



Summary Online Discussion 16.11.2020

Online discussion: Covid-19 and the economy: How is Africa getting through the crisis?

Background: Contrary to many expectations, African countries have so far succeeded in keeping the corona virus largely under control. Case numbers and mortality rates are relatively low. The *World Bank* even attests that African countries have used the crisis as an opportunity to push ahead more quickly than before with reforms and investments that are crucial for long-term development.

Nevertheless, the pandemic is also taking its toll on the African continent, in particular by damaging or calling into question the economic livelihoods of millions of people. Furthermore, this year, for the first time in 25 years, Africa is facing a recession. Concerns about a second corona wave are adding to uncertainty. Recent estimates show that COVID-19 could push up to 40 million people in sub-Saharan Africa into extreme poverty. The road to recovery will be long and will vary considerably between economies and sub-regions.

How has the economic situation developed since the beginning of the Covid crisis? What are currently the most important challenges facing German companies operating in Africa? Which measures taken by the respective governments have proved successful? Can regional trends be distinguished? And how is the economic and social situation of the population developing? What assistance from partners in Europe could support companies and the population? These and other questions on the current situation of German companies in Africa were discussed at the **Round Table on Economy (online)**, to which **Andreas Lämmel MdB** and the **German Africa Foundation** had invited.

Moderation

Heiko Schwiderowski

Member of the Executive Board
of the German Africa Foundation,
Berlin

Country reports

Frank Aletter

Deputy Managing Director, DIHK
for Southern Africa

Jens Papperitz

Managing Director, B. Braun Medical
Pty Ltd, South Africa

Michael Blank

Delegate of the German Economy
in Ghana

Jeffrey J. O. Peprah

Managing Director, VW Ghana

Daniella Pleitz

President of the German Business
Association Kenya and General
Manager of KHS East Africa

Maren Diale-Schellschmidt

Delegate of German business in
Kenya

Andreas Wenzel

Managing Director, DIHK Morocco

Highlights:

- **Negative economic impacts of the corona pandemic are more evident on the African continent than the health crisis itself.**
- **A lack of logistics and travel restrictions make the work of German companies in Africa more difficult. The tourism sector continues to be particularly hard hit.**
- **Some countries or companies are using the Covid crisis to push ahead with necessary reforms (digitalisation, anti-corruption, de-bureaucratisation) or to establish themselves as production locations in the sense of "nearshoring".**

Country Report on South Africa

Andreas Lämmel MdB and **Prof Heinz-Walter Große** first welcomed the participants before **Frank Aletter** and **Jens Papperitz** from South Africa reported: According to **Aletter**, a major investment conference is planned there in the coming days, at which President Ramaphosa intends to attract FDIs. The government is also trying to improve energy security with its recently presented *Economic Recovery Plan*. With the arrest of ANC Secretary General Ace Magashule, there is also positive news from the fight against corruption. The Corona pandemic has hit the country hard. **Jens Papperitz** reported on the expected slump in economic output between seven and ten percent. Especially the tourism and construction industries have suffered, **Papperitz** further stated. The agricultural sector, on the other hand, has so far come through the crisis reasonably well, and the mining industry is also recovering noticeably. Nonetheless, South Africa posts negative records for unemployment: An unemployment rate of up to 43% is estimated. In the medium term, **Papperitz** believes that South Africa and Southern Africa in general are well positioned for the future. FDIs and an increased transfer of knowledge from Europe remain important. Additionally, reindustrialisation could succeed – especially in South Africa. The country could position itself as a location for industrial production outside the Sino-American area of conflict. Fortunately, the strict lockdown due to corona disease did not lead to a complete breakdown of social life in South Africa. At the moment South Africa is on the lowest level of restrictions. The borders are now open for travellers again. German travellers have difficulties in obtaining test results in time, which are a prerequisite for entry into South Africa.

Country Report Ghana

Michael Blank reported from Ghana that the corona pandemic had not hit the West African countries as hard as initially feared, at least regarding the public health dimension. **Jeffrey Peprah** praised the political will of the leadership in Ghana to make Ghana a promising location for the automotive industry. However, the corona virus had hampered economic activities in Ghana and had restricted and in some cases, even brought production to a standstill. VW will continue its commitment in Ghana, however; so far this year, around 100 vehicles have been produced.

