



**ECONOMIST
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**Untapped opportunity:
Deepening trade and investment
between sub-Saharan Africa and
the GCC**

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About this report

Untapped opportunity: Deepening trade and investment between sub-Saharan Africa and the GCC is an Economist Impact report, sponsored by Dubai Chamber of Commerce and Industry. The report examines the business environment in sub-Saharan Africa and opportunities for greater economic co-operation with the Gulf Co-operation Council (GCC)¹ countries in a post-pandemic era.

The report is based on a survey of 200 senior executives in sub-Saharan Africa,² conducted between May and July 2021. Respondents were drawn from a range of sectors: around 15% each from agriculture and food, financial services and fintech, transport and logistics, retail and e-commerce, healthcare, industry and energy, and professional services and marketing. The survey focused on how businesses performed during the pandemic, their responses to challenges, the post-pandemic business outlook and drivers of engagement with different regions within the Middle East (including the GCC), Africa and South-East Asia .

As part of the research, in July and August 2021 we also conducted a series of in-depth interviews with senior executives from sub-Saharan Africa and the GCC. Our thanks are due to the following (listed alphabetically) for their time and insight:

- **Suhail Al Banna**, CEO and managing director of Middle East and Africa, DP World
- **David Hadley**, CEO, Mediclinic
- **Zianah Muddu**, general secretary, executive board, Africa Fintech Network
- **Osazuwa Osayi**, CEO, Farmforte
- **Roberto Vigotti**, secretary general, RES4Africa
- **Phyllis Wakiaga**, CEO, Kenya Association of Manufacturers

¹ The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

² This report is the first in a three-part series. The other two reports will focus on the Association of South-East Asian Nations (ASEAN) region and Latin America. An identical survey was conducted across sub-Saharan Africa, ASEAN and Latin America, with 200 respondents in each region.

Executive summary

Sentiment on the economic promise of Africa seems to ebb and flow. African economic growth has been anaemic over the past decade, and the continent continues to grapple with fundamental challenges around improving transport infrastructure and electrification. Since the start of the covid-19 pandemic, some of these development priorities have been pushed further down the agenda.

The continent's governments must recognise that addressing these challenges will be pivotal in realising Africa's potential. But to achieve these goals with limited resources, African governments must cultivate relationships with other regions, not just as potential investors in African businesses and infrastructure but also as markets for their products and services.

This report, following on from a series of reports prepared by Economist Impact over the past seven years, examines the potential for Africa to deepen ties with the Gulf Cooperation Council (GCC) countries, in the context of sectors currently poised for growth as well as those that are greatly in need of external support.

The key findings of this report are:

- **Africa must get the basics—including regulation and infrastructure—in place to spur growth in key sectors.** 'Burdensome regulation and bureaucracy' was the top impediment to business growth in our survey, cited by 59% of respondents. In addition, addressing the continent's transport, electricity and digital-infrastructure deficits will be critical in delivering growth in key sectors. Executives in financial services and fintech (90%), healthcare (89%), agriculture and food (87%) and retail and e-commerce (74%) are expecting revenue to expand in 2022.
- **The digital economy will be an essential component of African growth.** In 2022, 35% of respondents to our survey are expecting online channels to generate the bulk of their revenue, compared with 22% in 2019. All the sectors poised for expansion in 2022 have strong digital delivery links—from fintech to telehealth, and from digital platforms for farmers to e-commerce for broader retail. There are some lessons that Africa could learn from regions such as the GCC, which have led strong digital transformation programmes domestically.
- **The GCC region can support Africa in addressing critical infrastructure deficits.** GCC-based companies such as DP World and ACWA Power are making progress on transport and energy infrastructure in Africa. Etisalat is operating on the continent, expanding their telecommunications infrastructure, which is vital in enabling e-commerce, fintech and education, among other sectors, to thrive.
- **African businesses can help the GCC's strategic initiatives too.** Healthcare companies such as Mediclinic have been operating in the UAE since 2007, helping to expand services in this vital sector. Meanwhile, efforts to efficiently deliver agricultural products from Africa to the GCC can help with the latter region's food security.

