spain (9.2), Belgium (8.6), United Kingdom (6.7)	South Africa (18.9), Egypt (17.4), Ethiopia (10.9), Lesotho (10.5), Nigeria (9.5)
Snack food	0.10	0.75	0.25	0.8	4.8	1.8	United States (39.8), Israel (19.7), China (15.4), Vietnam (11.7), Egypt (7.8)	Cote d'Ivoire (31.4), Es-swantini (18.8), South Africa (15.4), Nigeria (14.7), Morocco (7.8)
Soft drinks and ice	0.60	1.10	0.65	5.1	7.1	4.6	United States (68.2), Switzerland (17.1), United Kingdom (10.4), India (3.1), France (0.9)	Ethiopia (42.0), Kenya (27.2), Nigeria (14.2), Zimbabwe (6.9), Ghana (5.7)
Sugar and confectionery products	2.02	2.04	2.40	17.1	13.2	16.9	UAE (43.7), United States (16.9), Lebanon (9.8), China (4.2), Switzerland (2.9)	Egypt (67.9), Cote d'Ivoire (11.9), Ghana (5.9), Mozambique (3.1), Nigeria (2.8)
Total	11.86	15.51	14.25	100.0	100.0	100.0		

FDI = foreign direct investment.

Notes: Values are rounded. Totals may not add due to rounding. Total greenfield FDI represent 5-year period totals.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).

Table A4

**U.S. greenfield investments in Africa by food and beverage sub-sector, 2011–20**

Food and beverage subsectors	Period totals U.S. dollars (billion)		Shares (percent)	
	2011–15	2016–20	2011–15	2016–20
Soft drinks and ice	0.30	0.44	18.2	26.4
Sugar and confectionery products	0.26	0.41	15.6	24.2
Grains and oilseed	0.20	0.16	12.4	9.6
Snack food	0.16	0.10	9.5	6.0
Crop production	0.43	0.04	25.9	2.6
Animal food	0.01	0.04	0.8	2.1
Food and beverage Stores	0.02	0.03	1.2	1.6
Tobacco	0.20	0.01	12.1	0.8
Other	0.07	0.45	4.4	26.6

Note: Total greenfield foreign direct investment represents 5-year period totals.

Source: USDA, Economic Research Service calculations using data provided by fDi Markets, Financial Times Limited (2021).