Country Report Kenya

Maren Diale-Schellschmidt reported from Kenya about a survey among the German companies represented there, according to which 30% of the entrepreneurs would assess the economic situation as "good", 40% still as "satisfactory" and only 30% as "bad". The Coronavirus had not led to an extraordinary increase in the number of deaths in Kenya, and the hospitals were not overburdened either. **Daniella Pleitz** reported that Covid-19 has triggered new, positive developments, especially regarding *Industry 4.0*. However, there was an increase in some already present issues. For example, in the logistics sector, securing supply chains has become even more difficult, and cargo flights are even more expensive. In addition, the Kenyan Shilling has lost value against the Euro. Germany's travel restrictions were met with incomprehension: Kenya has a much smaller number of cases; nevertheless, it is practically impossible to enter Germany or Europe from Kenya. When asked about the new African Free Trade Area, she replied cautiously; it has not yet been implemented in practice.

Country Report Morocco

Andreas Wenzel reported from Morocco. The corona pandemic had led to a recession of about six percent there, but German companies have so far come through the pandemic well. In total, the industry's capacity utilisation rate was about 70% compared to the previous year. The government has set up an emergency fund for companies in the framework of a *private-public partnership*. Furthermore, the remittances of the approximately six million Moroccans in the diaspora have even increased - on average they amount to 7 billion euros per year. The pandemic has also provided the government with an impetus to de-bureaucratise and digitalise the administration, which will certainly pay off in the future. Morocco is trying to present itself as an attractive production location for *nearshoring* - close to Europe and as a bridge to Africa. The diversified industry and a good infrastructure are optimal conditions for this. German companies in Morocco, **Wenzel** continued, felt Covid-19 particularly through a drop in demand as well as difficulties in securing supply chains and problems caused by travel restrictions imposed by Germany.

Nigeria, South Africa, Kenya and Morocco, governments took far-reaching measures to contain the pandemic after the first officially confirmed corona infections. These included curfews, border closures, entry bans from high-risk countries such as Germany and Italy, and domestic travel restrictions. In Nigeria, according to **Katharina Felgenhauer**, it is not allowed to leave the respective state, while in Kenya the capital Nairobi and the port city of Mombasa have been completely sealed off and only logistical activities and so-called essential services are available, as **Maren Diale-Schellschmidt** reported. South Africa, one of the most severely affected countries in Africa by the pandemic, imposed one of the strictest lockdowns worldwide. Here, even the military was deployed to enforce the containment measures. Despite the low infection rates compared to other European countries, all speakers considered the countermeasures taken necessary and praised the early intervention of the respective governments.

The panelists suspect that the low number of infected persons so far is also due to the limited testing capacities on the African continent. Even the comparatively highly developed Morocco

has only carried out 200,000 tests so far - for a total population of 35 million people, as **Andreas Wenzel** reported. **Frank Aletter**, too, assumed a very high number of unreported infections, especially in the South African townships.

Although the early intervention of states was felt to be important and right - **Frank Aletter**, for instance, praised the South African government for its quick reaction and clear communication of the measures taken at the beginning of the lockdown - the strict measures also had negative effects; in Nigeria, for example, a clear increase in crime and violence was evident. In South Africa, some prices had increased tenfold.

The economic consequences of the pandemic are serious for the African continent. Nigeria and South Africa, in particular, which are heavily dependent on oil and coal exports, are suffering massively from the fall in the prices of these raw materials. Morocco's economy, on the other hand, is profiting from the fall in oil prices, but must expect to lose several billion euros in sales, especially in the tourism sector, **Andreas Wenzel** said. However, the Moroccan food industry is benefiting from trade restrictions because important food producers in France and Spain have been shut down due to the corona pandemic. Morocco is also making a name for itself as a producer and supplier of protective masks: around 6 million protective masks are produced there every day, which are also supplied to Germany and other EU countries.

Restrictions on air and travel have led to severe restrictions on domestic trade in all countries, with long traffic jams at many borders jeopardising the supply of goods to the population - and increasing the risk of infection among waiting drivers. In East Africa, German and European funding is being used to set up mobile test stations at border crossings to counteract this risk.

Even though the full extent of the consequences of the Corona pandemic for the economy and society in Africa cannot yet be fully predicted, there is hope. The heads of the Chambers of Commerce Abroad in Nigeria, Kenya, South Africa and Morocco agreed that the sometimes dramatically negative forecasts for the African continent will not be fully realised. The German economy is not withdrawing from Africa because of the Corona crisis.