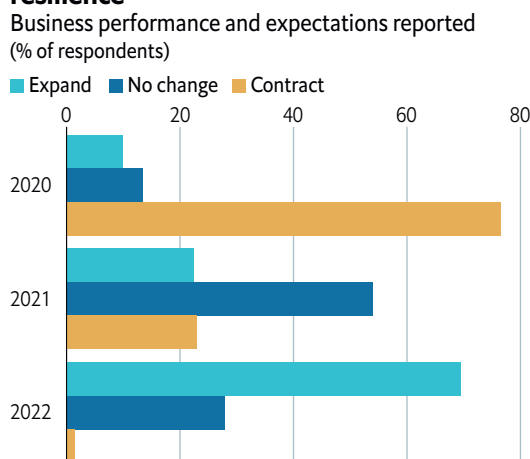
Introduction

Amid an already challenging economic environment in sub-Saharan Africa, the covid-19 pandemic has been crippling. According to estimates from Economist Intelligence, the region’s real GDP fell by 3% in 2020, and the return to pre-pandemic levels of GDP is expected to take until 2022. As in the rest of the world, trade activity collapsed in 2020 compared with the previous year: As a whole, Africa’s exports fell from US\$477bn in 2019 to US\$371bn in 2020.³

Between May and August 2021, the continent was grappling with its third and possibly its most severe wave of covid-19 cases. Sub-Saharan Africa saw 140,000 new cases per week at the peak in July, compared with around 90,000 and 130,000 new cases per week respectively in the first and second waves in July 2020 and January 2021.⁴ Assessing the true extent of the pandemic has been one of the biggest challenges facing policymakers, due to poor data availability on cases and related deaths. Testing capacity in the region has been limited, and all but five countries lack a compulsory death-registration system.^{5,6}

Yet despite the bleak economic picture, executives on the continent remain confident in Africa’s resilience. In a survey of 200 senior executives from small, medium-sized and large enterprises in sub-Saharan Africa conducted by Economist Impact between May and July 2021, while only 10% of respondents reported an expansion in annual revenue in 2020, 23% expect revenue growth in 2021 and 70% expect growth in 2022.

Figure 1: Executives are confident in Africa’s resilience



Source: Economist Impact survey.

Respondents say that effective management of the covid-19 pandemic in key markets (within and beyond Africa) will be the primary driver for business growth. Since the start of the pandemic in 2020, supply-chain disruptions arising from lockdowns and a fall in demand for products and services have been among the top two challenges facing businesses, cited by 48% and 43% of respondents respectively.

As a consequence, the strength of the economic recovery will be heavily reliant on a rapid roll-out of vaccines but there is little reason for optimism on this front. Vaccination rates remain low in Africa, with fewer than 1% of adults fully vaccinated as of June 2021—the slowest roll-out in the world. The World Bank estimates that governments in sub-Saharan Africa will need at least US\$12.5bn

³ ITC Trade Map.

⁴ <https://reliefweb.int/topics/covid-19-sub-saharan-africa>

⁵ <https://www.frontiersin.org/articles/10.3389/fpubh.2021.613484/full>

⁶ <https://www.bbc.co.uk/news/world-africa-55674139>

to vaccinate 70% of their populations by 2022.⁷ This would represent a 150% increase in African governments' health expenditure, and is unlikely to happen without international support.

However, total foreign direct investment flows into sub-Saharan Africa fell by 74% year on year in 2020.⁸ To attract further investment, governments and businesses on the African continent will have to cultivate deep relationships with other regions, not just for investment but also as markets for their products, suppliers of critical raw materials

and knowledge partners in implementing industry best practice.

One region that Africa has been strengthening ties with is the Gulf Co-operation Council (GCC) bloc of six countries.⁹ Trade with the GCC accounted for about 8% of Africa's imports and 5% of its exports in 2019.¹⁰ In this report, we examine the nature of the trade and investment relationship between the two regions, focusing on areas with potential for closer collaboration in the context of growth sectors in sub-Saharan Africa.

⁷ <https://blogs.imf.org/2021/06/28/sub-saharan-africa-we-need-to-act-now/>

⁸ fDI Intelligence.

⁹ The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

¹⁰ ITC Trade Map.

