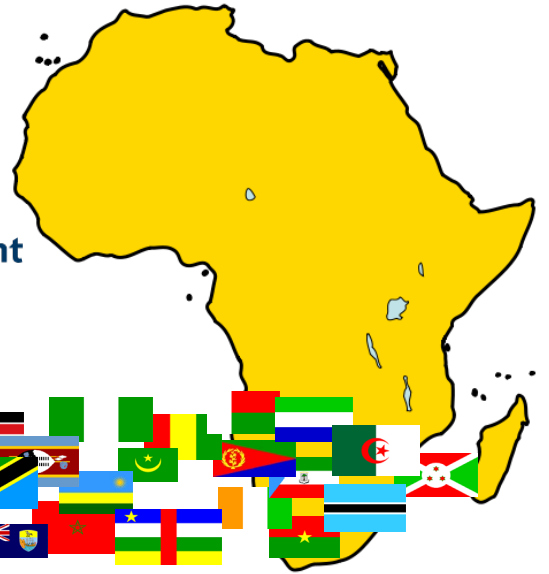


VEDP

Virginia
Economic
Development
Partnership



Africa Changes and Trends: New horizons on one of the world's largest markets

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EXECUTIVE INTRODUCTION

Africa holds immense promise and untapped opportunities as a trading destination for Virginian exporters. Virginia may have a record year for exports to Africa in 2021, with trade figures trending toward \$720 million - \$367 million to June 2021, up 20% from 2020, 8% up from 2019 which was the highest year on record (www.tse.export.gov). This indicates a growing interest in Africa, as well as responsiveness to Virginia goods on the continent. This figure does not include services, which are trending more importantly in terms of exports: IT, education, consulting and various technical sectors make for important sectors of activities.

This report is intended to provide Virginian exporters with a general overview of African developments. Africa is already moving toward being a large market, with a generally receptive business community. A large entrepreneurially motivated youth population is set to create changes not only to Africa but to the whole world.

Africa is the only global region that is growing well beyond the natural replacement rate. Even India, the closest large region is growing at less than 1%. All other major regions are characterized by relatively large drops in birthrates that will alter strategic balances during the next decades. By 2100, with over 4 billion people, Africa may have up to 40% of global population. This population is getting relatively wealthier on a personal level, so the growth in people numbers is augmented by a coinciding grow in economic statistics.

Importantly, what is propelling Africa will be the entrepreneurial youth culture which is very different from its generational predecessors. Business creation is admired as a social virtue among the hard working, digital savvy, and internationally connected youth. Given these attributes it is difficult not to see Africa becoming a powerful force in global business.

The creation of a single market for Africa is becoming a reality. In January 2021, the African Continental Free Trade Area came into action as 54 African nations formed a single market. While it will take many years for trade protocols to create the projected rewards, the direction is set in the molding of the world's largest geographic and population based single market, passing China's population within two years of the writing of this introduction. With an entrepreneurial connected youth that can speak English, French, and Portuguese, important global languages, and cultural proximity to Americans, Africa will continue to be a growing potential in business during the lifetimes of all who read this today.

Africa's place in the world economy is shifting radically. This study brings together the major trends in Africa:

Demographics: the numbers comparatively make Africa a key market.

GDP Per Capita Growth: the growing middle class.

Culture Shift: the youth culture is extraordinarily different from previous generations resulting in democratization and social trends which are generally positive to business development.

Political Shifts: the African Continental Free Trade Area is now a growing concern. This long-term play will generally be positive for Virginia exporters.

Diversification: economies across the continent are building in new directions, particularly into areas of high tech development.

Technology: Africa is shifting away from being a lowest price purchaser to a region that values return on investment.

African Continental Free Trade Area: Africa is coalescing into one common market.

We then extrapolate these trends in business directions for companies seeking to enter or expand into the African business environment. Africa is a region that international companies cannot ignore, or if they do, do so at their peril. The continent will continue to bring more and more relevance to company bottom lines in America as the world shifts.

We encourage any Virginian companies with questions or enquiries to contact VEDP for further information.

We look forward to continuing to assist VEDP and Virginian exporters in the African market.

Pretoria, September 2021



Map 1: Map of Africa / Source: www.geology.com

PREFACE

The song **Jerusalema** went viral during the COVID-19 lockdowns world-wide. It has resonated with people who may not have understood the isiZulu lyrics but felt its theme of getting through a time of suffering; Jerusalem, meaning a heavenly place. The song reached #1 in South Africa, and #9 on the U.S. World Digital Song Billboard, reaching #9 on U.S. Hot/Dance Electronic Songs Billboard. Over 1 billion views on various YouTube channels make it one of the most featured music pieces of all time. How did it get there?

A 24-year-old Master KG based out of Durban, South Africa, with the strong vocals of Nomcembo Zikode prepared the song in 2019 reaching #1 in South Africa's summer, July and August 2019 and reached into Shazam's Global Top 200 Chart by December... then COVID hit making it a global phenomenon.



Jerusalema

Jerusalema ikhaya lami (**Jerusalem is my home**)

Ngilondoloze, uhambe nami (**Save me, and walk with me**)

Zungangishiyi lana (**Do not leave me here**) Ndawo yami, ayikho lana (**My place, is not here**)

Mbuso wami, awukho lana (**My kingdom, is not here**)

Ngilondoloze, uhambe nami (**Preserve me, and go with me**) Ngilondoloze (**Save me**)

Ngilondoloze (**Preserve me**) Ngilondoloze (**Guard me**)

Zungangishiyi lana (**Do not leave me here**) Ndawo yami, ayikho lana (**My place, is not here**)

Mbuso wami, awukho lana (**My kingdom, is not here**)

Ngilondoloze, uhambe nami (**Save me, and walk with me**)

Jerusalema encapsules much that is Africa's future in the world economy: the themes are a sense of spirituality grounded in tradition yet viewing the future, familiar with suffering but looking to overcome. The song came from an obscure, at least to American ears, corner of the world, in a seemingly obscure language; there are only 10 million isiZulu speakers. It was created by someone in their early 20s, who was able to link his creativity with the opportunities that digitalization can provide. It hit the world at the right time. There is a saying in Africa: African solutions to African problems, but this came as an African solution, at least a salve, to a global challenge. It became the anthem and dance craze of the pandemic affected world.

DEMOGRAPHIC TRANSITION: Numbers Point the Way

With nearly 1.4 billion people, Africa’s young population, 54 countries, and abundant resources make it a place of diverse opportunity. Estimates range but by 2100, Africa could have a population approximating 40% of the world’s population, up from 18% in 2021. Numbers alone do not make enough of a comprehensive context, but they do factor importantly. While the absolute number of Africans is important, a large population may be either a boon or an indication of dire consequences. Given other factors we will later review, this appears to be a positive direction overall for Africa.

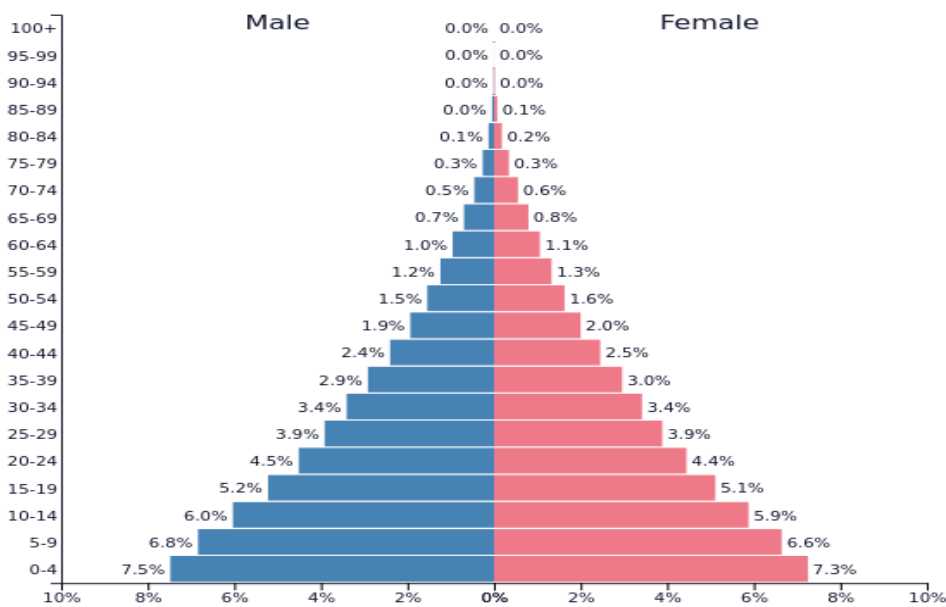
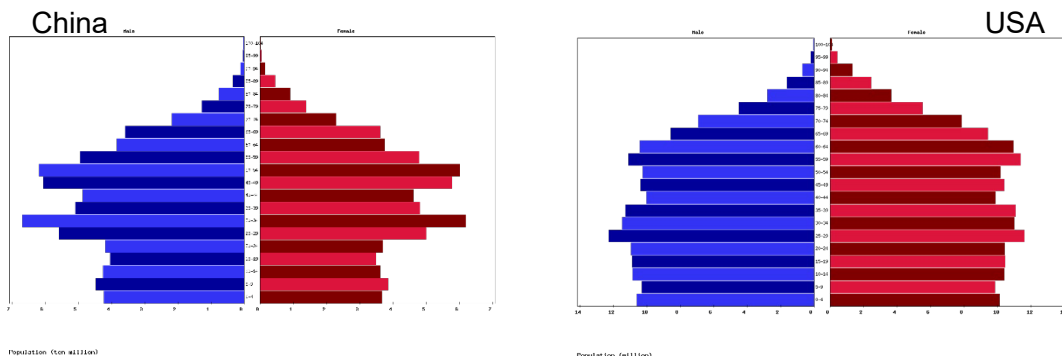


Figure 1 Courtesy: Population pyramid/ Source: Population Pyramid

The above graph shows Africa’s population pyramid. The wider base confirms the higher population of young people on the continent. For many decades the enormous populations of South America, Europe, and Asia have grown quickly, but today they have slowed, and the majority of their populations are adults. In India the average age is 29, in China it is even older at 37. But in Africa, the average age is 19 years old and rapidly getting younger. Some countries with large populations have average ages below 18, including Nigeria, Kenya, and Tanzania . The continent is growing so quickly that by halfway through this century, it will be home to one billion children.



