

Sub-Saharan Africa Current Status, Future Perspective and Business Opportunities

A View from the World Bank Group

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Current Economic Situation

A moderate recovery of growth in Sub-Saharan Africa is underway.

- Regional growth is projected to pick up to 3.1 percent in 2018, firming to 3.5 percent in 2019.

This will be helped by:

- Stabilization of commodity prices
- Continued expansion in global trade
- Supportive external financial market conditions
- Sound macroeconomic fundamentals and prudent management
- Growth in domestic private consumption and investment

And Challenges

But growth performance will be uneven across countries and challenges remain.

These include:

- Low structural transformation
- Widespread poverty
- Weather related shocks linked to climate change
- Rising debt levels and reduced fiscal space in some countries

Global Economic Trends

Africa is obviously also affected by the global economy.

External risks include:

- Tight global financing
- Slow growth in major economies and reduced demand for imports
- Downturn in commodity prices

Additional Considerations

Several other issues affect the continent's future outlook, including:

- Model of development
- Impact of science, technology and innovation
- Digital economy
- Demographics

Model of development

A key issue is what model of development is available to African countries.

- Given the tremendous advances in technology, accelerating automation, and artificial intelligence, the Asian growth model may not be feasible in the future.
- African countries have to examine what can be replicated, what can be adapted, and what will no longer be possible in the economy of the future.
- Technology is changing the nature of work and the job market. Globally, an estimated 5 to 12 percent of *existing* jobs will be eliminated over the next decade.
- Other jobs will be redefined in terms of the tasks they do, and large numbers of new kinds of jobs will be created, that will require specific skills.
- This process is already underway in Japan and other advanced economies, but will also apply to Africa.

STI and Development

Science, technology and innovation is increasingly driving growth and development.

- STI has been a driver of growth in Japan for many years, and is fundamental to Africa's growth and development.
- Technology is disruptive and brings with it rapid change that requires adaptation. If managed well, it can bring significant benefits, as Japan's experience proves.
- African countries need to take advantage of innovations and use them to leapfrog, as they did with mobile telephones.
- The impact of mobile telephony on the continent has been huge. It has radically changed lives, spurred entrepreneurship, created jobs, and improved service delivery.

Digital Economy

The increasingly digitalized global economy clearly demonstrates the impact of STI.

- Apart from its own benefits, digitalization is a key enabler of economic growth, jobs, service delivery and inclusion.
- African countries have not fully benefited from digitalization due to relatively low levels of internet access.
- This is changing as submarine cables and terrestrial backbones reduce the cost of connectivity within and across countries.
- The African Union is working toward a Single African Digital Market to harmonize regulations and increase integration, as well as expand access and lower costs.
- The continent is now on the cusp of transition to the digital economy, offering new opportunities for the private sector.

Demographics

Another issue is the continent's growing and youthful population.

- The population in Africa is projected to increase to around 1.4 billion by 2030.
- Across the continent, 25 million people will join the workforce each year, creating huge demand for jobs.
- The continent is also young – about 70 percent of the overall population is currently under age 30, and 40 percent is under age 15.
- And it is increasingly urbanized. Africa is the fastest urbanizing region in the world, with the urban population projected to reach over 800 million in the next 25 years.

Opportunities

These are challenges, but they also represent opportunities that the private sector is well placed to take.

Potential growth areas include:

- Markets and consumer demand
- Agribusiness
- Energy
- Innovation

Markets

Markets for goods and services are expected to increase.

- By 2030, Africa will be home to 1.7 billion people, whose combined consumer and business spending is estimated to be \$6.7 trillion.
- Urbanization is creating a growing middle class, anticipated to almost double in numbers by 2030 and generate consumer spending of \$2.2 trillion.
- Today, individual markets are small, but progress in implementing the African Continental Free Trade Area (AfCFTA) will expand the market for goods and services, offering many points of entry, including provision of logistics and infrastructure.

Agribusiness

Demand for food, particularly processed food, is expected to increase.