Chapter 1: Vital sectors for African growth

Perhaps one of the most interesting trends during the covid-19 pandemic has been its uneven impact on different sectors. Unsurprisingly, among the sectors covered in our survey healthcare was the best-performing industry. Healthcare had the largest share of executives (18%) reporting an expansion in revenue in 2020, while 50% reported no change. By comparison, on average in sub-Saharan Africa only 10% reported an expansion and 14% reported no change. Healthcare executives expect to see an expansion of revenue in 2021.

Ninety percent of respondents each in the transport and logistics sector and in industry and energy reported a contraction in revenue in 2020, making these the worst-performing sectors in our survey. They will continue to struggle in 2021, with 40% of respondents in transport and logistics and 50% in industry and energy expecting a contraction.

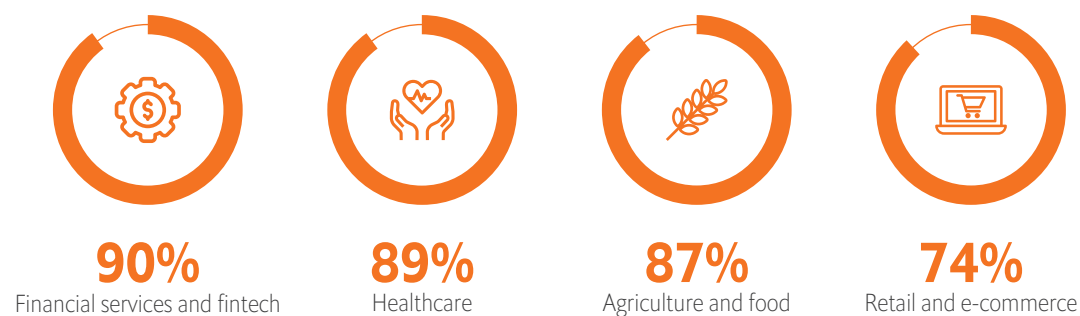
Looking to next year, there are a number of sectors that are poised for growth. Executives from financial services and fintech (90%), healthcare (89%), agriculture and food (87%) and retail and e-commerce (74%) are expecting revenue to expand in 2022. In this chapter, we take a closer look at the four sectors.

Fintech

“The pandemic has accelerated the use of fintech innovations across Africa,” says Zianah Muddu, general secretary of the executive board the African Fintech Network (AFN), a pan-African association tasked with sharing best practice in the sector. Consumers concerned about covid-19 spreading through the use of cash switched to digital or contactless modes of payment. The digitalisation of services—from e-commerce to telehealth—further supported the need for digital financial transactions during the pandemic, which boosted the sector.

Sectors poised for growth in sub-Saharan Africa

Percentage of executives surveyed expecting revenue to expand in 2022



Funding for fintech firms in Africa increased from US\$107m in 2019 to US\$160m in 2020. Then in the first six months of 2021 the sector received more than twice as much funding as in the whole of 2020, at an estimated US\$330m.¹¹

However the regional concentration of this funding has been high. More than half of the investment since 2015 has been directed to Nigeria (home to Interswitch, Flutterwave and Paystack), while about a quarter has gone to South Africa and about a tenth to Kenya. Other smaller fintech markets in Africa, including Senegal, Botswana, Sudan and Uganda, also deserve equal amounts of investment opportunities, says Ms Muddu. A US- and Senegal-based mobile money fintech, Wave, raised US\$200m in September and is being dubbed Francophone Africa's first unicorn. The challenge here has been that "to attract foreign investments, mostly, the company needs to be at a certain growth stage before investors begin to see or consider it," she explains.

Within the broader financial services industry, there is scope for growth through equitable

partnerships with industry leaders, including African banks such as Standard Bank of South Africa and Zenith Bank of Nigeria. But with the type of collaboration that exists today, banks tend to have the upper hand, so "equally beneficial terms are key to driving partnerships and collaborations between banks and fintechs," says Ms Muddu.

Fintech can be a strategic sector for many countries in Africa if governments allow it to flourish, helping countries to achieve not just their economic development goals but also social goals such as financial inclusion.

Healthcare

The covid-19 pandemic revealed the cracks in Africa's healthcare system, including insufficient medical staff and poor management of resources. Insufficient testing capacity and the lack of death registries in many countries have led to poor assessment of the pandemic's impact, undermining the ability of governments to craft an effective policy response.