Figures 2 and 3 Courtesy: <https://www.livepopulation.com>

Comparing two other major country markets in their own population pyramids, we can see that the USA remains relatively stable. America’s demographics show a relatively large number of young people moving up the pyramid as they gain productive jobs later in life. Older pensioners and retirees are supported by a large number of younger tax payers. China, on the other hand, is facing a demographic decline so precipitous that by the end of the century its population will halve to approximately 750 million, down from 1.4 billion today. Noticably, China also faces a gender imbalance between young females and males, females being rarer due to male selection criteria because of the one-child policy. China’s situation will likely be unparalleled with the relatively largest population decline of any civilization in history bar major disaster such as the Black Death in Europe during the 1340s.

Population numbers alone can hold some portents to the future. Recognizing Africa, America and China, we may be able to extrapolate some interaction between these three. Africa will continue to be a youthful growing market, America will remain stable, and China will decline. Africa and America have something China does not have: time on their side. China has entered in the last years a period of centralization of power, “wolf-warrior” diplomacy which may be partially inspired by views of future decline, and increasing debt burdens making present moments of action more critical while relative economic near-dominance may have reached its apogee. Nevertheless, during the 20 – 40 career years of most reading this document, China will remain an important strategic power, whether cooperative or conflictual, Africa will grow in relative importance through a diffuse political background, and the USA will continue stably. Europe, India, South America, and the Middle East all interplay strategically but it does pay to draw attention to the two largest geo-political players in the context of Africa.

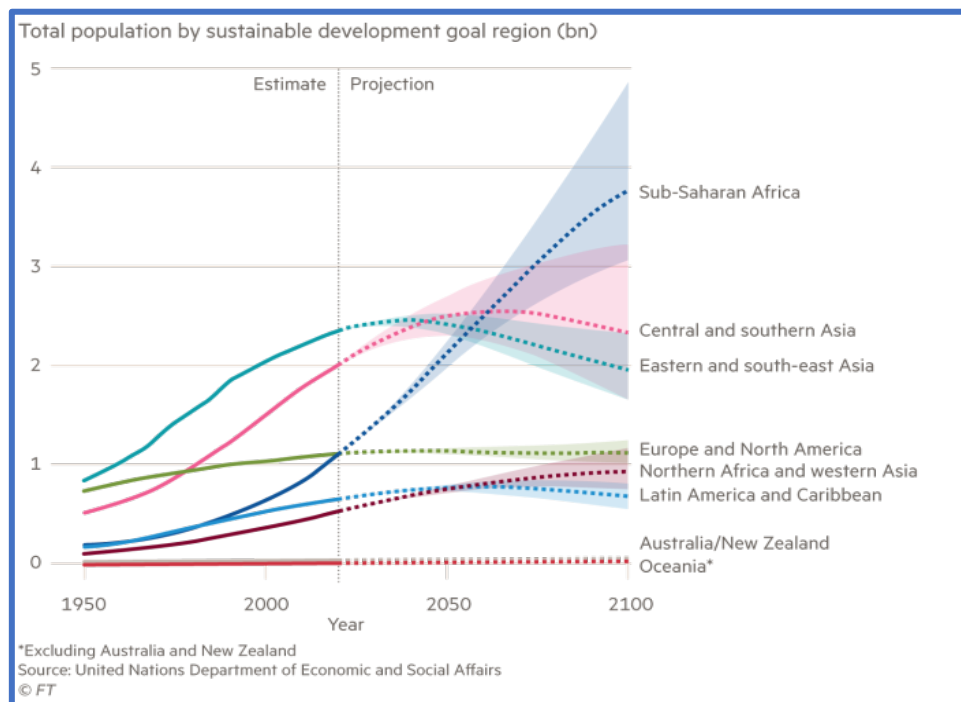


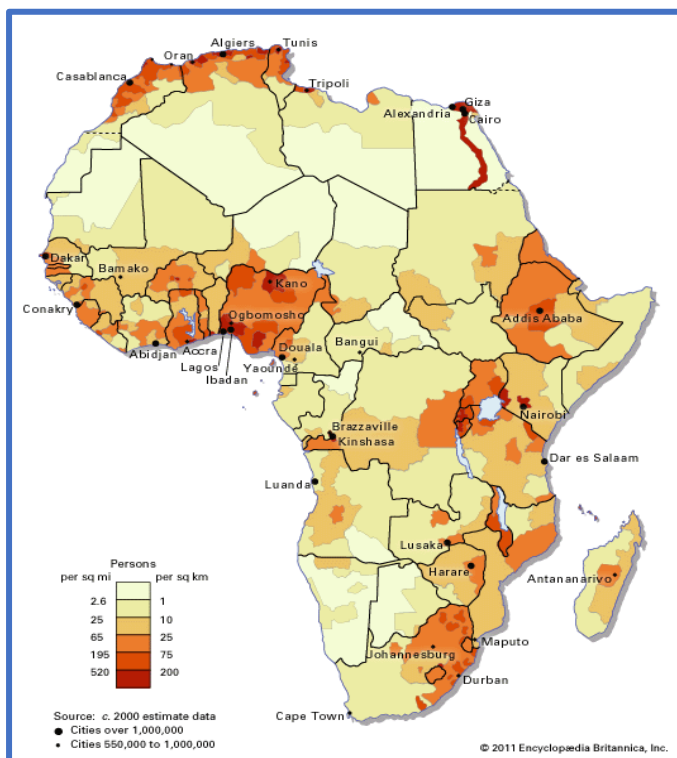
Figure 4: Total Population by sustainable development goal region/ Source: United Nations Department of Economic and Social Affairs.

By 2050 with a population of 2.5 billion, two in every five children in the world will be born in Africa. This vibrant and young population are projected to enter the labor force each year for the next decade in Africa. Therefore, engaging with and investing in youth are not only crucial but also an opportunity for building human capital to progress toward the demographic dividend. It presents a number of opportunities for business investment and trade. It certainly points toward a strategic placement in the global economy which companies must take into account in their global strategies. At present, Africa has 1 billion young people below 30. By 2050, it will be 2 billion. Young people typically are more experimental and creative and they will make a large proportion of the global new workforce.

As shown in Figure 4, Sub-Saharan Africa's population is set to double over the next 30 years, adding an additional 1 billion people and putting Africa on track to overtake Central and South Asia as the world's most populous region. The high fertility rates south of the Sahara mean that Africa will account for more than half of global population growth between now and 2050, according to projections from the UN Population Division. The region's population will still be rising fast at the end of the century, when the number of people living in much of Asia and elsewhere will be in decline.

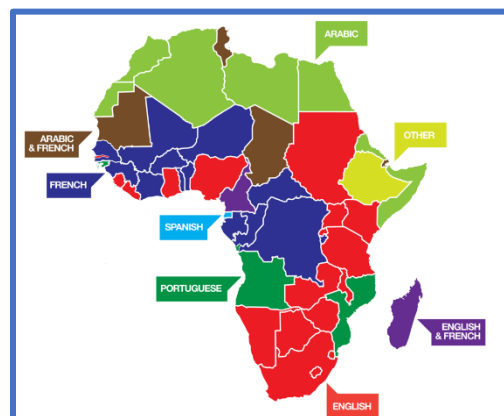
Coupled with the growth of Africa's middle class, there is a new generation of consumers: young, educated, and urban African professionals are ready to consume and inject revenue into their economies.

DEMOGRAPHICS: URBANIZATION



Map 2: Population Density in Africa / Source: www.britannica.com

Africa is urbanizing. In 1975, only 25% of the continent was living in cities. According to the UN, by 2037 over 50% will be living in urban areas, with over 100 cities of one million people. A look at the density of population in the map to the left also provides a hint to the dominance of English as business language, see below:



Map 3: Languages spoken in Africa / Source: www.geographyeducation.org

GDP PER CAPITA & ECONOMIC GROWTH: A Continent Raising Itself Up

Africa is getting wealthier. While the demographic growth is important to note, most business opportunities will not amplify unless income distribution becomes broader and moves generally upward. We are seeing this movement in Africa. Africa is getting wealthier on average and this wealth growth increases as one moves upward. The general rise in the population is being amplified in economic terms by a general rise in income, making the Africa narrative more compelling.

