



AFRICA INSIGHTS

Continental & Regional Trends



"Africa is increasingly moving more into the global limelight as a promising investment destination."

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AFRICA MACRO TRENDS

According to the World Economic Forum, seven of the 10 fastest-growing national economies in the world are in Africa and the continent is increasingly moving more into the global limelight as a promising investment destination – despite preconceived risks of investing in turbulent times.

With this report Inavit IQ , in cooperation with NABC's Africa Insights Desk, shares continental and regional trends to inform and inspire businesses to access Africa's markets. This report will give an overview of the most important actual trends in Africa. It will be supplemented by publications that focus on trends and businesses active in the most important sectors in Africa: Agribusiness, Water, Logistics, Energy, Finance, ICT & Health.

POLITICAL

BUILDING THE NEW MULTILATERISM:

Since 2015, Africa received the global attention it deserved at top-level international meetings on financing for development, new global development goals and climate change. At these meetings, governments across the world showed they could look beyond their own borders. 2018 is now about full and fair implementation. Citizens will play a key role by holding their leaders to account against the targets they have set themselves (World Economic Forum, 2015b).

REGIONAL INTEGRATION:

Intra-African trade mainly connects with former colonial ports which export to other continents, with vertical connections to the interior but very limited connections between the various African export production hubs. At around 16%, Africa has the lowest level of regional trade globally. Yet, Africa's national markets are becoming regional markets. The signing of the "Continental Free Trade Area" (CFTA) signified this trend. The pact will eliminate tariffs on 90% of products, liberalise services and reduce non-tariff barriers. Additionally, more African regional entrepreneurs are investing in and trading with multiple African countries.



Some are skeptical and doubt the benefits of CFTA will come to fruition, since basic conditions for flourishing regional free trade are lacking, such as proper infrastructure, smooth border controls and good governance.

Regional integration and growing regional trade will create opportunities for Dutch & African entrepreneurs alike since it will make trading easier. Local offices will develop into regional establishments. Additionally, international organisations are pivoting their strategies to a more regional approach.

NABC has developed the **Francophone Africa Business Forum** which connects 150 Entrepreneurs from Francophone Africa to business opportunities in the Netherlands. The entrepreneurs travel to the Netherlands for a week-long business development programme, participating in trade fairs such as the VIV MEA and FAB Forum. The programme actively connects them with Dutch companies for personal matchmaking and networking. Consult www.fabforum.eu for more information.

THRIVING GLOBAL INFLUENCE:

Africa's dynamism, voice and presence will increase across international arenas. Africans, especially the millions of youth, will continue to explore novel opportunities related to booming new technologies (Kende-Robb, 2016). As a result, many African countries will find themselves at the forefront of global innovation across many sectors including technology, creative and cultural industries, and sports.

PRIVATE SECTOR MOMENTUM TOWARDS ACHIEVING GLOBAL CLIMATE TARGETS:

Rising greenhouses gas emissions are causing climate change and driving a complex mix of unpredictable changes to the environment while further taxing the resilience of natural and built systems. Achieving the right combination of adaptation and mitigation policies will be difficult for most governments, including those in Africa (WEF, 2015b). The private sector will emerge as a critical catalyst for achieving global climate targets, especially ensuring that carbon emissions peak within the next five to ten years (Kende-Robb, 2016). Consequently, 2018 will see more decision-makers and CEOs demanding a carbon price. With its growing population, increasing consumer demand, and massive infrastructure needs, Africa is ideally placed to benefit from this new catalytic private sector.

ENERGY LEAPFROG:

Over the last year, the political ambition across Africa to radically transform the energy sector has increased substantially. The global context is also shifting in the light of the United Nation's 21st Conference of the Parties (COP 21). 2018 will see greater global and regional political engagement on Africa's energy access according to Kende-Robb (2016). The African Development Bank's New Deal on Energy for Africa will encourage a broad coalition to seize the momentum of 2015 and achieve quick wins by 2020 (Kende-Robb, 2016). Key partners include the United Kingdom's (UK) Department of International Development and USAID's Power Africa.

