



Pan-African  
Private Sector  
Trade & Investment  
Committee

Trade Advocates for Africa

# PAFTRAC Africa CEO Trade Survey Report

Assessing the impact of the AfCFTA on African Trade



In partnership with





## Foreword

Trade remains one of the most important drivers of economic growth. However, Africa has not captured enough of trade's growth-enhancing benefits. Despite accounting for around 17% of the world's population, Africa's share of global trade has stagnated at below 3%. This marginalisation of Africa in global trade is the consequence of several factors, most notably the continued reliance on the exports of primary commodities and the extroverted nature of Africa's trade. Whilst this bias toward the extractive sectors and consequently extra-African trade has helped Africa achieve among the highest growth rates in recent years, it also increased the region's exposure to global volatility and adverse terms-of-trade shocks. The excessive reliance on primary commodities and stubbornly low levels of intra-African trade despite the integration efforts undertaken since independence and the establishment of Regional Economic Communities (RECs), means that Africa's economic fortunes remain contingent on commodity price movements and external shocks.

Addressing this dichotomy has been central to all national and continental development strategies. However, despite the progress made under the RECs to dismantle trade restrictions to boost trade, barriers to intra-African trade persist and have impacted on the level of intra-African trade. While intra-regional trade in Europe and developing Asia, which have been the leading drivers of globalisation, account for 67% and 55% of total trade respectively, the performance in Africa has been poor, averaging around 14% for the past decade despite efforts at regional integration.

Recognising that enhancing intra-African trade is essential to mitigate against global volatility and help enhance diversification and competitiveness, the Assembly of the Heads of State and Government of the African Union in 2012 adopted a decision to establish an African Continental Free Trade Area (AfCFTA) and endorsed an Action Plan for Boosting Intra-Africa Trade (BIAT).

The main objective of the AfCFTA is to create a single continental market for goods and services, with free movement of businesspersons and investments, and thus pave the way for accelerating African economic integration and the establishment of the continental customs union. The AfCFTA, which seeks to bring together 55 African countries and create an integrated market of 1.3 billion people, with a combined GDP of over US\$3 trillion, holds enormous potential for Africa's trade-led development. Preliminary estimates and simulations suggest that the AfCFTA could significantly expand industrial production and intra-African trade. Estimates from the Economic Commission for Africa suggest that the AfCFTA has the potential both to boost intra-African trade by 52.3% by eliminating import duties, and to double it if non-tariff barriers are also reduced. An integrated African market is also likely to see an enhanced flow of foreign direct investment to the benefit of participating economies, and could shift FDI from natural resources to industry and manufacturing as investors seek to take advantage of increased market size. The AfCFTA has probably taken on even more importance in the context of the Covid-19 pandemic, as a framework for post-crisis recovery, with the breakdown of global supply chains following the Covid-19 lockdowns still frustrating manufacturing and other productive activity in Africa, as can be seen in the current disarray of the Nigerian ports.

However, in order to fully reap the intended benefits, the AfCFTA must provide a basis for African SMEs to effectively participate in the integrated market. With SMEs accounting for 80% of businesses in Africa, ensuring that SMEs are capacitated to take advantage of market access opportunities and overcome the trade barriers they face will be critical for the success of the AfCFTA.

This report presents the findings of an annual private sector survey conducted by PAFTRAC. The survey, which was administered to over 400 respondents, sought to assess African private sector sentiment

regarding the AfCFTA and African trade prospects. The survey explored the major constraints faced by the African private sector with a view to informing policy discourse and reform. The report also sheds light on the private sector's perspectives on Africa's current and future economic and trade environment, particularly in the context of the start of trading under the AfCFTA and post-pandemic recovery. The positive sentiment expressed by survey respondents demonstrates the potential of the AfCFTA and the eagerness of Africa's private sector to take advantage of the market access opportunities it offers. However, access to trade information, trade-enabling infrastructure and trade finance emerged as key constraints that need to be addressed to ensure that intra-African trade opportunities can be exploited to the benefit of African SMEs. One major advantage of the AfCFTA is that it can enable aggregation across borders so that African countries can pool products in the volume and quality that make them more competitive in global markets. This is especially attractive if large trading companies can do for Africa through aggregation, what companies like Marubeni did for Japan.

PAFTRAC members hope that this survey proves instructive and helps shape policy discourse and public-private sector engagements on policy, as well as the regulatory reforms required to support African SMEs to take full advantage of the AfCFTA.

**Prof. Patrick Utomi**

Chairperson  
PAFTRAC

## Introduction & Executive Summary

Africa is at a historic inflection point, as policymakers and the private sector gear up for the implementation of the African Continental Free Trade Agreement (AfCFTA), which promises to ease restrictions on intra-continental trade and usher in a new era of shared prosperity on the continent. At the same time, as Covid-19 vaccination rates increase and countries ease lockdown restrictions, many are looking towards a new period of economic recovery and industry and business growth.

As a result, the Pan-African Private Sector Trade and Investment Committee (PAFTRAC), which speaks for the African private sector around issues of trade and investment, commissioned a continent-wide survey of African CEOs and executives. The survey aimed to gauge business leaders' sentiments around intra-African trade, AfCFTA's impact on their businesses, and different measures needed to make the AfCFTA successful, as well as their views about economic growth and recovery in Africa in 2021 and 2022.

Broadly, PAFTRAC is excited about creating a body of research around private sector sentiment on a variety of business and policy-related topics in Africa. We know that this dataset is invaluable, given gaps in data about the private sector in Africa specifically, and data that speak to continent-wide sentiments more generally.

PAFTRAC plans for the African CEO survey to be its flagship annual product, a unique opportunity for actors across the continent and around the world, to track and measure trends on CEO sentiments about trade and investment in Africa over time.

400+ respondents hailing from 44 African and two non-African countries shared with us the following insights:

- I. The vast majority of respondents (87%) believe AfCFTA will increase intra-African trade, at least moderately. At the same time, the majority of respondents (62%) do not know where to access information about the AfCFTA.
- II. Positively, when respondents do access information about the AfCFTA, more than half (54%) find it easy or very easy to understand the information. This shows that, for many, access is a larger barrier than understanding.
- III. As such, the respondents believe it is crucial that actors ensure that information about the AfCFTA is accessible to private sector leaders on popular channels, including:
  - i. The internet, including social media (68%)
  - ii. Local and national government authorities (19%)
  - iii. Regional, continent, and/or global blocs or entities (e.g. ECOWAS) (16%)
  - iv. Media (news and print) (14%)
  - v. Private sector actors (e.g. chambers of commerce) (11%)
- IV. Overall, most respondents think AfCFTA will positively impact their businesses (88%) across several dimensions, particularly by:
  - i. Encouraging business owners to invest to grow their business regionally (71%)
  - ii. Helping their business export more regionally (62%)
  - iii. Opening up new markets to export their goods and services (57%)
  - iv. A majority of respondents (ranging from 52%-93% depending on the dimension) also believe that AfCFTA will positively affect more than 10 aspects of intra-regional trade.
    1. The areas respondents believed would have the highest positive impact were:
      - a) Regional demand (93%)
      - b) Export diversification (91%)
      - c) Competitiveness (88%)
    2. The areas respondents believed would have the highest negative impact were:
      - a) Corruption/illicit trade (16%)
      - b) Informal restrictions (14%)
      - c) Cost of transportation (8%)
- V. Respondents noted that inhibiting policy factors constrain businesses from trading in the region, particularly transit and customs issues related to cross-border movement, tariffs, and security and safety. The majority of respondents placed access to trade finance (61%) and access to

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investment capital (40%) as the two biggest financial constraints when trading regionally. Interestingly, they ranked the availability of cross-border payment systems as the least important (66%)

- VI. Digital solutions, such as an online platform to connect buyers and sellers on the continent (76%) or an online resource centre (66%), are the most highly requested policy interventions to accelerate AfCFTA implementation.
- VII. Overall, executives are at least moderately confident (86%) about business growth in the next 12-18 months.
- VIII. They are generally optimistic about Africa's economic prospects, too (77% at least moderately optimistic). Global economic recovery is the main reason driving this optimism (64%), followed by the improvement of trade openness through AfCFTA (58%) and the easing of lockdown restrictions (47%).
- IX. For respondents with a negative outlook about economic recovery, their main reasons were access to financing (64%) and the continued economic effects of Covid-19 (61%).

# About PAFTRAC

## THE PAN-AFRICAN PRIVATE SECTOR TRADE AND INVESTMENT COMMITTEE (PAFTRAC)

PAFTRAC unites African leaders from the private sector and provides a unique advocacy platform bringing together the African private sector and African policymakers to support extra and intra-African trade, investment and pan-African enterprise.

The platform drives pan-African results by providing a framework for private sector engagement in trade and investment issues in Africa, including policy formulation and trade negotiations to support African economies in line with the ambitions of Agenda 2063: “The Africa We Want”.

PAFTRAC enhances advocacy and supports policy actions and recommendations of the private sector on trade; and investment issues at the national, trade corridor, regional and multilateral levels.