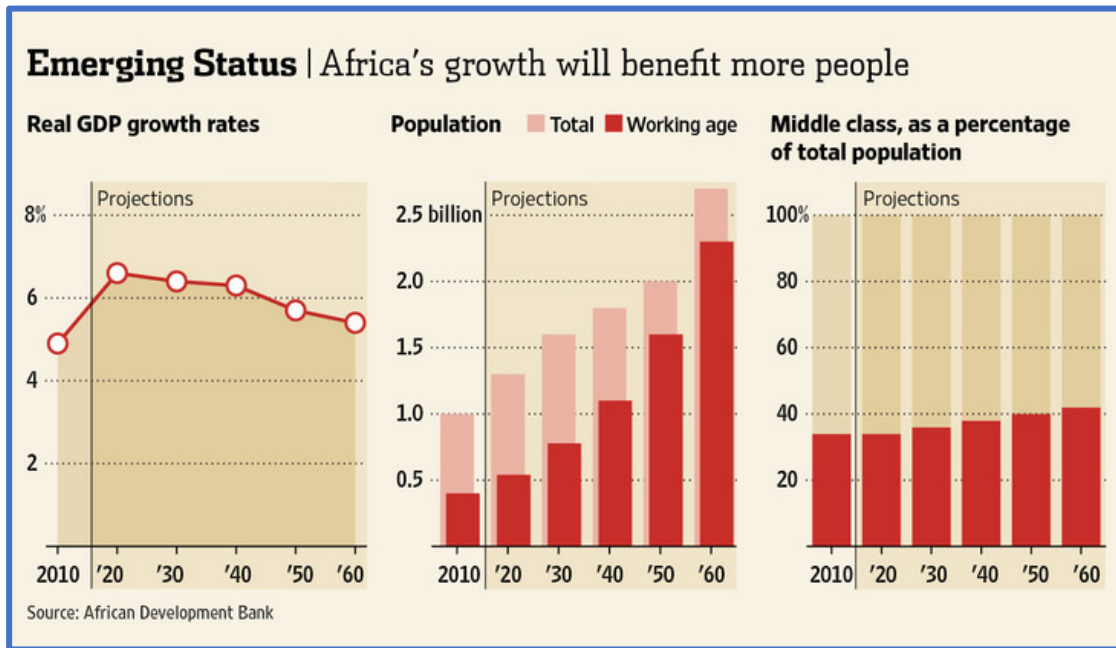


Figure 5: Prediction of Africa's growth 2010 – 2060 / Source: African Development Bank

The continent's 313-million-person middle class, who spend between \$2 and \$20 a day, comprises about 34% of the population. This rivals the middle classes in China and India. Africa's middle class has grown 60% in the last decade; there were only 196 million individuals in the middle class in 2010.

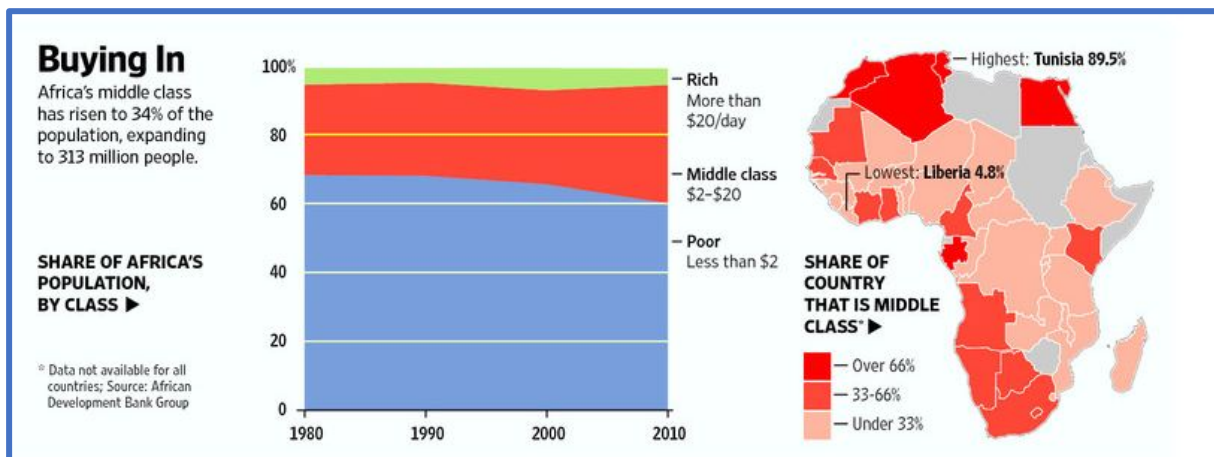


Figure 6: Per capita GDP growth in Africa, 1981-2010, including 'Middle Class' hoax / Source <https://www.langaa-rpcig.net/a-new-class-of-consumers-grows-in-africa-market-on-par-with-chinas-and-indias/>

Africa's economic position is set to advance in the coming years as African economies are growing at a rate higher than the global average. Africa is home to seven of the world's fastest growing economies. Sub-Saharan Africa's GDP is expected to increase by 3.08% in 2021, recovering from -3.04% contraction witnessed in 2020, according to the International Monetary Fund (IMF).

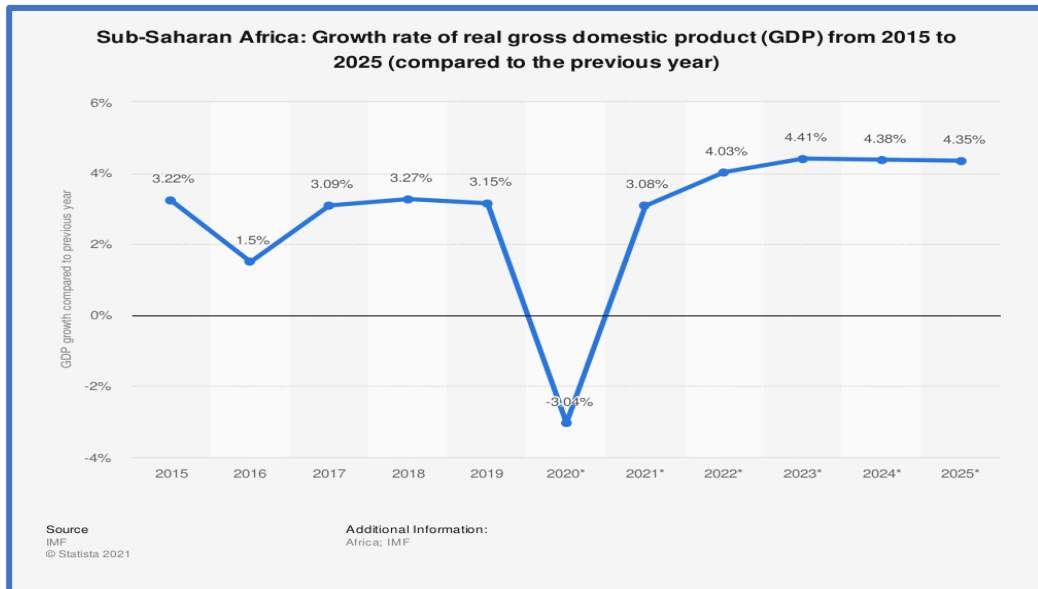


Figure 7: Sub-Saharan Africa: Growth rate of GDP from 2015 – 2025 / Source: IMF

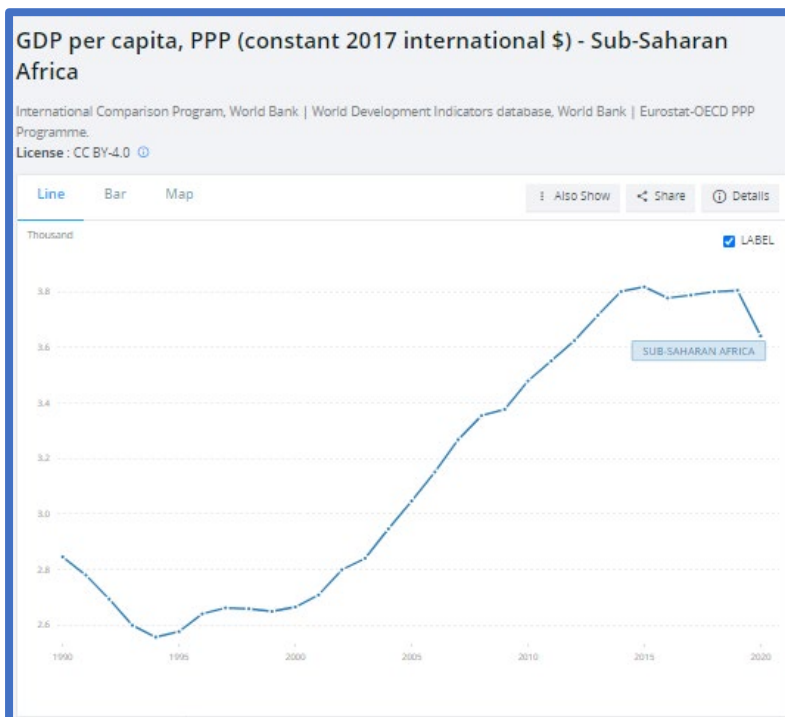


Figure 8: GDP per capita, PPP (constant 2017 international \$) – Sub-Saharan Africa / Source: The World Bank

According to the Africa Development Bank, this projected economic recovery will be underpinned by a resumption of tourism, a rebound in commodity prices, and the rollback of pandemic-induced restrictions. The outlook is, however, subject to great uncertainty from both external and domestic risks. Growth will vary across countries. While South Africa is expected to experience a weak recovery, overall growth in Eastern and Southern Africa is expected to average 2.7%. While Nigeria's economic recovery will be weak,

the Western and Central Africa is expected to experience an average growth of 1.4%.