¹¹ <https://qz.com/africa/2029505/everything-you-need-to-know-about-fintech-financing-in-africa/>

But with renewed attention, the sector is reforming. “What the pandemic has reminded us of, is the importance of healthcare,” says David Hadley, CEO of Mediclinic Middle East, a hospital group headquartered in South Africa. “People perhaps took it for granted in the past, but they are no longer doing so.”

The adoption of advanced technologies—such as telehealth for remote diagnosis and automation to improve processing capabilities—was the most effective strategy adopted by the sector during the pandemic, cited by 71% of the sector’s respondents to our survey. Telehealth uptake has been slower in sub-Saharan Africa than in other parts of the world as equipment can be expensive for developing countries in Africa, but some countries, such as South Africa, are developing their own technologies, says Mr Hadley. Accelerated digital transformation will also drive future growth in the sector, according to our survey respondents.

Agriculture and food

Investors find the agriculture and food sector appealing not just because of the prospects for exports, but also because of strong domestic consumption. “In Nigeria, I think about 70% of household consumption is on food, but Nigeria is not producing enough,” says Osazuwa Osayi, CEO of Farmforte, an agricultural company headquartered in Lagos and sourcing from South Africa, Kenya, Egypt and Guinea-Bissau, among other countries.

Agriculture is integral to the sub-Saharan economy, with the leading countries in this area being Côte d’Ivoire, Kenya, Ghana,

Nigeria, Ethiopia and Tanzania.¹² But the sector has been plagued with productivity challenges for decades. More than 75% of farmers in the region rely primarily on hand tools, instead of machinery such as tractors.¹³

Weak infrastructure is the biggest impediment to future growth, say 40% of survey respondents in the sector. “Broken links in the chain seriously undermine all the efforts that have been put into the sector,” says Mr Osayi. Farmforte has focused on driving efficiencies in the value chain, reducing post-harvest loss from an average of about 50% in the sector to about 5-10%, he says. “If you manage the value chain properly, you can make the same in terms of margin that you would selling on the international market.”

With implementation of the African Continental Free Trade Area (AfCFTA) under way, there is potential for greater intra-African agricultural trade in the coming years and decades. There may be no greater manifestation of “For Africa, by Africa” than in agriculture.

Retail and e-commerce

Although in-store footfall declined sharply worldwide amid pandemic-induced lockdowns, consumers around the globe turned to online channels for shopping. Africa was no different. The leading e-commerce platform in the region, Jumia, reported a 38% year-on-year increase in profits in the second quarter of 2020 following a jump in online transactions.¹⁴ In sub-Saharan Africa, Nigeria, South Africa and Kenya are at the forefront of the e-commerce sector.

¹² <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/132819>

¹³ <http://www.fao.org/news/podcast/sustainable-mechanization-africa/en/>

¹⁴ <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001756708/4875d9cc-e21d-4a0b-b5a7-5d134c3cd13d.pdf>

Accelerated adoption of digital technologies will be the main driver of growth in the sector, cited by 52% of survey respondents in retail and e-commerce. This will be on the back of higher internet penetration rates, wider uptake of smartphones and greater acceptance of digital payments expected in the future.

Meanwhile, burdensome business regulation and bureaucracy was cited by almost two thirds (61%) as the main impediment to growth. The easing of restrictions resulting from the implementation of AfCFTA promises to spur growth in the sector, as industry players access more markets and trade goods more easily within the free-trade area.

The business trilemma

To realise growth expectations in all these sectors, the issues of regulation, funding and infrastructure need to be addressed. These are the top three challenges impeding business growth, according to survey respondents.

Burdensome regulation and bureaucracy was considered the top impediment to growth, cited by 59% of executives surveyed in sub-Saharan Africa. This was of greatest concern in healthcare (77%), professional services and marketing (67%) and financial services and fintech (63%). In rapidly evolving sectors such as fintech, regulations are often lacking or lag behind technological development, which stifles further growth.

Limited access to funding is a universal issue, especially for startups and small and medium-sized businesses, and was cited by over a quarter of respondents (27%) as a top impediment to growth. Even in sectors that have received a great deal of attention from investors, such as fintech, overall investment falls short. “In Africa, we’ve had good investments in fintechs in recent years, but it still cannot be compared with other regions in the rest of the world,” says Ms. Muddu.