*Members of the Executive Committee (below, from left):  
Prof Patrick Utomi, Chairperson; Mr Samuel Dossou-Aworet,  
Vice-Chair; Dr Amany Asfour, Vice-Chair; Mr Agostinho Kapaia, Vice-  
Chair; Mr Walid Loukil, Vice-Chair*



# Methodology



## Breakdown of Survey Methodology



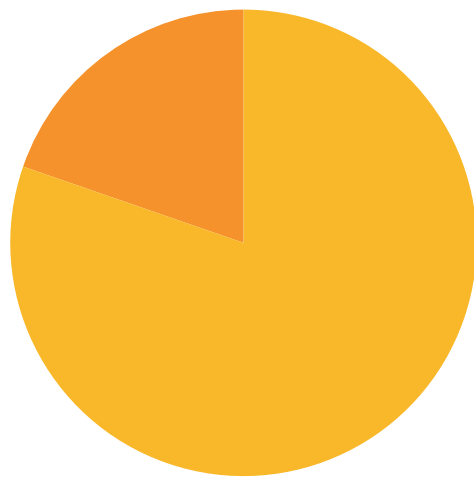
### Survey methodology

This PAFTRAC report has been researched and written by two organisations with wide-ranging expertise in African trade and economics: IC Publications and Botho Emerging Markets Group. In order to gain as wide an insight as possible, they developed a targeted 44 question survey that contained both quantitative and qualitative elements. The survey was completed between August and October 2021 by respondents from 44 African countries, plus the Americas and the Middle East.

Questions were offered on Google Forms in both English and French to allow participants from both Anglophone and Francophone countries to complete the survey in their own business language. The results were collated using quantitative and qualitative thematic analysis and are presented here using data visualisation tools.

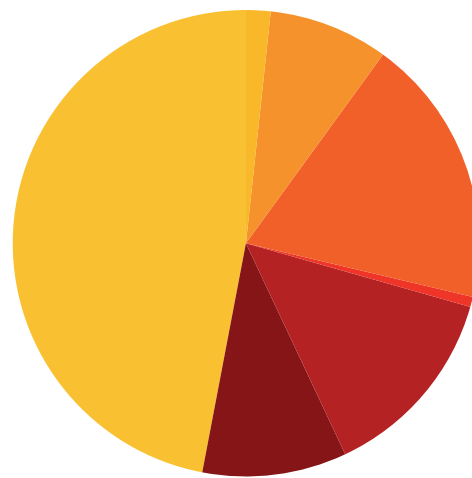
## Gender and geographic breakdown of respondents

Gender breakdown of respondents



Male 80.3% Female 19.7%

Regional breakdown of respondents

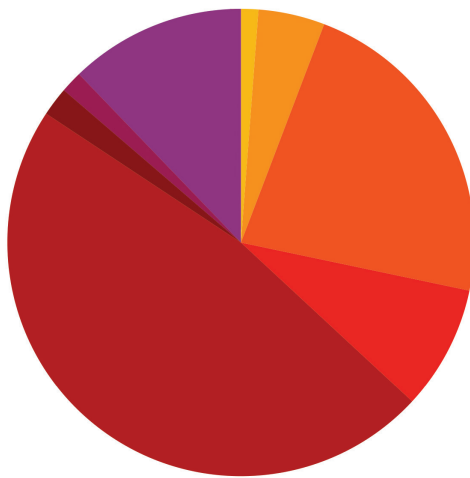


The Americas Central Africa East Africa Middle East  
North Africa Southern Africa West Africa

Great care was taken to ensure that a geographically diverse spread of respondents was chosen. As the most populous regions on the continent, it is no surprise that most survey participants came from West and East Africa. West Africa led the way with 47%, followed by East Africa (19%), North Africa (14%), Southern Africa (10%) and Central Africa (8%). Non-African representation also came from the Americas (1.7%) and the Middle East (0.7%). The fact that the majority of business executives in Africa are male is reflected in the gender breakdown of those surveyed: 80% were male and only 20% female.

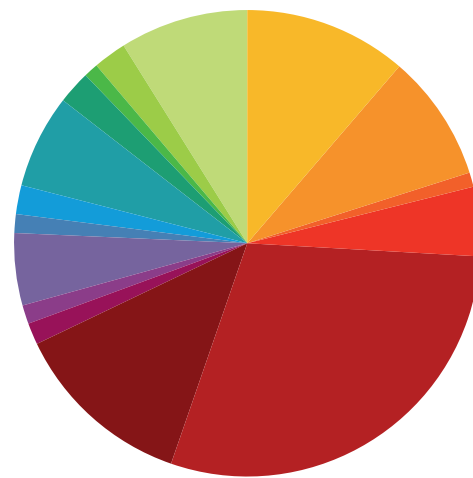
## Revenue and industry breakdown of respondents

Revenue of respondents' businesses



- \$10 billion or more 1.2%
- \$10 million - less than \$50 million 4.6%
- \$50,000 - less than \$250,000 22.5%
- \$1 million - less than \$10 million 8.8%
- \$0 - less than \$50,000 47.4%
- \$50 million - less than \$250 million 2.0%
- \$250 million - less than \$1 billion 1.5%
- \$250,000 - less than \$1 million 11.5%

Industry breakdown of respondents



- Information technology 11.3%
- Financial services 8.1%
- Legal services 1.0%
- Building and construction 4.8%
- Other services 29.4%
- Agriculture 12.6%
- Mining and metals 1.5%
- Consumer goods 5.0%
- Healthcare 1.3%
- Tourism and hospitality 2.0%
- Real estate and construction 6.5%
- Infrastructure 2.3%
- Education 1.0%
- Oil and gas 2.3%
- Other 10.9%

As with the geographical distribution of respondents, a great deal of effort was put into ensuring that companies in all sectors and of all sizes were represented in the survey. The vast majority of African businesses are small and medium-sized enterprises (SMEs) and so a majority of the respondent businesses that participated in the research were SMEs in terms of their annual revenue. Almost half of total respondent businesses generate annual income of less than \$50,000 and 22.5% earn between \$50,000 and \$250,000 a year. Just 1.2% have annual revenue in excess of \$10 billion, reflecting the fact that the African private sector is dominated by SMEs.

The breakdown of industries represented among the respondents highlights the changing landscape of African economic activity. While Agriculture is the biggest single industry represented, accounting for 12.6% of respondents, it is not far ahead of Information Technology with 11.3%, reflecting its increasing importance in African economies and trade. Other service sector activities are also well represented, with Financial Services accounting for 8.1% and the wide-ranging Other Services category, 29.4%. However, the continent's still relatively small manufacturing sector is reflected in the fact that manufacturing is included in the catch-all Other category, which accounts for 10.9% of participants. Perhaps surprisingly, just 2.3% and 1.5% of respondents respectively came from the industries that account for a large proportion of Africa's total commodity exports: Oil & Gas and Mining & Metals.

# Composition of Trade in Africa

## Food, drinks, and tobacco; professional services; and agricultural materials most common products exported to and imported from Africa

### Top 5 most common products exported to Africa



Food, drink and tobacco



Insurance, financial, intellectual property, other professional services



Agricultural raw materials



Manufactured goods



Telecommunications, computer, and information services

### Top 5 most common products imported from Africa



Agricultural raw materials



Food, drink and tobacco



Insurance, financial, intellectual property, other professional services



Machinery and mechanical appliances, equipment



Textiles, clothing, leather, footwear

## Road is the most common type of transport used to both import and export goods, followed by air and sea; use of rail for trade is miniscule



Trade, both between Africa and the rest of the world and within the continent, relies heavily on transport infrastructure. A large proportion of existing transport connections were built during the colonial era to move commodities out of each African territory and to its respective colonial power, rather than to encourage trade between different African territories. This is a particular issue in the rail sector, a problem that is reflected by the discovery that just 3% of the survey's respondents rely on rail transport to either import or export goods. However, several cross-border rail projects are currently at an advanced stage of planning, which could contribute to export competitiveness and reduce the burden on cross-border infrastructure.

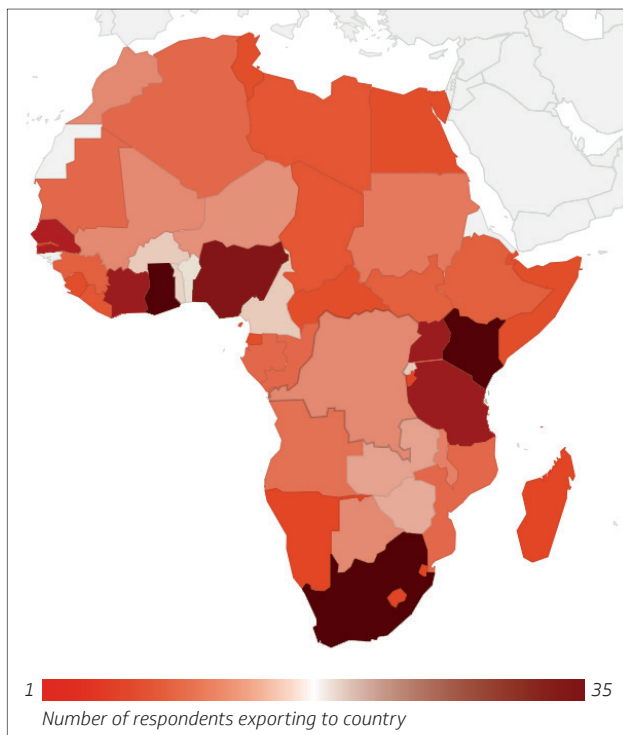
More progress has been made on building cross-border roads and particularly on developing modern deepwater ports. A total of 51% of the participants in our survey used international shipping and African ports to import goods, while 39% used sea freight for exports. The difference reflects the continental trade imbalance, with Africa as a whole importing a lot more than it exports, and importing a wide range of manufactured goods in exchange for a much smaller range of raw commodity exports.