The World Bank states that many countries have seized the opportunity within the crisis to move faster on necessary reforms and investments that will be crucial for long-term development. The World Bank chart above indicates the purchasing price parity growth per capita in sub-Saharan

Africa from 1990 to 2020. When measured in national currencies in relative real terms (2017), people are generally much better off in terms of lifestyle potential. Interestingly, even during the pandemic, when many countries technically were negative in GDP growth measured in U.S. dollars, the average person ended up relatively better off (though there was a slight decrease when measured in 2017 dollars). How can this occur? Most emerging market currencies took fast declines against the USD in February/March 2020, allowing for local prices based in various national currencies to look relatively less expensive when priced in USD. People in non-USD based national economies were somewhat buffered by the rise in the dollar. National economies have improved and shown results over the past years.

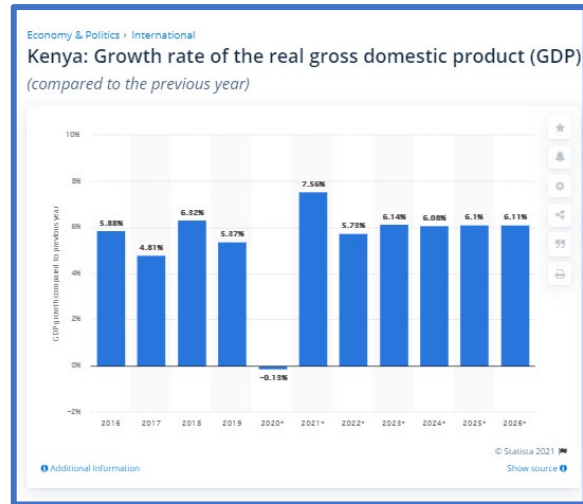


Figure 9: Kenya – Growth rate of the real GDP / Source: www.statista.com

Seven Out of Ten
World's fastest-growing economies in 2020, year-over-year percentage growth

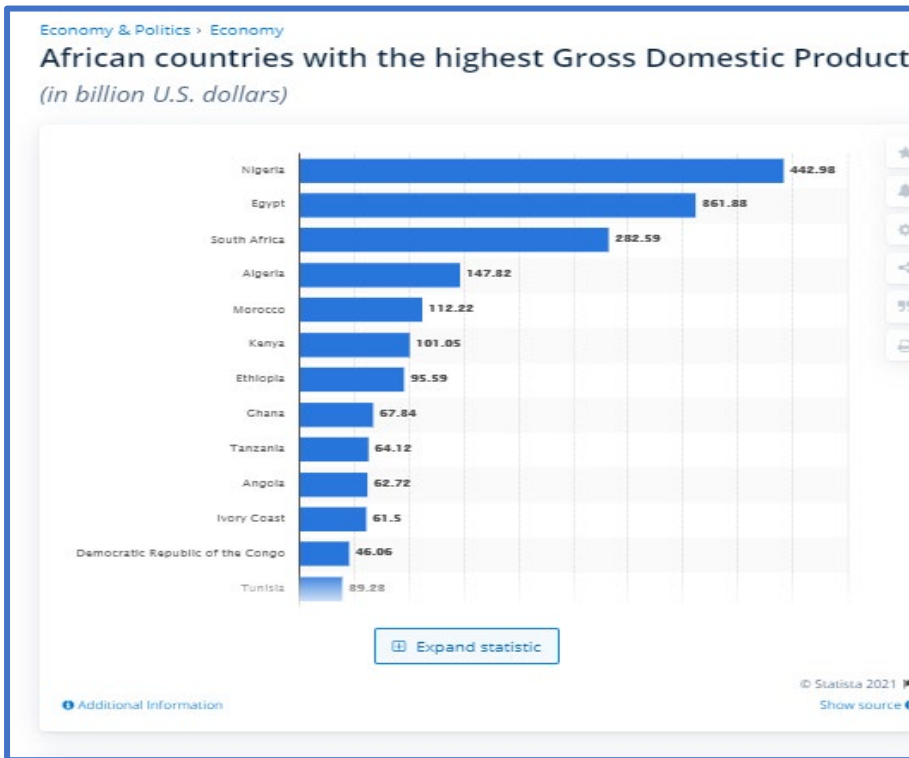
	2013	2014	2015	2016	2017	2018	2019	2020
Bangladesh	6.0%	6.1%	6.6%	7.1%	7.3%	7.9%	8.2%	5.0%
Ethiopia	9.9	10.3	10.4	8.0	10.2	7.7	9.0	3.0
Vietnam	5.4	6.0	6.7	6.2	6.8	7.1	7.0	3.0
China	7.8	7.4	7.0	6.8	6.9	6.7	6.1	2.1
Uganda	3.9	5.7	6.8	0.4	7.3	6.1	6.7	2.1
Ivory Coast	9.3	8.8	8.8	7.2	7.4	6.8	6.5	2.0
Egypt	3.3	2.9	4.4	4.4	4.1	5.3	5.6	1.9
Ghana	7.2	2.9	2.2	3.5	8.1	6.3	6.1	1.3
Rwanda	4.7	7.3	8.9	6.1	4.0	8.6	10.0	1.3
Kenya	5.9	5.4	5.7	5.9	4.8	6.3	5.6	1.0

Source: Bloomberg
All 2020 data and 2019 figures for Vietnam and Rwanda are projections.

Table 1: World's fastest-growing economies in 2020 / Source: Bloomberg

The economies of Ethiopia, Uganda, Ivory Coast, Egypt, Ghana, Rwanda, and Kenya withstood the economic impact of the pandemic so successfully that they were among the world's 10 fastest-growing economies in 2020. According to Bloomberg economic estimates, at least five of these countries will continue to be top performers in 2022. In 2019, only three of the top 10 performers were in Africa, so we can see that the profile of African countries in the top list has been gradually improving. Projections for many of the better performing African economies will look similar to Kenya's growth into the next five years as viewed through another source above.

Wealth is not divided equally by country, the graph below explains that the largest nations by GDP are Nigeria, Egypt, South Africa, Algeria, Morocco, Kenya, Ethiopia, Ghana, Tanzania, Angola, Ivory Coast, and the Democratic of Congo. However, when looking at GDP per capita, one must



examine each country on its own merits. For example, Ghana’s per capita earnings are four times that of Nigeria although the two are in close geographical proximity.

Figure 10: African countries with the highest GDP / Source: www.statista.com

South Africa Economic Overview



Virginia exports to South Africa in 2020 were the highest to any African country at \$121 million, or about 15% of total Virginia exports to Africa. Nigeria, with four times the population has only a quarter of this figure at \$33 million in imports from Virginia in 2020.

South Africa is the 34th largest export economy in the world and the 47th most complex economy according to the Economic Complexity Index (ECI). After Nigeria and Egypt, South Africa is the third largest economy in Africa. According to data from the World Bank, South Africa’s economy grew by 1.3% in 2017 and 0.8% in 2018. The World Bank projected 2019 growth at 1.3%, and further to 1.7% in 2020. A country of 58 million people, South Africa enjoys relative macroeconomic stability and a largely pro-business environment. It is an attractive option for U.S. companies seeking to enter the Sub-Saharan Africa marketplace.

According to official data from the World Bank and Projections from Trading Economics, the Gross Domestic Product (GDP) in South Africa was worth 350 billion U.S. dollars in 2019. The GDP value of South Africa represents 0.29 % of the world economy.

Further, in 2019, South Africa imported USD 88.1 billion worth of goods. That dollar value reflects a 3.1% increase over the 5-year period starting in 2015 but a 5.7% decline from 2018 to 2019.

Commercial in Confidence

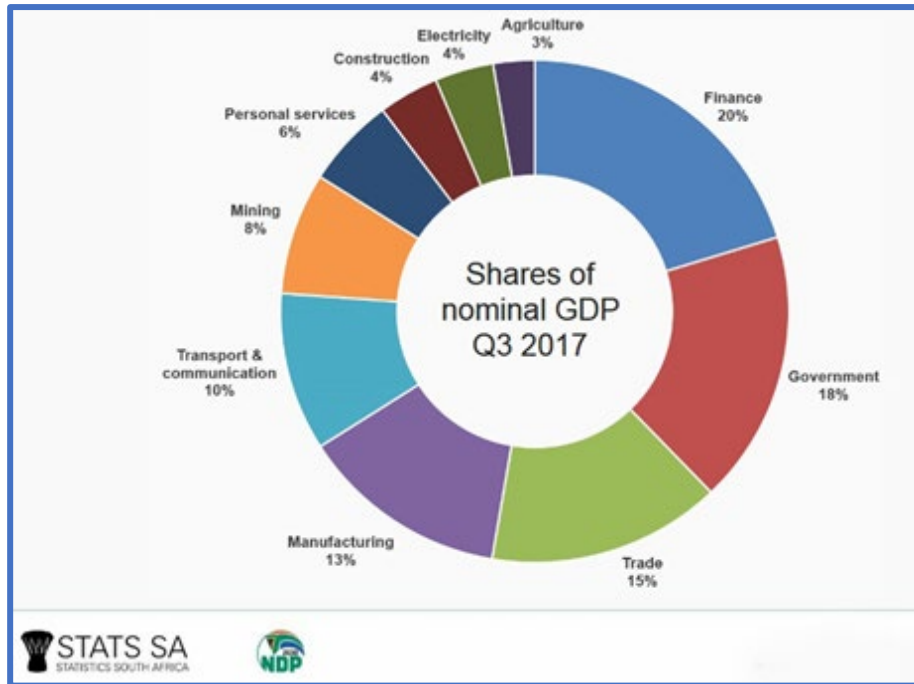


Figure 11: Contribution per sector to the South Africa's gross domestic product / [Source: Stats SA](#)

The following product groups represent the highest dollar value in South Africa's import purchases during 2019. Also shown is the percentage share each product category represents in terms of overall imports into South Africa, according to [World's Top Exports](#).