NATURAL ENVIRONMENT

RESOURCES STRESS AND INCLUSIVE PROSPERITY:

The combined pressures of population growth, economic growth and climate change will place increased stress on essential natural resources (including water, good arable land and energy). These issues will place sustainable resource management at the centre of government agendas. The World Economic Forum (2015b) suggests that although there is significant potential strength and inclusive prosperity to be gained from unity and integration, to achieve this, a consolidated approach should be taken to the design of Africa's governance architecture.

However, the level of compliance and implementation of African shared values as elaborated on by the African Union (AU) and the Regional Economic Community (REC) is a key concern, as is the engagement and participation of African citizens in continental and national initiatives to strengthen and consolidate democracy (World Economic Forum 2015b). The African Union is currently producing a long-term development strategy, Agenda 2063 which identifies a democratic deficit and weak governance as root causes of conflict and impediments to sustainable African development. The World Economic Forum (2015b) notes that strong political leadership is fundamental and essential in re-imagining Africa's future towards a prosperous future for all Africans.



Research rich African economies face a threat from falling commodity prices. But may also offer some economies the opportunity to diversify. Public debt is expected to operate as a significant constraint until beyond 2030.

ECONOMIC

FALLING COMMODITY PRICES DRIVE DIVERSIFICATION:

Resource-rich African economies such as Angola, Nigeria, Ghana and Zambia face a serious threat from falling or volatile commodity prices. These countries need to find alternative sources of finance. China will continue to be a key player in this respect, and, India will be a strong competitor.

According to Kende-Robb (2016) falling commodity prices may also offer some African countries the opportunity to diversify their economies and cut fuel subsidies that have exacerbated inequality.

To support the diversification process, NABC actively sets up consortia of Dutch agribusinesses which supply the technology needed to achieve this diversification ambitions. For example, the **Dutch Africa Poultry Platform (DAPP)** Consortium.

The DAPP collectively explores poultry business opportunities and market entry points in Africa. The NABC is the coordinator and secretariat of this platform and acts as the main contact point for both Dutch and African stakeholders keen on investments or business in the poultry sector in Africa. In addition to facilitating and coordinating platform activities NABC also informs, inspires, catalyzes and connects poultry sector stakeholders keen on doing business, investing or trading with African companies. For more information, contact Daphne Meijer -Willems. To support the diversification process, NABC actively sets up consortia of Dutch agribusinesses which supply the technology needed to achieve this diversification ambitions. For example, the 'Dutch Africa Poultry Platform' (DAPP) Consortium.

AFRICA'S GREEN AND BLUE REVOLUTIONS:

For many countries, the narrative about falling and volatile commodity prices will transform into a story about Africa's green and blue revolutions: to diversify their economies, these countries will focus more on agriculture and fisheries. African farming will no longer be a development problem but an exciting business opportunity. Smallholder farmers across Africa have an unrivaled capacity for resilience and innovation and could feed rapidly growing urban populations and generate exports to meet demand in global markets. Kende-Robb (2016), suggests Africa's US\$35 billion annual food import bill will require measures to cut tariffs and non-tariff barriers to regional trade, eliminate transport cartels, and develop marketing infrastructure. Increased investment in infrastructure and research will begin to dramatically raise farmers' yields and incomes.

NABC supports a programme developed by SNV and the WUR called **HortiFresh** that promotes the engagement of Dutch companies in the horticulture sector in Ghana, Côte d'Ivoire and Burkina Faso. The program is a continuation of a capacity building project called 'GhanaVeg' and a prime example of how the sector has become a viable market for the Dutch private sector. The program is based on the needs formulated by African horti-entrepreneurs. Activities include personal matchmaking, setting up a HortiFresh database and low-cost market exposure and import promotion through multiple trade missions. Additionally, investment support for participating companies will be provided. See www.ghanaveg.com for more information.

FINANCING FORWARD:

A lack of available finance continues to be a key constraint for Africa. But 2018 will see significant investments as big finance moves to tap the potential of the 80% of citizens who are excluded from the financial system (World Economic Forum, 2015b). Mobile technology will be pivotal in addressing this unmet demand. Local banks will begin to function more as "real" banks serving the demands of small and medium-sized enterprises, many of who are dynamic "agropreneurs." Mobilising domestic savings will be crucial. Pension funds will be increasingly seen as an essential and exciting means to provide long-term capital.