Government and private sector investment in airports and other air cargo infrastructure also makes air transport a viable option across much of the continent, although again there is still a bias towards imports. As a result, 41% of respondents make use of air freight for exports, 8% fewer than those who utilise it for imports.

The lack of modern transport infrastructure is widely regarded as being one of the biggest brakes on African trade volumes and economic growth.

## The most common export destinations in Africa are the continent's biggest markets

Export destinations in Africa



Top export destinations in Africa



### Export destinations in Africa

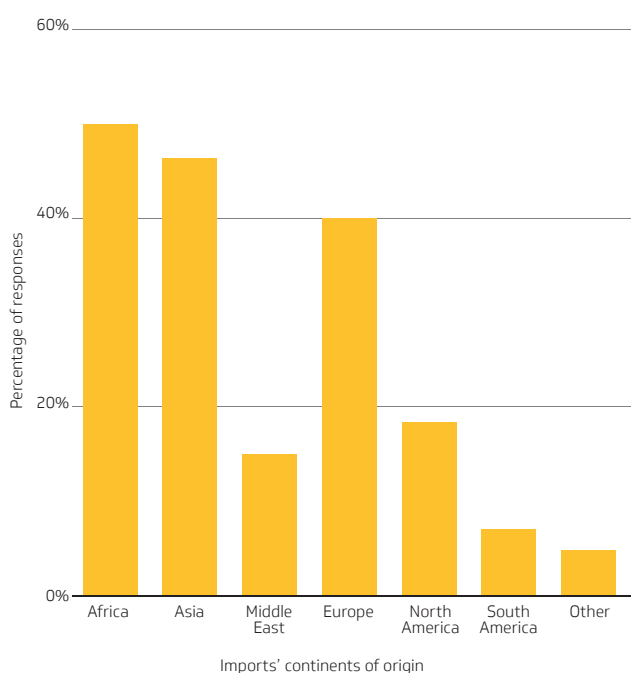
The four top export destinations in Africa for respondents' businesses are the four biggest Anglophone economies on the continent. A total of 27% of survey participants reported that they export to South Africa, closely followed by Ghana and Kenya, both with 25%. Most surprisingly, Nigeria comes fourth on 19%. Although it has a far bigger economy than either Ghana or Kenya, a relatively small number of international corporations, particularly in the oil and gas sector, account for a large proportion of its economic activity. By contrast, both Ghana and Kenya have more diversified economies that rely more on trade. The presence of Ghana in the top four may also be indicative of the fact that more respondents come from West Africa than any other part of the continent. However, it is interesting that neither Côte d'Ivoire nor any other Francophone West African state ranks as highly as an export destination.

By contrast, none of our respondents reported exporting goods or services to Angola, Botswana, Burundi, Congo-Brazzaville, Guinea-Bissau, Lesotho, Libya, South Sudan, eSwatini or Sahrawi Republic. Several other countries attracted only a single respondent exporter, also highlighting the limitations of intra-African trade. While a few neighbouring states trade intensively with each other, trade occurs between many others at a very low level.

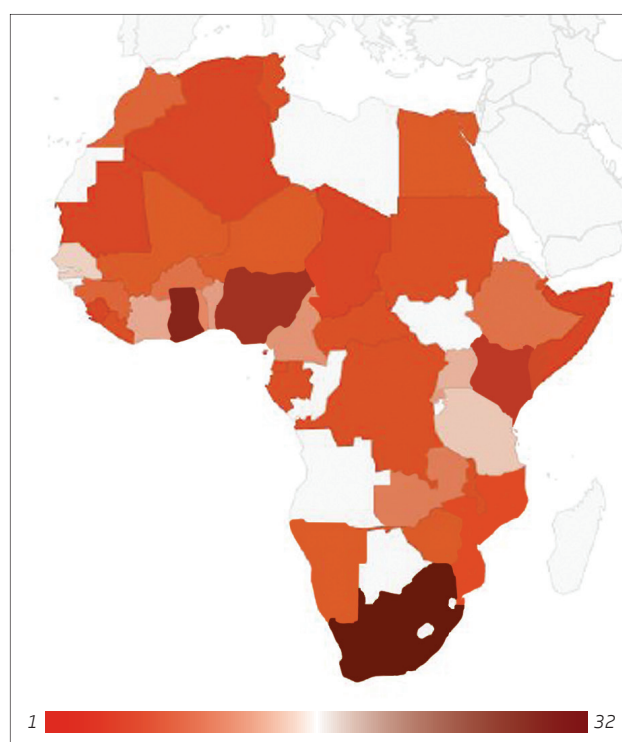
## Africa, Asia, Europe most common places of origin for imports; within Africa, largest markets are most common sources of regional imports

Imports' continents of origin

Where do you import from?



Sources of imports into Africa



Only half of the respondents surveyed in our research import goods or services from other African countries. This is only slightly above the 46% who import from Asia or the 40% from European countries; although it is interesting that more respondents now import goods from China and other Asian markets than from the Europe. Far fewer participants reported importing goods and services from North America, South America and, perhaps surprisingly given the role of the Gulf states in African investment, the Middle East.

The four countries that were the most common origin for imports for our respondents are the same as the top export destinations. South Africa leads the way with 18%, followed by Ghana (23%), Nigeria (20%) and Kenya (18%). Again, this is the result of West Africa's strong representation among our survey base. The presence of South Africa, Ghana and Kenya among the

leading trading nations is partly the result of the role that their international ports play in regional trade. Many neighbouring states in Southern, West and East Africa respectively use ports such as Durban, Tema and Mombasa as entrepôts. In addition, road, rail and shipping feeder links between other countries and those ports can be used as conduits for intra-African trade.

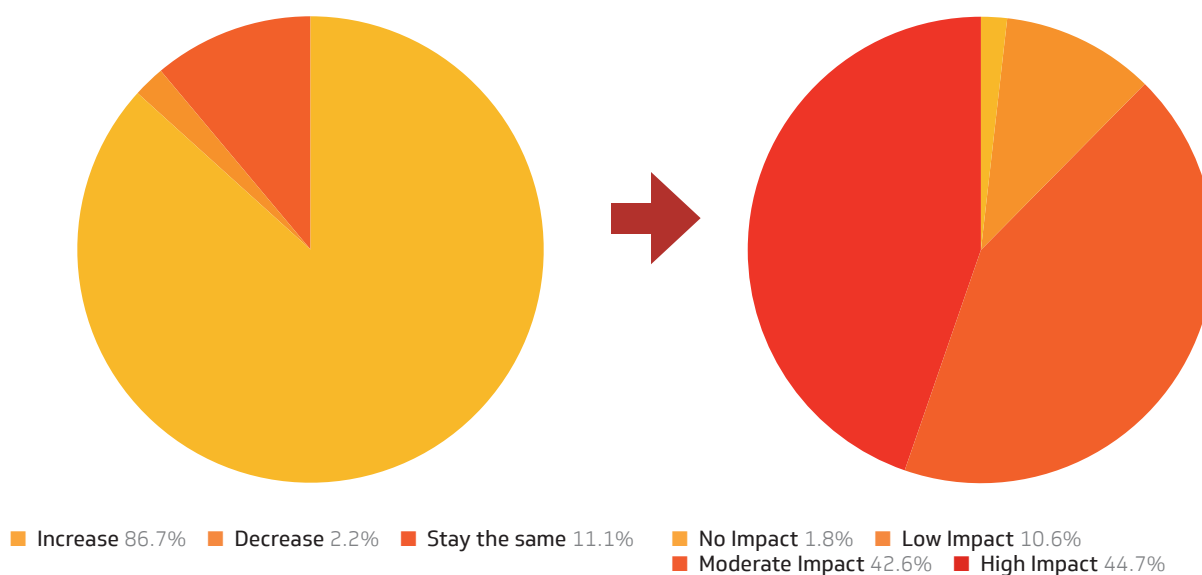


# Unlocking the Full Potential of AfCFTA

## The vast majority of respondents believe AfCFTA will increase intra-African trade

Do you think the launch of the AfCFTA will cause intra-African trade in 2021/22 to:

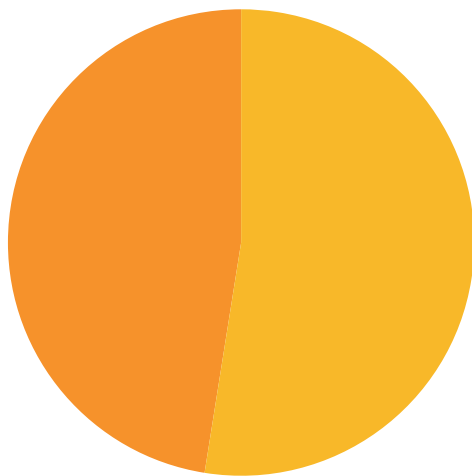
How big an impact do you think the AfCFTA will have on boosting intra-African trade in 2021/22?:



Of all those surveyed for this report, 86.7% believe that the African Continental Free Trade Area (AfCFTA) will result in an increase in intra-African trade, with just 2.2% predicting that it will have a negative effect. Of those who expect a positive outcome, 87.3% believe that it will either have a moderate or high impact. The AfCFTA was founded in 2018 and trading commenced in January 2021 with the aim of eroding and then eliminating both tariff and non-tariff barriers to trade between African states to create a single market for goods and services. The bloc has been backed by the governments of almost every country on the continent, with only Eritrea yet to sign the AfCFTA agreement.