- Mineral fuels including oil: USD 14.8 billion (16.8% of total imports)
- Machinery including computers: USD 11.2 billion (12.7%)
- Electrical machinery, equipment: USD 8.6 billion (9.7%)
- Vehicles: USD 7 billion (8%)
- Plastics, plastic articles: USD 2.5 billion (2.8%)
- Pharmaceuticals: USD 2.4 billion (2.7%)
- Optical, technical, medical apparatus: USD 2.2 billion (2.5%)
- Other chemical goods: USD 1.6 billion (1.8%)
- Organic chemicals: USD 1.4 billion (1.6%)
- Books, newspapers, pictures: USD 1.3 billion (1.5%)

South Africa's top 10 imports accounted for three-fifths (60.7%) of the overall value of its product purchases from other countries.

South Africa is the largest importing economy for Virginia goods for a reason. It is a relatively sophisticated and diversified economy. Other African nations are diversifying as well, indicating further export possibilities.

CULTURE SHIFT: Youth Leading Directions

The key driving factor of Africa's future will be the youth culture(s) and how young people across Africa are positioning themselves in the global economy. Generalizations about a population that reaches over 1 billion young people can in no way reflect each individual's set of values. However, viewing this aspect of Africa may be the most important of all in business directions as it gives insights into how business norms are shifting in the near future, particularly among young middle class Africans from which business decision-makers will be drawn.



Image - Courtesy: www.educationforhealth.africa

As discussed above, Africa will be producing half of the world's young people within a few decades. Present social values inside the youth generation in Africa today are going to be key to success in global markets later. Importantly, *African youth are measurably entrepreneurial, hardworking, goal oriented, traditionally focused on family and faith communities, digitalized in terms of communication, and aware of global trends in order to leverage business opportunities.* In many African countries the majority voting age populations of many African nations are between 18-32 (not to mention a majority who are too young to vote). This makes issues like education, economic delivery, and employment key to successful retention of power. Corruption is generally despised among the youth, who typically believe in merit-driven, honest forms of business development as the key mode of economic delivery. This is often in stark contrast to older established elites who are more collectivist, believing in giving opportunities to their circle of connections and keeping business ties close.

Entrepreneurship

There has been a big shift in attitude towards business and employment in Africa. The youth are seeking new ways to earn an income outside of formal employment. Entrepreneurship has been that avenue that is providing alternative income sources. According to a research paper by Gbadegesh Adebayo and Mohannak Kavoos, Africans have positive attitudes toward entrepreneurship and African youth are entrepreneurially active and know the importance of entrepreneurship. According to the *African Development Bank (AfDB) 2017 report*, 22% of Africa's

working-age population are starting businesses. The report notes that the figure is the highest entrepreneurship rate in the world.

Another big shift has been the involvement of more women in business. Africa is considered a leader in terms of the number of women business owners. Various sources report that over 20% of the female adult population is involved in early-stage entrepreneurial activity. The figure below indicates the percentage of women entrepreneurs around the globe. According to the World Bank, sub-Saharan Africa has the highest rate of entrepreneurship globally, and this is the only region where the majority of entrepreneurs are women. Women are making significant contributions towards employment and GDP.

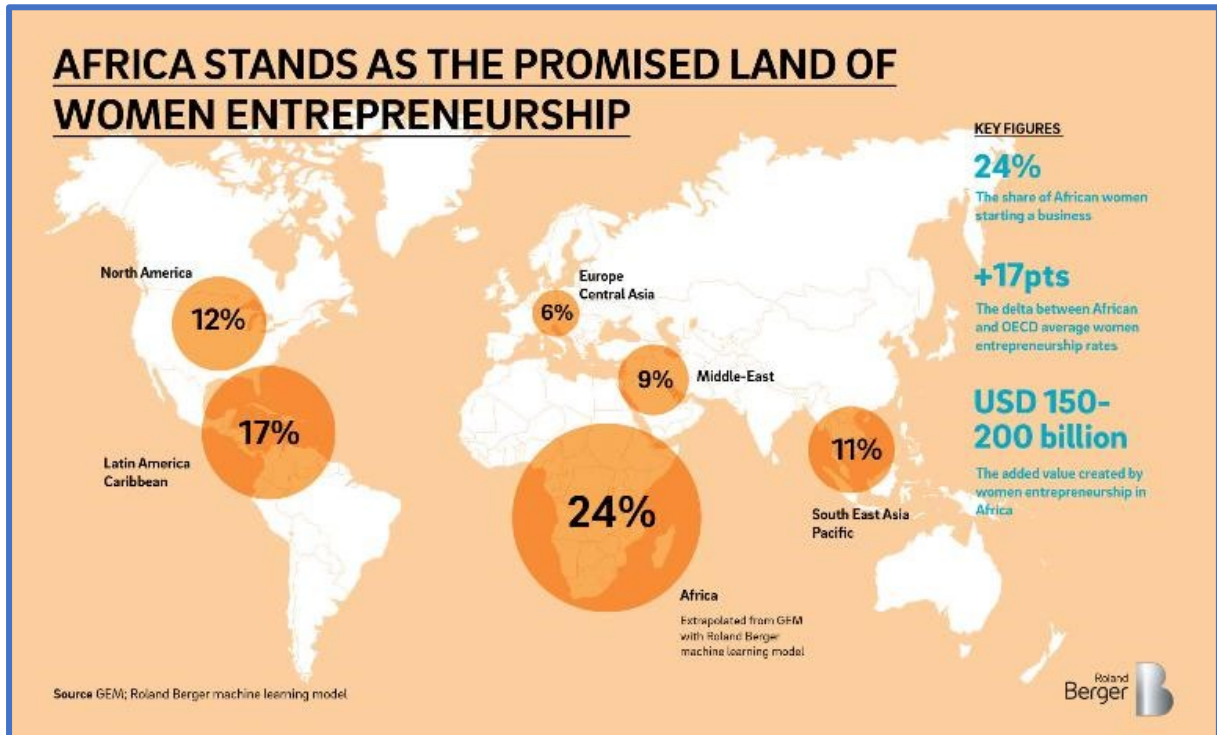


Image 1: Africa stands as the promised land of women entrepreneurship / Source: Roland Berger <https://www.rolandberger.com/en/Insights/Publications/Africa-First-female-entrepreneurs-in-the-high-tech-sector-as-new-role-models.html>

English Language as Business Connector

Virginian businesspeople are at an advantage in being able to converse in English with most African decision-makers. Countries in Africa frequently regard English as a necessary instrument for attracting foreign investment, developing international commercial prospects, and launching tourism campaigns. According to Ethiopian Professor Negussie Negash, “the security of millions of African farmers is dependent on the negotiation and marketing skills possessed by the leaders and exporters who represent them, particularly their mastery of English.” This will assist in the development of reliable commodity export markets. Young people particularly are attracted to English as a gateway to opportunity through education, entrepreneurship, and entertainment. Even in countries where English is not an official language, a large plurality of young people will be able to speak English to some extent. It is interesting to note that many African young people will be conversant in two, three, or more languages; English as a home language is relatively rare in Africa.



Map 4: Level of English in Africa / Source: www.wikipedia.com

While African governments value the English language for its ability to serve global business interests, it also has the potential to help the continent's economic and peace relations. English is being viewed as a means of bridging geographic, cultural, and linguistic barriers. This function of English will have long term benefits in facilitating trade within and outside of Africa.

Digital Technology an Anti-Corruption Tool

Generally in Africa, there has been a growing trend against corruption. This is a huge cultural shift in Africa as more and more youths are voicing their concerns about corruption. Their voices are now more prominent because of digital technology. African youth view digital technology as an advocacy tool that can be used to expose corruption activities and hold public officials to account. Some young African youth have created technology to help combat corruption. According to the accountability lab, working with mobile phones has made it possible for activists and concerned citizens to share information. This has made reporting of corruption activities more efficient and convenient for activists and concerned citizens alike.

Social media has aided in changing the attitude towards corruption in Africa. African youths are utilizing social media to forge cross-border links with their African counterparts in their fight against corruption. Youth demonstrations have erupted in various African countries ever since the Arab Spring. Youth have demonstrated against dictatorships, the extension of presidential term limits, lack of transparency during elections, corruption, and unpopular socio-economic policies. The internet and social media are used by youth to mobilize and organize activities. They blog and use major social media platforms such as Twitter, Facebook, WhatsApp, and Instagram to support each other during protests. In 2018, Corruption Watch South Africa reported an increase in the number of people reporting corruption on Facebook and WhatsApp.

Religion Maintains its Roots and Grows Among the Youth

According to Afrobarometer (www.afrobarometer.org), “More than nine in 10 Africans (95%) identify with a religion. A majority say they are Christians (56%), while one in three (34%) self-identify as Muslim. Only 4% say they are atheists or agnostics or have no religion.” While Europe and North America are trending lower in religious affiliation, Africa is becoming more religious. 78% of people report attending religious services at least once a week, 6% are leaders in non-institutional religious groups and 24% are members of such organizations, meeting regularly above and beyond regular church/mosque attendance. Religious figures are the most trusted generally in Africa among all institutional figures with strong perceptions that religious leaders are the least corrupt of all institutional leaders. Tied to this, African faiths generally practice a high level of tolerance toward others of another faith.

One of the largest socially measured trends in current history has been the rise of Christianity in Africa during the 20th and early 21st centuries. *Paradoxes of Pluralism, Privilege, and Persecution Worldwide Report* explains that African countries generally remain highly religious although traditional “Western” country congregations are declining in traditional denominations. According to recent *Pew Research Center* research, Christians in Africa and Latin America pray more frequently, attend religious services more frequently, and value religion more in their lives than Christians elsewhere in the world.