ECONOMIC INTERCONNECTEDNESS:

The interconnected global economy will see a continued increase in the levels of international trade and capital flows, but unless international conventions can be strengthened, progress and optimum economic benefits may not be realised.

PUBLIC DEBT:

Public debt is expected to operate as a significant constraint on fiscal and policy options through to 2030 and beyond. Governments' ability to bring debt under control and find new ways of delivering public services will affect their capacity to respond to major social, economic and environmental challenges (World Economic Forum, 2015c).

Economic power shifts: Emerging economies are lifting millions out of poverty while also exerting more influence on the global economy. According to the World Economic Forum (2015c) a re-balancing of global power, international institutions and national governments will need a greater focus on maintaining their transparency and inclusiveness.

SOCIAL

DEMOGRAPHICS:

Escalating birth rates and higher life expectancy are rapidly increasing the population of Africa where, according to the UNICEF Generation 2030 Africa report, the current 1 billion- plus populous is expected to double within the next 35 years and its under-18 population to increase by two thirds to almost 1 billion (Kende-Robb, 2016). Unless governments act quickly and collaborate with private and education sectors alike, the growing population is going to significantly intensify existing challenges in creating meaningful job opportunities to address youth unemployment in each market/ country. Related to unemployment levels; larger populations who will also live longer will continue to challenge social services and welfare systems (Kende-Robb, 2016).

MANAGING MIGRATION:

Out-migration from Africa will continue to feature on the international policy and news agendas. Kende-Robb (2016) contends that some African leaders will begin to tackle the underlying forces driving this trend in 2016. At the same time, the global dialogue related to the movement of people from Africa to Europe will start to shift from being a crisis to a potential win-win if managed more proactively (World Economic Forum, 2016a).

RISE OF THE INDIVIDUAL:

Advances in global education, health and technology have helped empower individuals as never before, leading to increased demands for transparency and participation in government and public decision-making. According to Kende- Robb (2016) these changes will continue and are ushering in a new era in human history in which, by 2022, more people, also those living in Africa, will be middle-class.

URBANISATION:

According to World Economic Forum (2015b) by 2030, more than 50% of the population of Africa will be living in cities and over 60% will be living in cities by 2050. Urbanisation is creating significant opportunities for social and economic development and more sustainable living but is also putting pressure on infrastructure and resources, particularly energy. According to the World Economic Forum (2015b), the pressures of these megatrends will necessitate numerous and varied changes by African governments.

Africa Works! 2018 Future African Cities will create a platform for the Dutch and African private sector, knowledge institutions and government to discuss opportunities that arise from this macro trend. High-profile participants will be eager to share their vision of the most efficient ways to build and power future African Cities. See www.africaworks.nl for more information.

TECHNOLOGY

FOURTH INDUSTRIAL REVOLUTION:

Significant investments will be made in new technologies led by the private sector and supported by the international community. As neatly described in Klaus Schwab’s book, *The Fourth Industrial Revolution*, it is the fusion of new technologies and their interaction across the physical, digital and biological domains that make a fourth industrial revolution fundamentally different from previous revolutions (Kende-Robb, 2016). Venture capital funds are ready and waiting to invest across Africa provided public and private partnerships are possible. In 2018, rapid technological changes have the potential to create new industries, reduce inequality and drive structural transformation (World Economic Forum, 2016e).



Significant investments will be made in new technologies. In 2016, rapid technological changes have the potential to create new industries, reduce inequality and drive structural transformation.

ENABLING TECHNOLOGY:

Information and communication technology (ICT) has transformed society in the past 30 years. A new wave of technological advances is creating novel opportunities as well as testing governments’ ability to harness their benefits to provide prudent oversight through regulatory mechanisms (World Economic Forum, 2016c).

IMPLICATIONS OF REGIONAL TRENDS: AFRICA

The following table summarises the potential implications of African regional trends.

REGIONAL TREND	IMPLICATIONS
Political/ Regulatory	<ul style="list-style-type: none">• Significant potential strength and inclusive prosperity can be gained from unity and integration provided that consolidated democratic governance architecture can be established through strong leadership.• Democratic deficit and weak governance are regarded as root causes of conflict and impediments to sustainable African development.• Citizens will play a key role in holding their leaders to account.• The African energy sector will be radically transformed through greater regional and political engagement and broad coalition also US and UK.• Africa’s presence at the forefront of global innovation will increase as millions of youth explore new opportunities related to booming technologies.