## ... but majority don't know where or how to access information about it

Do you know where and how to access useful information about the AfCFTA?



■ Yes 37.7% ■ No 62.3%

How easy is it to understand information about the AfCFTA?



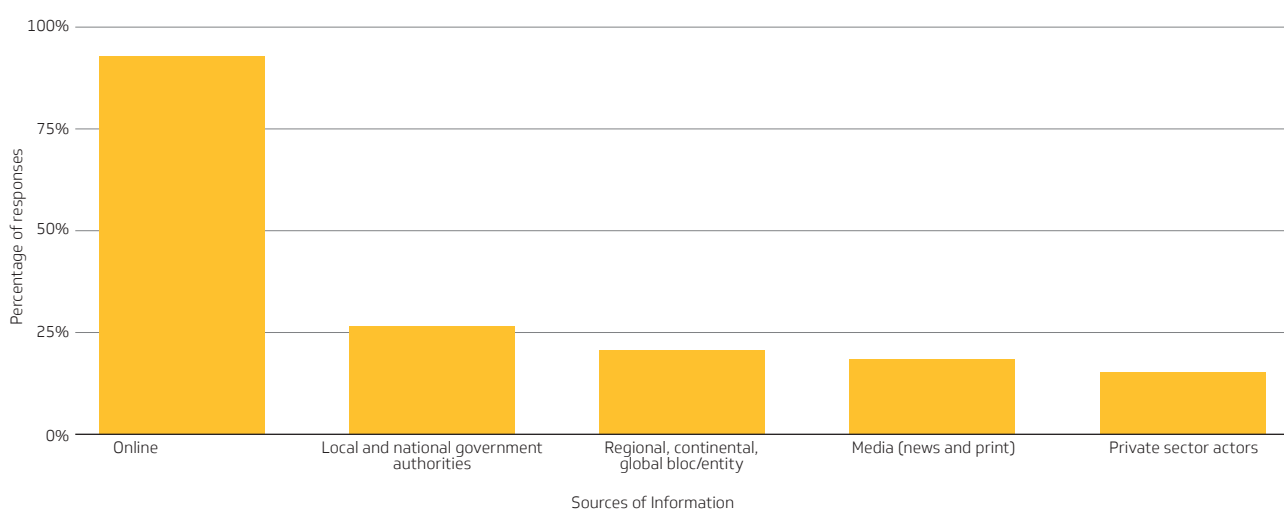
■ Not easy 10.5% ■ Moderately easy 34.1%  
 ■ Easy 41.1% ■ Very easy 13.6%

While free trade has the potential to greatly boost trade between African countries, it is vital that the AfCFTA is fully implemented, that the rules are clear and widely understood, and that African businesses are able to access information on the various rules and regulations. However, despite overwhelming optimism from the respondents to our survey on the AfCFTA's ability to boost intra-African trade, access to information about the new bloc appears to be limited.

A massive 62.3% do not know where or how to access information about the free trade area, which clearly makes it more difficult for the agreement to be understood and effective, and to actually make a difference in practice. However, there does not appear to be any great problem with the content of the information once it is accessed. Of the respondents that have made use of it, 88.8% found it either moderately easy, easy or very easy to understand.

## Ensuring that info about AfCFTA is accessible on popular channels, particularly the internet, will be crucial

Currently, what are your main sources of information about import/export regulations and procedures for trading within Africa?



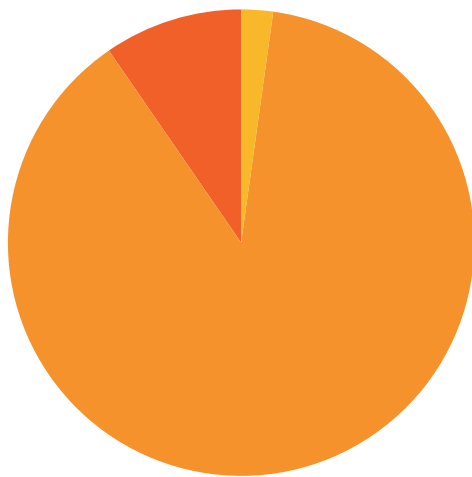
Stakeholders who are driving the implementation of the AfCFTA have to ensure that up-to-date information is made accessible on channels that people frequently use to get information on import and export regulations. As might be expected, almost all those surveyed for this study used the internet – whether search engines, social media, email or official websites – to find information about regulations and procedures relating to intra-African trade.

Far less use was made of other research resources not online, including government authorities, regional blocs like the East African Community or Economic Community of West African States, media and private sector actors. National and local government authorities were the second most popular resource but, as would have been predicted, they came a very long way behind online sources. This demonstrates the importance of having a central, online and easily accessible platform that can consolidate all AfCFTA-related information.

# Overall, most respondents think AfCFTA will positively impact their businesses across several dimensions

## Impact of AfCFTA on businesses

What kind of an impact will the AfCFTA have on your business?

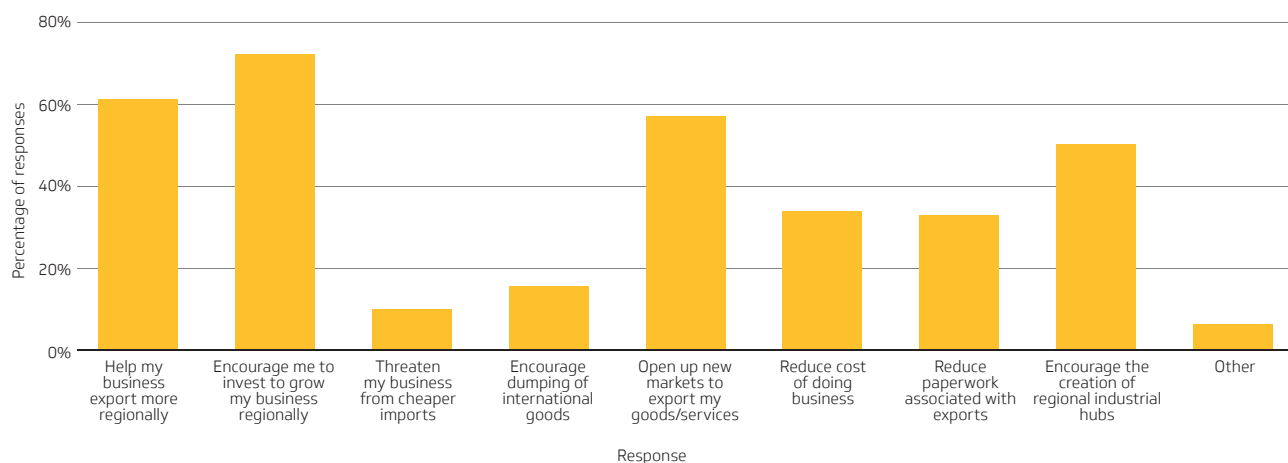


The overwhelming majority of respondents believe that the AfCFTA will have a positive impact on their businesses, with 71% expecting it to encourage them to invest in expanding their businesses regionally. More than half (57%) also believe that it will open up new markets to export regionally and provide the necessary frameworks to increase their regional exports (62%). Just over half of respondents expect the AfCFTA to encourage the creation of regional industrial hubs.

■ Negative 2.2% ■ Positive 88.2% ■ No impact 9.6%

## How will positive impact materialise?

How will AfCFTA impact your business?

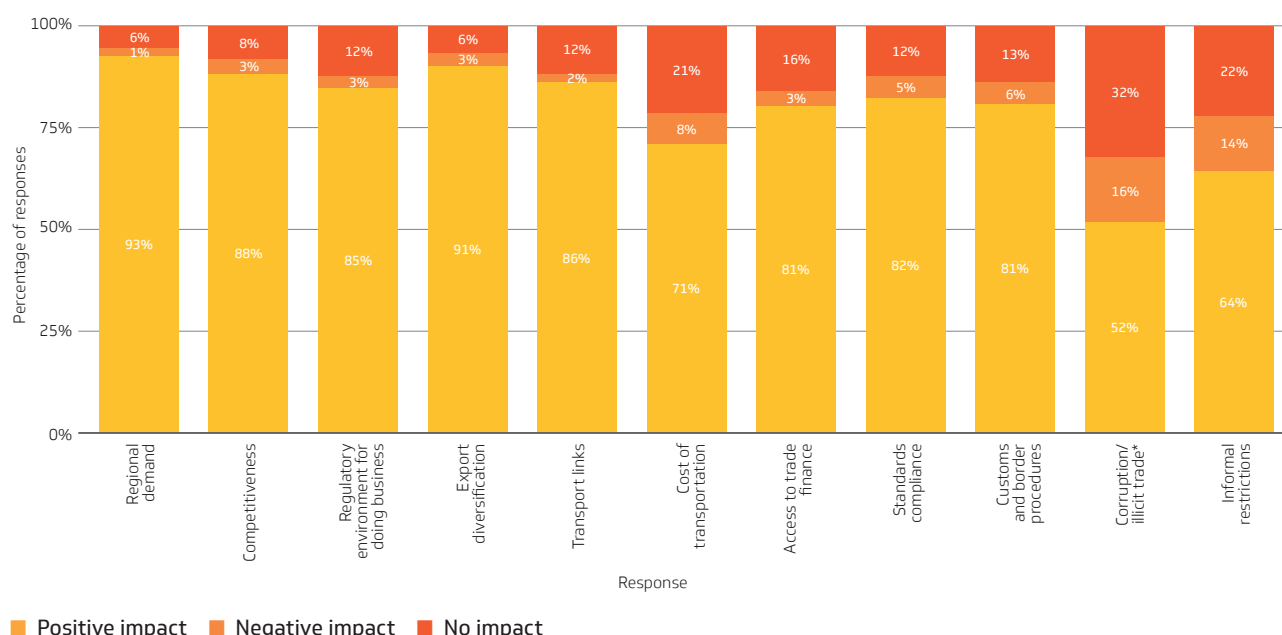


Research on trade within Africa and other large blocs indicates that removing both tariff and non-tariff barriers results in higher trade volumes. Nevertheless, just over 2% of survey participants believe that the free trade area will have a negative impact on their business, possibly because they fear the impact of