Mandates for local content—such as requirements to procure equipment or raise funds locally, and limits on foreign



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Zianah Muddu, general secretary, executive board,
African Fintech Network

ownership—can also deter investors. According to Roberto Vigotti, secretary general of RES4Africa, a foundation supporting a just energy transition in Africa, “some people think of local content as a tax”. Joint ventures, which allow industrial multinationals to set up manufacturing facilities in-country while also creating local jobs, offer more favourable terms to international investors, he says.

Experts we interviewed are confident of the opportunities available to investors. Phyllis Wakiaga, CEO of the Kenya Association of Manufacturers, says that they have identified 76 opportunities for investment in the country. These include production and processing of medical equipment, new technology, food, leather and packaging materials.

Beyond regulation and funding, there are three critical **infrastructure deficits** in Africa: **transport, electricity** and **digital**. A lack of high-quality transport and energy infrastructure has been a perennial problem on the African continent. Weak transport links impede the movement of goods—resulting in losses especially for businesses selling perishable food items—and limit further growth in key sectors such as e-commerce, agriculture and manufacturing. In addition to other impacts, limited availability of electricity will also hold back the continent’s digital transformation, slowing growth in fintech, education and agriculture, among other sectors.

By 2025 an estimated US\$35bn-47bn will be required annually to improve transport

infrastructure in Africa. Another US\$35bn-50bn a year will be needed to enable the region to achieve its target of 100% urban electrification and 95% rural electrification by 2025.¹⁵ Renewable energy can play a vital role in powering the continent. “Africa has the potential to leapfrog to clean energy and reap benefits such as lower emissions and less air pollution, cheaper electricity, as well as opportunities for increasing access to electricity, with more jobs generated,” states Mr Vigotti.

Sub-Saharan Africa’s digital infrastructure deficit arises from challenges with expanding telecommunications infrastructure, including the high cost of laying fibre cables and linking to satellites.¹⁶ But enabling digital transformation can help numerous sectors thrive: according to our survey respondents, it will be the top driver of growth in healthcare (64%), financial services and fintech (63%) and retail and e-commerce (52%).

This will be even more critical given that businesses are increasingly relying on online channels to reach consumers and deliver services. Online revenue has increased substantially during the pandemic: 38% of respondents to our survey generated the bulk of their revenue from online channels in 2020-21, compared with only 22% in 2019. This trend is expected to stick: 35% of respondents expect online channels to generate over half of their revenue in 2022.

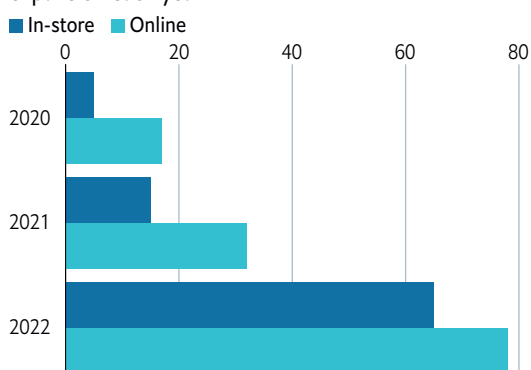
Importantly, companies that are generating revenue online are more optimistic about their business outlook (see Figure 2). Seventy-

¹⁵ https://www.icafrica.org/fileadmin/documents/Knowledge/GENERAL_INFRA/AfricanEconomicOutlook2018.pdf

¹⁶ <https://www.atlanticcouncil.org/blogs/africasource/the-digital-infrastructure-imperative-in-african-markets/>

Figure 2: Businesses generating more than half of their revenue online are reporting better business performance

Percentage of respondents reporting or expecting an expansion each year



Source: Economist Impact survey.

eight percent of executives whose businesses generate the bulk of their revenue online expect an expansion in 2022, compared with 65% of those whose companies generate the bulk of their revenue in-store.

The regulatory, funding and infrastructure challenges facing Africa are too fundamental to ignore. A concerted effort by governments in sub-Saharan Africa, perhaps using the



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Phyllis Wakiaga,
CEO, Kenya Association of Manufacturers

platform of AfCFTA for co-operation, will be required. “The continent needs to utilise the AfCFTA to take advantage of emerging opportunities and nurture nascent sectors of our economy,” says Ms Wakiaga.