- Agriculture and agribusiness in Africa are projected to be a \$1 trillion industry by 2030, and the value of food consumption is anticipated to triple from current levels by 2050.
- Urbanization is changing food patterns. By 2050 it is estimated that 80 percent of food purchased on the continent will be processed. At present, only 20 percent of processed food products sold in supermarkets is manufactured in African countries.
- This presents a huge opportunity along the agricultural value chain, especially for the private sector.

Energy

Demand for energy far outstrips supply.

- Already more than 600 million people lack access to energy, and demand is increasing.
- The continent is home to massive untapped renewable energy sources. Only about 9 percent of the economically viable hydropower potential is utilized, less than 2 percent of the Rift Valley's geothermal resources have been developed, and wind power is barely exploited.
- There is tremendous potential for solar energy, given that the continent has some of the highest insolation rates in the world. Technological innovation and competition among private producers is driving down the price, making it increasingly attractive.

Role of Innovation

Innovation, and use of science and technology have important roles.

- Throughout the world, it is the private sector that is home to innovation. Africa is no exception.
- It was the private sector that led Africa's telephony revolution. Mobile penetration on the continent is 73 per cent and rising, and African countries are global leaders in mobile money.
- ICT is creating options, including online learning for education and skills, smart on and off grid electricity, precision farming, crop and weather monitoring and insurance, and access to services using e-government.
- Already drones are delivering blood and medical supplies to rural areas in East African countries and telemedicine is linking service providers to patients; farmers are using mobile phones to gain market information and apps to hire equipment like tractors; and digital identification is being rolled out in several countries.

Increasing Private Investment

So why is private investment low, and what can be done about it?

- Risk is often cited as a major constraint to foreign private investment in African countries. Risk is real, but on occasions perceived risk is greater than actual risk, and investors often lack accurate information to assess it.
- The WBG believes that private sector led growth is essential for African development, and so has adopted an approach that seeks to both encourage private investment, and to de-risk it.
- In terms of providing information, WBG country offices are able to provide up to date assessments of the opportunities that are available.
- The annual *Doing Business Report* provides a snapshot of 264 business regulations across ten measured indicator sets for individual countries. This clearly indicates where progress is being made and where more needs to be done.

De-risking Private Investment

The World Bank Group is implementing the Maximizing Finance for Development concept, especially for infrastructure.

- This uses different approaches to meet specific situations, using private finance where possible, and public finance where other options are not feasible.
- In the first instance, we are helping governments implement reforms to create a more conducive climate for private investment, both domestic and foreign.
- Across the WBG we can provide a comprehensive suite of support that de-risks private investments. This includes combining policy advice and financing from the World Bank with IFC's advisory, investment and equity instruments, and MIGA's political risk insurance, credit enhancement and dispute settlement products. In addition, ICSID also offers investment dispute conciliation and arbitration services.
- We have expanded the range of instruments that share risk in non-sovereign operations with private investors. These include syndications, structured finance, mezzanine financing, credit guarantee programs, hedging structures, and equity exposure.
- IDA has traditionally provided financing to governments. But under IDA 18 we have a new instrument—a \$2.5 billion private sector window to leverage private investment into IDA markets.

Time to Invest

The time to invest is now, as the private sector from other countries is doing.

- There is variation across countries, but most African governments are actively encouraging and supporting private investment.
- The domestic private sector in many countries is increasingly diverse and sophisticated, offering opportunities for partnership.
- Young people are more connected to the rest of the world, less risk-averse, and technologically aware than ever before, and increasingly see the private sector as a pathway to progress.
- Investing now creates opportunities for the future in terms of market share, as well as contributing to the long term development of the continent.

Japan's Advantage

The private sector in Japan has clear advantages.

- TICAD has placed private investment at the center of African development, and African countries are looking to Japan.
- TICAD provides an opportunity to engage with African leaders and businesses.
- The GoJ is promoting quality infrastructure that Japanese companies can provide.
- JICA is exposing African countries to the Kaizen approach through technical assistance.
- Japanese private companies are world leaders in innovation and cutting edge technology.

Thank You