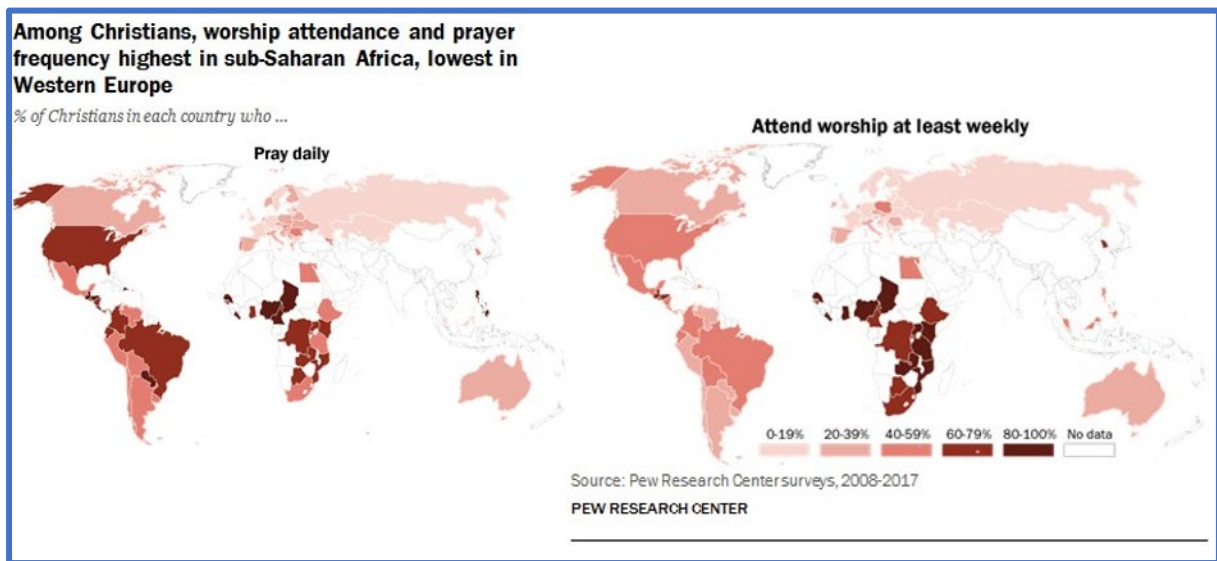


Image 2: Worship attendance and prayer frequency of Christians / Source: Pew Research Center study

Africa's Christian population increased dramatically over the twentieth century, from 9% in 1900 to over 50% in 2020. With over 631 million Christians, Africa has the highest number of Christians of any continent, according to a 2018 study by *Gordon–Conwell Theological Seminary* (www.gordonconwell.edu). Pew estimated by 2060 that 40% of the world's Christians will reside in Africa, up from 27% in 2020.

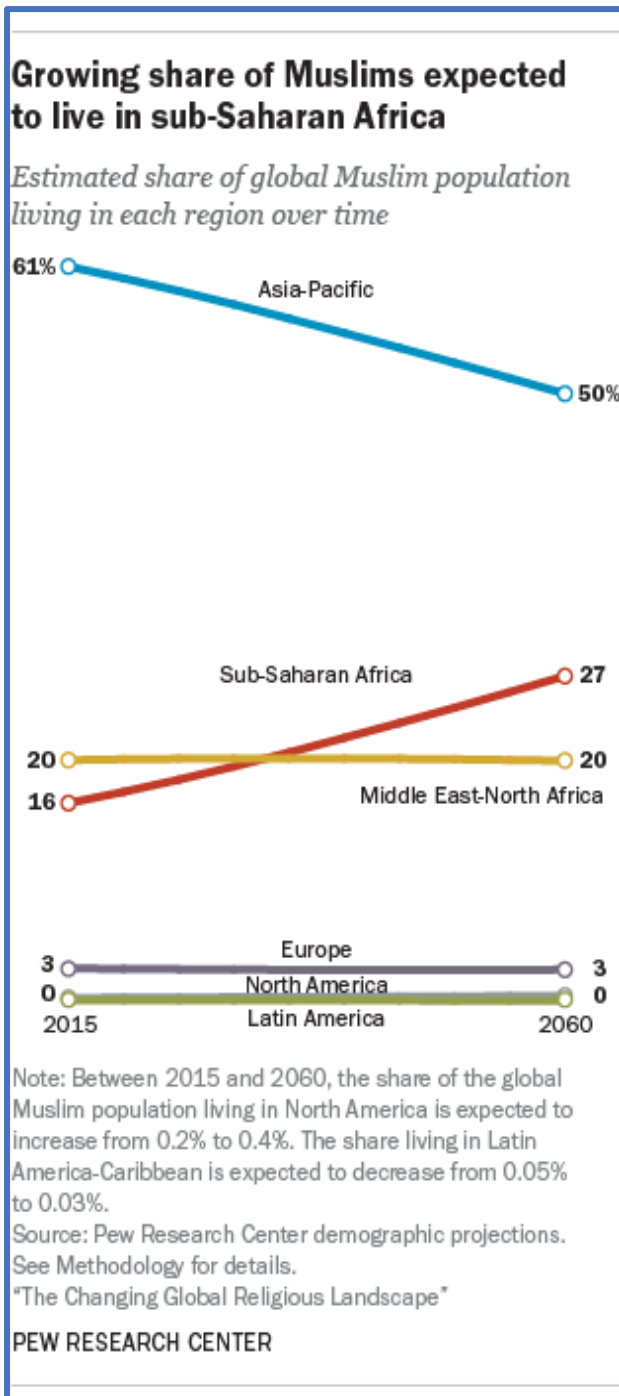


Figure 11: Estimated Muslim population living in each region / Source: Pew Research Center

“Sub-Saharan Africa also is home to a growing share of the world’s Muslims. Between 2015 and 2060, the share of all Muslims living in the region is projected to increase from 16% to 27%. Although the majority of Muslims will continue to live in the Asia-Pacific region (50% of the global Muslim population in 2060), sub-Saharan Africa will surpass the Middle East-North Africa as the region with the second-largest Muslim population in the next 20 years.

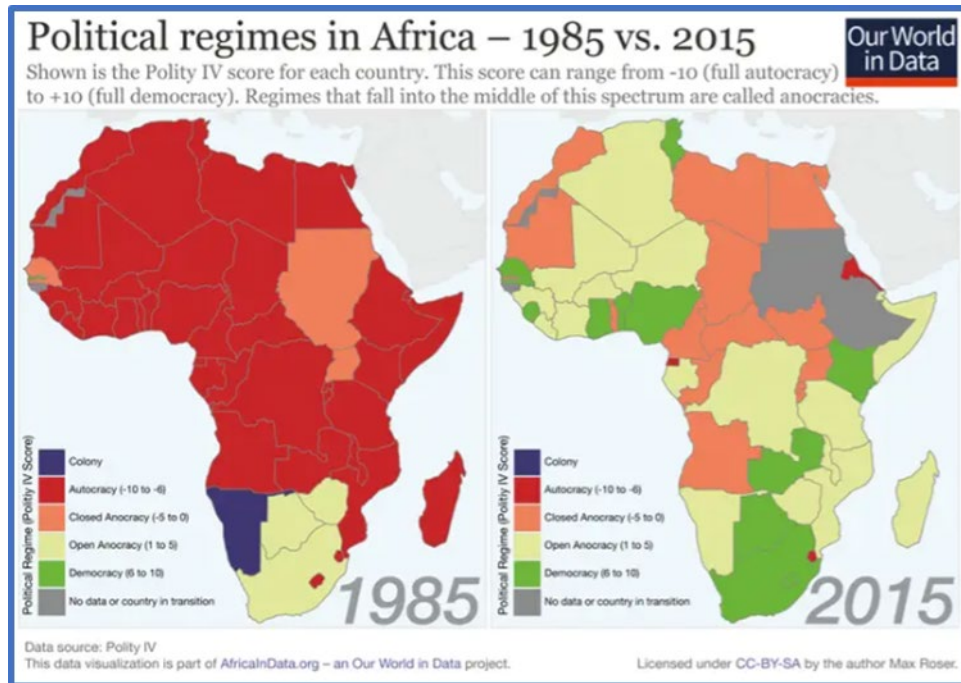
As with Christianity, Muslim growth in sub-Saharan Africa primarily is driven by high fertility and the relatively young age profile of the population in the region. Religious switching is expected to play a minor role in future Muslim population trends around the world. In fact, in many Muslim-majority countries in the Middle East and North Africa, apostasy laws [remain on the books](#), helping to make changes in religious identity rare” (Pew Research Center).

Discussions about religion are key to understanding the values underlying the various national cultures. The rise of Christianity and the status of Islam both contribute to the attitudes toward business development, investment, and create a negative perception against corruption which is being acted out politically and in business life. This is part of a radical cultural shift that we have seen in the youth culture, particularly as young middle-class forms the core of most faith communities on the continent.

POLITICAL SHIFTS: Stability Arriving

Africa is democratizing. A more affluent and motivated middle class, access to information both international and local, and a strong bent toward democratic ideals among the youth make for an environment shifting toward more stable democratic outcomes. In 1985, Africa had no truly democratic national governments. Today there are 10. Events in some countries indicate

political strife is a mainstay of Africa. However, this is a great time of change toward democratic values of merit, equality before the law, equal rights, and human dignity, values held generally by the youth. When viewed in this light, situations and events come into context.