Natural Environment

- Africa is receiving growing global attention at top-level finance meetings with fair financing for development goals and climate change.
- The private sector will play a key role in achieving global climate change targets.
- The combined pressures of population growth, economic growth and climate change will place increased stress on essential natural resources (including water, good arable land and energy).

Economic

- The levels of international trade and capital flows will increase provided international conventions can be strengthened.
- Increased investment in infrastructure and research will begin to dramatically raise farmers' yields and incomes.
- Falling commodity prices may offer some African countries the opportunity to diversify their economies and thereby reduce inequalities.
- Resource-rich African economies such as Angola, Nigeria, Ghana and Zambia face a serious threat from falling commodity prices.
- 2016 will see significant investments as big finance shifts its focus to the 80% of citizens who are excluded from the financial system.
- The formal banking sector will develop to meet needs of small and medium-sized enterprises and "agropreneurs."
- Domestic savings and pension funds will be mobilised as a source of long-term capital.
- Public debt levels will significantly constraint fiscal and policy options, and the ability to respond socio-economic challenges through to 2030.
- African farming will no longer be seen as a development problem but as an exciting business opportunity.
- Empowered individuals will require national governments to place greater focus on maintaining their transparency and inclusiveness.

Social

- Population growth will result in challenges in respect of underemployment and youth unemployment in each market/country.
- Larger populations who will live longer will continue to challenge social services and welfare systems.
- Africa's current 1 billion-plus populace is expected to double within the next 35 years and its under-18 population to increase by two thirds to almost 1 billion.
- By 2022, more people, also those living in Africa, will be middle-class than poor.
- By 2030, more than 50% of the population of Africa will be living in cities and over 60% will be living in cities by 2050.

- Urbanisation is creating significant opportunities for social and economic development but is increasing pressure on infrastructure and resources, particularly energy.
- Movement of people from Africa to Europe will increasingly be seen as less of a crisis and more of a skills gain by developed economies.
- Out-migration from Africa will continue to feature on the international policy and news agendas.
- Some African leaders will begin to tackle the underlying forces driving out-migration.
- Empowerment of individuals will result in greater participation in government and public decision-making.

Technology

- Rapid technological developments can promote the development of new industries, reduce inequality and drive structural transformation through public-private partnerships.
- Technological advances will create novel opportunities as well as regulatory challenges.

Regional

- Top concerns include unemployment, energy prices, the failure of national governance (failure of rule of law, corruption, political deadlock) and the failure of critical infrastructure.



Pictures from NABC Insights Forum 2017, Rotterdam

CONCLUSION

According to the World Economic Forum, Africa's economic outlook is expected to bounce back to an annual GDP growth of 5%. As many countries in the region continue to improve their investment climate and undertake macroeconomic policy reforms, foreign direct investment flows are expected to grow. However, price volatility for globally traded commodities, job creation - especially for youth - and vulnerability to climate change continue to pose challenges. Thus, Africa's leaders need to pursue new approaches to ignite structural transformation.

According to Rosenberg (2016), relatively mature democracies Mauritius, Botswana, Namibia, and South Africa rank highly as a result of their comparatively sound political environments and strong human capital. East African markets perform well because their dependence on commodities is low and, as oil importers, they benefit from the low price of fuel. Francophone West African markets rank well because regional currencies are less volatile, as they are pegged to the Euro.

However, the past year has been difficult for many markets in Sub-Saharan Africa (SSA). Dramatic currency fluctuations, depressed prices on commodities such as oil and copper, and reduced demand from China and Europe (Africa's largest trade partners) have put pressure on the region's economies. While SSA was predicted to grow above 5% year-over-year in 2015 at the beginning of the year, actual GDP growth is more likely to come in at around 3-4% year-over-year. Growth in 2018 is unlikely to be much higher. South Africa, one of the region's more developed markets, remains resilient, growth will disappoint over the next few years as a result of poor governance, subdued demand for its exports, and a decaying power infrastructure (Rosenberg, 2016).



NORTH AFRICA FACT SHEET

According to the African Development Bank, the North African region has recovered strongly since the Arab Spring in 2010. Real GDP growth in 2017 was estimated at 4.9%, up from 3.3% in 2016. This is higher than the African average of 3.6% and second only to East Africa. The region would need to accelerate its current pace of growth by about 4% annually for the next 10 years in order to alleviate poverty and grow much-needed employment.