greater competition from other AfCFTA members. The most popular disadvantages of the creation of the continent-wide free trade area are concerns that it may encourage the dumping of international goods and that cheaper imports will threaten respondents' businesses.

## A majority of respondents also believe that AfCFTA will positively affect more than 10 aspects of intra-regional trade

What impact do you think the AfCFTA will have on the following aspects of intra-regional trade?

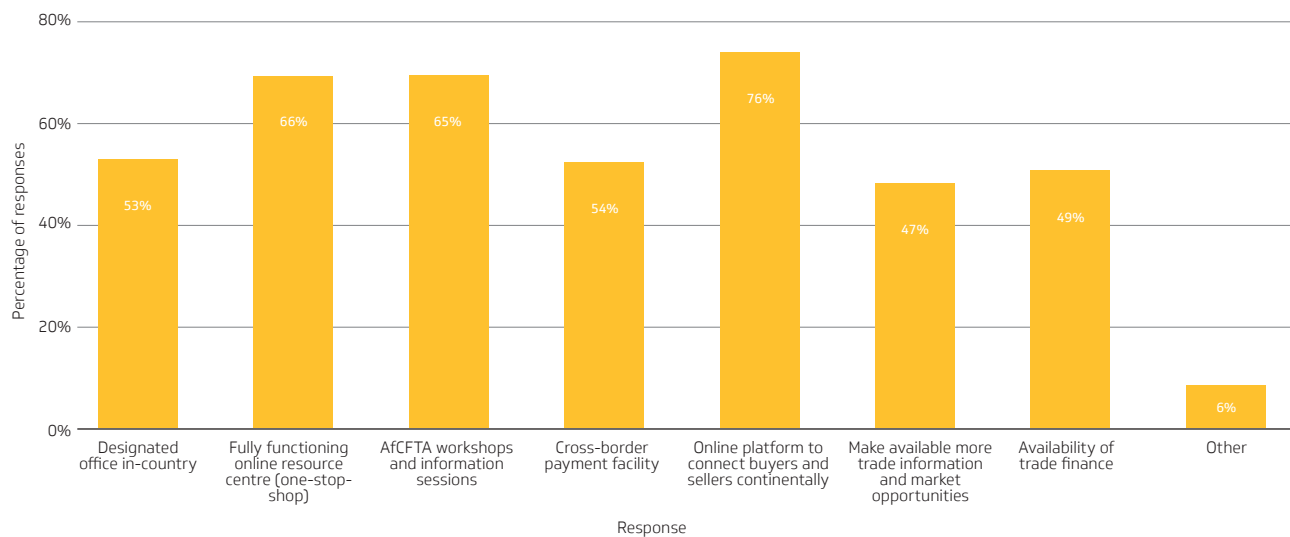


Respondents were asked what kind of impact the AfCFTA would have on eleven major aspects of trade, including regional demand, access to trade finance and customs and border procedures. In every case a majority expect it to have a positive impact. Surveyed sentiment was most strongly in favour of the free trade area having a positive effect on regional demand, export diversification, competitiveness and transport links. A huge 93% believe that it will benefit regional demand, followed by 88% for competitiveness.

At the opposite end of the scale, respondents had least confidence that the trading bloc would have a positive impact on corruption and illicit trade, with 32% expecting it would have no impact and 16% even predicting a negative impact, perhaps because they expect reduced trade barriers to free up all forms of trade, whether licit or illicit. Despite generally positive sentiment towards the AfCFTA, it seems that many do not see it as a panacea for other trade-related issues that may require additional regional cooperation.

## Digital solutions are the most requested for policy intervention to accelerate the AfCFTA's implementation

What more should be done to help your business benefit from the AfCFTA?



More and more aspects of international trade are being moved on to digital platforms, including bills of lading and letters of credit. Trading platforms can have a similar benefit in terms of speeding up and simplifying trade. However, a lack of regulatory and technological standardisation slows down the process in many cases, while many companies are forced to bear the cost of replacing legacy technology.

Just over three-quarters of respondents believe that an online platform to connect buyers and sellers in different countries and continents would help their businesses reap more benefit from the AfCFTA, while two-thirds favour the creation of a fully functioning online resource centre to act as a one-stop trade shop. Only 47% proposed making more information on trade and market opportunities available, which supports the earlier assertion that it is difficult to find trade information when needed.

Digital solutions were rated more highly than physical ones, such as designated AfCFTA in-country offices. This confirms another result of our survey that was presented on page 20 – that most companies find import and export regulation information online. This strategy is underpinned by rising internet penetration rates on the continent that make online data more easily accessible to SMEs.

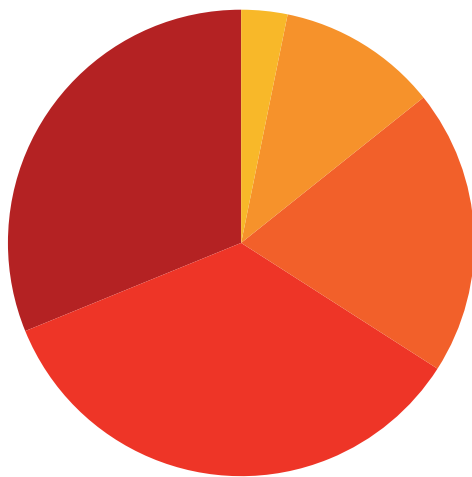
# Global Economic Outlook



## Respondents are largely optimistic and confident about industry and business recovery and growth...

### Confidence about business growth

How confident are you that your business will grow over the course of the next 12-18 months?

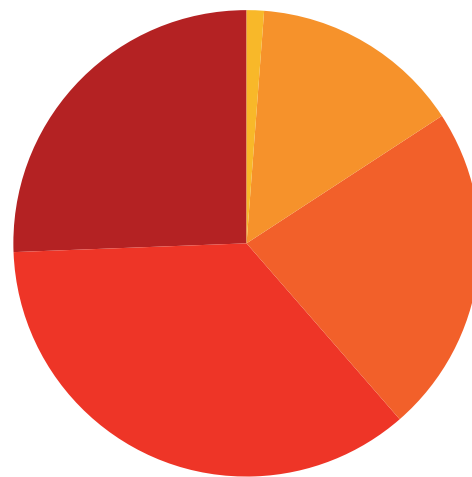


■ Not confident 3.2%  
 ■ Somewhat confident 11.1%  
■ Moderately confident 19.8%  
 ■ Confident 34.8%  
■ Very confident 31.2%

It is difficult to predict the pace of the economic recovery from the Covid-19 pandemic and associated restrictions on the movement of people, partly because the future development of the virus is difficult to forecast. However, two-thirds of our respondents were either confident or very confident that their businesses would grow in the next 12-18 months, despite the fact that it is likely to take that long to roll out vaccination campaigns in many African countries.

### Optimism on industry economic outlook

How optimistic are you about your industry's economic outlook for 2021/22?



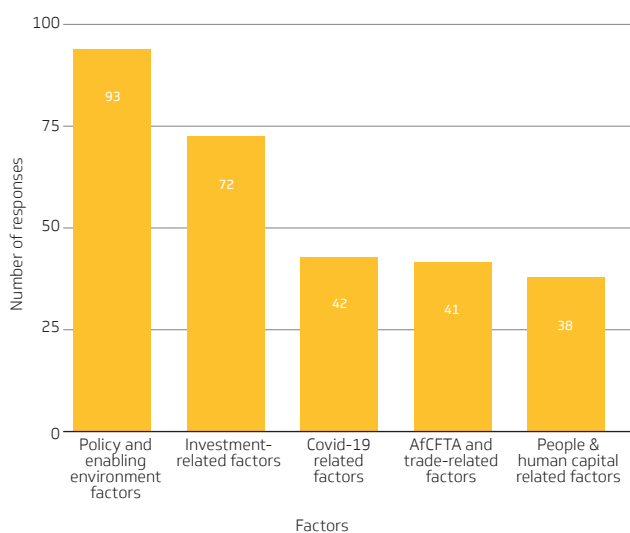
■ Not optimistic 1.2%  
 ■ Somewhat optimistic 14.4%  
■ Moderately optimistic 22.8%  
 ■ Optimistic 35.8%  
■ Very optimistic 25.6%

Almost as many were either optimistic or very optimistic about the economic outlook for their industry over the period 2021-22, revealing that they were slightly more optimistic about the future of their own businesses than the prospects for their industries as a whole. A very small proportion, 3.2% were not confident that their business would grow over the next year or year and a half, falling to 1.2% for the overall prospects of the industries within which they operate. This suggests an incredible level of optimism over the economic and commercial prospects of both individual companies and whole sectors.