Map 5: Political regimes in Africa / Source: www.africaindata.org

Africa is in a generational battle of values.

During the past two years, Africa has seen 13 geriatric leaders of various African countries change their constitutions to maintain political power beyond their term limits. Burundi, Cameroon, Chad, Egypt, Uganda, Togo, and others have been beset by this issue. Relatively weak institutions exist to allow for older leaders to alter constitutions in their favor. This is something that would be expected from that generation. We have seen violent clashes across Africa against these movements and against corruption. Youth-led street protests have occurred in countries across Africa targeting the two interlinked issues of corruption and withholding power.

Violence against merit-driven structures does not gain wide-spread appeal, as in the case of South Africa’s “Radical Economic Transformation” faction, led by the former President Jacob Zuma’s followers. The events of July 2021 in South Africa appear to be a turning point against corruption. Countries such as Ghana and Zambia had successful changes of government, even when incumbent Presidents were bent on staying in power even through illegitimate means. Eventually, the tide of popular support and courts obeying the rule of law prevailed. While democracy in Africa is not an absolute, it is ascendant. *Virginia exporters can continue to look for generally positive moves in Africa toward greater political stability which augers well for a stable business environment.*

ECONOMIC DIVERSIFICATION: Important Business Directions

Africa's exports are increasing at an exponential rate due to increased sector diversification. Between 2000 and 2012, sales of goods and services to overseas buyers quadrupled, from \$148 billion to \$641 billion. Although traditional exports of oil, gold, diamonds, rubber, and forest products continue to benefit many African countries, national governments are strategizing beyond these industries and companies are acting on the opportunities. Côte d'Ivoire, for example, the world's top supplier of cocoa beans, has entered the global confectionery business, now manufacturing chocolate rather than just exporting cocoa. Three global companies—Cargill, Archer Daniels Midland, and Olam—have been forced to pay more attention. Between 2003 and 2018, agricultural exports in Africa increased, as did the diversification of export destinations, with increased exports to Brazil, Russia, India, China, and other Asian countries such as Saudi Arabia, Vietnam, the United Arab Emirates, Turkey, Malaysia, and Pakistan. As a result of this diversification, the EU's share of African exports has steadily decreased, from 45 percent in 2005–2007 to 36% in 2016–2018. The major take away is that African countries are diversifying their exports and imports. *This creates opportunities for exporters from Virginia, a diverse and developed economy to interact with more national economies than previously possible.*

South Africa, as we have seen above, has a very diversified economy. Although most African countries have achieved low levels of economic diversification, others are making headway. Mauritius has progressed in its transformation from a sugar-dependent economy to a major financial services center with a thriving tourist, textiles, clothes, and jewelry export sector. Sugar, which accounted for 98% of exports in the 1970s, today accounts for only approximately 5% of total exports. Botswana is working to diversify its economy by establishing diamond cutting,

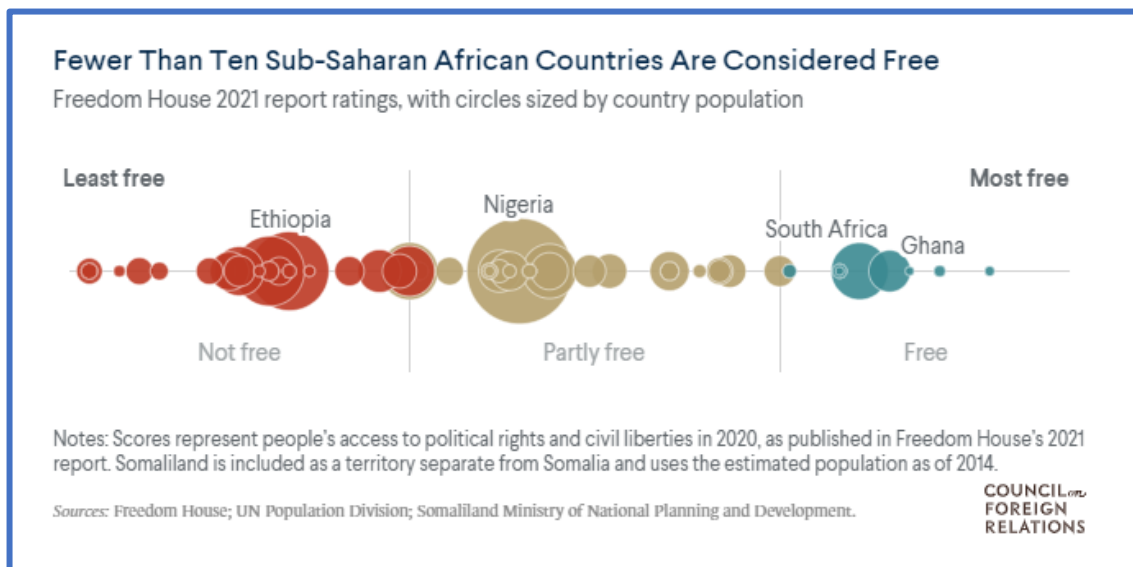


Image 3: Population's access to political rights and civil liberties / Source: www.freedomhouse.org

polishing, and marketing hubs along the value chain. Kenya's thriving private sector is laying the groundwork for stronger growth in sectors including financial services, telecommunications, and tourism. Significant reforms of the business climate, as well as attempts for economic and regional integration, are driving Rwanda's efforts to diversify its economy. It has been successful in channeling large public funds into programs aimed at boosting growth, increasing agricultural

productivity, expanding infrastructure investment, promoting greater access to financial services, and encouraging higher-value economic activities. This is a trend that will continue in Africa as there will be less reliance of the extractive industry or agriculture industry but a diversified number of industries.

Agribusiness, light manufacturing, textiles, energy, tourism, financial services, information and technology and other service industries are at the forefront of diversification of African economies and economic restructuring. The supply chain disruptions caused by the COVID-19 pandemic will boost economic diversification in Africa. The pandemic revealed the need for urgent economic diversification. Already, Asian investment is seeking a stable manufacturing platform in Africa for both export and to supply Africa's own growing consumer economy. Ethiopia is attracting low-end manufacturing from China, including shoe, steel, cement, and light-vehicle production. Ethiopia is also receiving investment from Japan and the USA to boost its manufacturing industry. Rwanda has already set up a mobile phone manufacturing industry. Grifols, a Spanish pharmaceutical company, has announced the construction of a manufacturing plant in Morocco, while Volkswagen is constructing assembly facilities in Ghana and Nigeria, as well as performing labor force development work in Ethiopia. General Electric, which has had a presence in Nigeria for four decades, wants to invest \$1 billion by 2023 to expand its manufacturing and product services, particularly in power generation and oil and gas exploration and production.

African countries are being pushed to take action to close production and manufacturing gaps and build domestic and regional value-added supply chains with the help of the African Union, the Afrexim Bank, and the AfCFTA. This assistance is aimed towards increasing Africa's diversity.

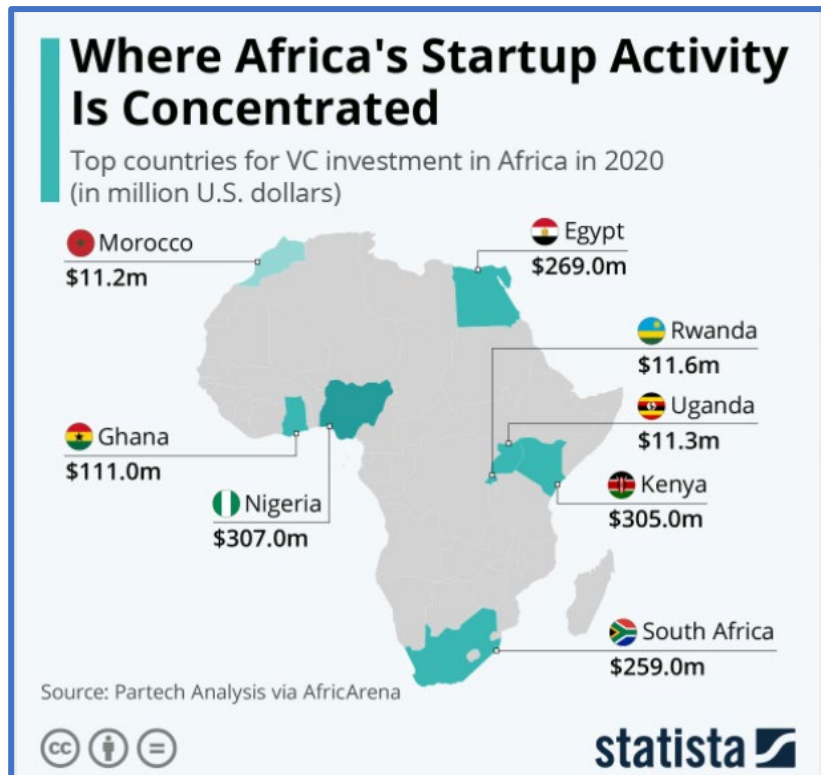
TECHNOLOGY: Digitalizing the Future

African Technology Funding, Startups and Current Trends

Africa has hit a "tipping point" in digital business / IT being a key element in economic development. Digital business is on an exponential growth curve in Africa due to the large number of creative motivated young people who have access to instant global information and can speak English. Capital providers from Europe and America are funding these newly created youth-run businesses.

African technology startups are being capitalized and increasing exponentially. It is expected that up to \$2.8 billion of venture capital funding will come to Africa in 2021. Previously in 2019, 234 tech companies received \$2.02 billion, 74% higher than 2018. 2020 was a little lower due to the pandemic, however an increase toward \$10 billion by 2025 appears feasible according to AfricArena.