But equally important will be external partnerships with regions that can offer not just investment and knowledge transfers but also markets for African products. We explore the potential of the Gulf Co-operation Council (GCC) market to support African growth in the upcoming sections of this report.

Chapter 2: The foundation for business between Africa and the GCC

Businesses in sub-Saharan Africa rely on the Gulf Co-operation Council (GCC) region primarily for knowledge transfers and investment, according to our survey respondents. But with less than 5% of them currently having links with the GCC, there is great potential for further engagement. There is scope for *deepening* the relationship in terms of knowledge-sharing and investment in growth sectors, but also for *widening* the relationship: creating a market for African products and obtaining supplies of critical raw materials that are required on the continent.

The trade relationship reflects this untapped potential, with each region relying on the other mainly for its staple products.¹⁷ Oil and petrochemical products (mainly polymers for plastic manufacturing) are the top GCC exports to Africa: they accounted for 24% and 16% of exports respectively in the five-year

period from 2016 to 2020, sourced primarily from the UAE and, to a lesser extent, Saudi Arabia. Gold and diamonds dominate the GCC's imports from Africa, making up 62% of the total in the same period. In addition, the GCC imports copper (8% of total imports from Africa in 2016-20) as well as fruits and nuts (4%).

Even before the covid-19 pandemic, exports from the GCC to Africa were waning, decreasing by 7% between 2018 and 2019. However, the GCC's imports from the continent strengthened in the same period, rising by 18%.

The pandemic led to a collapse in both exports and imports in 2020, by 5% and 6% respectively, induced by a fall in consumer and business demand. The GCC reduced imports of gold and diamonds from Africa by about two-thirds, while exports of oil fell by 27%.

Trade statistics 2016-2020 (% of total)

Top exports from GCC to Africa:

Top imports into GCC from Africa:



24%
Oil



16%
Petrochemical products



62%
Gold and diamonds



8%
Copper

¹⁷ ITC Trade Map

There is greater sectoral diversity in the investment relationship between the two regions. Businesses in the GCC invested more than US\$1.2bn in sub-Saharan Africa between January 2016 and July 2021, targeting sectors such as transport and logistics, food and beverages, financial services, and hospitality.¹⁸ The great bulk of this finance (88%) came from the UAE, followed by 11% from Saudi Arabia and just 1% from Qatar. The limited investment from sub-Saharan Africa into the GCC was directed mainly into information technology and financial services.¹⁹

In the rest of this chapter, we explore how businesses in each region are engaging with the other region, in many instances addressing strategic needs.

GCC presence in sub-Saharan Africa

The GCC's presence in sub-Saharan Africa is most evident in the logistics and infrastructure space. Since 1999, DP World, a Dubai-based port operator and logistics company, has invested in the region and is operating ports and logistics centres across Mozambique, Djibouti, Senegal and Rwanda, among other countries. In 2019 a UAE-based retail supermarket chain, Lulu Group, discussed plans to set up a logistics facility in Nigeria to secure its supply of agricultural products to its operations in the Middle East and build off existing relationships in the region with South Africa and Egypt.²⁰

Investments such as these are providing Africa with much-needed infrastructure, helping to reduce the cost of transportation and create

new corridors for trade, according to Suhail Al Banna, CEO and managing director of Middle East and Africa at DP World. Importantly, such investments enable trade not just with the GCC but with other regions around the world. "Before, Senegal was not exporting agricultural products [as much], but now we see that there are more initiatives to grow products and export them, especially to Europe." He observes similar benefits for tea and coffee exports in Rwanda. Additionally, in the country's capital, Kigali, a fast-food company, Kentucky Fried Chicken, has opened its first outlet thanks to access to new cold-storage facilities, says Mr Al Banna.

GCC companies are also making inroads in renewable energy. Saudi-headquartered ACWA Power has three facilities in South Africa and Ethiopia, which together have a capacity of 275 MW. Some GCC-based firms have lower capital costs as they receive more government support, which allows them to offer more competitive rates to offtakers in Africa, says Mr Vigotti of RES4Africa.