## ... with strong beliefs that policy-, finance-, and Covid-related factors will be key in growth and recovery

### Spotlight on industry performance

What do you believe the major 2-3 factors that will affect your industry's performance in future years will be?

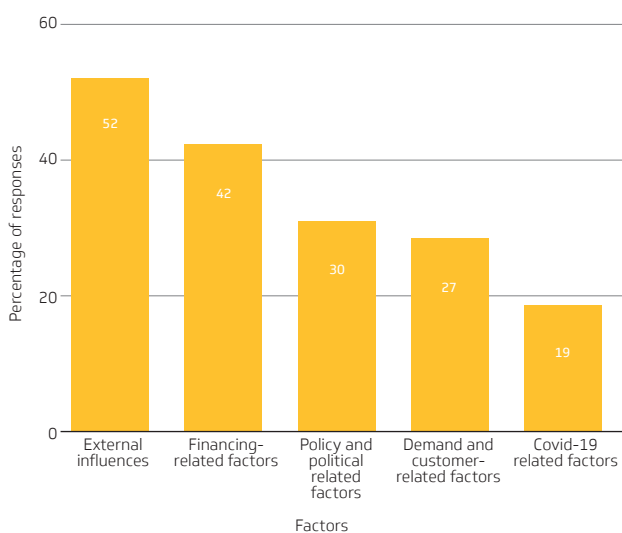


The pandemic has obviously had a massive impact on global economic growth and trade volumes, with the full effect on African development still to be realised. However, just 42% of respondents expected Covid-19 to be among the main factors affecting their industry over the next few years. Far higher numbers considered 'Policy and enabling environment factors' and 'Investment-related factors' to be important influences. For the purposes of this report, it is particularly noteworthy that less than half of them considered 'AfCFTA and trade-related factors' to be among the two or three most important factors.

Respondents expected Covid-19 to play less of a role in limiting growth for their businesses over the next 12-18 months, with only 19% citing it as a major factor. External influences, in particular technology, were cited by over half of those surveyed, as digital banking and other elements of digitisation offer opportunities for more rapid corporate growth. Given that most of the respondents to our survey came

### Spotlight on business growth drivers

What factors will drive growth for your business in the next 12-18 months? (top 5 responses)



from SMEs, this highlights the fact that technological transformation is expected to create opportunities for even relatively small companies.

African SMEs have long struggled to secure access to finance, so it is no surprise that financing-related factors are the next most cited category. Policy and political-related factors, particularly domestic policy environments were considered key factors by 30% of respondents. It is likely that increased political insecurity in several countries, as well as changes in government policy, play a role here.

On balance, it appears that although the pandemic has had a huge effect, longer-term trends – both positive and negative – are expected to have a bigger impact on the performance of individual companies and the sectors within which they operate for the foreseeable future.

# Respondents generally optimistic about Africa’s economic prospects, with some differentiation in optimism about specific regions

## Spotlight on continent-wide views

How optimistic are you on Africa’s economic outlook for 2021/22?



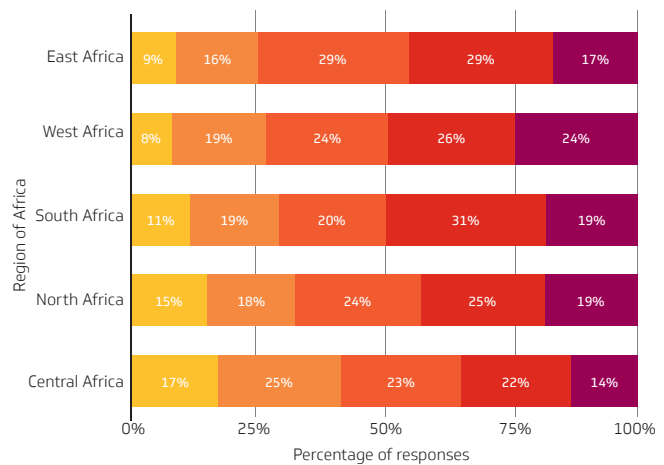
■ Not optimistic 7.7% 
 ■ Somewhat optimistic 15.4%  
■ Moderately optimistic 26.3% 
 ■ Optimistic 28.6%  
■ Very optimistic 22.0%

A total of 93% of respondents are at least somewhat optimistic about Africa’s economic outlook for 2021 and 2022. This mirrors their optimism over the short-term future for both their own companies and their respective sectors. We look at the reasons behind this optimism on the next page.

There are wide variations in the levels of optimism about different parts of the continent. West Africa leads the way, with 24% of survey participants describing themselves as “very optimistic” and just 8% as “not optimistic” about the region’s short-term economic outlook. This may be because almost half of those polled were from West Africa and as such felt more positive about the prospects for their own region than others. However, it could also reflect the fact that some of Africa’s fastest-growing economies in recent years, such as Ghana and Côte d’Ivoire, are located within the region. Finally, a flurry of investment activity in Nigeria in particular could play a role.

## Spotlight on regional-specific optimism

How optimistic are you about the economic outlook for 2021/22 for the following regions of Africa?

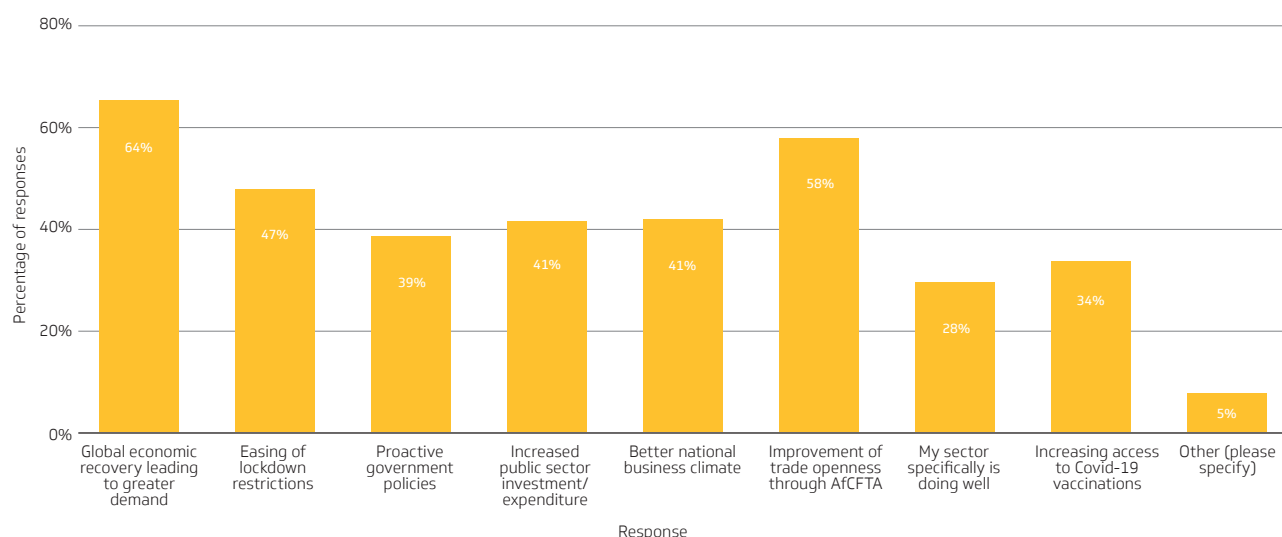


■ Not optimistic 
 ■ Somewhat optimistic  
■ Moderately optimistic 
 ■ Optimistic 
 ■ Very optimistic

Respondents were least upbeat about the future of Central Africa, with only 14% describing themselves as being very optimistic about the region’s economic prospects. Central Africa has experienced the weakest economic growth of any African region in recent years, while political and security instability has affected several countries. At the same time, the region’s oil-producing states have experienced lower oil production and fluctuating prices, while largely failing to significantly diversify their economic bases. All these factors may explain the lower optimism.

## Global economic recovery is the main reason driving optimism about Africa’s economic recovery

Reasons for positive feelings about Africa’s recovery?

