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# RISKMAP 21

14<sup>th</sup> January 2021

## Africa: What to expect in 2021?

Nordic-African Business Association

Jean Devlin

The leading annual forecast  
of business risks



## ▶ COVID: No exit from the pandemic this year

- ▶ Africa relatively less affected by the pandemic than other regions (lower mortality and higher recovery, with demographics and prior experience important factors) but still damage done to lives and livelihoods
- ▶ Second wave hitting harder than the first especially in West Africa
  - ◆ Infection rise is concentrated in 15 countries but pace is one of the fastest globally
  - ◆ Concern about overloading hospital capacity balanced with 'lockdown fatigue' so more reluctance to shut down
- ▶ Globally the pandemic will last well in 2022 as vaccination is not the only way out; exit through better treatment and changes in behaviour

### **Vaccination progress**

- ▶ Even with additional supply negotiated by AVATT, plus the COVAX facility guarantee of 20% of population, still only likely to be a small proportion of the continent's overall population and a minority even in affluent countries vaccinated this year, limited by 3 factors:
  - ◆ **Logistics:** cold chain storage complicated for e.g. Pfizer/BioNTech vaccine
  - ◆ **Cost:** Oxford/AZ lowest piece (\$4 per dose) but not much fiscal headroom for most countries to spend given existing debt levels
  - ◆ **Supply:** to start arriving in April but already concerns over supply problems. South Africa and Morocco only 2 countries with manufacturing in the region
- ▶ Expect governments to focus on vaccinating only the most vulnerable, in urban areas, where infrastructure facilitates distribution

- ▶ We will count the political costs of the crisis with greater instability in already stressed situations

### **Economic recovery slower due to debt levels and servicing**

- ▶ Africa's debt profile much more fragmented than 10 years ago so negotiating a multilateral initiative will have limited impact

### **The economic costs of COVID are already being counted, but will have a corrosive effect on political institutions and the security environment in 2021**

- ▶ Elections more of a lightning rod for unrest and political violence where this was already a trend prior to pandemic (Tanzania and Uganda already; Ethiopia)
- ▶ More cycles of protests in urban areas experiencing lockdown fatigue
- ▶ 'Tipping point' protests that start with a single incident but will harness deep discontent
- ▶ Not only urban areas: rural areas and states' peripheries often the first to lose out when money is tight, which will be an enabling factor for insurgencies to grow e.g. northern Nigeria and the Sahel, northern Mozambique
- ▶ Increases in crime rates

## ▶ Digitisation and regional integration: silver linings that will drive future growth

### **Accelerated digitisation will have a last impact on prospects in 2021 and beyond**

- ▶ Huge increases in connectivity, internet and mobile phone penetration, social media and data traffic facilitated the emergence of tech solutions in everything from agriculture to education
- ▶ More locally-relevant and locally-developed solutions will have applications beyond original purposes (e-commerce; digital healthcare – remote diagnosis, micro-insurance; improvements in agricultural value chains)
- ▶ Supported by growing access to broadband: subsea cables, govts making it more affordable (e.g. Nigeria reducing right of way tariffs)
- ▶ More enabling policy framework to encourage digital transactions and growing consumer trust
- ▶ In some countries, greater economic formalisation through welfare provisions (South Africa, Egypt)
- ▶ With this, risks around data security and privacy will emerge

### **AfCFTA will take time to deliver gains but the direction of travel is crucial for supporting growth**

- ▶ Notable contrast with other regions where the reduction in trade barriers has slowed or even reversed, which makes Africa relatively more attractive with its commitment to free trade

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