To support the burgeoning e-commerce sector and help to accelerate Africa's digital transformation, UAE-based Etisalat, a telecommunications company, has established operations in ten sub-Saharan African countries. Retail and e-commerce executives in our survey were among the most engaged with the GCC in terms of securing investments. Private-equity and venture-capital firms in the GCC such as DiGame, VentureSouq and Nuwa Capital are actively investing in sectors such as fintech, education and ride-hailing. For instance, GetSmarter,

¹⁸ fDi Intelligence

¹⁹ fDi Intelligence

²⁰ <https://www.logisticsmiddleeast.com/supply-chain/32479-uae-retailer-lulu-group-to-establish-nigerian-logistics-hub-for-gcc-export>

a South African edtech company, has been a part of DiGame's investment portfolio since 2016,²¹ while Nala, a Tanzanian fintech, and Wallet, a Nigerian fintech, secured funding from VentureSouq in 2019 and 2020 respectively.^{22, 23}

Beyond logistics and infrastructure, GCC companies are finding footholds in other growth sectors. In 2014 Dubai Islamic Bank (DIB) set up operations in Kenya, which has a thriving financial services sector. DIB Kenya relies on the parent company's expertise in establishing Islamic finance operations to serve the needs of Kenya's 52m Muslims.²⁴

These relationships in Africa are not without their challenges; for instance, DP World is currently embroiled in a legal battle with the government of Djibouti over the government's seizure of the Doraleh Container Terminal.²⁵ But done right, GCC companies' presence on the continent goes some way towards addressing Africa's infrastructure deficit, as well as assisting its progress towards critical development goals such as electrification and financial inclusion.

Sub-Saharan African presence in the GCC

Among the executives surveyed, those who were most engaged in the GCC market were those in the industrial and agricultural sectors. The trade data reviewed at the start of this chapter provide evidence of commodities

exported from Africa. Expansion of agricultural companies into the GCC is still at a nascent stage, but there are some interesting examples.

Farmcrowdy, a Nigerian agritech company, is entering the UAE market, providing a digital platform linking farmers in Africa with buyers in the UAE. Nigerian food company, Farmforte, has sold to the UAE and Saudi markets but now has plans to establish a food-processing facility in a GCC country (from which it can then distribute to other markets in the region).

"Africa's opportunity to play on the global stage lies in agriculture," says Farmforte's CEO, Osazuwa Osayi. "So there is a huge opportunity for businesses out here on the continent to promote what they do to the GCC markets." Given that there is only limited agricultural production in the GCC, the ground is fertile for food companies to expand in the region, thereby helping the GCC to progress towards its strategic objective of improving food security. In 2020, just 7% of the GCC's food and agricultural imports came from Africa.

Another vital sector with an African presence is healthcare. A South African healthcare multinational, Mediclinic, commenced operations in the UAE in 2007. In addition to the need for more healthcare services in that country at the time, access to free zones made the investment viable. "Initially when we got that comfort that we could own our assets and we

²¹ <https://www.forbes.com/sites/carolinehoward/2017/05/02/edtech-giant-2u-acquires-getsarter-for-103-million/?sh=48d761882bf7>

²² <https://www.wamda.com/2020/07/venturesouq-invests-nigerias-wallets-africa>

²³ <https://startuplist.africa/nala>

²⁴ http://globalreligiousfutures.org/explorer#/?subtopic=15&chartType=map&year=2020&data_type=number&religious_affiliation=all&destination=to&countries=Worldwide&age_group=all&gender=all&pdfMode=false

²⁵ <https://www.reuters.com/world/middle-east/dp-world-says-wins-ruling-against-djiboutis-port-company-2021-07-12/>



“

Africa's opportunity to play on the global stage lies in agriculture. So there is a huge opportunity for businesses out here on the continent to promote what they do to the GCC markets.

Osazuwa Osayi, CEO, Farmforte

had the regulations to support our investment, it gave us the comfort to invest our money here,” says Mediclinic’s CEO, David Hadley.

Mediclinic has recently broken ground on a new hospital in Saudi Arabia. “Although the Saudi market is saturated—there are a lot of excellent government and private providers—there is a lot of opportunity there because of the sheer scale of it,” says Mr Hadley, referring to Saudi’s population of 34m people. Mediclinic is adapting its strategy in each market, observes Mr Hadley, but “there are synergies within the region and across the group: we can share resources, we can procure together, the cultures are similar and the disease profile is similar, so the type of clinical offerings that we would offer would be very similar [within the region]”.