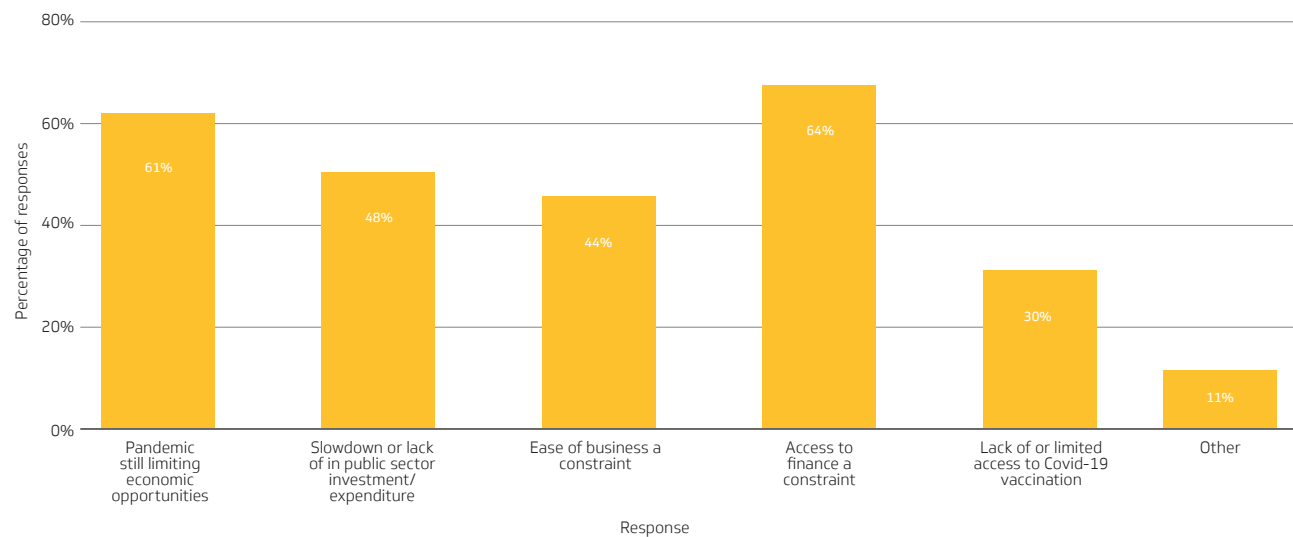


Although the pandemic is far from being brought under control, there is a general feeling that the worst of the Covid-related economic slump may be behind the continent. The global recovery is well underway, driving increased demand for African commodities and other exports. Yet less than half of survey participants attributed their optimism over Africa’s economic recovery to the easing of lockdown restrictions. This compares with almost two-thirds who based it on increased demand as a result of the global economic recovery.

There does not appear to be one main factor driving optimism about Africa’s expected economic recovery. However, more respondents voiced positivity over international and regional trade strategies and agreements, such as the erosion of trade barriers through the AfCFTA, than over national economic recovery strategies, such as the relaxation of lockdown restrictions or improved national business climates. Indeed, increased trade openness through the AfCFTA was the second most cited reason for optimism, suggesting that the African business community as a whole feels that the process of creating the free trade area has real potential to make a difference.

## For respondents with a negative outlook about economic recovery, main reason was due to continued effects of pandemic + access to financing

Reasons for negative feelings about Africa's recovery



### Exploring negativity about Africa's recovery

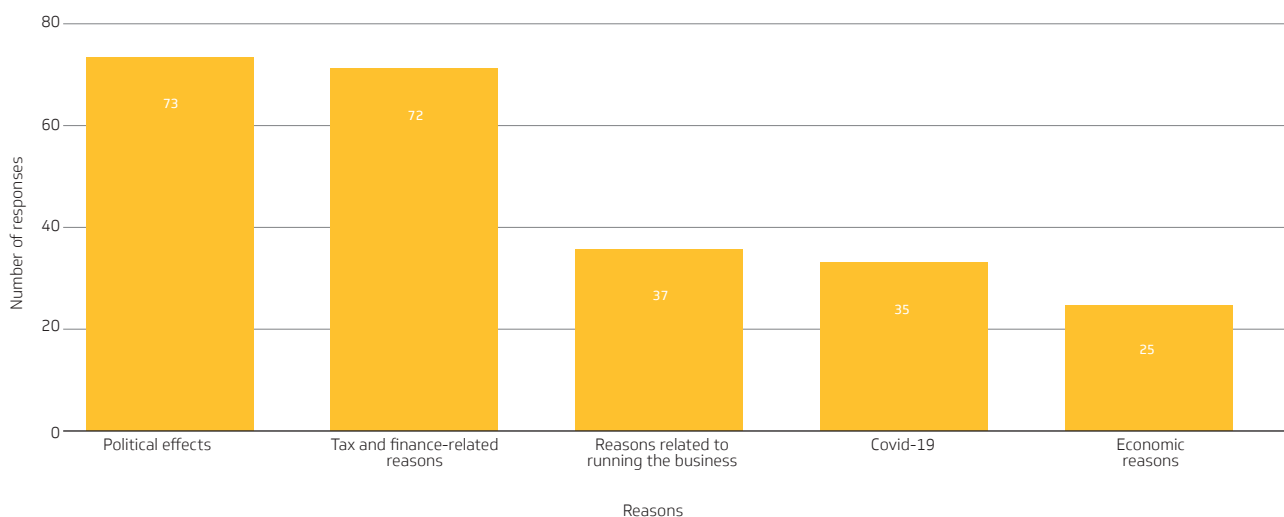
While recovery from the pandemic was not one of the main reasons for optimism on the part of our survey participants, 61% said that the continued limitation of economic opportunities by Covid-19 was one of the main reasons for their pessimism over Africa's economic recovery. This indicates that it is the possibility of Covid-19 related restrictions continuing that is the main factor, dampening recovery optimism.

However, the leading cause of pessimism is a factor that crops up consistently in analysis of the main brakes on African economic growth and corporate potential – the lack of access to finance. Even large African corporations can struggle to secure adequate access to much needed finance but it is generally recognised that the provision of credit to SMEs on the continent is extremely limited. This confirms the finding on page 26 that access to finance will be a crucial driver of growth for African businesses over the next 12-18 months.

## Inhibiting factors - policy environment, customs issues, access to trade finance - prevent businesses from growing and trading regionally (1/2)

### Factors inhibiting business growth

What do you expect will prevent your business from growing (top 5 responses)

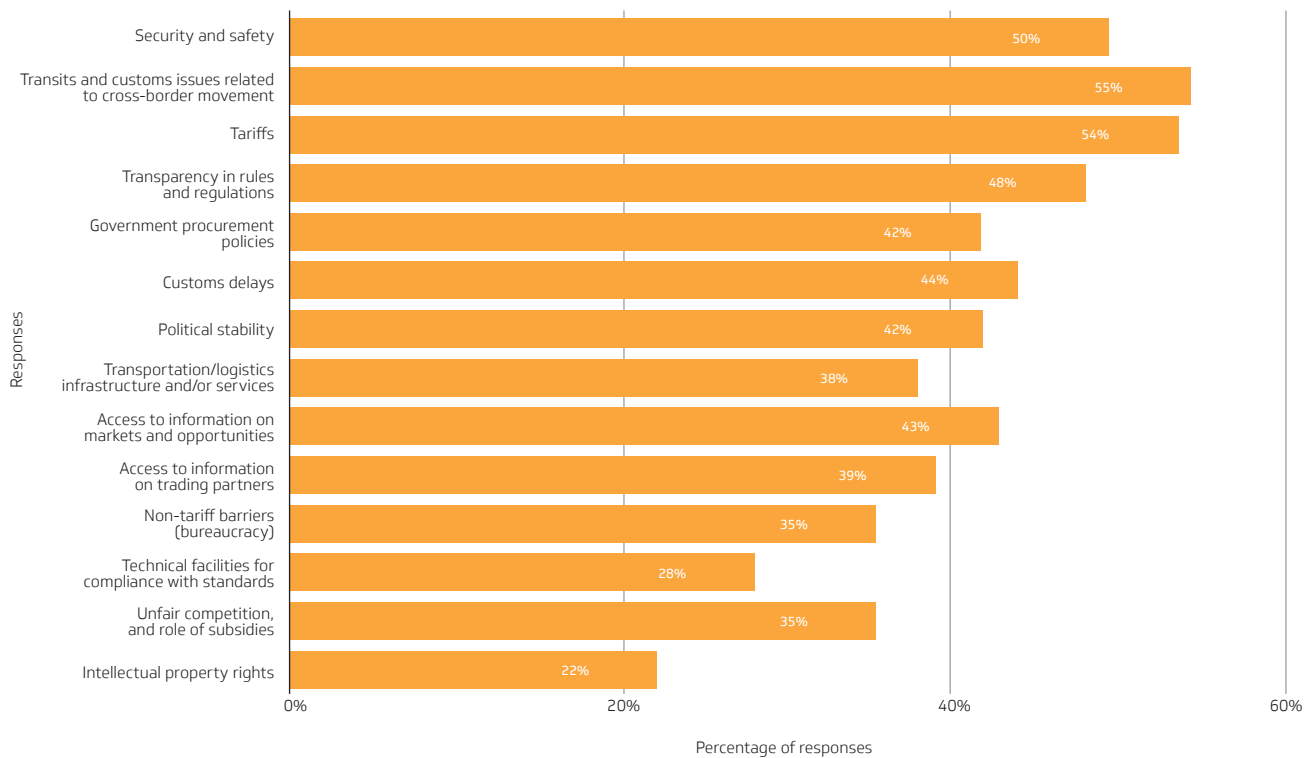


The remaining survey questions focused on the factors expected to inhibit business growth. Again, the pandemic is perceived to be having less of an impact than might be expected, with just 35% of respondents listing Covid-19 among their top five inhibiting growth factors. Two factors stood out above all others and were cited by more than 70% of participants: political effects, and tax and finance-related effects. Political effects included policy environment and political instability, confirming the finding on page 26 that policy and enabling environment factors were the most important element affecting the performance of respondents' industries in the future.