SUMMARY

Growth forecast

Economic growth of between 4,6% and 5% forecasted for 2018 and 2019.

Population size

230 million

Major contributing industries

- Services sector (45% of regional GDP)
- Industrial sector (46% of regional GDP)
- Agriculture (9% of regional GDP)

Opportunities

- Recovery of commodities and commodity prices.
- Growing revenues collected by governments.
- Increased opportunities for public-private partnerships.
- Increase in consumer demand.
- Growth in tourism opportunities.

Challenges

- Poverty and high unemployment, specifically amongst youth.
- Slow economic transformation.
- A rapid rise in inflation.
- Deterioration of public debt.
- Periodic terrorist activity, security and conflict.
- Deterioration of public services such as healthcare.
- Food security.



EAST AFRICA FACT SHEET

According to the African Development Bank Economic growth in East Africa is forecast to continue at around 5.9% in 2018 and 2019. The major driver of growth in the East African region remains agriculture, followed by industry sector that is currently experiencing strong growth at around 10%. This growth is mainly fuelled by an increase in household consumption, followed by public investment in infrastructure, mineral exploration, and construction.

SUMMARY

Growth forecast

Economic growth of between 5.5% and 5.9% forecasted for 2018 and 2019.

Population size

432 million

Major contributing industries

- Agriculture (41% of regional GDP)
- Industrial sector (39% of regional GDP)
- Services (12.5% of regional GDP)
- Manufacturing (7.5% of regional GDP)

Opportunities

- Public spending on infrastructure and construction.
- Mineral exploration and exploitation.
- Foreign direct investment in infrastructure and manufacturing.
- Strong domestic demand.
- Enhanced regional integration.
- Urbanization.
- Growth of information and communication technology penetration.

Challenges

- Poverty and high unemployment, specifically amongst youth.
- Slow economic transformation.
- A rapid rise in inflation.
- Political uncertainty.
- Access to finance by small and medium enterprises (90% of GDP contribution).
- Vocational and technical skills gap.
- Weak economic infrastructure.
- Limited transport and logistics infrastructure.
- Limited energy supply.



WEST AFRICA FACT SHEET

According to the African Development Bank, average GDP growth in West Africa flatlined in 2016, after years, to 0.5%. It bounced back in 2017 to 2.5%. GDP growth is projected to rise to 3.8% in 2018 and 3.9% in 2019. Countries in the region performance varied, but as Nigeria contributes about 70% of regional GDP, it strongly influences growth in the region.

SUMMARY

Growth forecast

Economic growth of between 3.8% and 3.9% forecasted for 2018 and 2019.

Population size

380 million

Major contributing industries

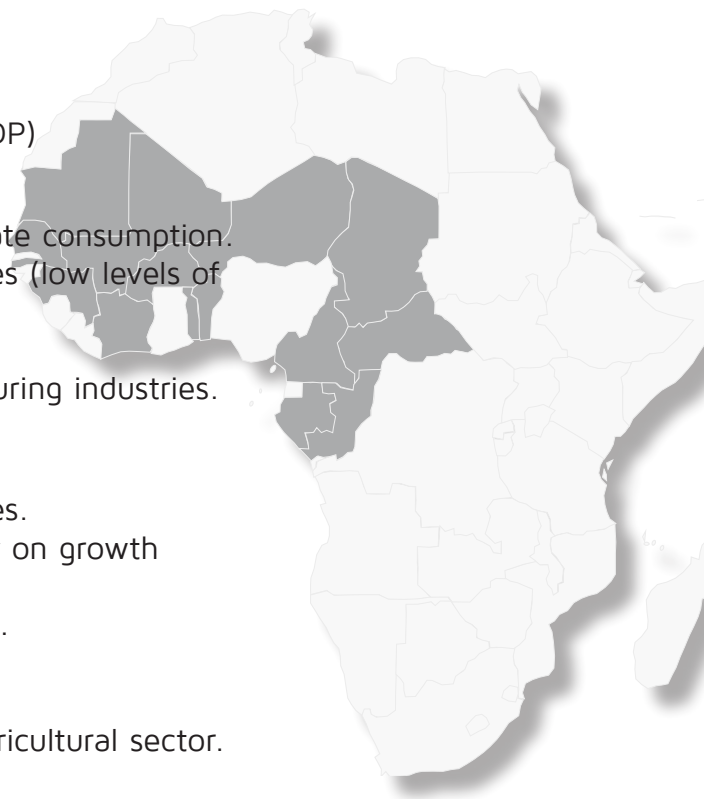
- Services (53% of regional GDP)
- Agriculture (22% of regional GDP)
- Industry (15% of regional GDP)
- Manufacturing (10% of regional GDP)

