

# What the future holds for businesses in Africa - 2021 and beyond

In a context where African countries are preparing to make the continental free trade area effective, to what extent could rapid implementation, supported by trade facilitation reforms, play a key role in mitigating the severe economic consequences of Covid-19?



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Africa is most vulnerable to infectious diseases and digital inequality according to the latest risks report from the World Economic Forum (WEF) and Mercer, part of Marsh & McLennan. This results in employment and livelihood crises, youth disillusionment and economic stagnation. The Covid-19 pandemic has worsened this impact, particularly on poor and vulnerable people.

"Sub-Saharan Africa's economic recovery lags global growth due to slow Covid-19 vaccinations," says Isaah Mhlanga, executive chief economist at Alexander Forbes.

Already the International Monetary Fund (IMF) says beyond the direct dramatic human consequences, the Covid-19 crisis will have a long-term, strong adverse impact on Africa as it severely hits its economies.

## Importance of the continental free trade area

Mhlanga says the continental free trade area could play a key role in mitigating the severe economic consequences of Covid-19 with positive impact on many sectors, economic growth, and economic gains.

"Business and consumer sentiment has been boosted in countries which have made major progress in the Covid-19 vaccine roll-out. This should give impetus for Africa to step up efforts to vaccinate up to 60% of the population by the end of next year, to ensure that the continent achieves herd immunity against the virus," he says.

"Employers will be expected to brief employees about the vaccine in general and advise on the process of taking the vaccine. Current efforts are geared towards keeping employees safe until they get vaccinated. The vaccine is not mandatory and therefore in line with government strategy employers are not mandating the vaccines. However, there are ongoing discussions among organisations based on certain job requirements which may require employees to be vaccinated to travel, as an example," says Risha Isaac, health and benefits consultant at Mercer.

The Mercer survey conducted at the end of 2020 found that 64% of companies anticipate significant change in their health and benefits strategy as a response to the Covid-19 outbreak and 70% of companies reported that they have implemented psychological counselling for employees to help them with stress and anxiety.

"If 2020 is anything to go by it has proven the importance of health insurance coverage. Ensuring employees have access to the right level of care even at the most uncertain times is of high importance and employers have a significant role to play in the vaccine rollout," Isaac says.

## **Covid-19 vaccination rollouts**

Nigeria, Kenya and South Africa plan to vaccinate between 60% and 70% of the population by the end of 2022 against Covid-19. Isaac observes all three countries are following a similar phased roll-out, starting with healthcare workers, essential workers, elderly people, those with co-morbidities, and then the rest of the population. All procurements are being made through governments now and are to be distributed freely.

## **Key components that impact the future for business in Africa**

### **1. Mobile communication**

Africa is not well positioned to work from home, which is problematic as the world of work is changing and employees are expected to work remotely. In Africa, just 28% of the people in urban areas have internet access and only 17 % have access to computer – significantly lower than the global average.

However, Africa shows potential within the mobile sector as 77 % of Africa's population have access to mobile technology. This is a lag relative to the rest of the world, but Africa is making significant strides in increasing coverage across the continent. According to the International Telecommunications Union (ITU), Africa achieved 21% growth in 4G rollout in 2020.

### **2. Health and economic impact**

The pandemic had a significant impact from a health and economic perspective on Africa. Africa's real growth rate contracted at 2.1% last year and is expected to recover this year to about 3.4%. Africa's health infrastructure is inadequate. The pandemic resulted in over 90% of African countries experiencing disruption in their health services. This created a secondary health crisis as routine medicine and health services were missed or deferred.

### **3. Employment**

Employment losses were high among vulnerable groups as 90% of Africans are informal workers. Last year roughly a third of working-aged adults stopped working during the pandemic. Covid-19 impacted certain industries positively such as internet-based life science, consumer goods and technology industries as they are adaptive by nature.

However, traditional industries such as hospitality, construction, education and energy were negatively affected. The African Development Bank announced that 30 million people moved below the poverty line in 2020 and expect this to increase to 39 million in 2021.

#### **4. Education and learning setback**

On average, schools in Africa were closed for 100 to 200 days, as lack of access to the internet and computers made remote learning impossible. So essentially Africa lost a year of schooling and learning.<>

“Multinationals in Africa have shifted to a more deliberate focus on employees, looking after employees, keeping employees safe, and protecting and providing for them to ensure that the benefits they offer employees cover pandemics and the anticipated secondary health crisis that will come because of the deferred treatment,” says Craig Bentley, executive, multinational consulting at Alexander Forbes.

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