Tax and finance-related effects included access to finance and tax systems, yet again highlighting the lack of access to finance in Africa. In addition, 37% of respondents cited reasons specific to their own businesses as inhibiting factors. While the macro-economic situation and domestic investment regime affect every business, they also have to deal with competition from established and emerging players in their respective industries, constrained access to raw materials, and the cost of doing business within their specific markets.

Constraints to intra-regional trade

What are the main constraints your business faces when trading within the region?



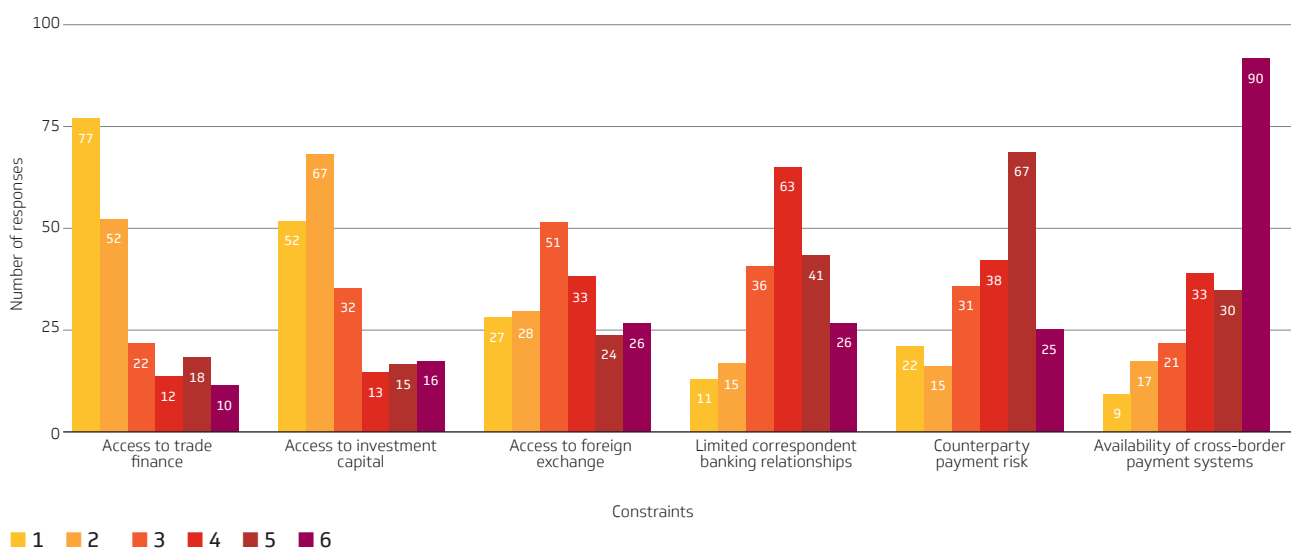
The survey results indicate that there are a wide range of constraints facing African companies when trading within their respective regions. Roughly half of all survey participants mentioned the same three constraints: transit and customs issues related to cross-border trade; tariffs; and security and safety, but the results demonstrate that easing trade on the continent is not simply a matter of addressing two or three factors.

However, many of the impediments cited relate to the restrictions to cross-border trade that the AfCFTA is seeking to overcome. Apart from the obvious tariffs, transit and customs issues, respondents also mentioned transparency in rules and regulations, customs delays, and non-tariff barriers. The lack of transport infrastructure and services and political stability also came to the fore again.

# Inhibiting factors - policy environment, customs issues, access to trade finance - prevent businesses from growing and trading regionally (2/2)

## Financial constraints to intra-regional trade

What are the main financial constraints your business faces within the region? (1= most important, 6= least important)



More specifically, respondents were asked to rank the main financial constraints that their businesses face within their respective regions. A majority of respondents considered access to trade finance and access to investment capital as the two biggest constraints to regional trade. Securing finance was repeatedly rated as one of the main obstacles to business growth and higher trade volumes in our survey questions.

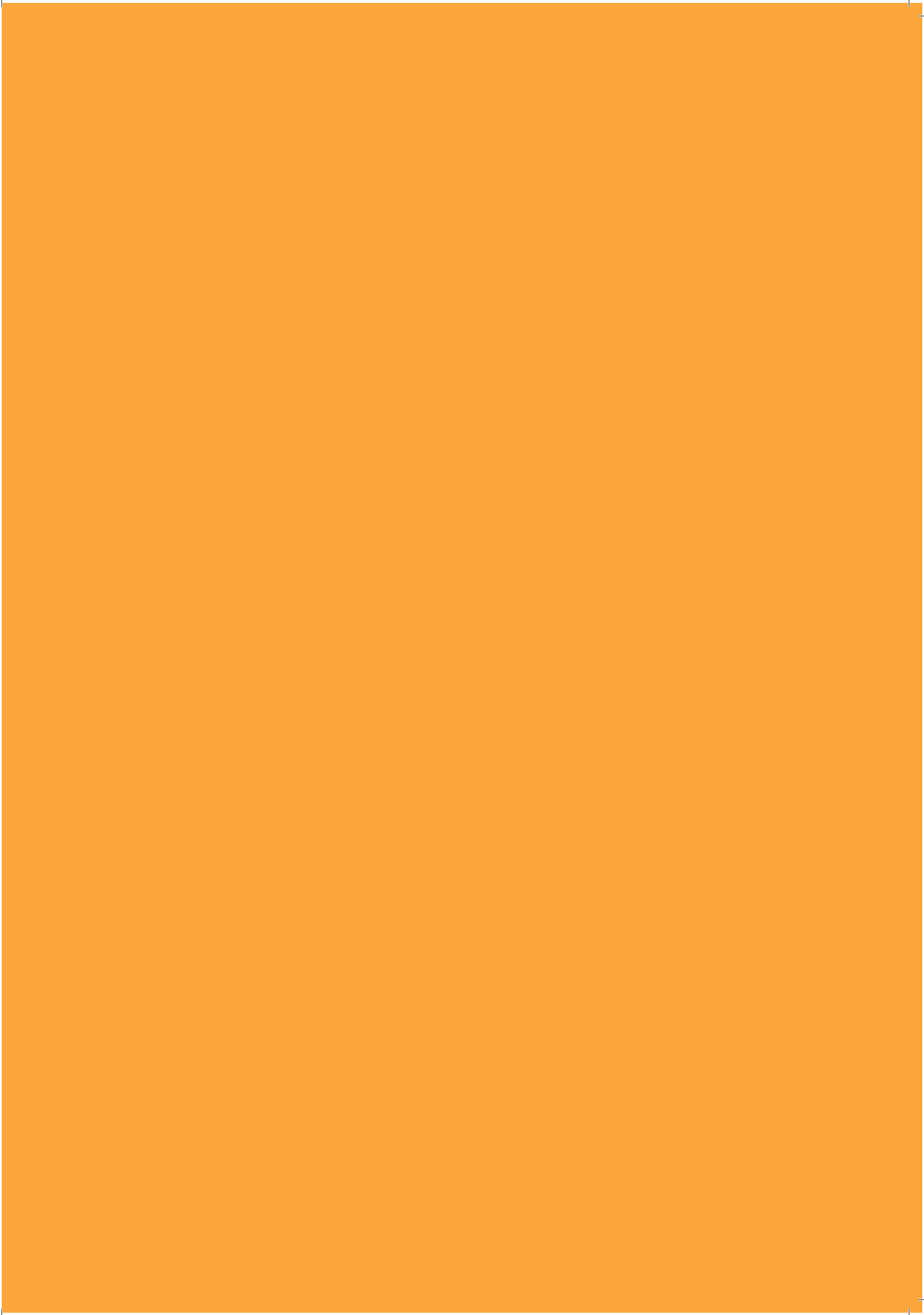
A great deal of attention is paid to the digitisation of cross-border payments and the creation of new payment platforms as potential drivers of greater intra-African trade. Yet respondents actually ranked the availability of cross-border payment systems as the least important inhibiting factor. This may not indicate that such systems are unimportant but rather suggest that SMEs are not exposed to or not utilizing such systems.



# Policy Interventions Needed Going Forward

### **Policy recommendations**

- Availing trade intelligence, and trade and market information and capacity building to identify markets for their products and services under the AfCFTA
- Investments in trade-enabling infrastructure and building export logistics by facilitating linkages through the value chains from producers to large exporters
- Building SME capacity to comply with quality standards, packaging requirements and customs procedures
- Assistance and capacity building to formulate long-term business plans that include product upgrades, innovation and diversification
- Facilitate access to credit and long-term financing mechanisms.



# THE PAN-AFRICAN PRIVATE SECTOR TRADE AND INVESTMENT COMMITTEE (PAFTRAC)

PAFTRAC unites African leaders from the private sector and provides a unique advocacy platform bringing together the African private sector and African policymakers to support extra and intra-African trade, investment and pan-African enterprise.

The platform drives pan-African results by providing a framework for private sector engagement in trade and investment issues in Africa, including policy formulation and trade negotiations to support African economies in line with the ambitions of Agenda 2063: “The Africa We Want”.

PAFTRAC enhances advocacy and supports policy actions and recommendations of the private sector on trade; and investment issues at the national, trade corridor, regional and multilateral levels.

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