Although such projects are limited in number, the experiences of these companies are indicative of the potential for further expansion of African businesses into the GCC.

It appears that Africa has a role to play in the GCC’s strategic development too.

The road ahead

In our survey, among those executives who were engaged in the GCC,²⁶ close to 30% reported that their companies had decreased their level of interaction during the pandemic, while 57% said they had maintained their level of engagement. Once the pandemic ends, 57% plan to increase their level of engagement with the bloc, while 36% plan to maintain their current level of involvement. None of the respondents plan to decrease their level of engagement.

Combined, this is a strong indicator of continued African interest in the GCC region. In this report’s conclusion, we explore areas with the strongest potential for deeper engagement.

²⁶ 85% of respondents indicated that they were not currently engaging with the GCC region.

Conclusion: Deepening ties

As we saw at the end of the previous chapter, there are strong signs from African executives that they are interested in becoming more involved with the Gulf Co-operation Council (GCC). They see the GCC not just as a supplier of petroleum products but as an investor in emerging sectors and a source of advice on improving infrastructure. Even though the GCC is considered a relatively small market, with a total population of around 60m people, African businesses recognise the potential to set up in one country and from there to serve the wider Middle East region, especially for fintech solutions, agricultural produce and even healthcare.

In our survey, African respondents cited Islamic-economy opportunities (27%), strong transport and logistics links between the two regions (19%) and access to local financing (19%) as the top reasons why they find the GCC appealing. With this in mind, business executives in both regions are planning to expand in strategic sectors.

In transport and logistics, DP World is going as far as creating economic zones in Somaliland and Senegal. “We want to create a one-stop shop so that investors can come and do business [quickly and efficiently],” says the company’s CEO and managing director of Middle East and Africa, Suhail Al Banna. DP World’s UAE-Africa Bridge initiative also enables products manufactured in the UAE—from portacabins to paint—to be easily exported to buyers in Africa.

From the African perspective, David Hadley of Mediclinic in healthcare and Osazuwa Osayi of Farmforte in the agricultural sector are looking at the GCC market as a whole and even as a platform for reaching the wider Middle East. “The link between Egypt, Saudi and the UAE will always be there,” says Mr Hadley. “And that is something that you can certainly benefit from if you have operations in those key geographies.” Others even consider the GCC as a gateway to trade with South Asia.

Figure 3: The role of the GCC in sub-Saharan Africa’s key sectors

Sector	Role of the GCC
Agriculture and food	Market, investor
Financial services and fintech	Investor, market, supplier
Transport and logistics	Investor, adviser
Retail and e-commerce (excluding food)	Investor, market
Healthcare	Market, investor, adviser
Industry and energy	Investor, adviser, market, supplier
Professional services and marketing	Investor, supplier

Source: Economist Impact



We want to create a one-stop shop so that investors can come and do business [quickly and efficiently].

Suhail Al Banna, CEO and managing director of Middle East and Africa, DP World

Working in either region does have its challenges. Executives whom we surveyed feel that a lack of treaties and trade agreements is the biggest impediment to engaging with the GCC, as cited by nearly one third (32%) of respondents. Twenty-two percent of respondents also feel that doing business in the GCC is challenging. “It’s a region that’s hard to penetrate,” explains Zianah Muddu of the

Africa Fintech Network. “If you don’t have any contacts, it’s not easy.” Mediclinic’s solution to this challenge was to partner with an established company on entering the market. “That gave us the opportunity to understand those markets and get some learnings under our belt,” says Mr Hadley.

Despite the challenges, there is consensus that the GCC will be a strategically important region for Africa. “I believe there’s strong potential for trade between countries, but I feel like not enough has been done,” says Mr Osayi. “The onus is on African companies to engage too. There’s a lot we can offer, so we must take advantage of opportunities that are presented to us.” With a strong foundation of trade agreements, a shared Islamic heritage and a hunger for innovation, deepening ties between sub-Saharan Africa and the GCC could help both regions to get closer to their long-term economic development goals.

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