Opportunities

- Strong domestic demand and private consumption.
- High labour force participation rates (low levels of unemployment)
- Steadily improving terms of trade.
- Growing agriculture and manufacturing industries.

Challenges

- High levels of poverty.
- Strong dependence on commodities.
- High inflation impacting negatively on growth opportunities.
- Improving macroeconomic stability.
- Development of industry.
- Low global competitiveness
- Formalizing and developing the agricultural sector.
- Poor public-sector institutions.
- Low regional integration.
- Empowerment of youth through the formal jobs sector.
- Labour market rigidity.



SOUTHERN AFRICA FACT SHEET

According to the African Development Bank the economic outlook for the Southern Africa region remains subdued. The regional economies are expected to recover at a slow pace. Upper-middle-income countries are projected to deliver lower and declining rates of growth whilst the lower income economies are projected to record moderate growth.

SUMMARY

Growth forecast

Economic growth of between 2.0% and 2.4% forecasted for 2018 and 2019.

Population size

65 million

Major contributing industries

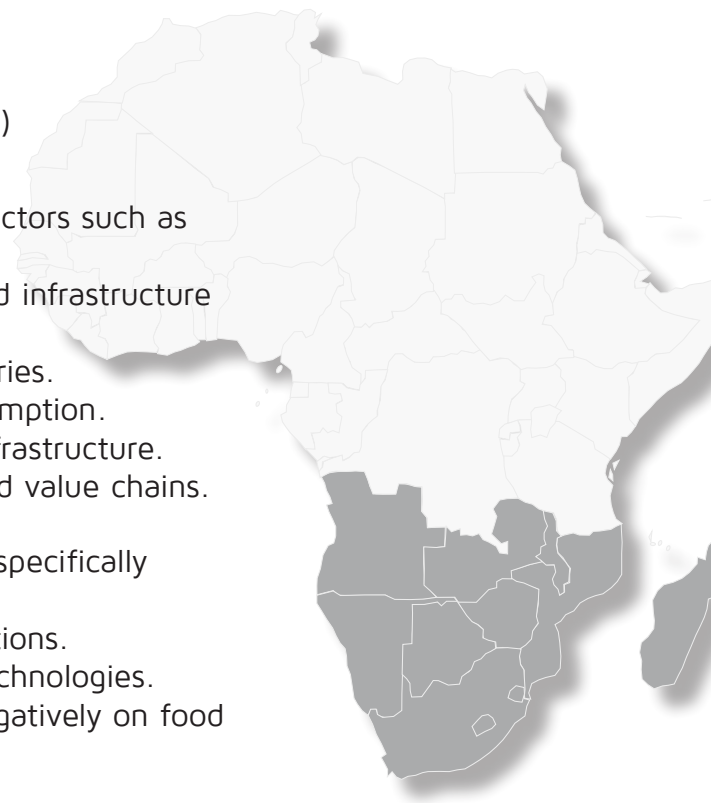
- Services (57.6% of regional GDP)
- Industry (24.9% of regional GDP)
- Agriculture (17.5% of regional GDP)

Opportunities

- Increased investment in non-oil sectors such as electricity and construction
- Investment in large technology and infrastructure projects.
- High growth in the services industries.
- High levels of private sector consumption.
- Public sector investment in key infrastructure.
- Growth opportunities in entire food value chains.

Challenges

- Poverty and high unemployment, specifically amongst youth.
- Unfavourable labour market conditions.
- Lack of basic infrastructure and technologies.
- Rising inflation rates impacting negatively on food prices.
- High fiscal deficits.
- Low domestic revenues.
- Rising debt levels.
- Low regional coordination and integration.





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