A number of factors have driven the increase: emphasis by VC funds in Europe, corporations allocating capital toward VC activities in Africa, and general acquisitions of African tech companies by globally expanding corporations. In terms of country markets, Kenya, Nigeria, Egypt and South Africa with \$307 million, \$305M, \$269M, and \$239M are leading with invested amounts. Rwanda garnished \$129M in 2019. Although this substantially diminished to \$11.6M during 2020, a rebound can be expected there.



Map 6: Africa's startup activity concentration / Source: www.statista.com

According to [Disrupt Africa African Tech Startups Funding Report 2020](#), one of the fastest growth areas in Africa is fintech. The report indicated that 397 firms won \$701 million in start-up venture capital, including a large focus on the fintech sector. The report counts at least 370 active investors, marking a 42.8% year-on-year growth. This figure is a 68.4% increase from the 155 investors in 2018. Kenya, Nigeria, South Africa and Egypt remain Africa's "big four" from a funding perspective, accounting for 77% of funded startups and 89.2% of total investment. Nigeria, Egypt and South Africa lead the way from a venture perspective, but Kenya raised the most combined capital, with startups from the East African country raising over \$190-million in funding in 2020.

It may be remembered that two important early fintech firms got their start with South Africans: PayPal with Elon Musk and Thawte Consulting with Mark Shuttleworth – both firms that radically altered the global digital landscape for years.

Google plans to invest in Africa

Google plans to invest \$1 billion in Africa over the next five years to ensure access to fast and cheaper internet and will back startups to support the continent's digital transformation. The unit of U.S. tech company Alphabet Inc. made the announcement at a virtual event where it launched an Africa Investment Fund, through which it will invest \$50 million in startups, providing them with access to its employees, network and technologies.

In collaboration with not-for-profit organization Kiva, Google will also provide \$10 million in low interest loans to help small businesses and entrepreneurs in Ghana, Kenya, Nigeria and South Africa get through the economic hardship created by COVID-19. Google said a program pioneered last year in Kenya in partnership with Safaricom that allows customers to pay for 4G-enabled phones in installments would be expanded across the continent with mobile operators such as MTN, Orange and Vodacom.

Business Development Needs Capital Attention

A study in 2015 by GeoPoll found that funding was the key *perceived* element required for success in Africa tech start-ups. GeoPoll surveyed 200 entrepreneurs in each of the Democratic Republic of Congo (DRC), Ghana, Kenya, Nigeria, and South Africa, asking them what resources were most needed to encourage entrepreneurship. Funding was deemed key, with 36% of respondents saying “more financial resources” would increase the number of entrepreneurs in their country, while 24% said “better facilities and services” and 23% replied “government support”. One question focused on increasing entrepreneurship among youth and women, with funding – at 41% – again cited as the resource most needed to help youth and women entrepreneurs. This was followed by government support at 22%, access to market information at 18%, and access to high-skilled workers at 16%. In this regard, Africa is seeing a wave of funding coming through that is an answer to this requirement. Success brings more success, and as the new funding creates successful enterprises so too will more attention and more funding be created leading to a virtuous circle.

Africa “Leapfrogging” Technology

Internet development is allowing IT technologies to be used broadly across Africa. Presently Africa’s largest independent fiber broadband network is operated by Liquid Intelligent Technologies, spanning over 100,000 km (66,000 miles) of line throughout the continent. Given Africa’s positioning as a new market for broadband mapping, it will likely leap ahead of older generation systems, possibly ignoring 5G for satellite systems such as a StarLink (www.starlink.com) or China Sat, China’s response to SkyLink. StarLink is proposing to enable 300mps high speed internet for less than \$100 per client operator within 8 years, making much of the old ground-based fiber and tower networks redundant. There will be a price and jurisdiction conflict as satellite broadband becomes attractively priced and will be able to reach into the least served and isolated locations. To this end, Africa may again benefit from “leap frogging” technological boundaries. Africa may soon go early to the next technology format while more “developed” economies are committed to holding onto older ground-based systems. Both types of systems will co-exist for some time, but inevitably the one providing ease of affordable access in a widely dispersed geography while giving unhindered knowledge transfer will win out.

Government Support is Critical to Business Startup Development

Cape Town is designating itself as “Africa’s Silicon Valley” with over 40,000 people working in the high-tech sectors throughout the Western Cape Province in over 550 firms. This region saw \$88 million in investment during 2020, about 35% of South Africa’s total, with less than 10% of the national population. According to the latest World Bank research report on Doing Business in South Africa, Cape Town ranked the top metropolitan municipality in the country when it comes to the ease of doing business, making the business attraction case evident. Cape Town’s success is evident in the number of successful start-ups showcasing the diversity of business emerging in the sector, including Aerobotics, a drone-enabled data analytics company assisting farmers to gain deeper insights on their yields and land usage, and Jumo, a business that helps facilitate digital financial services such as credit and savings in emerging markets. Yoco, a point-of-sale payment provider for small businesses, and Sweepsouth, a business that is formalising employment in the informal sector illustrate this trend. Cape Town has been ranked one of the world’s fastest-growing regions for foreign direct investment, according to a report from fDi Intelligence, a data division of the Financial Times group.

Government positioning is important in terms of creating a competitive environment. This is evident in the importance given to strategic positioning by the Western Cape government. “The fDi Intelligence report ranking is a confidence boost for the digital and technology sector and proof that the efforts being made by the Western Cape Government, along with our partners at the City of Cape Town and Wesgro, are achieving the desired result,” said Western Cape minister of Finance and Economic Opportunities, David Maynier. “Attracting foreign direct investment to support job creation is key to our economic recovery in the Western Cape.

AFRICAN CONTINENTAL FREE TRADE AREA

African Continental Free Trade Area (AfCFTA) is a free trade area founded in 2018, with trade commencing as of January 1, 2021. It encompasses almost 1.4 billion people in 54 countries across Africa. The free-trade area is the largest since the formation of the World Trade Organization in terms of the number of participating countries and will be the largest in the world by population once it surpasses China in 2023. Accra, Ghana serves as the Secretariat of AfCFTA.

The agreement initially requires members to remove tariffs from 90% of goods, allowing free access to commodities, goods, and services across the continent. The agreement went into force on May 30, 2020 and into operation on January 1, 2021.

Africa's growing economic diversification is predicted to be boosted through continental integration through the African Continental Free Trade Area (AfCFTA). The AfCFTA is expected to enhance the value of intra-African exports, according to modelling estimates from the Economic Commission for Africa (ECA). In 2040, it is expected that removing tariffs on goods will raise the value of intra-African trade by 15% to 25%, depending on liberalization efforts, compared to a situation where there is no AfCFTA in effect. Alternatively, depending on the ambition of the liberalization between the commencement and implementation of AfCFTA, intra-African trade would expand by about 40% to 50%. The AfCFTA will help Africa diversify its exports. Export diversification helps commodity-exporting countries shift away from a reliance on commodities and toward higher-value-added products and services.

Virginian exporters will benefit from AfCFTA as the entire continent develops common regulatory protocols for border crossings, phytosanitary requirements for foods, as well as a host of future requirements.



African Outlook / Post COVID-19

Africa will emerge out of the COVID-19 pandemic relatively stronger. The continent has been on an ascendant rise in the past two decades but trending better with several national economies in the 6 – 9 % growth range prior to the pandemic: Cote d'Ivoire, Ghana, Kenya, Rwanda, Tanzania, and others. Demographics, business culture, competition among other powers for market share, and a generally buoyant economy are key to COVID-19 recovery and future trends. Businesses in sectors such as healthcare, mining, life sciences, information technologies, manufacturing technologies, infrastructure, and agriculture will be able to find immediate interest in some specific instances and an expanded general interest once the pandemic passes.

Demographics figure importantly in how Africa will rebound from the pandemic. With an average age of just less than 19 years old, Africa is the youngest large global region. Of its total population of approximately 1.4 billion, only 43 million are 65 years and older. COVID-19 puts those with co-morbidities and elderly, particularly those over 75, at the very highest risk. Seeing this, very few will be affected by the pandemic directly. Africa does have several co-morbidity issues such as HIV/AIDS and Tuberculosis and non-communicable diseases are on the rise. These will not outweigh the demographic differences in term of COVID deaths. One estimate puts COVID-19 maximum deaths at 83,000 to 190,000 if no precautions are taken (“COVID-19 in Africa: The long game”, Economist May 16, 2020). Given the knowledge about COVID-19 at present, the absolute number of deaths will be relatively low compared to other regions such as North America, Europe and/or parts of Asia. These deaths also represent a small ratio due to other causes of death.

Africa's entrepreneurial business culture is critically important to resilience in the pandemic era. While most of the developed world is several generations removed from high childhood morbidity rates, Africa is only now coming to a point where people can easily expect to live to old age. Culture can only be measured indirectly in economics, but it remains possibly the key ingredient to what a response will look like. African culture is very family-based, very stoic and resilient to hardship. The youth culture is dynamically entrepreneurial and tends toward merit over the collectivist thinking of previous generations, while retaining a very strong linkage to family and faith communities. All this to say that many in Africa have come to look at any new situation as an opportunity through the recent decades of radical change.

Overall, Africa will come out of the pandemic not unscarred but resilient and resume a good economic growth pattern. Africa's growth will depend on an energetic youthful business culture which is and will be looking for new business opportunities over the coming decades as Africa's total share of global business increases and surpasses the expectations of those not following the general trends. ***Virginian companies can win in Africa.***



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